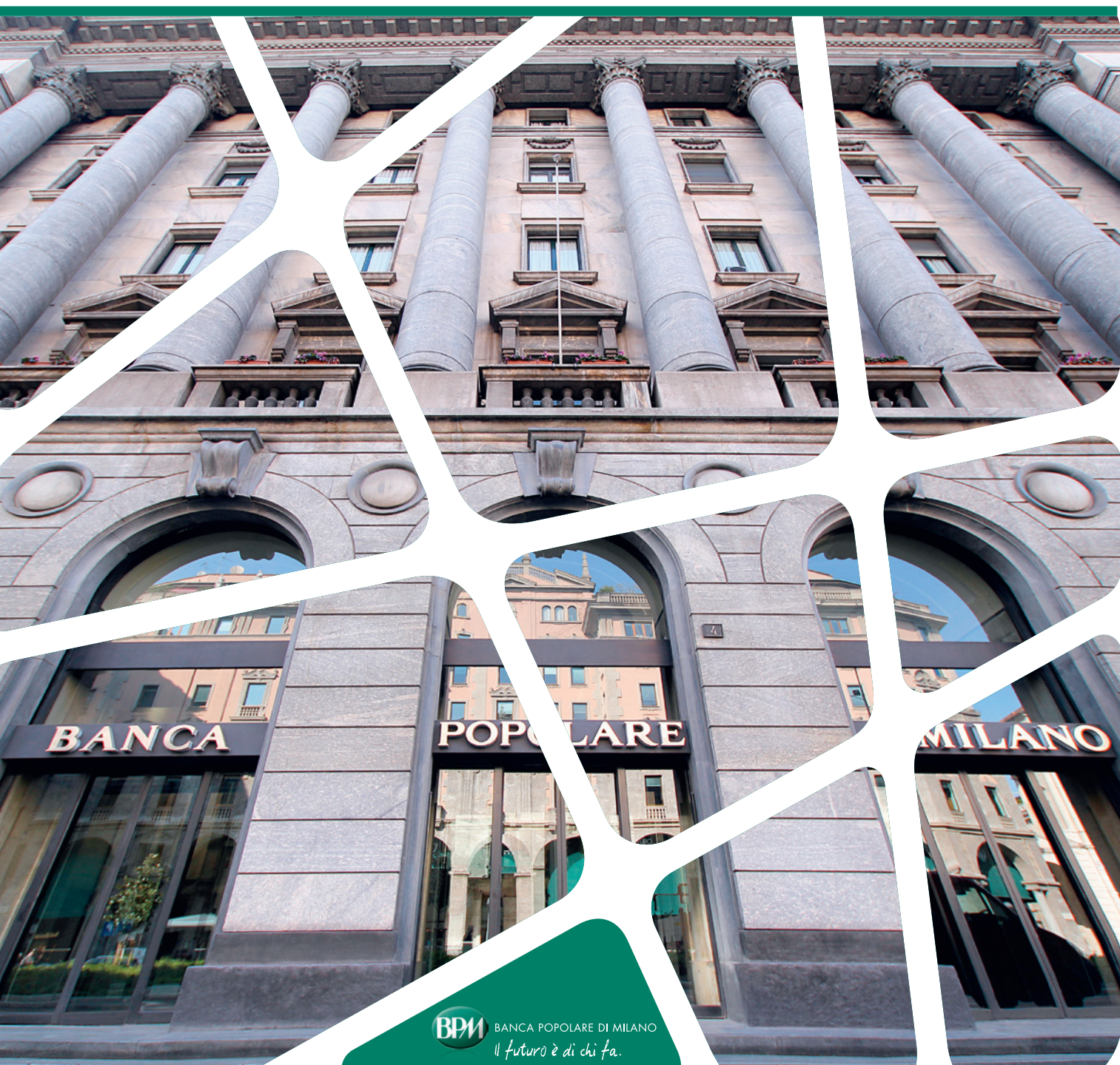


# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE 2013

Banca Popolare di Milano



BANCA POPOLARE DI MILANO  
*Il futuro è di chi fa.*



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# Report on Corporate Governance and Ownership Structure of Banca Popolare di Milano S.c. a r.l.

*(drawn up pursuant to article 123-bis, Decree 58/1998  
and the indications of the Code of Conduct for Listed Companies,  
promoted by Borsa Italiana S.p.A. – December 2011 version)*

Two-tier model of administration and control

Year 2013

Approved by the Management Board on 18 March 2014  
Available on BPM's website at [www.gruppobpm.it](http://www.gruppobpm.it)



## BANCA POPOLARE DI MILANO

Co-operative Bank founded in 1865  
Parent Company of the BPM – Banca Popolare di Milano – Banking Group  
Share capital at 31.12.2013: Euro 2,865,709,760.07  
Milan Companies Register no. 00715120150  
Enrolled on the National Register of Co-operative Companies No. A109641  
Registered Office and General Management:  
Piazza F. Meda, 4 – Milan  
[www.gruppobpm.it](http://www.gruppobpm.it)

Member of the Interbank Guarantee Fund

Registered Bank  
and Parent Company of the  
BPM – Banca Popolare di Milano –  
Registered Banking Group

Year 2013

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## Glossary

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**Supervisory Authority:** the Bank of Italy.

**Borsa:** Borsa Italiana S.p.A., the company that organises and runs the market on which the Issuer's shares are listed..

**Management Board:** the Management Board of the Issuer.

**Supervisory Board:** the Supervisory Board of the Issuer.

**Circular of the Bank of Italy no. 263/2006:** the Circular of the Bank of Italy no. 263 of 27 December 2006 (as subsequently amended).

**Code/Code of Conduct:** the version of the Code of Conduct for listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

**Date of this Report:** 18 March 2014, the date of approval of this Report by the Bank's Management Board.

**Issuer/Bank/Company/Institute/BPM/Bipiemme:** Banca Popolare di Milano S.c.a r.l., the company to which the Report relates.

**Year:** the financial year to which the Report relates (1 January 2013 – 31 December 2013).

**Bank of Italy governance measures:** Bank of Italy Provision 264010 of 4 March 2008 regarding "Supervisory Instructions regarding the Organization and Corporate Governance of Banks" and the related "Clarification Note" of 19 February 2009 and the Notes of the Bank of Italy dated 11 January 2012 and 9 December 2013.

**Issuers' Regulations or IR:** the Regulations issued by Consob with resolution 11971 of 1999 (as subsequently amended) on issuers.

**Consob Regulation on Related Party Transactions:** the regulation adopted by Consob on related party transactions with resolution 17221 of 12 March 2010, and subsequently modified by resolution 17389 of 23 June 2010 (and related Consob interpretative communication DEM/10078683 of 24 September 2010).

**Report:** the Report on Corporate Governance and Shareholder Structure that companies are required to prepare under article 123-bis Consolidated Finance Act (CFA).

**Articles of Association:** the Articles of Association of Banca Popolare di Milano S.c.ar.l.

**CFA:** Decree 58 of 24 February 1998 (Consolidated Finance Act).

**CBA:** Legislative Decree no. 385 of 1 September 1993 (Consolidated Banking Act).



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## 1. Profile of the Issuer

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Banca Popolare di Milano S.C.ar.l. – founded in 1865 – is a co-operative bank with head office in Milan, listed on the MTA (Mercato Telematico Azionario), the electronic equities market organised and run by Borsa Italiana S.p.A.. BPM is the parent company of the Banking Group and, in addition to its banking activity, it performs the functions of policy, governance and control over the banking, financial and near-banking subsidiaries.

The BPM Group is a multi-functional integrated banking group that operates in the various sectors of credit and financial intermediation with a predominantly retail vocation, in other words it focuses on individual customers and small and medium-sized enterprises (SMEs). The Group's organizational structure is divided into the following business lines: retail banking, investment banking, wealth management and corporate centre.

The Bank is required to adhere to rules laid down by the Italian Civil Code applicable to co-operative companies – with the exception of those specifically excluded for co-operative banks by the CBA – and, generally those laws applicable to limited liability companies (where compatible), as well as the laws contained in the CBA and CFA (and the related implementation instructions issued by the Bank of Italy, Consob and the Stock Exchange, each for their specific area of competence). The juridical nature of a co-operative bank means, in particular, that each shareholder has a right to only one vote, however many shares they own ("one-man-one-vote") and that no one can hold more than 1% of the share capital (as per article 30 of the CBA, amended by Legislative Decree 179/12, converted into Law no. 221/12 of December 2012), without affecting the statutory right to introduce a lower limit, but, in any case, not less than 0.5 percent (so-called "limit on share ownership"). This limit does not apply to mutual investment funds; the relevant limits in such cases are those imposed by the rules of the fund concerned.

Banca Popolare di Milano has opted for – bearing in mind the cooperative nature of the Bank, and taking into account the characteristics of the shareholders, the size and operational complexity, as well as the medium and long-term strategic objectives of the BPM Group – a "two-tier" system of administration and control, while the related amendments to the Articles of Association were approved by the Extraordinary General Meeting of Members of 22 October 2011.

The two-tier administration and control system adopted by the Bank allows, in particular:

- (i) **to properly balance the interest of its various stakeholders:** with proper recognition of the various components of the membership base, so that they are adequately represented on the Supervisory Board, the body which appoints a management body to which is assigned, with a view to efficiency, the management of the business in the interest of all the stakeholders;
- (ii) **to ensure a clear division of duties and responsibilities between the governing bodies:** the Management Board, which is responsible for establishing the Bank's management policy; the Managing Director, who is responsible for running the business; the Supervisory Board, which is responsible for, in particular, control and supervisory functions as well as the appointment of the Management Board;
- (iii) **to enhance the role of Members under the co-operative model, also providing institutional investors (UCITS and strategic partners of the BPM Group) with the means and possibility to actively participate in the corporate life:** more specifically, the Bank's current Articles of Association envisage that, in addition to Members of the Supervisory Board elected by Members with a one-man-one-vote (11 taken from the list which gained a majority of the votes and at least 4 taken from minority lists), undertakings for collective investment in transferable securities (UCITS) and the strategic partners of the BPM Group (Crédit Industriel et Commercial and Fondazione Cassa di Risparmio di Alessandria), under art. 63 of the Articles of Association, have a right to representation – under certain conditions – on the Supervisory Board and on the Board's various sub-committees along with a right to voice their opinions.

The corporate governance structure of the Bank takes account of the Governance Measures of the Bank of Italy and the principles of the Code of Conduct for Listed Companies adopted by BPM back in 2001 (including subsequent versions issued in July 2002, March 2006 and most recently in December 2011).

These principles, and in particular those that refer to the Board of Directors and the Board of Statutory Auditors, have been applied, as a rule, to the Management Board and Supervisory Board, respectively. In this regard, it is worth pointing out immediately that the Bank has applied to the Supervisory Board some of the provisions of the Code that refer to the Board of Directors, because of the particular configuration of the governing bodies in terms of their composition and powers, and considering the options granted in

the Code (article 10.C.1.b, and related comments): they concern, in particular, principles relating to independence requirements for directors and the establishment of sub-committees.

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## 1.1 Development of the Bank's system of corporate governance

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This section provides details of the initiatives implemented in 2013 aimed at the development of the Bank's corporate governance.

On 19 March 2013, the Bank's Management Board approved an outline of a proposed transformation of the Issuer from a limited liability co-operative into a "hybrid" joint-stock company that would preserve the principles of the co-operative and mutual model.

On 25 March 2013, the Bank's Management Board, following the resolutions adopted on 19 March 2013, passed a motion to convene an Extraordinary General Meeting of Members of the Bank to be held on 21 and 22 June 2013, at first and second calling, respectively, to obtain approval, once authorisation has been given by the competent authorities, for the aforementioned proposed transformation and a proposed increase in share capital up to a maximum of Euro 500 million (hereinafter, the **"Increase in share capital"**) for the purpose of the redemption, by 30 June 2013, of the financial instruments as per Legislative Decree no. 185 of 9 November 2008 issued by the Bank in December 2009 and subscribed by the Ministry of Economy and Finance (hereinafter **"Tremonti Bonds"**).

On 10 May 2013, the Management Board decided not to seek the approval of the Extraordinary General Meeting of Members to be held on 21 and 22 June 2013 for the proposed transformation into a "hybrid" joint-stock company. In particular, the Management Board decided to give priority to the Increase in share capital for the purpose of the redemption of the Tremonti Bonds and announced that it would have assessed all appropriate initiatives to improve BPM's governance and that it considered the establishment of a stable and transparent model of governance as an element of strategic importance for the Bank.

On 22 June 2013, the Extraordinary General Meeting of Members of the Bank approved – subject to authorisation by the Bank of Italy – the proposed Increase in share capital against payment of a maximum amount of Euro 500 million (including any share premium) to take place by 30 April 2014, by means of an issue of ordinary shares with no par value, with regular dividend and voting rights, to be offered under option to the shareholders of the Bank in accordance with the first, second and third paragraphs of article 2441 of the Civil Code.

On 25 July 2013, the Bank of Italy delivered to BPM its inspection report containing the findings and observations formulated as a result of the inspections carried out at the Bank between 22 October 2012 and 15 May 2013 (the **"2012-2013 Inspection Findings"**).

With respect to what is of interest here, the Bank of Italy, in acknowledging that the change in the system of corporate governance arising from the adoption of a two-tier administration and control system in October 2011 has (i) paved the way to resolve the issues that arose from the previous inspections carried in the third quarter of 2010 and the first quarter of 2011 and (ii) has favoured the adoption by the Bank of a business plan that makes a clean break with the past, aimed at refocusing the business on the Bank's traditional operations, at making good use of its territorial roots in the country's most developed area and at reconverting its resources and organisational machine to bring them into line with the declared objectives of efficiency, transparency, renewed market orientation and has evidenced the need for renewed commitment to reform BPM's system of corporate governance, inspired by a more balanced representation of the interests of the stakeholders.

On 23 September 2013 – in a context of the conclusions reached in relation to the findings of the 2012/2013 inspections – the Bank's Management Board, with specific reference to the aspects concerning corporate governance, expressed its renewed commitment to reform designed, on the one hand, to preserve the "co-operative model" and, on the other, to outline all the measures needed for a more balanced representation of the interests of all of the stakeholders.

However (i) on 30 October 2013, Piero Luigi Montani resigned with alleged just cause from his position as Managing Director of the Bank and the Management Board appointed Davide Croff as interim Managing Director, (ii) on 6 November 2013, the Supervisory Board passed a motion to request the Management Board to promptly call an Ordinary General Meeting of Members to approve, subject to possible revocation by this body, the appointment of a new Supervisory Board, with the aim, among other things, of *"facilitating achievement of all of the steps involved in implementing a reform of BPM's system of corporate governance to ensure sound and prudent management of the Bank and to approve the new business plan as soon as possible, also with a view to ensuring*

*the success of the Increase in share capital*". The Supervisory Board has also expressed the hope that *"the governing bodies that will be formed as a result of this Meeting will make every effort to ensure the success of the Increase in Capital as soon as possible"*.

On 8 November 2013, in response to the Supervisory Board's request, the Management Board resolved to call an Ordinary General Meeting of Members on 20 and 21 December 2013, at first and second calling respectively, to discuss and vote on the proposal to (i) revoke the Supervisory Board currently in office in accordance with article 47, paragraph 8, of the Articles of Association and (ii) to appoint a new Supervisory Board in accordance with articles 47 and 63 of the Articles of Association for three years (2013-2015) and to decide on its remuneration.

On the same date, the Chairman of the Management Board, Andrea C. Bonomi, the Managing Director, Davide Croff, and the Board Members Alessandro Foti and Dante Razzano resigned with effect from the date of the Ordinary General Meeting of Members to be held on 20 and 21 December 2013, to allow the Supervisory Board appointed by the aforementioned General Meeting of Members to take all appropriate decisions in the exclusive interest of the Bank for a stable and sustainable management which will be able to ensure the success of the Increase in share capital and, more generally, to continue the process of relaunching the Bank. In the light of the above and to allow (i) the new Management Board that will be appointed by the Supervisory Board elected by the Ordinary General Meeting to approve the Bank's new business plan and to implement it within the set time horizon, as well as (ii) the adoption of initiatives that the new Management Board believe will facilitate the success of the Increase in share capital (including the development of the Bank's system of corporate governance), the Management Board also decided to call an Extraordinary General Meeting of Members to propose an extension of the final deadline for execution of the Increase in share capital from 30 April 2014 to 31 July 2014.

On 21 December 2013, the Ordinary General Meeting of Members of the Bank passed a resolution to revoke the Supervisory Board from office at the date of the Meeting and appointed a new Supervisory Board, which will remain in office for the years 2013 to 2015 (see paragraph 10.2 of this Report). On the same date, the Extraordinary General Meeting of Members passed a resolution to extend the final deadline for execution of the Increase in share capital from 30 April 2014 to 31 July 2014, leaving all of the other terms and conditions of the resolution of the Extraordinary Meeting of 22 June 2013 as they were; it also approved the amendments to articles 32, 34, 47 and 48 of the Articles of Association to address the requirements of the CFA and of the Issuers' Regulations concerning gender balance on administration and control bodies. The aforementioned provisions contained in the Articles of Association have already been applied for the election of the Bank's Supervisory Board, leading to the appointment of four Board Members belonging to the lesser represented gender (out of a total of nineteen).

On 17 January 2014, as proposed by the Nominations Committee, the Supervisory Board appointed 5 members of the Management Board and the Chairman of the Management Board for the years 2014-2016; on 21 January 2014, the Management Board appointed the Bank's Managing Director and General Manager (see paragraph 4.2 of this Report).

On 11 March 2014, the Management Board approved a number of amendments to the Bank's system of corporate governance, which will be submitted to the Shareholders' Meeting convened for 11/12 April 2014 (at first and second calling). The intention is that they should be a sign of continuity regarding the evolution – a gradual but incisive evolution – of the Bank's governance in the direction already indicated by the Members at the General Meeting in October 2011, an evolution that the market considers desirable and that the Supervisory Authority has already recommended.

The purpose of the amendments is to enhance the stability, transparency and effectiveness of the Bank's system of governance and to ensure, together with the planned increase in capital, the definitive revival of BPM as a strong, stable and independent banking group.

Key elements of the proposed reform, which aims to ensure balance among the various stakeholders interested in its success and revival (i.e. Members, Investors, Customers and Employees) are:

- a) rationalisation of the number of members of the Bank's governing bodies, by: (i) decreasing the number of members of the Supervisory Board from 17 to a maximum of 13, which with the 2 representatives of the Strategic Partners can rise to a maximum of 15; (ii) increasing the number of members of the Management Board from 5 to 7; and (iii) increasing the proportion of independent members on both Boards;
- b) preservation of the co-operative model's approach to representation, bearing in mind that: (i) the majority of the members of the Supervisory Board (9 out of 13) and of the Nominations and Remuneration Committees are Board members elected by the one-man-one-vote system; (ii) the Chairman and the Deputy Chairman of the Supervisory Board are taken from the list that obtained the highest number of votes (by headcount); (iii) the Chairman of the Supervisory Board also chairs the Nominations and Remuneration Committees, with a central role in both their activities (recommending appointments and compensation);
- c) a greater incentive for institutional investors to participate actively and responsibly in the capital of the Bank, through: (i) wider representation on the Supervisory Board, which increases – precisely because of this participation – from the current 2 (out of

17) to a maximum of 4 (out of 13), as well as on the Internal Control Committee (up to a maximum of 3 out of 5 components, including the Chairman); (ii) greater importance on the part of the Institutional Investors in the mechanism that appoints the Management Board: when the Management Board is appointed, at least 2 Supervisory Board members drawn from lists presented by Institutional Investors will have to vote in favour of it; (iii) raising the maximum holding in the Bank's share capital from 0.5% to 1%, and up to 3% for banking foundations; (iv) preservation of the role of Strategic Partners and confirmation that they are reserved 2 seats on the Supervisory Board under the agreements with these Partners.

The amendments to the system of governance relating to the appointment of the Supervisory Board will take effect from the first renewal of the Supervisory Board after they have been approved.

\* \* \*

Having said this by way of introduction, set out below is the annual "Report on corporate governance and ownership structure" of BPM for 2013, prepared in accordance with article 123-bis of the CFA. It will be made available to the general public in Italian and English at the offices of Borsa Italiana and in the Governance/Report on Corporate Governance section of the Bank's website ([www.gruppobpm.it](http://www.gruppobpm.it)).

The Report has been prepared taking into account, among other things, the indications given in the "Format for the Report on Corporate Governance and Ownership Structure" (IV edition, January 2013) issued by Borsa Italiana S.p.A. This document is not binding, but it was considered a useful instrument for the preparation of a Report that is as complete as possible, in line with the regulations and with best practice.

Lastly, we wish to point out that - as has been done for a number of years - the Bank will again make available to its Members and the general public (also on its website) a "social responsibility report" for 2013, which describes the Group's current profile, its performance during the year, its relationship and initiatives undertaken with stakeholders and the objectives for improvement during the current year (together with information on the achievement of previous objectives).

## 2. Information on the ownership structure (article 123-bis, paragraph 1, CFA)

### a) Structure of the share capital (article 123-bis, paragraph 1.a), CFA)

Given BPM's co-operative nature, the Bank's share capital is variable and at 31 December 2013 amounts to Euro 2,865,709,760.07 (fully subscribed and paid-in) entirely represented by 3,229,622,702 ordinary shares with no par value, identified by ISIN code ITO000064482 and listed on the Milan Stock Exchange in the FTSE MIB segment of the Screen-Based Equities Market (MTA) run by Borsa Italiana S.p.A. There are no classes of BPM shares other than the ordinary stock.

The following two tables summarise (at 31/12/2013) the structure of the share capital.

#### Structure of the share capital (31.12.2013)

	No. of shares	% of the share capital	Listed/Not listed	Rights and obligations
Ordinary shares	3,229,622,702	100%	Listed on the MTA run by Borsa Italiana (FTSE MIB segment)	<ul style="list-style-type: none"><li>- For those in the Members' Register: normal administrative and capital rights of Members in a listed co-operative.</li><li>- Only capital rights for those not in the Members' Register.</li></ul>
Shares with limited voting rights	0	0	—	—
Shares without voting rights	0	0	—	—

### b) Restrictions on the transfer of shares (article 123-bis, paragraph 1.b), CFA)

Given that each Member has the right to one vote, regardless of how many shares they hold ("one man, one vote"), in accordance with paragraph 1 and 2 of article 30 of the CBA (as last amended in December 2012) no one can directly or indirectly hold shares in excess of 1% of the share capital without affecting the statutory right to introduce a lower limit, but, in any case, not less than 0.5 percent (so-called "limit on share ownership"). At the date of this Report, the limit on BPM share ownership has been established by paragraph 1 of article 21 of the Articles of Association, as 0.5% for each shareholder. This limit does not apply to mutual investment funds (UCITS); the relevant limits in such cases are those imposed by the rules of the fund concerned. Inclusion in BPM's Register of Members is subject to the approval of the Bank's Management Board ("approval clause" – see article 30 of the CBA and article 11 of the Articles of Association). Members have the normal administrative and capital rights. The Shareholders (i.e. those who have not applied for admission as Members or who have not received the required approval under article 30 of the CBA and article 11 of the Articles of Association) can only exercise the capital rights relating to the shares that they hold.

It should also be noted that, pursuant to article 19 of the CBA, the acquisition, in whatever capacity, of a substantial shareholding in a bank (that gives control of or the possibility to exercise significant influence over the bank or which attributes at least 10% of the voting rights or of the share capital, taking into account the shares or quotas already held) is subject to prior authorisation by the Bank of Italy.

**c) Significant shareholdings (article 123-bis, paragraph 1.c), CFA)**

Based on the communications received pursuant to article 120 of the CFA, significant shareholdings in BPM at the Date of this report were as follows:

<b>SIGNIFICANT SHAREHOLDINGS (*)</b>		
<b>Declaration by</b>	<b>Direct shareholder</b>	<b>% held on share capital</b>
<b>ATHENA CAPITAL SARL</b> (acting as the general partner and manager of Athena Capital Fund SICAV-FIS which controls the companies that hold the equity investments)		<b>7.019</b>
	Pop 15 S.a.r.l.	0.060
	Pop 14 S.a.r.l..	0.498
	Pop 13 S.a.r.l..	0.497
	Pop 12 S.a.r.l.	0.497
	Pop 11 S.a.r.l.	0.497
	Pop 10 S.a.r.l.	0.497
	Pop 9 S.a.r.l.	0.497
	Pop 8 S.a.r.l.	0.497
	Pop 7 S.a.r.l.	0.497
	Pop 6 S.a.r.l.	0.497
	Pop 5 S.a.r.l.	0.497
	Pop 4 S.a.r.l.	0.497
	Pop 3 S.a.r.l.	0.497
	Pop 2 S.a.r.l.	0.497
Pop 1 S.a.r.l.	0.497	
<b>CAISSE FEDERALE DU CREDIT MUTUEL</b>		<b>6.867</b>
	Acm Iard	0.024
	Acm Vie Sa	0.246
	Pargestion 2	0.035
	Sofiholding 2	0.035
	Upigestion 2	0.035
	Valimar 2	0.035
	Societe D'etudes Economiques Et Financieres Internationales	0.035
	Gestunion 2	0.009
	Vtp-5 Investissements Sas	0.434
	Cic Migrations Sas	0.222
	Ugepar Services	0.035
	Marsovalor	0.035
	Cicoval Sas	0.478
	Impex Finance Sas	0.434
	Gestunion 3 Sas	0.424
	Sofiholding 3 Sas	0.440
	Sofiholding 4 Sas	0.457
	Gestunion 4 Sas	0.457
	Valimar 4 Sas	0.061
	Pargestion 4 Sas	0.457
	Adepi Sas	0.483
	Sofinaction	0.035
	Cicor Sas	0.471
	Cic Participations Sas	0.483
	Placinvest Sa	0.483
	Vtp1-Investissements	0.035
Credit Industriel Et Commercial Sa	0.489	

(Cont.)

### SIGNIFICANT SHAREHOLDINGS (\*)

Declaration by	Direct shareholder	% held on share capital
<b>UBS AG</b>		<b>3.467</b>
	Ubs Global Asset Management (Australia) Limited	0.001
	Ubs Global Asset Management (Singapore) Ltd	0.002
	Ubs Global Asset Management (Uk) Limited	0.004
	Ubs Ag	3.460

(\*) Compared with the "Borsa Format", figures for the percentage held versus the voting capital are not provided; this is because, as you know, in co-operative banks voting is "by head" and not "by capital" and is restricted to the Members (i.e. those shareholders who have been approved by the Bank and included in the Members' Register).

#### d) Securities that give special rights (article 123-bis, paragraph 1.d), CFA)

As far as BPM is concerned, there are no securities that give special rights of control over the Bank.

#### e) Shares held by employees: mechanism for exercising voting rights (article 123-bis, paragraph 1.e), CFA)

Subject to the one-man, one-vote system, generally speaking each Member can ask to be represented at the General Meeting by another Member by means of a written proxy, within the limits laid down in article 2372 of the Italian Civil Code.

Under the current Articles of Association, each Member can represent not more than five other Members and by law proxies cannot be given to members of the Management and Supervisory Board, employees of the company and of its subsidiaries.

Postal votes are not allowed.

As foreseen in article 137 CFA, in listed co-operatives it is forbidden to solicit and collect proxy votes.

Lastly, it should be noted that the signature of the person giving the proxy needs to be authenticated by an official at the head office or branches of the Bank, or by the intermediary that issued the communication to attend the Meeting, or by a public official.

#### f) Restrictions on voting rights (article 123-bis, paragraph 1.f), CFA)

Given the co-operative nature of the Bank, each shareholder who is in the Members' Register only has the right to one vote, however many shares they own ("one-man-one-vote").

#### g) Agreements between shareholders (article 123-bis, paragraph 1.g), CFA)

Note that, on 9 September 2011, BPM and Fondazione Cassa di Alessandria (hereinafter "**Fondazione CRAL**") entered into an agreement that, in keeping with their relationship of mutual cooperation, enabled BPM to carry out extraordinary operations in relation to Cassa di Risparmio di Alessandria, including its merger with Banca di Legnano (which took place in February 2012). In particular, the aforementioned agreement, which, in providing for the sale of certain assets by Fondazione CRAL to the Bank, led to the execution on 9 September 2011 of a shareholders' agreement containing arrangements for the governance of the Bank and BPM Group companies (the "**2011 Shareholders' Agreement**"). Based on the 2011 Shareholders' Agreement and the provisions of article 63 of BPM's Articles of Association, a representative nominated by the Fondazione currently sits on the Supervisory Board of BPM.

An extract from the 2011 Shareholders' Agreement was published in the "Milano Finanza" daily newspaper on 14 September 2011.

On 28 February 2014, Banca Popolare di Milano and Fondazione CRAL executed a private agreement ("**2014 Private Agreement**"), with which, by mutual agreement, they amended the 2011 Shareholders' Agreement. This amendment provides that, in relation to the first expiry date of the 2011 Shareholders' Agreement (scheduled for 9 September 2014), the deadline for submitting notice of withdrawal is to be 30 June 2014 (instead of 9 March 2014).

An extract from the shareholders' agreement, as amended by the 2014 Private Agreement, was published in the "Milano Finanza" daily newspaper on 5 March 2014 and a full extract from the 2011 Shareholders' Agreement, as amended by the 2014 Private Agreement, was published on the website [www.gruppobpm.it](http://www.gruppobpm.it), in the section on Governance/Shareholders' agreements.

Lastly, it should be noted that, on 15 December 2011, International Financial and Commercial Holdings 1 S.a.r.l., Partenone S.r.l., G.B.P.A.R. S.r.l. and Viris S.p.A. (together, the "**Parties**") executed an agreement (the "**Agreement**") containing significant arrangements pursuant to article 122 of the CFA relating to Banca Popolare di Milano, an extract of which was published in the "Milano Finanza" daily newspaper on 10 December 2011. On 24 January 2014, Investimenti Strategici Milanesi S.r.l., a company held by the Parties, disposed of its equity investment in BPM and, by mutual consent, the Parties terminated the Agreement, effect from 12 February 2014.

There are no known shareholder agreements or other agreements between shareholders pursuant to article 122 of the CFA.

#### **h) Change of control clauses (article 123-bis, paragraph 1.h) of the CFA) and provisions contained in Articles of Association on takeover bids (article 104, paragraph 1-ter and article 104-bis, paragraph 1 of the CFA)**

As regards significant agreements to which BPM or its subsidiaries “are parties and which take effect, are modified or are terminated in the event of a change of control of a party to the agreement”, it should be noted that the industry and commercial cooperation agreement between Banca Popolare di Milano and Crédit Industriel et Commercial (Crédit Mutuel Group) expired on 31 December 2013 on notice of termination having been given by the Bank on 28 December 2012.

Following the merger by absorption of the subsidiary Banca di Legnano S.p.A. into BPM that was completed during the course of 2013, the agreements between BPM and Fondazione Cassa di Risparmio di Alessandria (hereinafter “**Fondazione CRAL**”) were terminated. These agreements provided for, among other things, rights of co-sale/transfer to Fondazione CRAL in the event of a change of control of Banca di Legnano S.p.A.

With respect to takeover bids, the Bank’s Articles of Association do not contain any provisions to opt-out of the passivity rule provided for under paragraphs 1 and 1-bis of art. 104 of the CFA. It should also be noted that the right to include neutralisation rules in the by-laws, as provided for by paragraphs 2 and 3 of art. 104-bis of the CFA, is not permitted for a cooperative company as per paragraph 1 of art. 104-bis of the CFA.

#### **i) Agreements between the Company and Members of the Management or Supervisory Board**

The information required by article 123-bis, paragraph 1.i) CFA (i.e. information concerning any “*agreements between the company and the directors, the members of the management or supervisory board providing for compensation in the event of resignation or dismissal without just cause or if their employment ceases because of a takeover bid*”) is contained in the Remuneration Report published pursuant to art. 123-ter CFA.

#### **l) Appointment and replacement of Management Board Members – Amendments to the Articles of Association (article 123-bis paragraph 1, lett. l), CFA)**

As regards the rules for amendments to the Articles of Association, it should be noted that, for certain types of resolutions, the text of the Articles of Association provides for quorums that are higher than those required by law.

In particular, as per article 31 of the Articles of Association, amendments relating to mergers and/or absorptions, have to be approved by a vote in favour of at least two thirds of the Members involved in voting, but in no case by less than five hundred votes. Moreover, resolutions that involve amending article 5 of these Articles of Association or the rules regarding who has the right to vote and how it should be exercised, or that concern the Company’s transformation or its early winding up, or any change in article 31.3 of the Articles (concerning the higher quorums needed to pass resolutions) have to be approved by at least one seventh of the Members with the right to vote.

Lastly, the last paragraph of article 31 of the Articles of Association requires the application of the quorums required for Ordinary General Meetings in the event of resolutions to be taken to comply with instructions issued by the Supervisory Authority in the interests of stability or to adjust to legislative requirements, i.e. an absolute majority of the votes of those taking part in the ballot.

In accordance with article 2365.2 of the Civil Code, the Management Board can also pass resolutions to bring the Articles of Association into line with new regulatory or legislative requirements (article 39, para. 2. letter u), of the Articles of Association). In these cases, the Management Board can ask the Supervisory Board for a prior non-binding opinion, indicating the deadline by which the opinion should be issued.

The additional information required by article 123-bis, first paragraph.l) CFA (“*The rules governing the appointment and replacement of directors ... and amendments to the Articles of Association, if different from those laws and regulations applicable as an alternative*”) are outlined in Section 4.1 of this Report.

#### **m) Mandates for increases in capital and authorisations for the purchase of treasury shares (article 123-bis, paragraph 1.m), CFA**

The Extraordinary Meeting of Members of the Bank, with resolution of 22 June 2013, as amended on 21 December 2013, resolved an increase in capital for payment for a maximum total amount of Euro 500,000,000.00, including any share premium, to be carried out by 31 July 2014 in tranches by issuing ordinary shares with no par value and with normal dividend rights to be offered under option to those entitled to them as per art. 2441, first, second and third paragraph, of the Civil Code. This Extraordinary General Meeting of Members granted the Board of Management the broadest possible powers to carry out the increase in capital in one or more tranches with progressive effectiveness – subject to repayment by 30 June 2013, of the financial instruments referred to in Legislative Decree no. 185/08, converted with amendments into Law 2/09, issued by the Bank and subscribed in December

2009 by the Ministry of Economy and Finance – and in particular: (i) to establish the issue price of the ordinary shares of the new issue, taking into account, inter alia, market conditions, the performance of the share price and the earnings and financial position of the Bank, as well as the market practice for similar transactions, nearer the time of issue; (ii) to determine – as a consequence of paragraph (i) – the portion of the price to be charged to capital, the maximum number of new shares, as well as the option ratio, if necessary rounding the number of shares up or down; and (iii) to decide on the timing for execution of the increase in capital, subject to the 31 July 2014 deadline and on the understanding that, if by that date the increase in capital has not been fully subscribed, the share capital will be increased by the amount of the subscriptions received.

#### ***Mandates for increases in share capital***

With reference to mandates for increases in share capital provided for by article 17 of the Articles of Association, it should be noted that the powers granted – through an amendment to the by-laws under article 2443 of the Civil Code - by the Extraordinary General Meetings of 25 April 2009 (in connection with the issue of the “BPM Convertendo Bond 2009/2013 – 6.75%” and the “Warrants on BPM ordinary shares 2009/2013”) and 25 June 2011 (in relation to a cash rights issue and the restructuring of the Convertendo bond) have already been exercised by the management body (the Board of Directors up to 22 October 2011 and then the Management Board). At the Date of the Report the Management Board has not been attributed any power to increase the share capital pursuant to article 2443, Civil Code.

#### ***Authorisations for the purchase of treasury shares***

The General Meeting of 27 April 2013 gave a mandate to the Management Board, until the next General Meeting, to manage the “reserve for treasury shares”, i.e. to buy and sell the Bank’s shares on the MTA run by Borsa Italiana in accordance with the procedures set out in article 144-bis, paragraph 1.b) of the Issuers’ Regulations, within the limit imposed by the amount of the reserve and the part of it that gets freed up from time to time by selling shares in the course of normal trading activities designed to promote active trading in the stock; and – in compliance with the provisions contained in the Articles of Association or under schemes for the allocation of shares to employees or to collective funds in which employees have invested – to give shares to employees at prices, even below market value, to be fixed from time to time at the Board’s discretion.

The Bank is holding 1,395,574 of its own shares (“treasury shares”) at 31 December 2013.

#### **n) Management control and coordination (article 2497 et seq. Civil Code)**

Banca Popolare di Milano is the Parent Company of the BPM - Banca Popolare di Milano – Banking Group.

Given the co-operative nature of the Bank, which does not allow the formation of pre-established controlling majorities, it is not subject to management control and coordination in accordance with art. 2497 et seq. of the Italian Civil Code.

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### **3. Compliance (article 123-bis, paragraph 2.a), CFA)**

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Banca Popolare di Milano has voluntarily adopted the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A.

As a result of its adoption, each year the Bank analyses its system of corporate governance and compares it with the recommendations contained in the Code of Conduct, which BPM introduced back in 2001.

The December 2011 edition of the Code is available to the general public on Borsa Italiana’s website ([www.borsaitaliana.it](http://www.borsaitaliana.it)) as well as on the Bank’s website ([www.gruppobpm.it](http://www.gruppobpm.it)).

Lastly, neither the Bank nor its significant or strategic subsidiary companies are subject to foreign laws that influence the Corporate Governance structure of BPM.

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## 4. Management Board

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### 4.1. Appointment and replacement (article 123-bis, paragraph 1.), CFA)

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The Management Board consists of 5 members appointed by the Supervisory Board, pursuant to article 32 of the Articles of Association.

The members of the Management Board remain in office as decided by the Supervisory Board, for a period of three years maximum; their term of office expires on the date of the Supervisory Board meeting called to approve the financial statements for their last year in office. In any case, they remain in office until the Management Board has been renewed and they can be re-elected.

In order to guarantee the high level of professionalism of the Management Board Members and a suitable composition, note that article 32 of the Articles of Association states that:

- (i) all members of the Management Board must have at least five years' experience, in Italy or abroad, of management activities in banking, asset management companies or insurance, or in other types of companies providing they have shares traded on an Italian or foreign regulated market;
- (ii) at least four members must have gained the experience mentioned in point (i) above in banks, asset management companies or insurance companies or in other companies with shares traded on an Italian or foreign regulated market, having, in any case, a size comparable with that of the Bank and not belonging to the Group, and they must not be employees of the Bank or of other Group companies;
- (iii) at least one of the members of the Management Board has to satisfy the independence requirements as per paragraph 3 of article 148 of the CFA (these requirements and the one mentioned in point (ii) above may be satisfied by the same person) and if a Member no longer meets the independence requirements, pursuant to paragraph 3 of art. 148 of the CFA, he does not fall from office providing that the Management Board as a whole does meet them;
- (iv) the less represented gender must be reserved at least the share of Board members established by current legislation on equal access to administrative and control bodies of companies with shares traded on regulated markets;
- (v) of the five members that make up the Management Board, two of them, including the Chairman, have to qualify as non-executive. Of the other three members, one becomes Managing Director.

The aforementioned article 32 of the Articles of Association also states that:

- the members of the Supervisory Board cannot be appointed as members of the Management Board until at least three years have passed since they left office (article 32, para. 5 of the Articles of Association);
- without prejudice to any other reasons for incompatibility envisaged in current regulations, those who are or become directors, employees or statutory auditors of other banks or their subsidiaries cannot act as a member of the Management Board, unless the entities concerned are centralised structures for the co-operative banking movement or banks or companies belonging to the BPM Group. If the reason for incompatibility is not removed within sixty days of the election or, if it arose subsequently, of the person communicating the circumstances, the Member concerned will be understood as falling automatically from office (article 32, para. 6 and 7 of the Articles of Association).

In addition to the requirements stated in the Articles of Association, all members of the Management Board have to have professionalism, integrity and independence, as required by law to hold such office. In particular, they have to have the requirements of professionalism and integrity established for bank directors by D.M. 161/1998, and the integrity requirements laid down in D.M. 162/2000 (in accordance with the combined requirements of articles 147-quinquies and 148, para. 4, CFA). The Chairman of the Management Board and the Managing Director must also possess the professionalism required by D.M. 161/1998, for the offices of Chairman of the Board of Directors and Managing Director of banks. It should also be noted that, in accordance with the provisions of article 36 of Legislative Decree no. 201/2011 converted with amendments into Law 214/2011 (hereinafter "**L.D. no. 201/2011**"), it is forbidden for persons serving on management, supervisory and control bodies and for senior management of companies or groups of companies operating in credit, insurance and financial markets to accept or hold similar positions in competitor companies or groups of companies.

In accordance with the supervisory rules issued by the Bank of Italy, within 30 days of appointment, the Management Board verifies that each Board member satisfies the requirements of professionalism and integrity, the independence requirements pursuant to paragraph 3 of art. 148 of the CFA and article 3 of the Code of Conduct and also checks compliance with the limits to the

accumulation of offices and that there are no grounds for incompatibility as per article 36 of L.D. no. 201/2011 and per paragraph 6 of article 32 of BPM's Articles of Association. The results of this verification are communicated to the public in accordance with the provisions of art. 144-novies, para. 1-bis, Issuers' Regulation, providing the information required by it and by the current "Instructions to the Regulations of Markets organised and run by Borsa Italiana S.p.A." (in particular, article IA.2.6.7).

The Management Board – in compliance with the Governance Measures of the Bank of Italy and in line with article 32 of the Articles of Association – defines its ideal board composition with the support of the Nominations Committee, taking into account the need for its members to include persons:

- who are fully aware of the powers and obligations of the functions that each of them is expected to perform (i.e. supervision or management, executive or non-executive, independent or non-independent, etc.);
- who have expertise that is suitable for the role to be filled, also on any board sub-committees, and calibrated in relation to the operational characteristics and size of the Bank;
- with a variety of skills spread among all of the members, suitably diversified in such a way as to allow each of the members to help ensure effective governance of risks in all areas of the Bank, both on the sub-committees of which they may be part and in decisions that are taken collectively;
- who devote adequate time and resources considering the complexity of their role.

Upon a nomination being made, the results of the analysis performed, together with the opinion of the Nominations Committee, are forwarded to the Supervisory Board well in advance.

The Management Board, with the contribution of the Nominations Committee, verifies ex post the correspondence between the ideal composition and the actual one resulting from the appointments process.

### **Replacement and termination**

If one or more members of the Management Board can no longer serve, the Supervisory Board has to replace them without delay – as per paragraph 5 of article 2409-duodecies of the Civil Code and article 34 of the Articles of Association – in compliance with current legislation on equal access to administrative and control bodies of companies with shares traded on regulated markets. The members that are appointed in this way fall from office at the same time as those that were in office when the former were appointed. If, for whatever reason, there is no longer a majority of the members originally appointed by the Supervisory Board, the entire Management Board is understood as resigning from the date that the new members just appointed take up office. The latter remain in office for the residual period that the Management Board would have had before it resigned.

### **Procedure for the appointment and dismissal of members of the Management Board**

The system of appointment and dismissal of the Management Board by the Supervisory Board is heavily regulated by the Articles of Association, which requires a qualified quorum to pass resolutions and the casting vote of the Supervisory Board members nominated by "institutional investors" (UCITS and the BPM Group's strategic partners pursuant to article 63 of the Articles of Association).

In particular, the Supervisory Board, pursuant to article 49, para. 7 of the Articles of Association, decides on the appointment and dismissal of the Management Board Members, with the favourable vote of at least three quarters (rounded, if necessary, to the lowest whole number) of the Board Members currently in office, providing that they include at least one Board Member taken from the lists submitted by UCITS and at least one Board Member taken from a list submitted by the Supervisory Board pursuant to article 63 of the Articles of Association. However, after the third meeting of the Supervisory Board in which a quorum is not met as currently prescribed, even in the presence of different proposals, at its next meeting the Supervisory Board will be able to pass resolutions with the ordinary majorities, subject to the condition that one of the votes in favour is that of at least one Board Member drawn from lists submitted by UCITS and that of at least one Board Member from a list submitted by the Supervisory Board in accordance with article 63 of the Articles of Association.

Moreover, the Supervisory Board is supported by the Nominations Committee, as per article 53 of the Articles of Association, established as a sub-committee of the Board, to which is assigned the responsibility for selecting and proposing appointments to the Board, and the right to provide indications about the appointment of Managing Director (see paragraph 12 of this Report).

Lastly, note that – in compliance with the Bank of Italy's Governance Measures (in particular the note of 11 January 2012) – upon nominations having been made for appointment to the Management Board, the Supervisory Board has to take into account the self-assessments carried out by the Management Board with regard to its ideal composition in qualitative and quantitative terms, as well as any needs that it has expressed or deficiencies found. This does not prevent the Supervisory Board from making its own

assessments of the ideal composition of the management body and to nominate Management Board members in line therewith, setting forth the reasons for any differences with respect to the analysis performed by the Management Board.

### **Succession Plans**

As things stand, BPM has not entered into any “succession plans” (i.e. structured plans for the succession of Executive Directors), nor are specific mechanisms foreseen in the event of early replacement.

With respect thereto, it should be noted that, in accordance with article 5.C.2 of the Code of Conduct, the Management Board, during the course of the meeting of 27 March 2012 - considering that the process for the appointment and replacement of the members of the Management Board of the Bank is currently sufficiently detailed - did not deem it necessary to adopt a succession plan for its executive Board members.

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## **4.2. Composition** (article 123-bis, paragraph 2.d), CFA)

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### **Composition and term of office of the Management Board**

On the proposal of the Nominations Committee, on 26 October 2011, the Supervisory Board appointed the Bank's Management Board for the year 2011–2013 with Andrea C. Bonomi as Chairman and Davide Croff, Claudio De Conto, Alessandro Foti and Dante Razzano as the other members.

The Management Board verified the requirements of professionalism, integrity and independence of its members on 21 November 2011. In this context, the Management Board took note of the declarations of the persons concerned and, based on the information at its disposal, checked that its members met the legal and regulatory requirements for holding office, including those of the Articles of Association.

On 10 January 2012, the Supervisory Board of Banca Popolare di Milano – having accepted the resignation of Claudio De Conto as Member of the management board – appointed on the proposal of the Nominations Committee, Piero Luigi Montani as a member of the Bank's Management Board for the years 2012-2013. The Management Board's meeting of the same date took note of this appointment by the Supervisory Board and appointed Piero Montani as the Bank's Managing Director, granting him the powers under art. 45 of the Articles of Association (see paragraph 4.4.1 of this Report); during its meeting of 7 February 2012, the Management Board checked that Piero Luigi Montani met the legal and regulatory requirements for holding office, including those of the Articles of Association.

On 30 October 2013, Piero Luigi Montani resigned with alleged just cause from his position as Managing Director of the Bank and the Management Board, having acknowledged the resignation of the Managing Director, on the same date appointed – in order to ensure continuity in the management of the Bank – Davide Croff (already a member of the Management Board) as interim Managing Director, with the same powers and prerogatives previously granted to Piero Luigi Montani.

On 8 November 2013, the Chairman of the Management Board Andrea C. Bonomi, the Managing Director Davide Croff and the Board members Alessandro Foti and Dante Razzano resigned from office with effect from the General Meeting of Members on 21 December 2013 (see paragraph 1.1 of this Report).

Following the resignation of the members of the Management Board on 8 November 2013 and the appointment by the General Meeting of Members of the Bank's new Supervisory Board on 21 December 2013, on 17 January 2014 the Supervisory Board appointed – as proposed by the Nominations Committee – the Bank's Management Board for the years 2014/2015/2016, with Prof. Mario Anolli as Chairman and Giuseppe Castagna, Davide Croff, Paola De Martini and Giorgio Angelo Girelli as the other members; the aforementioned Management Board members accepted their appointment on 21 January 2014.

On 21 January 2014, the Management Board appointed – taking into account the recommendations made by the Supervisory Board on 17 January 2014 – Giuseppe Castagna as Managing Director, granting him the powers under art. 45 of the Articles of Association; at the same meeting, the Management Board also appointed Giuseppe Castagna as the Bank's General Manager.

On 14 February 2014, the Management Board verified the requirements of integrity and professionalism of its members, as well as whether or not they qualified as independent or executive directors. In this context, the Management Board took note of the declarations of the persons concerned and, based on the information at its disposal, checked that its members met the legal and

regulatory requirements of professionalism and integrity for holding office, including those of the Articles of Association, also taking note that the composition of the Board complies with the law and the Articles of Association.

The following table provides a complete list of the Management Board members in office at the Date of this Report, with an indication of the specific offices that some of them hold on the Board, the date that their mandate expires and whether or not they qualify as independent or executive directors (verified on 14 February 2014 by the Management Board).

Name	Office	Start of mandate	End of mandate	*	**	***	****
<b>Mario Anolli</b>	Chairman	21 January 2014	App. fin. stats. 31.12.2016	YES	NO	NO	YES
<b>Giuseppe Castagna</b>	Managing Director and General Manager	21 January 2014	App. fin. stats. 31.12.2016	NO	NO	YES	NO
<b>Davide Croff</b>	Board member	21 January 2014	App. fin. stats. 31.12.2016	NO	NO	YES	NO
<b>Paola De Martini</b>	Board member	21 January 2014	App. fin. stats. 31.12.2016	YES	YES	NO	YES
<b>Giorgio Girelli</b>	Board member	21 January 2014	App. fin. stats. 31.12.2016	YES	YES	NO	YES

(\*) Independent director as per article 148, paragraph 3, CFA

(\*\*) Independent director as per article 3 of the Code of Conduct

(\*\*\*) Executive director

(\*\*\*\*) Non-executive director

In accordance with article 144-decies, IR, as regards the Management Board Members elected (reference should be made to the "Governance" section of the Bank's website for each of their CVs) the following is a summary of their personal and professional characteristics.

**Mario Anolli:** Dean of the Faculty of Banking, Finance and Insurance at Università Cattolica del Sacro Cuore in Milan and Professor of the scientific disciplinary sector at the same Faculty. He performs research on the management of investments and the microstructure of markets in financial instruments, he is the author of various works on securities markets and the management of financial intermediaries and has provided training and consulting services to institutions and intermediaries. Furthermore, Prof. Anolli has more than five years of management experience in banks and in asset management, having held office as director of Credito Valtellinese S.C.p.A., Credito Artigiano S.p.A. and Arca Impresa Gestioni SGR S.p.A.

**Giuseppe Castagna:** He has held important positions with the Intesa Sanpaolo Banking Group, where he worked from 1981 to 2013. In particular, after having held office as General Manager of Banco di Napoli S.p.A. (2009–2013), covering the position of Regional Director for Campania, Basilicata, Calabria and Puglia, in July 2012 he took over the management of Intesa SanPaolo Group's domestic commercial banking division (with direct responsibility for more than 20 banks pertaining to the group network and approximately 47,000 employees) and in December 2012 he was appointed General Manager of Intesa Sanpaolo Group, retaining his responsibility for the domestic commercial banking division as well as taking on the role of interim General Manager of Banco di Napoli. After having resigned from Intesa Sanpaolo Group in June 2013, Giuseppe Castagna was appointed as chairman of Italian Private Debt Initiative di Munizich & Co. (an institutional asset manager specialising in corporate credit). He has also held administration positions with banks and other financial intermediaries (including: Société Européenne de Banque S.A. Luxembourg, Mediofactoring S.p.A., Leasint S.p.A., Banco di Napoli S.p.A., IMI Fondi Chiusi SGR S.p.A., Intesa Sanpaolo Private banking S.p.A. and Bank of Alexandria).

**Davide Croff:** he has been a member of BPM's Management Board since October 2011 and was Managing Director of BPM from October 2013 to January 2014. Previously, he was Deputy General Manager and then Chief Executive Officer of Banca Nazionale del Lavoro from 1989 to 2003. He holds important administration positions with quoted companies (Permasteelisa S.p.A. and Snam Rete Gas S.p.A.) and is Chairman of the Italian Advisory Board of Roland Berger as well as Senior Advisor of TPG. He is a Cavaliere di Gran Croce della Repubblica Italiana.

**Paola De Martini:** since 2005 she has held the position of Director of Corporate and Tax Affairs with Luxottica Group S.p.A., a company listed on the New York and Milan stock exchanges. An expert in corporate and tax law, she previously acted as Director of Legal, Corporate and Tax Affairs with Grimaldi Group (a listed group and leader in the shipping sector) and as Director of Corporate and Tax Affairs with Bulgari S.p.A.

**Giorgio Angelo Girelli:** holds the position of Deputy Executive Chairman of MV Agusta Motor S.p.A. For more than ten years he acted as Managing Director and then as Chairman of the Board of Directors of Banca Generali S.p.A. Previously, he worked as a management consultant with Roland Berger for more than fifteen years.

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The following table provides a complete list of the Management Board members who have resigned, with an indication of the specific offices that some of them held on the Board, the date of resignation and whether or not they qualified as independent or executive directors (verified in March 2013).

Name	Office	Date of appointment	Date of leaving office	*	**	***	****
Andrea C. Bonomi	Chairman	26 October 2011	21 January 2014 (1)	NO	NO	NO	YES
Piero Luigi Montani	Managing Director	10 January 2012	30 October 2013	NO	NO	YES	NO
Davide Croff	Board member	26 October 2011	21 January 2014 (1)	NO	NO	YES	NO
	Managing Director	30 October 2013	21 January 2014 (1)				
Alessandro Foti	Board member	26 October 2011	21 January 2014 (1)	YES	NO	NO	YES
Dante Razzano	Board member	26 October 2011	21 January 2014 (1)	NO	NO	YES	NO

(\*) Independent director as per article 148, paragraph 3, CFA.

(\*\*) Independent director as per article 3 of the Code of Conduct.

(\*\*\*) Executive director

(\*\*\*\*) Non-executive director.

(1) Board member resigned on 8 November 2013, with effect from 21 December 2013, which date was postponed until 21 January 2014 – the date on which the Management Board was reconstituted – pursuant to articles 2385 and 2409–undecies of the Civil Code.

For information relating to the professional profiles of the members of the Management Board who have resigned, reference should be made to paragraph 4.2 of the Report on corporate governance and ownership structure for 2012 (available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance).

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

Whereas each Board member – at the time of acceptance of office and during the course of the mandate – must assess if he/she has enough time to diligently perform the tasks entrusted, also taking account of his/her own work or professional commitments, it should be noted that the Management Board – in accordance with Governance Measures of the Bank of Italy and the Code of Conduct (article 1.C.3.) – on 14 February 2014, set out its position on the maximum number of administration and control offices believed to be compatible with an effective performance of the office held, confirming the decision made by the former Management Board on 12 February 2013.

In particular, on 14 February 2014, the Management Board, without prejudice to the prohibition of interlocking directorates as per article 36 of Legislative Decree 201/2011 as well as that provided for by article 32 of the Articles of Association (which states “those who are or become members of administrative or control bodies or employees of other banks or their subsidiaries

may not act as a member of the Management Board, unless the entities concerned are centralised structures for the co-operative banking movement or banks or companies belonging to the Group”), has approved that its members:

- (i) may not hold office as member of an administrative body of more than 5 issuers;
- (ii) may not hold other offices in companies limited by capital when the total burden of these offices exceeds 6.

For the purpose of the calculation for point (ii) above, the Management Board has defined, on a voluntary basis, detailed reporting criteria in line with those established by article 144-duodecies and Attachment 5-bis of Consob’s Issuers’ Regulation. With the aforementioned Board decision of 14 February 2014, the Management Board deemed the positions of General Manager and Manager to be relevant for the purpose of the above accumulation, with an allocation – considering the time that normally needs to be dedicated to the performance of the tasks entrusted – of the same score as that for the office of Director vested with powers of management.

On 14 February 2014, the Management Board concluded that the previously indicated limits to the accumulation of offices by each Board member had been complied with and, on the same date, also ascertained that there had been compliance by each Board member with the prohibition of interlocking directorates as per article 36 of L.D. no. 201/2011 and that there were no grounds for incompatibility as per paragraph 6 of article 32 of BPM’s Articles of Association.

In accordance with the recommendations of article 1.C.2. of the Code of Conduct, the following is a list of the positions held by the Bank’s current directors – as members of the administrative and control bodies – in other companies (including offices held in BPM Group companies).

<b>Management Board members currently in office</b>	<b>External activities and offices as at 14 February 2014</b>
<b>Mario Anolli</b>	None
<b>Giuseppe Castagna</b>	None
<b>Davide Croff</b>	Chairman of the Board of Directors of Permasteelisa S.p.A. Director of Venice NewPort Container and Logistics S.p.A. Director of Fiera Milano S.p.A. Director of Istituto Europeo di Oncologia S.r.l. Director of Genextra S.p.A. Director of Gualtieri e Associati S.r.l.
<b>Paola De Martini</b>	Director of Corporate and Tax Affairs with Luxottica Group S.p.A. Director of Fondazione Onesight – Luxottica Group Foundation ONLUS Director of Luxottica Leasing S.r.l. Chairman of the Board of Directors of Sunglass Direct Italy S.r.l. Chairman of the Board of Directors of Oakley Holding SAS
<b>Giorgio Angelo Girelli</b>	Director of Qui! Group S.p.A. Director of Acotel Group S.p.A. Director of Riello S.p.A. Director of M V Agusta Motor S.p.A. General partner of G.G.A. s.a.s. di Giorgio Girelli

\* \* \*

With respect to the members of the former Management Board, the current Management Board – during the course of the Board meetings held on 13 March 2013 and 17 December 2013 – concluded that the limits to the accumulation of offices by each Board member had been complied with and also ascertained that there had been compliance by each Board member with the prohibition of interlocking directorates as per article 36 of L.D. no. 201/2011.

In accordance with the recommendations of article 1.C.2. of the Code of Conduct, set out below are the positions held by the former members of the Bank's Management Board – as members of the administrative and control bodies – in other companies (including offices held in BPM Group companies) as at 17 December 2013.

<b>Members of the former Management Board</b>	<b>External activities and offices as at 17 December 2013</b>
<b>Andrea C. Bonomi</b>	Director of Investindustrial Business Dev. Ltd
<b>Davide Croff</b>	Chairman of the Board of Directors of Permasteelisa S.p.A. Director of Venice NewPort Container and Logistics S.p.A. Director of Fiera Milano S.p.A. Director of Istituto Europeo di Oncologia S.r.l. Director of Genextra S.p.A. Director of Gualtieri e Associati S.r.l. Director of Gala S.p.A.
<b>Alessandro Foti</b>	Chairman of the Board of Directors of ProFamily S.p.A. (BPM Group) Director of Camfin S.p.A.
<b>Piero Luigi Montani</b>	(1)
<b>Dante Razzano</b>	Director of Investindustrial Advisor Ltd Director of Investindustrial Inc. Director of Banca Akros SpA (BPM Group)

(1) Piero Luigi Montani resigned on 30 October 2013.

### **Induction Programme**

In consideration of the high level of professionalism and of the adequate knowledge of the banking-financial sector demonstrated by the current Management Board members and due to the absence of requests from the persons concerned, no specific training programmes were held in the year as per article 2.C.2 of the Code.

### **4.3. Role of the Management Board** (article 123-bis, paragraph 2.d), CFA)

#### **Responsibilities of the Management Board**

It is the responsibility of the Management Board to run the business, including strategic oversight. To this end, the Management Board carries out all operations, of both ordinary and extraordinary administration, that are necessary, useful or, in any case, opportune to achieve the Company's purpose.

In compliance with the Bank of Italy's Governance Measures, the Articles of Association identify precisely and analytically the tasks and responsibilities of the Management Board and of the Managing Director, the former being called upon to decide the Bank's broad strategies and verify that they are implemented, the latter to manage the business on a day-to-day basis.

Pursuant to article 39 of the Articles of Association, in addition to the powers that cannot be delegated by law, the Management Board is exclusively responsible for the following matters:

- definition of the general policies and strategies of the Company and of the Group;
- the appointment and dismissal of the Managing Director, as well as the attribution, modification or revocation of the powers granted to him;

- c) the preparation of business and/or financial plans, as well as the budgets for the Company and the Group;
- d) risk management and internal controls, without prejudice to the powers and duties of the Supervisory Board;
- e) the granting, amendment or revocation of mandates and powers and the granting of specific duties or powers to one or more of its members;
- f) if consistent with the new system of corporate governance, the appointment and dismissal of the General Manager and the members of General Management, the definition of their emoluments, duties and powers, as well as the designation of the Group's top management;
- g) the appointment of members of the administrative and control bodies of the companies belonging to the Group;
- h) the acquisition or disposal of investments that involve changes in the Banking Group;
- i) the opening and closing of branches and representative offices;
- l) evaluation of the Company's organizational, administrative and accounting structure;
- m) the approval and amendment of Company and Group regulations, without prejudice to the mandatory powers and duties of the Supervisory Board;
- n) determining the criteria for the coordination and management of Group companies, as well as the criteria for implementing instructions from the Bank of Italy;
- o) the appointment and dismissal of the Financial Reporting Manager in accordance with article 154-bis of Decree 58 of 24 February 1998 and determination of his resources, powers and remuneration, subject to the opinion of the Supervisory Board;
- p) the appointment and dismissal, subject to the opinion of the Supervisory Board, of the Head of Internal Control and the Compliance Officer, as well as the heads of the various corporate functions and structures that have control duties and responsibilities;
- q) preparation of the draft separate financial statements, draft consolidated financial statements and interim reports;
- r) exercising the mandate for increases in capital granted in accordance with article 2443 of the Civil Code, as well as issuance of convertible bonds pursuant to article 2420-ter of the Civil Code;
- s) the formalities relating to the Management Board referred to in Articles 2446 and 2447 of the Civil Code;
- t) drawing up merger or demerger plans;
- u) the adoption, pursuant to article 2365, para. 2, of the Civil Code of resolutions concerning amendments to the Articles of Association to bring them into line with laws and regulations, as well as mergers and demergers in the cases provided for in articles 2505 and 2506-ter of the Civil Code;
- v) the definition of criteria for the identification of related party transactions to be submitted for its approval.

Whenever it deems it appropriate, the Management Board can ask the Supervisory Board for a prior non-binding opinion in the cases foreseen in subparagraphs h), t) and u) of the preceding paragraph, indicating the deadline by which the opinion should be issued.

Definition of procedures for the admission and exclusion of members and decisions regarding the acceptance or rejection of applications for admission and exclusion of members are also the responsibility of the Management Board, in accordance with the current requirements of the Articles of Association and the organizational guidelines established by the Supervisory Board.

With respect to the responsibilities of the Management Board concerning the management and control of risks, reference should be made to paragraph 8 of this Report.

\* \* \*

During the course of 2013, the Management Board, with respect to what is of interest here, in particular:

- (a) commenced the analysis required to update BPM Group's 2012–15 business plan that was approved during the course of 2012;
- (b) assessed the organisational, administrative and accounting structure of the Bank and of the BPM Group companies, with particular attention to the systems of internal control and risk management;
- (c) assessed the general performance, taking into consideration, in particular, information provided by the Managing Director, as well as by periodically comparing actual against budgeted results;
- (d) approved the transactions of BPM and its subsidiaries, considered to be significant from a strategic point of view and in terms of results, capital and financial position.

## **How the Management Board functions**

In accordance with article 35 of the Articles of Association, meetings of the Management Board are chaired by the Chairman or, in his absence, by the oldest member present in terms of age (with reference to the role of the Chairman of the Management Board, please read paragraph 4.4.2. of this Report).

Pursuant to article 36 of the Articles of Association, the Management Board meets at least once a month, and any time the Chairman considers it opportune, or whenever at least two members ask for a meeting. The functions of secretary are delegated by the Management Board to a member of the Management Board or to someone else, also from outside the Bank.

Without prejudice to the powers to call a meeting of the Management Board that are reserved by law to the Supervisory Board and to each member of it, the notice of calling, with a summary of the topics on the agenda, is issued by the Chairman and sent by any suitable means that allows proof of receipt, at least three days before the date set for the meeting, at the residence of each member, except in urgent cases for which the term is reduced to one day. Notice of all meetings has to be given to the Supervisory Board in the same way. The Chairman takes steps to ensure that adequate information regarding the matters on the agenda is provided to all the members and, assisted by the secretary of the Management Board, ensures that all the documentation that needs to be produced prior to Board meetings is provided to all members of the Management Board and the Internal Control Committee, at the time that notice is given of the Board meeting.

For meetings of the Management Board to be valid, more than half of the members currently in office have to be present and resolutions are passed in an open vote, if a majority of the members present vote in favour of them (articles 36 and 38 of the Articles of Association). Remote participation in meetings of the Management Board is permitted through the use of appropriate equipment for audio-video and/or teleconferencing, providing that all those entitled to attend can do so and can be identified and that they are allowed to follow the meeting and to intervene in the debate in real time, as well as to receive, transmit or view documents, being in a position to review documents and to make decisions at the same time. In this case, the Management Board is considered held in the place where the person chairing the meeting and the Secretary are located.

Meetings of the Management Board can only be attended by members of the Supervisory Board who are also members of the Internal Control and Audit Committee. At least one of these members of the Supervisory Board has to attend meetings of the Management Board. Pursuant to the current Articles of Association, the Management Board has the right to ask the General Manager and one or more Managers, who are experts on the matters under discussion, to attend Board meetings, with just a consultative vote.

## **Information flows**

The Management Board promptly provides the Supervisory Board, at least quarterly, with the information mentioned in article 150 of the CFA. Information on the main operating data for the period and a comparison with the system is provided to the Supervisory Board on a monthly basis.

The Managing Director reports at least quarterly to the Management Board on the performance, outlook and more significant transactions carried out by the Company and its subsidiaries. The Managing Director also reports monthly to the Management Board on the financial results of the Company, the main subsidiaries and the Group as a whole.

The Bank's "Regulation on Information Flows" – which is currently being updated – regulates the information flows (periodic or event-related, for individual transactions) that have to be received by the governing bodies from the various corporate functions and from control bodies of BPM Group companies.

In 2013, the Management Board held 38 meetings, lasting 2 hours and 35 minutes on average with an overall participation of 93.98% (the percentage attendance of each member is shown in table no. 1.2).

The terms for giving notice and for the provision of documentation needed for Board meetings were normally complied with during the year.

In 2014, up to the Date of this Report, 6 Board meetings have been held.

### **Self-assessment of the Management Board's performance**

During the course of the Board meeting held on 17 December 2013, the Management Board undertook a review of its functionality. The process of self-assessment of the functionality was defined by the Board in compliance with the Bank of Italy governance measures, particularly the Bank of Italy's Note of 11 January 2012 and was conducted by means of the verification and the consequent assessment of the adequacy:

- (i) of the proceedings in place to ensure the participation by the Board members at Board meetings (means used for giving notice of meetings, agenda, information supporting the matters on the agenda and preparation of minutes of decisions taken) compared with the proceedings envisaged by primary and secondary regulations and the Articles of Association;
- (ii) of the role performed in practice by the Board (decisions taken, verifications performed, measures taken and reporting) compared with that required by primary and secondary regulations and the Articles of Association.

The outcome of the self-assessment process was a positive assessment by the Management Board of its functionality, of the full awareness of the Board of its powers and obligations, also in consideration of the time spent, which proved to be sufficient for the performance of its role and of the adequacy of the professionalism of the individual Board members with respect to the operational and management characteristics of the business.

Note that the Management Board was assisted by the consulting firm Co.Ba.Co. S.r.l. for the purpose of the aforementioned board review. In 2013, Co.Ba.Co. provided consulting services to the Bank for the revision of the Group's organisational model and, in particular, the principal processes that make up the individual business systems (organisational and corporate governance system; management system; system for measurement/assessment of risks; system for self-assessment of capital adequacy; and system of internal control).

### **Self-assessment of the optimal qualitative and quantitative composition of the Management Board**

On 30 October 2013 the Management Board performed a self-assessment of its ideal board composition in compliance with Bank of Italy governance measures and, in particular, in accordance with the requirements of the Bank of Italy Note of 11 January 2012. In particular, the Management Board approved the self-assessment document on its ideal board composition (hereinafter "**Self-assessment document**"), in which:

- (i) with reference to the ideal composition of BPM's Management Body, the Management Board deemed that – with a view to a reform of the current system of corporate governance – an increase in the number of members of the Management Board would be ideal considering the size of the Bank and would also ensure the simultaneous presence on the Board of a mix of professionalism needed for adequate internal debate and a greater presence of independent members that would bring considerable benefits to the Body's performance;
- (ii) with reference to the ideal composition, the Management Board has identified the theoretical profile (in terms of professionalism, independence, gender and limits to the accumulation of offices) of candidates eligible for appointment as members of the Management Board, as Chairman of the Management Board and as Managing Director – without prejudice to the requirements of integrity and professionalism prescribed by law or by the articles of association for holding office.

During the course of the meeting held on 13 November 2013, the Nominations Committee evaluated favourably the analysis performed by the Management Board and gave a positive opinion on the Self-assessment document.

The Supervisory Board – appointed by the General Meeting of Members of 21 December 2013 – and the Nominations Committee – formed on 7 January 2014 – took due account of the assessments made by the former Management Board as contained in the Self-assessment document during the selection and appointment of members of the Management Board.

On 14 February 2014, the Management Board concluded that, in compliance with Bank of Italy governance measures and, in particular, in accordance with the requirements of the Bank of Italy Note of 11 January 2012, the composition of the Management Board currently in office matches the ideal composition of the Bank's Management Body as outlined in the Self-assessment document and agreed with the considerations made by the former Management Board concerning the number of members of BPM's Management Body contained in the aforementioned Self-assessment document.

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## 4.4. Delegated Bodies

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### 4.4.1 Managing Director

In accordance with the provisions of law and the Articles of Association, the Management Board delegates its powers to one of its members, who takes on the title of Managing Director and who can also be the General Manager. For the appointment of the Managing Director, the Management Board takes into consideration the indications of the Nominations Committee pursuant to article 53 of the Articles of Association.

Pursuant to article 45 of the Articles of Association, the Managing Director is the business's chief executive and oversees its management within the powers granted by the Management Board and in accordance with the general policies and strategies established thereby.

The Management Board has granted the Managing Director powers as per article 45 of the Articles of Association, which are:

- a) to oversee management of the Company and the Group;
- b) to look after strategic coordination and management control of the Company and the Group;
- c) to ensure implementation of the organizational, administrative and accounting structure decided by the Management Board;
- d) to exercise, according to the rules and regulations, powers to propose and grant loans, within the limits established by the Management Board;
- e) to arrange for and supervise personnel management;
- f) to determine the operational guidelines for General Management;
- g) to oversee integration of the Group;
- h) to make proposals to the Management Board regarding the definition of general policies and strategies for the Company and the Group, as well as for the preparation of business and/or financial plans and budgets of the Company and the Group, ensuring that they are implemented by the General Manager;
- i) to propose fiscal policy and guidelines on optimising the use and enhancement of resources and to submit draft financial statements and interim reports to the Management Board;
- l) to propose top management appointments for the Company and the Group to the Management Board, in consultation with the Chairman of the Management Board and having heard the opinion of the General Manager;
- m) to promote integrated risk management;
- n) to redirect any requests for extraordinary inspections or investigations to the internal control function through the Internal Control Committee;
- o) to handle external communication of information concerning the Company, in agreement with the Chairman of the Management Board.

By resolution of the Management Board the Managing Director has also been granted powers for the day-to-day management of the Bank to supplement and simplify the powers granted by the Articles of Association.

During the course of 2013, the role of Managing Director was held by Piero Luigi Montani up till 30 October 2013, on which date the aforementioned Board member resigned with alleged just cause. On the same date, the Management Board, having acknowledged the resignation of the Managing Director, appointed – in order to ensure continuity in the management of the Bank – Davide Croff as interim Managing Director, with the same powers and prerogatives previously granted to the previous Managing Director Piero Luigi Montani. The Board member Davide Croff held office as Managing Director of the Bank until 21 January 2014.

On 21 January 2014, the Management Board – elected by the Supervisory Board on 17 January 2014 – appointed Giuseppe Castagna as Managing Director and General Manager of the Bank, granting him the powers as per article 45 of the Articles of Association, as well as powers for the day-to-day management of the Bank.

Without prejudice to the requirements concerning interlocking directorates laid down by art. 36 of Legislative Decree 201/2011 (converted to Law no. 214/2011), it is hereby disclosed that (i) during the course of their respective mandates, Piero Luigi Montani and Davide Croff were not involved in any cross directorships as contemplated by article 2.C.5 of the Code and (ii) likewise, currently, the Managing Director Giuseppe Castagna is not involved in any cross directorships, as currently, he does not hold office in any non Group companies.

### Information flows

The Managing Director reports at least quarterly to the Management Board on the performance, outlook and more significant

transactions carried out by the Company and its subsidiaries. The Managing Director also reports monthly to the Management Board on the financial results of the Company, the main subsidiaries and the Group as a whole (article 46 of the Articles of Association).

During the course of 2013, the Managing Director complied with the aforementioned disclosure requirements and constantly informed the Management Board of the main activities performed in the exercise of the powers granted.

#### **4.4.2 Chairman of the Management Board**

The Articles of Association – considering the attribution to the Management Board of the duties and responsibilities of the strategic supervision function, and in compliance with the Bank of Italy's Governance Measures – clearly outline the duties and responsibilities of the Chairman of the Management Board, in his capacity as the guarantor of effective functioning of the system of corporate governance and of the balance of powers between the Management Board and the Managing Director, as well as being the main interlocutor with the Supervisory Board. In detail, pursuant to article 41 of the Articles of Association, the Chairman of the Management Board:

- a) is the Company's legal representative with signature power;
- b) convenes the Management Board, sets the agenda in view of the proposals made by the Managing Director and coordinates its activities, ensuring that adequate information about the matters on the agenda are provided to all members;
- c) maintain relations with the Supervisory Authority, in consultation with the Managing Director, as part of the Management Board's normal activities;
- d) handles relations with the Supervisory Board and its Chairman;
- e) ensures that the Supervisory Board is kept informed in accordance with article 40 of the Articles of Association;
- f) exercises any other powers needed to perform his duties.

In justified cases of extreme urgency, when it is also impossible to convene the Management Board on a timely basis, the Chairman of the Management Board or, in the event of his absence or impediment, the Managing Director, can make decisions on any type of operation pertaining to the Management Board, particularly with regard to lending, except for those matters that have to be decided exclusively by the Management Board. The decisions taken must be reported to the Management Board the next time it meets. The signature of the Chairman's deputy constitutes proof vis-à-vis third parties of the Chairman's absence or impediment (article 41 of the Articles of Association).

Under article 32 of the Articles of Association, the Chairman cannot hold individual management powers. The non-executive role of the Chairman of the Management Board is essential to ensure the proper functioning of BPM's system of Corporate Governance.

#### **4.4.3 General Management**

Under article 57 of the Articles of Association, General Management consists of the General Manager, if appointed, and other persons appointed for this purpose by the Management Board, including one appointed to act as deputy – in the absence or impediment of the Managing Director and of the General Manager – with full authority and powers, except for those that necessarily pertain to the Managing Director.

Under article 58 of the Articles of Association, the General Manager supervises the activities of General Management within the limits of his powers and in accordance with the guidelines of the Management Board and the Managing Director. Within such limits and according to the guidelines received, the General Manager manages the Bank's day-to-day affairs, exercises any powers vested in connection with the granting of loans, expenditure and financial transactions and implements the decisions of the Management Board and of the Managing Director.

At the board meeting held on 21 January 2014, the Bank's Management Board appointed Giuseppe Castagna as the Bank's Managing Director and General Manager.

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### **4.5 Executive directors**

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To ensure the presence on the Management Board of an adequate number of non-executive members, in compliance with the Bank of Italy's governance measures, article 32 of the Articles of Association states that, of the five members of the Management Board, two of them, including the Chairman, should be non-executive directors.

On 14 February 2014, the Management Board assessed the executive or non-executive status of its members in accordance with the Code of Conduct. In this regard, the Board first laid down certain criteria and parameters for the practical application within BPM of the definition of "executive director" according to the Code of Conduct, taking into account the specific characteristics and

operations of the Bank and the Group at a governance level. In particular, the Management Board – reiterating the latest assessments made by the former Management Board on 13 March 2013 – confirmed the following parameters/reporting criteria:

- the Management Board includes the Managing Director, to whom the Articles of Association attribute the role of “chief executive”, whereas none of the other Directors holds individual management or operating powers;
- the Chairman of the Management Board is given the task of promoting effective functioning of the system of corporate governance, guaranteeing the balance of powers vis-à-vis the Managing Director and any other executive directors. To perform his function correctly, he does not have any management functions, neither in theory nor in practice, except for the right, under exceptional circumstances, to perform management tasks (such as in the circumstances envisaged by article 41, last paragraph, of the Articles of Association) without this meaning that he has taken on executive status;
- there is no Executive Committee within the Management Board;
- if one or more Board members attend meetings of committees with even limited operating powers in certain areas of the Bank’s day-to-day management (credit and loans, in particular) could mean that such directors take on executive status (in this regard, for BPM it is relevant if directors attend meetings of the Credit and Loans Committee);
- the administration positions held by Management Board members in BPM Group companies are relevant for the purpose of recognition of executive status in the event that the Board member has been vested with powers of management or has an active role in the preparation of corporate strategies;
- the offices held by Management Board members within the Bank or a Group company are relevant for the purpose of recognition of executive status.

In line with the above criteria, the Management Board identified:

- (i) as executive directors:
  - The Managing Director, Giuseppe Castagna (who also holds the office of General Manager of the Bank), in his capacity as chief executive;
  - the Board member Davide Croff, due to the fact that he is a member of the Credit and Loans Committee;
- (ii) as non-executive directors:
  - the Chairman, Mario Anolli and the Board members Paola De Martini and Giorgio Angelo Girelli.

For information relating to the profiles as to executive/non-executive status of the members of the former Management Board, reference should be made to paragraph 4.5 of the Report on corporate governance and ownership structure for 2012 (available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance) which reports the findings of the checks carried out by the former Management Board on 13 March 2013.

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## 4.6 Independent directors

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In consideration of the limited number of members of the Management Board, the Code’s recommendations concerning the composition of the administrative body and of the committees were applied to the Supervisory Board in line with the Articles of Association and with that suggested by the application criteria of art 10.C.1. b) of the Code.

In this regard, note that article 32 of the Articles of Association does not demand that the independence requirements laid down in the Code of Conduct be met by the members of the Management Board and, in compliance with paragraph 1 of article 147-quater of the CFA, states that at least one member of the Management Board must meet the independence requirements of the third paragraph of article 148 of the CFA.

In any case, note that, on 14 February 2014, the Management Board verified the independence requirements of its members pursuant to the third paragraph of article 148 of the CFA and pursuant to article 3 of the Code of Conduct. In this regard, the Management Board first laid down certain criteria and parameters for the practical application within BPM of the definition of “independent director” according to the Code of Conduct, taking into account the specific characteristics and operations of the Bank and the Group at a governance level.

In this context, the Board noted that:

- no Board member was, at the date of the verification, a key person in a subsidiary of strategic importance. In accordance with the Code, the Board has identified as “companies of strategic importance” BPM Group companies that keep records pursuant to article 115-bis of the CFA, that is, those companies, which, based on specific internal regulations adopted at Group level, keep (or have kept in the previous three financial years) a so-called “Insiders register”;
- no Board member holds (directly, indirectly or through third parties) a sufficient number of shares that would allow them to exercise

control or significant influence over the Bank, nor are any of them members of a shareholders' agreement by which one or more persons could exercise control or significant influence over the issuer (article 3.C.1.a);

- no Board member has or has had, directly or indirectly (comprising the companies for which he/she is a key person), commercial, financial and professional relationships with the Bank or its subsidiaries that could compromise their independence (article 3.C.1.c). The Management Board mainly considered, among other things, the credit facilities granted as well as the professional relationships between the key person (or the companies controlled thereby) and the Group. In order to assess the materiality of the aforementioned relationships, the Board considered as relevant, generally and depending on the circumstances, the amount of the credit facilities or of the remuneration payable for the office held, bearing in mind the earnings and financial standing of the individual Board member (obviously based on a self-assessment by the person in question, underlying the declaration regarding "commercial, financial and professional relationships" with the Bank or its subsidiaries), as well as the size of the relationship, depending on the circumstances, with respect to the total loans granted by the Bank or by the Group or to the total costs incurred for the year by the Bank or by the Group for professional positions;
- in the previous three-year period, no non-executive Board member has received any significant supplementary remuneration in addition to the fixed emolument received as a Board member of BPM (article 3.C.1.d). For the purpose of the related assessments, any supplementary remuneration to be considered as significant was that which exceeded twice the amount of the fixed emolument over the three year period;
- none of the Board Members has an executive role in a subsidiary company where another executive Director of the Bank holds office (article 3.C.1. letter f);
- none of the Board members is a partner or director of a company or entity belonging to BPM's independent auditors or the same network (article 3.C.1. lett. g);
- none of the Board Members was an employee of the Bank (or Group companies) in the previous three-year period. In relation thereto, the Management Board has deemed it appropriate to establish, for the application of the general principles of the Code, which recommend the principle of substance over form, that a person may qualify as an independent director if that person ceased to be an employee of the Bank (or Group companies) more than three calendar years (as opposed to financial periods) beforehand.

During the course of the same meeting, the Management Board:

- ascertained that the independence requirements pursuant to article 3 of the Code of Conduct had been met by the Board members Paola De Martini and Giorgio Angelo Girelli, but that these requirements had not been met by (i) Prof. Mario Anolli, as he held a key position in the Bank (Chairman of the Management Board), (ii) Giuseppe Castagna, since he was an executive director and held a key position in the Bank (Managing Director and General Manager of the Bank) as well as an employee of the Bank (in his capacity as General Manager), (iii) Davide Croff, since he was an executive director (member of the Credit and Loans Committee) and Managing Director of the Bank from October 2013 to January 2014;
- ascertained that the independence requirements as per paragraph 3 of article 148 of the CFA had been met by the Board members Mario Anolli, Paola De Martini and Giorgio Angelo Girelli, but had not been met by the remaining Board members.

For information relating to the independence profiles of the members of the former Management Board, reference should be made to paragraph 4.6 of the Report on corporate governance and ownership structure for 2012 (available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance) which reports the findings of the checks carried out by the former Management Board on 13 March 2013.

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## 4.7 Lead independent director

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To date, the circumstances envisaged by the Code of Conduct for the appointment to the Management Board of a lead independent director have not yet materialised.

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## 5. Confidential information

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With respect to the provisions of article 114 of the CFA, BPM has adopted since 2003 – in accordance with Consob’s position on this matter (see Consob Communication 6027054 of 28 March 2006) – a specific procedure for the internal management and external communication of documents and information concerning the Company, with particular reference to privileged information. The procedure sets out the policy designed to guarantee the confidentiality of corporate information and, in particular, privileged information (as defined in article 181 of the CFA) during the period between the moment the information is generated and the moment when it is decided that the information has to be released to the market, as well as to guarantee timely and non-selective diffusion of the news. The procedure is available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance/Corporate Documents.

In compliance with the provisions contained in article 115-bis of CFA (and related Consob rules), the Bank has created a Register of persons with access to privileged information relating to BPM and any third-party issuers by virtue of their employment or profession or the job carried out; at the same time, the Bank has adopted a Regulation concerning the Insider Register. This Regulation with the definition of roles, responsibilities and conduct, governs the identification of persons with privileged information in BPM and the Group in order to register them in the appropriate register.

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## 6. Remuneration of Management Board Members

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In compliance with article 37 of the Articles of Association, in addition to reimbursement for any out-of-pocket expenses incurred in carrying out their duties, the members of the Management Board are entitled to remuneration decided by the Supervisory Board, taking into account whether they are members of sub-committees or hold particular positions of responsibility. They are also awarded attendance fees for participating in meetings of the Management Board and of the commissions and sub-committees established by the Management Board to the extent laid down by the Supervisory Board, as well as the remuneration set by the Supervisory Board for the members of the Management Board appointed to particular positions envisaged in the Articles of Association.

The Articles of Association – by saying that the general meeting of members approves the remuneration policies of the Management Board as required by applicable law and the Bank of Italy's Supervisory Provisions in force from time to time – give the Supervisory Board the power to establish the Management Board's compensation after consulting the Remuneration Committee.

Detailed information about the remuneration of members of the Management Board – as well as of managers of the Bank with strategic responsibilities – is provided in the report on BPM Group's remuneration and incentive policies, prepared in compliance with the Supervisory Regulations of the Bank of Italy of 30 March 2011 and with article 123-ter of the CFA.

The report on the BPM Group's remuneration and incentive policies is available on the website: [www.gruppobpm.it](http://www.gruppobpm.it).

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## 7. Management Board committees (as per article 123-bis, paragraph 2. d), CFA)

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The Articles of Association provide for the possibility for Management Board to set up a number of specialist sub-committees with the task of making an active and systematic contribution towards the exercise of its management role, with fact-finding, consultative and decision-making powers.

In this context, the Management Board set up, with a Board resolution of 28 November 2011, a Credit and Loans Committee with decision-making powers in connection with the granting of credit.

The Committee consists of 2 Management Board members and managers of the Bank with relevant experience. The powers and duties of the Credit and Loans Committee are governed by a specific regulation.

During the course of 2013, the Board members Davide Croff and Dante Razzano were members of the Credit and Loans Committee.

Currently, the members of the Credit and Loans Committee are the Managing Director Giuseppe Castagna and the Board member Davide Croff.

During the course of 2013, the Credit and Loans Committee held 41 meetings – which were all minuted – with an overall 92% attendance rate.

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### 7.1 Control and risks committee

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With reference to the principles of the Code of Conduct regarding the internal control and risk management system (article 7 of the Code), the structure and functioning of the internal control and risk management system, the powers of the strategic supervision and management and control bodies, the internal audit, compliance and risk management functions, as well as internal flows (see paragraph 8 onwards of this Report), are governed by BPM Group policy in compliance with the supervisory regulations of the Bank of Italy (especially the Supervisory instructions for banks, Title IV, Chapter 11, the Supervisory regulations of 4.3.2008, Circular 263/2006 and the Note of 11.1.2012).

With regard thereto, in consideration of the fact that, on 2 July 2013, the Bank of Italy issued the new prudent supervisory regulations for banks relating to the system of internal control, information systems and business continuity (Bank of Italy Circular 263/2006, Title V, Chapters 7, 8 and 9) – the regulations entered into force on 3 July 2013 and will be effective, subject to certain exceptions, as from 1 July 2014 – in 2013 the Bank started the process of adapting the current internal control and risk management system of the BPM Group to the aforementioned regulations. In particular, during the course of 2013 an analysis was performed of the gaps that exist between the new regulations and the business reality and the findings were transmitted to the Bank of Italy, as required by the Supervisory Authority. Steps are currently being taken to bridge the identified gaps within the time limits set by the regulations.

In any case, during the course of 2013, a Risk Committee was formed, chaired by the Managing Director and made up of the Bank's senior management, with the task of supporting the Management Board in the management of individual types of risks and in the integrated management of risks to which the individual members of the Group and the Group as a whole are exposed. This has the following tasks, among others:

- to define the **RAF** and propose to the Management Board, for its approval, the qualitative and quantitative measures on which the RAF is based, as well as the thresholds of risk capacity, risk tolerance and risk appetite;
- to approve the risk limit in accordance with the risk appetite defined by the Management Board;
- to ensure that the risk management process is consistent with the risk appetite and risk governance policies, taking into account any changes in the internal and external conditions in which the Group operates;
- to define the criteria to be followed and activities to be carried out to maintain control over risk management and its adequacy on an ongoing basis;
- to define and/or request, as appropriate, measures to be taken to eliminate any weaknesses observed in the risk management processes;
- to monitor on a continuing basis the evolution of business risks and compliance with the limits on the various types of risk that can be taken;
- to facilitate the development and implementation of specific indicators able to detect anomalies and inefficiencies in the risk measurement and control models;

- to give preventive advice on the consistency of transactions with the risk management policy;
- to facilitate the development and dissemination at all levels of an integrated risk culture in relation to the various types of risk, extended to the whole of the BPM Group.

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## 8. Internal control system

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The Bank's system of internal control (hereinafter "ICS") reflects an articulated, systemic vision, which sets out the general principles that are designed to ensure the correct and effective management of the systems to be checked for risks, defining, in particular, how they function and the guidelines for the monitoring and coordination of the Group companies' control activities.

As part of a more general process of value creation for the Group, the correct functioning, formalisation and updating of the Organisational Model of the ICS are also essential conditions for the maintenance of this process, given that the methods of carrying out business processes always have to be suitably aligned with the processes of governance and control. This is a key factor to ensure the vitality and operational efficiency of BPM.

This Model constitutes a point of reference for a common, standard approach on the part of the entire Group, which presumes widespread knowledge of its contents, complete awareness of the underlying assumptions and common acceptance of the values on which it is based.

The Bank also favours the development of a suitable corporate culture based on customer assistance, providing them with adequate information also regarding complaints and matters that need reporting. This represents, above all, a means of protection for customers, while also supplementing the Bank's own ICS.

Based also on relevant generally accepted principles, on the Supervisory Regulations of the Bank of Italy (Circular 229/1999, Title IV, Chapter 11 and Circular 263/2006) and on the Code of Conduct, it is possible to affirm that the ICS consists of a set of rules, procedures and organisational structures that, through a suitable process of identification, permits:

- the measurement, management and monitoring of the principal risks;
- the company to be run in a healthy, correct and consistent way in line with objectives set by the governing bodies;
- the safeguarding of the company's assets, the efficiency and effectiveness of its operations, the reliability of the financial reporting process and compliance with all laws and regulations.

The adequacy, efficacy and effective functioning of the ICS are assessed, according to their respective areas of competence, by:

- (i) the Management Board, which is responsible for risk management and internal controls in accordance with article 39, paragraph 2.d of the Articles of Association, without prejudice to the powers and duties of the Supervisory Board. In this context – in compliance with the regulations provided for by the Circular of the Bank of Italy no. 263/2006 – the Management Board:
  - identifies the strategic guidelines and policies for risk management, making sure they are regularly reviewed to ensure they remain effective. It is aware of the risks to which the Bank is exposed, it knows and approves the means by which the risks are identified and assessed;
  - continuously ensures that tasks and responsibilities are allocated in a clear and appropriate manner, with particular regard to mechanisms for the delegation of powers;
  - verifies that the structure of the control and risk functions is defined in accordance with strategic guidelines, that the functions have appropriate autonomy in forming opinions and that they are provided with resources that are qualitatively and quantitatively adequate;
  - ensures that the system developed for information flows for the management and control of risks is accurate, complete and prompt;
  - guarantees that the functionality, efficiency and effectiveness of the system for the management and control of risks is regularly verified and that the results of these checks are brought to the attention of the Board, in the event that weaknesses or anomalies arise, so that suitable corrective measures may be taken;
- (ii) the Managing Director, who has been assigned the power to promote integrated risk management (article 45, paragraph 2.m, of the Articles of Association). In this context – in compliance with the regulations provided for by the Circular of the Bank of Italy no. 263/2006 – the Managing Director:

- continuously verifies the overall efficiency and effectiveness of the system for the management and control of risks, making sure it is adapted in relation to weaknesses or anomalies that have arisen and to reflect changes in the frame of reference or following the introduction of new products, activities or key processes;
  - defines the responsibilities of the corporate structures and functions involved so that related tasks are clearly attributed and that potential conflicts of interest are avoided; also ensures that key activities are managed by qualified personnel, with an adequate degree of autonomy in forming opinions and with experience and knowledge in line with the tasks to be undertaken;
  - defines the information flows aimed at ensuring that the Management Board, the Supervisory Board and the control functions will have full knowledge and governance of risk factors;
- (iii) the Supervisory Board, which is responsible for the assessment of the level of efficiency and adequacy of the internal control system, with particular regard to risk control, the internal audit function and the accounting and reporting system; it also checks that the Bank properly performs its strategic and management control activities over the other Group companies (article 51.e of the Articles of Association). In this context – in compliance with the regulations provided for by the Circular of the Bank of Italy no. 263/2006 – the Supervisory Board supervises the adequacy and compliance of the system for the management and control of risks, as well as the process for the assessment of the current and prospective capital adequacy of the BPM Group (ICAAP) with legislative requirements;
- (iv) the Internal Control and Audit Committee, the functions of which are reported in paragraph 14 of this Report;
- (v) the Audit, Compliance and Risk Management functions (see paragraphs 8.2, 8.3 and 8.4 of this Report).

As indicated in paragraph 7.1 of the Report, in 2013 the Bank started the process of adapting the current internal control and risk management system of the BPM Group to the new prudent supervisory regulations for banks relating to the system of internal control, information systems and business continuity issued by the Bank of Italy on 2 July 2013 (Bank of Italy Circular 263/2006, Title V, Chapters 7, 8 and 9) – that entered into force on 3 July 2013 and will be effective, subject to certain exceptions, as from 1 July 2014.

\* \* \*

With reference to article 1.C.1.b of the Code of Conduct, each year – as part of the assessment of the current and prospective capital adequacy of the BPM Group (ICAAP process) – the related thresholds and the indicators of “risk appetite” adopted are reviewed by the Management Board and the Supervisory Board.

During the course of 2013, the Management Board approved the principal capital ratios, which have allowed a qualitative opinion to be given on the capital adequacy of the BPM Group to cover all the risks to which it is exposed.

In order to render the bodies with a strategic and management supervisory function more aware of the risks inherent in all the operating profiles of the Bank, a new management tool (risk appetite framework) is in course of definition, which will allow, by sharing a set of indicators, to define the risk appetite for all relevant risk profiles, to continuously monitor them and to convert the risk objectives into restrictions and incentives for the corporate structure, through the processes of strategic planning and budgeting.

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## **8.1 Management board member in charge of supervising the internal control system**

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As regards the role of the Management Board member in charge of supervising the functionality of the internal control system, we would point out that – it being understood that the Management Board will consider assigning the powers and functions envisaged by article 8.C.5 of the Code to one of its Members as a result of the consolidation of internal regulations relating to the system of internal control – the current skills of the Managing Director, particularly those indicated in paragraph 8 above, are deemed to be substantially compatible with those attributed by article 7.P.3 of the Code of Conduct to the Board member in charge.

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## 8.2 Internal audit function

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The internal audit function – which is awaiting completion of the measures implemented by the Bank to comply with the fifteenth update to the Bank of Italy Circular 263, reports to the Managing Director and is coordinated by the Supervisory Board and the Board Sub-Committees responsible for monitoring controls; the function has not been vested with responsibilities for other areas of operations.

In accordance with the combined provisions of article 39.p and article 51.d of the Articles of Association, on 17 December 2013, the Management Board, on having sought the opinion of the Supervisory Board (the Bank's control body), appointed, with effect from 1 January 2014, Giuseppe Panetta as head of Internal Audit, already interim Head of the same function as from 1 October 2013, with the task of assessing the functionality of the overall system of controls and, in general, the adequacy of the system of internal control of the Group, intended as the system of rules, procedures and organisational structures aimed at guaranteeing compliance with corporate strategies, safeguarding asset values, the reliability of accounting and management data and compliance with all laws and regulations.

The Bank's policy requires approval by the Supervisory Board of the remuneration policies of all personnel, including the head of Internal Audit.

The head of internal audit is provided with adequate resources and means for the performance of his duties, particularly through the allocation of funds for the engagement of external advisors, if deemed necessary and does not have any restrictions on access to data, archives and corporate assets.

The operational audit approach is laid down by the Internal Audit Department through a risk-based, process-oriented methodology that tends to establish common patterns of reporting and anything else needed for coordinated, smooth functioning of operations. The methodology is supported by a specific IT application (SPHERA) which is shared by the internal auditing function and certain second level control functions, according to a set system of differentiated access.

More specifically, Internal Audit verifies, both on an ongoing basis and to meet specific needs, and in compliance with international standards, the operation and suitability of the internal control and risk management system for all business processes, by means of an audit plan based on a structured process for the analysis and prioritisation of the main risks.

The audit plan, which is drawn up each year, is approved by the Management Board, after having consulted the Internal Control and Audit Committee set up as part of the Supervisory Board.

The findings and the results of the audit work are periodically brought to the attention, first of all, of the Internal Control and Audit Committee, then to the Management Board and Supervisory Board, through regular reports containing adequate information on the work performed, on the methods employed for risk management and compliance with plans for their containment as well as an assessment of the suitability of the internal control and risk management system.

Furthermore, areas for improvement identified during the course of the audit work are systematically reported to the corporate structures so that they may take appropriate corrective measures, the implementation of which is subject to subsequent monitoring.

Set out below are details of the main activities of the function:

- to assist the Internal Control and Audit Committee in the assessment, at least once a year, of the adequacy, effectiveness and effective functioning of the system of internal control;
- to carry out audit activities, both in the field and on a remote basis (helping to design suitable control support systems), designed to identify anomalous trends, violations of procedures and of internal and external regulations;
- to prepare information flows for the administrative and executive bodies of the Bank, as foreseen by the regulations;
- to maintain relations with the supervisory bodies, assisting them in the event of inspections and providing the information requested;
- to guarantee the preparation and constant updating, with the help of the functions in question, of the Organisational Model for the System of Internal Control and, on an autonomous basis, of the operating procedures for Internal Audit in accordance with internal regulations;
- to report to the function in question the need for training to ensure an adequate level of knowledge and professional skills.

BPM's Internal Audit department also covers all the subsidiaries, both by undertaking audit work directly and by coordinating the annual planning of all of the Group companies' auditing functions, so as to achieve the best possible results for the lowest possible cost, putting to common advantage the specific technical skills of individual auditors or departments.

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### 8.3 Compliance function

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In accordance with the Supervisory Provisions of the Bank of Italy (decision no. 688006 of 10 July 2007) and the Joint Regulation issued on 29 October 2007 by the Bank of Italy and Consob for the organisation and procedures of intermediaries who provide investment or asset management services, by resolution of the Board of Directors of 18 December 2007, BPM established the Compliance Function with effect from 1 March 2008.

Subsequent to the foregoing having been set up, certain organisational changes took place that, in 2010, saw the transfer of compliance and network control activities to the newly formed Network controls and compliance department. Then, in 2013, following a complete reorganisation of the Bank's Central Management, the function's location was again revisited as envisaged by the business plan.

The compliance function is headed up by the Compliance Officer. The head of the department has also been given responsibility for the Compliance function of the subsidiary Banca Popolare di Mantova S.p.A. (hereinafter **"BM"**), for which the resources used are those of BPM's structure. Until 14 September 2013 (date of incorporation of the Parent Company), the function performed compliance activities for the subsidiary Banca di Legnano S.p.A. (hereinafter **"Bdl"**) with respect to legislation not related to investment services. Normally, the Compliance function of the Parent Company coordinates the corresponding functions of subsidiaries, with the objective of guaranteeing a common approach to the activities undertaken thereby, naturally taking account of the specific nature of the operations and organisational decisions of each entity.

Following the introduction of the Bank of Italy's measures on "Provisions implementing the organisation, procedures and internal controls aimed at preventing the use of intermediaries and other parties that are involved in money laundering and the financing of terrorism (pursuant to paragraph 2 of article 7 of Legislative Decree no. 231 of 21 November 2007)", as from 1 September 2011, an anti-money laundering function was set up within the Compliance function, the responsibility for which was given, both for the Parent Company and for the Group's commercial banks (BM and WeBank S.p.A.), to the head of the "Anti-Money Laundering" unit. The latter also has the authority to report suspected money laundering transactions with respect to the Parent Company as well as BM and WeBank S.p.A.

In the performance of its activities, the Compliance function, which reports to the Managing Director, is not responsible for any business area, nor does it report to any person responsible for operational areas.

The Compliance function has the objective of guaranteeing an assessment of the Bank's compliance with regulations to prevent the risk of non-compliance and events (resulting from regulatory non-compliance) that could potentially jeopardise the Bank's reputation. It performs the following tasks:

- its presides over, with a risk based approach, the management of risk of non-compliance for all of the business's activities and provides assistance to all levels of the organisation for the definition of the methodologies for the assessment of compliance risk;
- it continuously identifies the rules applicable to the Bank and carries out the assessment of their impact on corporate processes and procedures;
- it ensures the control and assessment of the adequacy and effectiveness of the internal procedures through assessments or compliance tests;
- it proposes organizational and procedural changes to improve protection against the risk of non-compliance, asking for them to be introduced and making sure that they are implemented;
- ensures the preparation of information flows to the corporate bodies and other parts of the organisation that may be involved;
- it guarantees the provision of advice and assistance, which may consist of the issue of an opinion, to the Bank's corporate bodies, top management and other functions on matters for which the risk of non-compliance takes on a certain importance;
- it keeps the Conflict of Interest Register in accordance with the specific regulations issued jointly by the Bank of Italy and Consob;
- it makes every effort to ensure that training courses are developed to make all of the Bank's staff more aware about non-compliance risk;
- it is assisted by staff from Internal Audit for work to be performed on the commercial network;
- it prepares an annual report on the work performed for submission to the Internal Control Committee and to the corporate bodies and the plan of the various activities to be performed in the following year;
- it monitors the overall situation of complaints received by the Bank, on investment services as well as on operations and banking and financial services, based on the data provided by the function in charge of processing them.

The Compliance function has access to all of the Bank's activities, both at head office and at the branches, as well as any other information that may be relevant to carry out its duties, also through a direct relationship with the related personnel, and works in close coordination with the other internal control functions.

To carry out the duties assigned to him, the Function is given a reasonable amount of financial resources, which can be increased if the need arises from regulatory obligations.

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## 8.4 Risk management function

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The Parent Company's Risk Management function also forms part of BPM's internal control system, in its broadest sense, given that it has the task of monitoring risk at Group level, ensuring the development and continuous improvement of methodologies and models used in their measurement. The Risk Management function also coordinates the formulation and implementation of the Risk Appetite Framework (RAF) and related risk governance policies through an adequate risk management process, defined as the identification, measurement or assessment, monitoring, prevention or mitigation and communication of the risks to which the Group is exposed.

The Risk Management function must promptly provide assurance that:

1. any significant risk at Group level is correctly identified and effectively managed, according to an integrated approach;
2. complete, comprehensible and integrated information is given to the Governing Bodies and to the competent Corporate Functions so that they can be fully aware of the Group's risk profile;
3. corporate policies on risk management are in place and regulatory reports required by the Company and/or the law are prepared.

The Risk Management function is also responsible for ensuring compliance with the corporate limits established for the various lines of business or by type of risk and for assisting, to the extent of its competence, with the process for the determination of the capital adequacy of the Group.

In order to perform its duties in an effective manner – distinctly separate from those corporate functions which assume the risks – the Risk Management function has free access to all the information that is functional to the achievement of the objectives assigned to it, both for BPM and for Group companies and it operates independently, reporting on risk exposures and on liquidity adequacy directly to the Bank's corporate bodies (Supervisory Board, Management Board and Managing Director).

The Risk Management Function operates with reference to the entire BPM Group according to the complexity and effective risk exposure of the individual subsidiaries. The decentralised units performing risk management activities – to the extent required by specific organizational complexities – report functionally to the Parent Company's risk management office.

The head of the Risk Management function reports directly to the Managing Director.

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## 8.5 Organisational model pursuant to legislative decree 231/01

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During the course of 2005, Banca Popolare di Milano adopted an "Organisational, Management and Control Model" for the prevention of criminal offences, pursuant to Legislative Decree 231/2001 (hereinafter, the "Model"). The Model may be defined as a set of operational rules and ethical standards adopted by the Bank in respect of specific activities performed thereby with the aim of preventing criminal offences, as envisaged by Legislative Decree 231/2001, being committed.

The latter has partly been inspired by the principles set out in the Code of Ethics adopted by BPM Group and which is an integral part of the Model.

The Model includes the following Special Sections:

Special Section I: Mapping of activities exposed to the risk of criminal offences as per Legislative Decree 231/01;

Special Section II: Protocols as per art. 6 of Legislative Decree 231/01;

Special Section III: Code of Ethics;

Special Section IV: List of criminal offences as per art. 6 of Legislative Decree 231/01;

Special Section V: Supervisory Committee regulations;

Special Section VI: Information flows from/to the Supervisory Committee;

Special Section VII: Form for reporting suspected breaches of the Model to the Supervisory Committee.

By nature, the Model is a dynamic document which is subject to change and thus to supplements or amendments rendered necessary by the various activities performed by the Bank or by new criminal offences being added to the scope of Legislative Decree 231/2001.

During the course of 2013, the Model was subjected to revision as follows: (i) adaptation of the system of corporate governance to meet new requirements; (ii) homogenisation of Models and risk profiles of the Bank and Group companies; (iii) introduction of new underlying offences; (iv) definition of sanctions applicable to senior management; (v) definition of information flows to the Supervisory Committee. The current Model and related Code of Ethics were approved by the Management Board during the meeting held on 3 December 2013.

The composition and functions of the Supervisory Committee – set up during the course of 2004 – are governed by a specific set of regulations, which were also subjected to revision during the year and were last amended in December 2013.

The Supervisory Committee consists of between 3 and 5 members appointed by the Management Board (which also nominates the Chairman of the Committee); the current members are Gherardo Colombo (chairman), Gabriella Chersicla, Federico Maurizio d'Andrea and the Head of the Parent Company's Internal Audit function (ex officio member of the Committee), Giuseppe Panetta. The Chairman of the Internal Control and Audit Committee is permanently invited to attend the meetings of the Supervisory Committee.

During the course of 2013, the Supervisory Committee met 14 times and the average length of the meetings was around 2 hours and 20 minutes.

Set out below are the main objectives on which the Supervisory Committee focused its attention during 2013:

- verification of the efficiency of the "Model" and the Code of Ethics and measures taken to ensure required updates were made;
- control of the operation and observance of the "Model" and the Code of Ethics, highlighting any critical issues and breaches and proposing corrective measures to prevent their reoccurrence;
- monitoring the procedures in place for the implementation of the corrective measures, urging, where necessary, the competent bodies to carry them out as quickly as possible;
- analysis and verification of training on topics relating to Legislative Decree 231/01;
- constant interaction with the internal control functions: Internal Audit, Compliance and Anti-Money Laundering functions.

All major Group companies have adopted a Model of Organisation, Management and Control as per Decree 231/2001 and have formed an internal Supervisory Committee. The Bank, without prejudice to the autonomous powers of initiative and control of each Group company with respect to the adoption and effective implementation of its own model pursuant to Decree 231/2001, has issued Group guidelines on the appointment and composition of Supervisory Committees.

The Organisational, Management and Control Model and the Code of Ethics are available in the Governance/Supervisory Committee section of the website: [www.grupprobpm.it](http://www.grupprobpm.it), which provides an e-mail address to be used to report any breaches of the Model or any issues relevant to Legislative Decree 231/01.

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## 8.6 Independent Auditors

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The General Meeting of the Members of BPM of 21 April 2007 appointed Reconta Ernst & Young S.p.A. to audit the separate financial statements of the Bank, the consolidated financial statements and the interim report of the BPM Group for the years 2007-2015.

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## 8.7 Financial reporting manager

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During the meeting held on 23 September 2013, the Management Board, with the favourable opinion of the Supervisory Board, appointed Angelo Zanzi, taking account of his overall professional experience and the fact that he was at the time head of the Bank's "Accounting and Financial Reporting" function, as Financial Reporting Manager – with effect from 1 October 2013 – pursuant to article 154-bis of the CFA.

The Financial Reporting Manager was assigned adequate powers and resources – including a specific expense budget, which for 2013 was of Euro 55,000 – to carry out his legal duties within the Group.

For a description of the principal characteristics of current risk management and internal control systems in relation to the process of financial reporting (as per article 123-bis, 2, b) CFA), reference should be made to the next paragraph (8.8) of this Report.

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## **8.8 Principal characteristics of current risk management and internal control systems in relation to the process of financial reporting** (as per article 123-bis, 2, B) CFA)

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### **8.8.1. Introduction**

The risk management and internal control systems relating to financial reporting, integrated in the Internal Control System (SCI), is governed by a specific organizational model called the "Control Model as per Law 262/05 – Financial Reporting Manager". This model permits ongoing verification of the adequacy and effective application of the administrative and accounting procedures at Group level and is designed to ensure the credibility, accuracy, reliability and timeliness of financial reporting and governance controls.

### **8.8.2. Principal characteristics of the internal control model used for financial reporting**

#### **8.8.2.1. The reference model**

From a methodological point of view, the model used to address financial reporting risk and the evaluation of adequacy and effective application of administrative and accounting procedures for the preparation of such information has been defined by the Bank and inspired by the "Internal Control – Integrated framework" – approved by the Committee of Sponsoring Organizations of the Treadway Commission (CoSo) – which is a generally accepted international framework for analysing internal control systems. The methodology used in evaluating IT procedures (IT – General Controls) is inspired by the "Control Objectives for Information and Related Technology" (COBIT), developed by Information System Audit and Control Association (ISACA).

As regards the evaluation of the potential riskiness of sensitive processes for the purpose of accounting and financial reporting, different approaches are used to ensure:

- detailed analysis of the processes considered to be high risk in terms of their potential impact on accounting and financial reporting;
- a less detailed analysis of all of the other processes that are considered lower risk/impact, making use of the main corporate functions with control responsibilities with a view to maximising organizational synergies.

Following these analyses, bearing in mind that these processes that have been assessed are periodically monitored, an action plan is prepared to resolve any critical areas found.

#### **8.8.2.2. Operating macro-processes**

The control model adopted consists of the following operating macro-processes:

- a) definition of the "sensitive" scope of application;
- b) monitoring the macro-system of company-level controls;
- c) monitoring of sensitive processes for accounting and financial reporting purposes (Process Level Controls) and for the general rules of governance of technologies and application software development (IT General Controls);
- d) assessment of the internal control system for accounting and financial reporting purposes.

These operating macro processes are briefly explained below:

##### **a) definition of the "sensitive" scope of application**

The scope of applicability is defined according to the following operating steps:

- identification of the Group companies that are relevant for accounting and financial reporting purposes, selected on the basis of certain parameters (such as total assets, gross profit) to which qualitative and quantitative thresholds are applied. The selection is done by quantitative parameters, possibly supplemented by a qualitative analysis that highlights possible factors (e.g. heterogeneity of the business, use of specific systems or processes) that could increase or decrease financial reporting risk;
- selecting financial statement items and significant accounts for each of the companies identified by means of materiality limits;
- associating such accounts and information in the financial statements with the underlying corporate processes through appropriate "account/process" matrices.

Once selected, sensitive processes are evaluated in terms of their potential risk, in order to apply methodologies that entail a greater or lesser degree of analysis.

Periodically, the scope of application and the assessment of critical processes is updated, making sure that the Corporate Bodies are adequately informed.

#### **b) monitoring the macro-system of company-level controls**

Company-level controls are designed to verify that there is a corporate environment that in general is geared to reducing the risks of errors and incorrect behaviour for accounting and financial reporting purposes. Company-level controls refer to elements of the Internal Control System as identified in the CoSO Framework and include elements such as: adequate systems of governance, standards of behaviour based on ethics and integrity, effective organizational structures, clear allocation of powers and responsibilities, appropriate risk policies, systems, staff disciplinary systems, effective codes of conduct and fraud prevention systems.

The detection of company-level controls makes it possible to assess the adequacy of the size of the internal control model, which is not directly analysed through process analysis.

The monitoring of the macro internal control system at company level is based on the maintenance and management of the documentation system and on checking the efficiency and effectiveness of the control system. In this context, the competent Bank and Group company functions maintain company documents, regulations and policies regarding the internal control system.

The detection of company-level controls is regularly executed through assessments; an action plan is also prepared for the resolution of any critical issues that arise.

#### **c) monitoring of sensitive processes for accounting and financial reporting purposes (Process Level Controls) and for the general rules of governance of technologies and application software development (IT General Controls)**

The processes being monitored, having been selected according to the methods explained earlier (see point a), relate to the macro aggregates resulting from each process:

- business (loans, finance, commercial banking);
- governance (including risk management, risk and managing control);
- transversal and support (including accounting processes and the preparation of financial statements, HR management);
- governance of the technology infrastructure and IT applications (including IT strategic planning, the provision of IT services).

After selecting the processes, the next step is to verify the adequacy and effective application of the controls through the following processes:

- periodic verification that corporate processes considered sensitive for financial reporting purposes are adequate in terms of mapping the risks and designing controls (Risk Control Analysis);
- verification of the effective application of the controls (Tests of Control) by testing their correct execution and documentation;
- identification of any critical issues arising from the assessment of processes and testing, with the consequent preparation of a corrective action plan (Remediation Plan);
- monitoring of the status of the corrective actions that have been taken.

#### **d) assessment of the internal control system for accounting and financial reporting purposes**

The final assessment of the system of internal control for financial reporting is made based on the evidence relating to:

- the macro system of company-level controls;
- sensitive processes for accounting and financial reporting purposes, the tests carried out and the status of the remediation plans introduced.

The assessment is made by consolidating the aforementioned results at Group level and by identifying, on the basis of specific qualitative and quantitative methodologies, any anomalies in the control system to be reported to the pertinent corporate and governance structures and, where required by law, to the market.

### **8.8.3 Roles and Functions involved in the control model for financial reporting purposes**

The following is an overview of the organization set up by the Bank to ensure that the system explained previously functions properly.

### **8.8.3.1 The Financial Reporting Manager**

The Financial Reporting Manager defines and monitors the Model described in the preceding paragraphs using his own dedicated structure and, when necessary, making use of other corporate functions in order to:

- identify and formalise the processes, risks and controls that are considered sensitive for accounting and financial reporting purposes;
- verify the adequacy of the related processes and controls, making sure that the latter are effectively applied on an ongoing basis by the operating structures;
- define and monitor any corrective action to be taken;
- carry out a conclusive assessment of the control system for financial reporting purposes and its effective application, which allows him, together with the administration and control bodies, to issue the declarations to be attached to the financial statements and interim reports, certifying that they agree with the balances on the books of account and accounting entries.

The Financial Reporting Manager has adequate powers and instruments to carry out the activities mentioned above, in particular:

- he has his own staff that report to him and their specific objective is to support him in monitoring the internal control system for financial reporting purposes and in maintaining relations with the other corporate functions of the Parent Company and subsidiaries;
- he exercises a policy and coordination role for Group companies in administrative and accounting matters and monitors the internal control system for financial reporting purposes;
- he defines the communication flows versus the Corporate Bodies and exchanges of information with the Independent Auditors;
- in accordance with their respective missions and maintaining the necessary level of independence laid down in the reference legislation and corporate regulations, he collaborates with the other functions of the Bank in order to make as efficient as possible his assessment of the internal control system for financial reporting purposes and to obtain all of the information needed for this purpose.

### **8.8.3.2 The Financial Reporting Manager's Staff**

The Financial Reporting Manager's Staff supports the Financial Reporting Manager in his policy activity and overall coordination at Group level on matters of control for financial reporting purposes. In particular:

- they analyse regulatory requirements and identify ways in which the model has to evolve;
- they assist the Manager by:
  - (i) (i)defining the guidelines and the scope of application of the model, identifying the processes with an impact on accounting and financial reporting and the related level of risk;
  - (ii) planning the various activities involved in risk analysis and the tests of controls;
  - (iii) carrying out the final assessment of the internal control system and its effective application, which makes it possible to issue the certifications required by law
- performing the various activities involved in the assessment of risks and controls and the test of adequacy and effective application of the controls;
- defining the methods of summarising and evaluating risk for reporting the results of the activities involved in the assessment of risk and controls and the test of adequacy and effective application of the controls to permit overall consolidation of the evidence;
- supporting the corporate functions in charge of managing processes that have an impact on accounting and financial reporting in identifying the corrective action deriving from the tests, requiring opportune interventions, also with the help of the organization and IT functions;
- monitoring the effective implementation of the remediation plans;
- coordinating the summarised information for the Financial Reporting Manager and the Parent Company's Corporate Bodies for periodic reporting of the stage of completion and preparation of the certifications.

### **8.8.3.3 Internal Audit Function**

In compliance with the principle of autonomy and independence from the other functions of the Bank, the Internal Auditing Function collaborates with the Financial Reporting Manager in order to:

- agree how they are going to exchange information of mutual interest;
- discuss critical areas found in the Group during internal audits, providing opinions on the adequacy of the various Group entities and any improvements that may be needed;
- evaluate together with the Financial Reporting Manager the methods of intervening in sensitive processes.

#### **8.8.3.4 Organisation function**

The Organisation Function makes sure that the Financial Reporting Manager is able to publish and update company documents and regulations needed at Parent Company level, communicating the related guidelines for their application at Group companies. It coordinates with the Financial Reporting Manager's Staff to identify the specific needs in terms of the mapping, updating and formalisation of the processes involved in accounting and financial reporting and to acquire important information deriving from the analysis of risk and controls carried out by his Staff.

#### **8.8.3.5 Risk management function**

The Risk Management Function, as part of its risk monitoring activities, identifies elements to be used in assessing the potential risk that are useful for the definition of the scope of application of the control model.

#### **8.8.3.6 IT Function**

The IT Function makes sure that the IT systems operate properly and that measures are adopted to safeguard the security and integrity of data and programs. It coordinates with the Financial Reporting Manager's Staff to help the latter carry out the analyses and related tests on IT processes and automatic controls embedded in business and transversal processes.

### **8.8.4 Information flows and communications to corporate bodies**

The internal control model used for financial reporting provides for a structured system of information flows and relations between the Financial Reporting Manager and the other corporate functions and companies of the Group, which put him in a position to know all of the data and information needed for financial reporting purposes. As part of this, the system provides for a flow of internal certifications from the subsidiaries to the Financial Reporting Manager at the time that the annual financial statements and half-year interim reports are being prepared, which confirm that their compliance:

- the administrative and accounting procedures and controls laid down by internal regulations for the preparation of accounting documents and any other communications of a financial nature;
- timely and complete reporting of all relevant information needed to give a true and fair view of the Group's assets and liabilities, results and financial position.

As regards communications to corporate bodies, the Financial Reporting Manager communicates the verification plan on an annual basis and every six months provides the Corporate Bodies with:

- a report on his activities, any critical areas that have emerged and the action taken to resolve them;
- the results of the assessments of the internal control system used for financial reporting with a view to issuing the certifications required by law.

Lastly, the Financial Reporting Manager holds meetings and exchanges information with the Independent Auditors.

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## **8.9 Coordination of persons involved in internal control and risk management system**

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In terms of the coordination of control functions, the internal control functions feed into the Risk Committee (see paragraph 7.1 of the Report).

A reporting system has been put in place to provide standard, unambiguous and transparent quarterly reports to ensure there is an adequate flow of information between functions.

The Risk Committee monitors initiatives which have been planned and implemented with regard to the internal control system.

Furthermore, a review is ongoing of the information flows of the control functions to facilitate uniformity and coordination of reporting to the various committees and corporate bodies.

Lastly, in light of the new supervisory regulations contained in the Bank of Italy Circular 263/2006, Title V, Chapters 7, 8 and 9, the Bank has started implementing specific initiatives concerning the system of internal control and will set up, as required by the aforementioned supervisory regulations, a procedure for the coordination of the control functions that will be forwarded for approval by the body responsible for strategic supervision.

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## 9. Interests of Management Board Members and related party transactions

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By means of a motion passed on 26 June 2012, the Management Board approved the “Rules for related parties and associated persons” which govern the procedures of the BPM Group for the management of related party transactions (hereinafter “**Group Regulations on Related Party Transactions**”) in accordance with the prudent supervisory regulations of the Bank of Italy concerning related parties (Circular no. 263/2006, Title V, Chapter 5) and with the Consob regulations dealing with related parties (Consob resolution no. 17221 of 12.3.2010 and subsequent amendments).

The Group Regulations on Related Party Transactions – available in the “Governance” section of the website: [www.gruppobpm.it](http://www.gruppobpm.it) – have replaced, with effect from 31 December 2012, the previous corporate rules, which had only implemented Consob regulations.

The Group Regulations on Related Party Transactions:

- i. set out the criteria for the identification of the BPM Group’s related parties (hereinafter “Related Parties”);
- ii. define the quantitative limits for the assumption by the Banking Group of risk-weighted assets of Related Parties, determining the relevant means for their computation, regulating, at the same time, the system of internal controls on transactions with Related Parties;
- iii. establish the manner in which transactions with Related Parties are approved, differentiating between lesser and more significant transactions and defining in this context the role and the duties of an independent Member of the Management Board, assisted by a competent independent expert;
- iv. set out cases for exemptions and exceptions for certain types of transactions with Related Parties;
- v. lay down the disclosure requirements (also for accounting purposes) as a result of entering into related party transactions.

Following the introduction of the Group Regulations on Related Party Transactions, the functions previously assigned to the Related Parties Committee, which formed part of the Supervisory Board up till 31 December 2012, have been entrusted to an independent Member of the Management Board, assisted by a competent independent expert.

During the course of 2013 the independent Member of the Management Board held 2 meetings, properly minuted, lasting half an hour on average.

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## 10. Supervisory Board

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The current version of the Articles of Association, which was approved on 21 December 2013, governs in detail the composition, appointment, powers and functioning of the Supervisory Board, in accordance with the Bank of Italy's Governance Measures and the principles of the Code of Conduct, with regard to which the following should be noted.

With reference to the composition of this body, the Articles of Association provide for at least 5 Board Members who meet the Code's independence requirements. Special requirements in terms of professional experience have also been established for Supervisory Board Members before they can take office and at least 3 of the Board Members have to be listed in the Register of Auditors.

With regard to the appointment procedure, the Articles of Association detail how the Supervisory Board is to be elected by means of voting lists; this voting mechanism ensures adequate representation of the various components of the shareholder base, reserving for minorities a significant level of representation on the Board (up to 6 Board Members) and, under certain conditions, the Articles also envisage the appointment of 2 Supervisory Board Members (out of a total of 6 assigned to minorities) by institutional investors and UCITS.

With reference to the powers and functions of the Supervisory Board, we would point out, *inter alia*, that:

- (i) the Supervisory Board has not been given the task of strategic supervision according to art. 2409-terdecies.f-bis) of the Civil Code, a function that belongs exclusively to the Management Board under the current Articles of Association;
- (ii) there is a particular mechanism for the appointment and dismissal of the Management Board by the Supervisory Board (providing there is a "qualified quorum", i.e. a higher quorum than is normally required to pass resolutions), and a casting vote for the Board Members nominated by the "institutional investors" (undertakings for collective investment in transferable securities (UCITS) and the strategic partners of the BPM Group pursuant to article 63 of the Articles of Association, Crédit Industriel et Commercial and Fondazione Cassa di Risparmio di Alessandria);
- (iii) the provisions of the Code of Conduct with regard to the setting up of the Remuneration, Nominations and Internal Audit Committees are applied to the Supervisory Board. The composition and responsibilities of these committees are governed directly by the Articles of Association, including detailed instructions about the presence and significance of the votes cast by the Board Members nominated by the minorities and by the BPM Group's strategic partners.

Details are as follows.

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### 10.1. Appointment of Supervisory Board Members

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The Supervisory Board consists of 17 Board Members (except as provided by article 47 of the Articles of Association). Another one or two members can be appointed by the General Meeting, in accordance with article 63 of the Articles of Association, to meet BPM's commitments with Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial.

All members of the Supervisory Board have to satisfy the legal and regulatory requirements of professionalism, integrity and independence, as laid down in:

- article 148, paragraph 3, CFA which establishes the independence requirement for the members of the Board of Statutory Auditors of listed companies; requirements which also apply to the members of the Supervisory Board under the provisions of article 148, paragraph 4-bis, CFA;
- Regulation 161 dated 18 March 1998 of the Treasury, Budget and Economic Planning Ministry which establishes the requirements of integrity and professionalism for bank directors pursuant to article 26 CBA;
- Regulation 162 dated 30 March 2000 of the Ministry of Justice, which establishes the requirements of integrity and professionalism for members of the Board of Statutory Auditors of listed companies (including requirements that apply to the members of the Supervisory Boards of listed companies under the provisions of article 1, paragraph 6-quater, CFA).

In any case, in addition to the legal and regulatory requirements of professionalism, integrity and independence for holding office, article 47 of the Articles of Association requires that:

- (i) all of the members, including those appointed under article 63 of the Articles of Association, must have at least three years' experience, in Italy or abroad, of administration, management or control activities in banking, asset management or insurance, or management activities in other types of companies providing they have a turnover of more than 1 billion euro in the year prior to their election or shares traded on an Italian or foreign regulated market. Candidates can be elected without this experience as long as they are or have been full-time university professors of law or economics;
- (ii) at least five of the members have to meet the independence requirements laid down in the Code of Conduct promoted by Borsa Italiana S.p.A.;

- (iii) at least three members have to be chosen from persons listed in the Register of Auditors, who have worked in the field of auditing for not less than three years these requirements and the one mentioned in point (ii) above may be satisfied by the same person;
- (iv) the less represented gender must be reserved at least the share of Board Members established by current legislation on equal access to administrative and control bodies of companies with shares listed on regulated markets.

Those who do not meet the requirements cannot be elected, and if they have been elected, they immediately fall from office. If a director no longer meets the requirements indicated in subparagraphs (ii) and (iii) above, this does not result in their disqualification, providing there are still enough members in office who meet the requirements.

The Supervisory Board – in compliance with the supervisory regulations issued by the Bank of Italy – verifies within 30 days of the appointment of each Board member that these requirements are met, as well as the independence requirements pursuant to paragraph 3 of article 148 of the CFA and the independence requirements pursuant to article 3 of the Code of Conduct. The results of this verification are communicated to the public in accordance with the provisions of article 144-novies, para. 1-bis, Issuers' Regulation, providing the information required by it and by the current "Instructions to the Regulations of Markets organised and run by Borsa Italiana S.p.A." (in particular, article IA.2.6.7).

In particular, note that – in compliance with the Bank of Italy's Governance Instructions and in line with article 47 of the Articles of Association – the Supervisory Board defines its ideal board composition with the support of the Nominations Committee, taking into account the need for its members to include persons:

- who are fully aware of the powers and obligations of the functions that each of them is expected to perform;
- who have expertise that is suitable for the role to be filled, also on any board sub-committees, and calibrated in relation to the operational characteristics and size of the Bank;
- with a variety of skills spread among all of the members, suitably diversified in such a way as to allow each of the members to help ensure effective governance of risks in all areas of the Bank, both on the sub-committees of which they may be part and in decisions that are taken collectively;
- who devote adequate time and resources considering the complexity of their role.

When the Supervisory Board comes to the end of its term of office, the results of these analyses are to be brought to the attention of the Members on a timely basis, so that the candidates to be included on the voting lists as per article 47 of the Articles of Association or to be elected as per article 48 of the Articles of Association can be selected taking into account the professional skills that are required.

The Supervisory Board, with the support of the Nominations Committee, verifies ex post the correspondence between the ideal composition and the actual one resulting from the appointments process.

### **Presentation and composition of lists of candidates**

The election of members of the Supervisory Board at the General Meeting takes place – in compliance with current legislation on gender balance – by means of ballot forms based on lists of candidates presented by the Members, following the methods and terms laid down in article 47 of the Articles of Association.

To avoid the risk of refusal:

- a) if a list is presented with a number of candidates equal to or higher than eleven, the list must contain at least five candidates who meet the independence requirements laid down in the Code of Conduct of Listed Companies approved by Borsa Italiana S.p.A., and at least three candidates who are listed in the Register of Auditors and have at least three years' audit experience, subject to the possibility of overlapping;
- b) if the number of candidates is lower than eleven and more than three, the list must contain at least two candidates who meet the independence requirements laid down in the Code of Conduct of Listed Companies approved by Borsa Italiana S.p.A., and at least one candidate who is listed in the Register of Auditors and has at least three years' audit experience, subject to the possibility of overlapping;
- c) if the number of candidates is equal to or higher than three, the list must be composed in such a way as to ensure gender balance as required by current legislation.

Each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members' Register for at least ninety days prior to the date set for the General Meeting at first calling and who can document their right to do so in the prescribed manner. UCITS may also submit a list, providing they hold at least 0.5% of the share capital and can document their possession at the time of submission of the lists in the prescribed manner.

Each Member or UCITS can only submit one list; if this rule is not respected, the signature of the member in question will not be taken into account for any of the lists.

The lists of candidates, duly signed, have to be deposited – pursuant to legislation applicable to listed companies – at the Company's head office at least twenty five days prior to the date of the General Meeting at first calling and have to be accompanied by each candidate's curriculum vitae and the declarations by which they individually accept their candidacy and confirm, under their own responsibility, that there are no reasons for ineligibility or incompatibility, and that all or some of the Board members meet the requirements of law or of the Articles of Association to hold office.

Lists that are submitted in ways that do not comply with these instructions or that do not follow subparagraphs a), b) and c) above will not be taken into consideration. However, irregularities that relate to individual candidates do not automatically lead to the exclusion of the entire list, but only of the candidates to whom the irregularities refer, providing the list to which they belonged still meets the requirements of subparagraphs a), b) and c).

Each candidate can only be included on one list; otherwise, the person will be considered ineligible.

In order to allow the Members to know in advance the names of the candidates and their professional profile, the lists of candidates, accompanied by the required documents: the candidates' curriculum vitae and related declarations, the list of members sponsoring them and the total percentage of share capital held – are made available to the general public, by the twenty-first day prior to the date of the General Meeting of Members, at the head office of the Bank, at the offices of Borsa Italiana S.p.A. and on the Bank's website (see article 147-ter, c. 1-bis, article 148, c. 2 and 4-bis of the CFA and article 144-octies and article 144-decies of the Issuers' Regulation).

### **Voting and the criteria for allocation of Board Members to the various lists**

Given that each person entitled to vote can only vote for one list, the election of Board Members, the Chairman and Deputy Chairmen proceeds as follows.

If two or more lists have been submitted according to the above indications:

- a) eleven Board members are taken from the list that won the most votes, in the order in which they are listed, including at least two who meet the requirement of being listed in the Register of Auditors with three years' experience in the field of auditing, and at least three who meet the independence requirements required by the Code of Conduct, subject to the possibility of overlapping;
- b) the other Board Members are taken from the other lists (excluding those to be elected in accordance with article 63 of the Articles of Association and except as provided in article 47 herein for the submission of lists by UCITS). To this end, the votes obtained by these lists are subsequently divided by one, two, three, four, five and six. The results obtained from this division are then progressively assigned to the candidates on each of these lists, in the order in which they are listed. The results attributed in this way to the candidates on the various lists are then ranked all together in declining order: the candidates that are elected are those with the highest scores. In the event that several candidates have the same score, the one to be elected is the candidate on the list that has not yet elected any Board Member or that has elected the lowest number of Board Members. If lists have the same number of votes, and hence the same result, Board Members are attributed to the lists by drawing lots. If at the end of voting, and taking into account the Board Members elected in accordance with article 63 of the Articles of Association and those taken from any lists submitted by UCITS (see below), there have not been elected a sufficient number of Board Members who meet the independence requirement of the Code of Conduct promoted by Borsa Italiana and/or the requirement of being listed in the Register of Auditors with three years' audit experience, the candidate with the lowest score who meets neither of the two requirements just mentioned will be excluded; the candidate excluded will then be replaced by the unelected candidate who, in the ranking, obtained the highest score and meets at least one of the requirements that are lacking; if necessary, this procedure will be repeated until the number of Board Members to be elected has been reached; if, having adopted this method, it was not possible to complete the number of Board Members to be elected, those that are missing will be elected as laid down in the last paragraph of article 47 of the Articles of Association (see below);
- c) the Board Member who features as the leading candidate on the list that won the highest number of votes is elected Chairman;
- d) the second and third candidates on the list that won the most votes are elected Deputy Chairmen.

If only one list has received votes, the first seventeen candidates on that list get elected. The first, second and third candidates on the list are elected Chairman and Deputy Chairmen respectively.

If more than two lists are submitted, including one by a UCITS, the latter will provide two members of the Supervisory Board, even if it has not obtained a sufficient number of votes for a candidate to be elected, providing it has obtained at least one hundred votes or, alternatively, that it has obtained a number of votes representing at least 2% of the share capital. As a consequence, this will exclude the two candidates that obtained the lowest scores in the ranking. If several UCITS present more than one list that obtains a number of votes that is not sufficient to elect a candidate, providing they obtain at least one hundred votes or, alternatively, that they have obtained a number of votes representing at least 2% of the share capital, the two members of the Supervisory Board are to be taken from the two of these lists that obtained a number of votes representing the higher percentage of share capital.

If, according to the above procedure, at the end of the voting the composition of the Supervisory Board does not comply with the gender balance required by law, the last candidates elected in the majority list will be replaced, in the order that they are listed, by the next non-elected candidates of the less represented gender on the same list. If application of this criterion does not make it possible to elect a sufficient number of Board members to ensure compliance with current legislation on gender balance, as many elected candidates as necessary will be excluded from among those who, under the score mechanism explained in paragraph 18b) above, are showing the lowest number of votes, replacing them with unelected candidates of the less represented gender drawn from the same list of the candidate being excluded.

If applying this criterion still does not make it possible to elect a sufficient number of Board members to ensure compliance with current legislation on gender balance, as many elected candidates as necessary will be excluded from among those taken from the list submitted by UCITS which obtained a number of votes representing the highest percentage of share capital who are last on the list, replacing them with unelected candidates of the less represented gender drawn from the same list in the order that they are listed. Alternatively, the replacement criterion can be applied to any other list submitted by UCITS from which elected candidates have been drawn.

Pursuant to the last paragraph of article 47 of the Articles of Association, if seventeen Board Members are not achieved, the Members that are lacking are taken, where possible, from the first unelected candidates on the list that obtained the highest number of votes and who meet the requirements needed for the Supervisory Board to have the correct composition. If the number of Board members does not reach seventeen, not even in the manner indicated above, the Supervisory Board will be deemed validly constituted, until the natural expiration of its term, providing it is composed of at least eleven Members (without taking into consideration those appointed under article 63 of the Articles of Association, if any) and they meet the requirements specified in the fifth paragraph of article 47 of the Articles of Association and current regulations on gender balance. Failing this, the appointment has no effect and a General Meeting must again be called, without delay, to appoint the entire Supervisory Board.

### **Method of appointment of Supervisory Board Members as per article 63 of the Articles of Association**

Pursuant to article 63 of the Articles of Association, even if this makes the total number of Board Members go over seventeen, the General Meeting appoints two Supervisory Board Members taken from the list that the Board has the right to present in order to fulfil the Bank's commitments with Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial, for as long as the conditions for applying these agreements continue to exist.

To this end, the General Meeting passes resolutions with a relative majority in an open vote.

The Board Members appointed under article 63 of the Articles of Association have the same rights, powers and duties as any other member of the Supervisory Board and they have to meet the requirements of applicable laws and regulations to hold office, as well as the requirements of the Articles of Association.

Unless expressly stated otherwise, any reference in the Articles of Association to the number of members of the Supervisory Board, also for the purpose of calculating quorums for setting up the meeting or passing resolutions, is understood as referring to the number of members of the Supervisory Board including those appointed under article 63 of the Articles of Association.

### **Procedure for replacing Members of the Supervisory Board**

Pursuant to article 48 of the Articles of Association, if a member of the Supervisory Board can no longer attend, for whatever reason, he/she has to be replaced by the first candidate not elected on the list to which the original member belonged, or, in the event that this is necessary to comply with the provisions of article 47 of the Articles of Association, by the next candidate on the same list who meets the requirements of the member who can no longer attend and, in any case, in compliance with current regulations on gender balance. If this proves impossible, the member of the Supervisory Board who can no longer attend will be replaced at the next General Meeting with a resolution passed by a relative majority, without any need for voting lists and, in any case, in compliance with current regulations on gender balance. The Board Members appointed as replacements remain in office up to the end of the period for which their predecessors were appointed.

On the other hand, a General Meeting has to be called without delay if as a result of resignations the Supervisory Board consists of less than eleven members (without taking into consideration those appointed under article 63 of the Articles of Association).

If the Chairman or the Deputy Chairmen are no longer serving, assuming that the number of Board Members is reintegrated as envisaged previously, the procedure is as follows:

- a) if it is the Chairman that is no longer serving, his functions are to be taken over by the more senior of the Deputy Chairmen in terms of age up to the next General Meeting that can elect a new Chairman;
- b) if one or both of the Deputy Chairmen, are no longer serving, they have to be replaced at the next General Meeting;
- c) if both the Chairman and the Deputy Chairmen are no longer serving, the Chairman's function is to be taken by the Board Member who was elected in the majority list designated by the Supervisory Board.

Specific provisions are laid down in the event of termination or non-acceptance of the post by the Board Members under article 63 of the Articles of Association, in which case, the Supervisory Board will proceed by co-option to ensure compliance with the agreements with the Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial. Board Members appointed in this way remain in office until the next General Meeting, which confirms them with a relative majority in an open vote on the proposal of the Supervisory Board.

### **Dismissal of Supervisory Board Members**

Members of the Supervisory Board can be dismissed by the General Meeting at any time – by a resolution adopted with the majority required by law – without prejudice to their right to compensation for damages if the revocation took place without true and just cause.

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## 10.2 Composition and role of the Supervisory Board (article 123-bis, paragraph 2.d) CFA)

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### 10.2.1. Composition of the Supervisory Board in office at the date of this report

The Supervisory Board currently in office was appointed for the period 2013-2015 by the General Meeting of Members of 21 December 2013 (see paragraph 1.1 of this Report).

The General Meeting of Members of 21 December 2013 was called to appoint the seventeen Members of the Supervisory Board from the following three lists of candidates:

- **List 1**, with Luca Raffaello Perfetti as candidate, presented by 1 UCITS (Investindustrial IV L.P. through its indirect subsidiary Investimenti Strategici Milanesi S.r.l.) with 2% of the Bank's share capital, consisting of the following candidates: Luca Raffaello Perfetti, Cesare Piovene Porto Godi, Daniela Eugenia Caporicci and Cristiano Proserpio;
- **List 2**, with Dino Piero Giarda as lead candidate, presented by 778 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.14% of the Bank's share capital, with the following candidates: Dino Piero Giarda, Mauro Paoloni, Marcello Priori, Alberto Balestreri, Andrea Boitani, Angelo Busani, Donata Gottardi, Alberto Montanari, Giampietro Giuseppe Omati, Bruno Siracusano, Lucia Vitali, Luca Montebugnoli, Claudia Bugno, Fabio Fortuna and Mario Signani;
- **List 3**, with Piero Lonardi as lead candidate, presented by 530 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.03% of the Bank's share capital, with the following candidates: Piero Lonardi, Roberto Fusilli, Ezio Maria Simonelli, Flavia Daunia Minutillo, Emilio Luigi Cherubini, Maria Luisa Mosconi, Alberto Banfi, Ezio Maria Reggiani, Maria Lucia Candida, Gabriele Caiati, Paolo Saltarelli, Guido Castoldi, Giuseppe Manganelli, Claudio Danelon, Luigi Reale and Giovanni Massimello.

Under article 63 of the Articles of Association, the same General Meeting of Members was called upon to appoint another two candidates for the office of Member of the Supervisory Board presented by the Supervisory Board as indicated by Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial; they are: (i) Carlo Frascarolo (nominated by Fondazione Cassa di Risparmio di Alessandria); (ii) Jean-Jacques Tamburini (nominated by Crédit Industriel et Commercial).

These three lists of candidates and that under article 63 of the Articles of Association, accompanied by the prescribed documentation, were made available to the general public at the Bank's head office, at the offices of Borsa Italiana S.p.A. and on the Bank's website on 29 November 2013, and their publication was communicated by means of a press release on the same date.

Once the votes had been counted, the lists had achieved the following results:

- list no. 1 obtained 74 votes;
- list no. 2 obtained 3,961 votes;
- list no. 3 obtained 1,569 votes;

Therefore, considering that the same General Meeting appointed the 2 Supervisory Board Members pursuant to art. 63 of the Articles of Association, on the basis of the voting list procedure as per art. 47 of the Articles of Association, the following candidates have been appointed for the three-year period 2013-2015;

Name	Office	End of Office	*	**
Dino Piero Giarda (1)	Chairman	2016 General Meeting of Members	YES	NO
Mauro Paoloni (1)	Deputy Chairman	2016 General Meeting of Members	YES	YES
Marcello Priori (1)	Deputy Chairman	2016 General Meeting of Members	NO	YES
Alberto Balestreri (1)	Board member	2016 General Meeting of Members	YES	YES
Andrea Boitani (1)	Board member	2016 General Meeting of Members	YES	NO
Angelo Busani (1)	Board member	2016 General Meeting of Members	YES	NO
Donata Gottardi (1)	Board member	2016 General Meeting of Members	YES	NO
Alberto Montanari (1)	Board member	2016 General Meeting of Members	YES	NO
Giampietro Giuseppe Omati (1)	Board member	2016 General Meeting of Members	YES	NO
Claudia Bugno (1)	Board member	2016 General Meeting of Members	YES	NO
Lucia Vitali (1)	Board member	2016 General Meeting of Members	YES	NO
Piero Lonardi (2)	Board member	2016 General Meeting of Members	YES	YES
Roberto Fusilli (2)	Board member	2016 General Meeting of Members	NO	NO
Ezio Maria Simonelli (2)	Board member	2016 General Meeting of Members	YES	YES
Flavia Daunia Minutillo (2)	Board member	2016 General Meeting of Members	YES	YES
Luca Raffaello Perfetti (3)	Board member	2016 General Meeting of Members	YES	NO
Cesare Piovene Porto Godi (3)	Board member	2016 General Meeting of Members	YES	YES
Carlo Frascarolo (4)	Board member	2016 General Meeting of Members	NO	YES
Jean-Jacques Tamburini (4)	Board member	2016 General Meeting of Members	NO	NO

(\*) Candidate considered independent in accordance with art. 3 of the Code of Conduct of Listed Companies (2011 version).

(\*\*) Candidate declared that listed in the Register of Auditors and worked in the field of auditing for not less than three years.

(1) Taken from list no. 2, which gained a majority of the votes.

(2) Taken from list no. 3, which won a minority of the votes.

(3) Taken from list no. 1, presented by UCITS which won a minority of the votes.

(4) Board Member taken from the list submitted by the Supervisory Board pursuant to article 63 of the Articles of Association.

On 7 January 2014, the Supervisory Board verified the requirements of professionalism, integrity and independence of its members. In this context, the Board took note of the declarations of the persons concerned and, based on the information at its disposal, checked that its members met the legal and regulatory requirements of professionalism, integrity and independence for holding office, including those of the Articles of Association, also taking note that the composition of the Board complies with the law and the Articles of Association. With reference to the Board member Claudia Bugno, the Supervisory Board had verified during the above Board meeting that she met the requirements of integrity and independence for holding office, but had postponed the verification that she met the professional requirements as required by law and the Articles of Association for holding office.

Subsequently, on 14 January 2014, Claudia Bugno resigned from office as this position is incompatible with her role of director at another bank.

On 14 February 2014, in relation to Claudia Bugno's resignation as a member of BPM's Supervisory Board, the Management Board resolved to include in the agenda of the next General Meeting of Members, the appointment of a Supervisory Board member for the purpose of integrating the control body in accordance with art. 48, paragraph 1.2 of the Articles of Association and, in any case, in compliance with current regulations on gender balance; this having taken note (i) that the Supervisory Board had to be reintegrated in accordance with current regulations on gender balance and (ii) that Claudia Bugno could not be replaced under the mechanism regulated by art. 48, paragraph 1.1 of the Articles of Association, given the lack of unelected candidates belonging to the less represented gender on the same list as her, also based on the Supervisory Board's requirements on this topic.

The following table provides a complete list of the Supervisory Board members in office at the Date of this Report, with an indication of the specific offices that some of them hold on the Board, the dates that their mandates start and end and their independence and professional profiles as verified during the course of the above Board meeting on 7 January 2014.

Name	Office	Start of mandate	End of mandate	*	**
Dino Piero Giarda (1)	Chairman	21.12.2013	2016 General Meeting of Members	YES	NO
Mauro Paoloni (1)	Deputy Chairman	21.12.2013	2016 General Meeting of Members	YES	YES
Marcello Priori (1)	Deputy Chairman	21.12.2013	2016 General Meeting of Members	NO	YES
Alberto Balestreri (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	YES
Andrea Boitani (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO
Claudia Bugno (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO
Angelo Busani (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO
Roberto Fusilli (2)	Board member	21.12.2013	2016 General Meeting of Members	NO	NO
Carlo Frascarolo (4)	Board member	21.12.2013	2016 General Meeting of Members	NO	YES
Donata Gottardi (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO
Piero Lonardi (2)	Board member	21.12.2013	2016 General Meeting of Members	NO	YES
Flavia Daunia Minutillo (2)	Board member	21.12.2013	2016 General Meeting of Members	YES	YES
Alberto Montanari (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO
Giampietro Giuseppe Omati (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO
Luca Raffaello Perfetti (3)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO
Cesare Piovene Porto Godi (3)	Board member	21.12.2013	2016 General Meeting of Members	YES	YES
Jean-Jacques Tamburini (4)	Board member	21.12.2013	2016 General Meeting of Members	NO	NO
Ezio Maria Simonelli (2)	Board member	21.12.2013	2016 General Meeting of Members	YES	YES
Lucia Vitali (1)	Board member	21.12.2013	2016 General Meeting of Members	YES	NO

(\*) Considered independent by the Supervisory Board in accordance with article 3 of the Code of Conduct of Listed Companies (2011 version).

(\*\*) Listed in the Register of Auditors with at least three years' audit experience.

(1) Taken from list no. 2, which gained a majority of the votes.

(2) Taken from list no. 3, which won a minority of the votes.

(3) Taken from list no. 1, presented by UCITS which won a minority of the votes.

(4) Board Member taken from the list submitted by the Supervisory Board pursuant to article 63 of the Articles of Association.

In accordance with article 144–decies IR, as regards the members of the Supervisory Board in office at the date of this Report, a summary is provided below of their personal and professional characteristics (their CVs are available on the website: [www.gruppobpm.it](http://www.gruppobpm.it)).

**Dino Piero Giarda** (Chairman): has acted as Professor of Public Finance in the Faculty of Economics at Università Cattolica in Milan where he also served on the Board of Directors from 1997 to 2001. He has also held important positions at government level, such as Minister for Relations with Parliament from 2011 to 2013 and Under-Secretary of State at the Treasury Ministry from 1995 to 2001. Lastly, he has held key positions in banks and listed companies.

**Mauro Paoloni** (Deputy Chairman): is Professor of Business Studies at Università degli Studi di Roma Tre and practices as a corporate consultant in Rome and Milan, advising on accounting, financial, corporate and contractual issues, as well as providing business valuation and restructuring services. He has held and currently holds administration and control positions in banks and financial intermediaries as well as industrial companies.

**Marcello Priori**: practices as a professional accountant and official auditor in Milan, advising on accounting, tax, corporate, contractual and business issues, as well as providing business valuation and corporate governance services. Furthermore, he holds the position of Adjunct Professor of Business Studies at Bocconi University in Milan (Department of Management). He has held and currently holds administration and control positions in banks and financial intermediaries as well as industrial companies.

**Alberto Balestreri:** practices as a professional accountant and official auditor in Milan, advising on accounting, tax, corporate, contractual and business issues. Furthermore, he has held the position of Adjunct Professor of “E-business and finance” and of “Analysis of the performance of financial intermediaries” at Bologna University. He was head of Strategic Research and Analysis with Banca Popolare di Milano and he has held and currently holds administration and control positions in banks and financial intermediaries as well as industrial companies.

**Andrea Boitani:** is Professor of Political Science in the Faculty of Banking, Finance and Insurance at Università Cattolica del Sacro Cuore in Milan and is a member of the Scientific Committee for the Master in Economics at University of Roma - Tor Vergata. He has also been a member of various technical committees established at government level.

**Angelo Busani:** practices as a notary public in Milan and as an Arbitrator with the Chamber of Arbitration of the Chamber of Commerce of Milan. He also performs academic and teaching activities at Bocconi University in Milan concerning civil law and international contract law, he has, among other things, taught tax law at Università degli Studi in Parma, he is member of Scientific Committees for major Italian legal journals and has authored over 300 publications on civil, tax and corporate topics for major Italian legal journals. He has held and currently holds administration and control positions in banks and financial intermediaries as well as industrial companies.

**Carlo Frascarolo:** practices as a professional accountant and official auditor in Valenza; he has held and currently holds administration and control positions in banks and financial intermediaries as well as industrial companies.

**Roberto Fusilli:** has held managerial positions with IBM Italy S.p.A. and has held and currently holds administration and control positions in banks and financial intermediaries.

**Donata Gottardi:** is Professor of Employment Law in the Department of Legal Sciences at Verona University, having been head of the department since 2010, has also been Director of the Graduate School of Law and of the Master in “Corporate Governance and Corporate Social Responsibility”, and has published works on corporate crisis, corporate social responsibility, discrimination and equal treatment and industrial relations with particular reference to the credit market, economic freedoms and social rights. She was a member of the European Parliament from 2006 to 2009 and a member of the Committee on Economic and Monetary Affairs, the Employment Commission and the Gender Equality Commission. She has held advisory positions at government level and has been a member of ministerial technical committees.

**Piero Lonardi:** practices as a professional accountant and official auditor in Milan, advising on accounting, tax, corporate, contractual and business issues. He has held and currently holds administration and control positions in banks, listed companies and industrial companies.

**Flavia Dania Minutillo:** practices as a professional accountant and official auditor in Milan, advising on accounting, tax, corporate, contractual and business issues; she is also a qualified professional mediator. She has held and currently holds administration and control positions in banks and listed companies, as well as real estate and industrial companies.

**Alberto Montanari:** practices as a lawyer in Milan, involved in activities in court and out of court on matters of corporate, commercial and civil law; has taught at Pavia University and is author of various articles on corporate and tax matters that have been published in important Italian legal journals.

**Giampietro Giuseppe Omati:** has held and currently holds administration positions in banks and listed companies, as well as industrial companies, associations and non profit entities.

**Luca Raffaello Perfetti:** is Professor of Administrative Law in the Faculty of Economics at the Università degli studi in Bari and teaches Administrative procedure law in the Faculty of Law in Urbino. During the course of his academic career he has authored numerous scientific publications (detailed in his curriculum vitae). He practices as a lawyer in Milan and has gained much experience in public services (national and local), electricity, gas, renewable energy, banks and the banking system, telecommunications, infrastructure, contracts and tenders, urban environment, financial instruments in regulated sectors or with public administrations or entities as party thereto, and independent authorities.

**Cesare Piovene Porto Godi:** practices as official auditor in Milan, advising on accounting, tax, corporate, contractual and business issues, as well as providing business valuation services and debt and corporate restructuring plans. He has held and currently holds control positions in banks and listed companies, as well as industrial companies.

**Ezio Maria Simonelli:** practices as a professional accountant and official auditor in Milan, advising on accounting, tax, corporate, contractual and business issues. He teaches on and is member of the Scientific Committee for the "Il Sole 24 Ore" Master in tax law and is the author of various publications on accounting and tax matters. He has held and currently holds control positions in banks, intermediaries, listed companies and industrial companies.

**Jean-Jacques Tamburini:** has held and currently holds important administrative and managerial roles with the Parent Company and with various companies pertaining to the French banking group CM-CIC.

**Lucia Vitali:** has held the position of Professor of Economics and Finance of Insurance in the Faculty of Statistics at Università La Sapienza in Rome, where she was Head of the Department of Actuarial and Financial Science and Director of the PhD course in Actuarial Science; has published various monographs and scientific articles on topics covering social insurance, social security systems, pension funds and private insurance; is also a member of the scientific committee for various insurance journals. She has held advisory positions at government level and has been a member of ministerial technical committees.

For information purposes, set out below is a summary of the professional profile of Claudia Bugno, who resigned on 14 January 2014.

**Claudia Bugno:** is Director of the Independent body for the assessment of performance – Internal control with the Ministry of Economic Development and holds key positions in banks and listed companies. She chaired the Management Committee of the Central Guarantee Fund for SMEs from 2009 to 2013. Prior to that, she held key positions with European and Italian institutions and held managerial positions with the Milan Chamber of Commerce.

### 10.2.2. Composition of the Supervisory Board from 1 January 2013 to 21 December 2013

The Supervisory Board appointed for the three year period 2011/2013 by the General Meeting of Members held on 22 October 2011 was revoked by the Ordinary General Meeting of Members held on December 2013 (see paragraph 1.1 of this Report).

The General Meeting of Members of 22 October 2011 was called to appoint the seventeen Members of the Supervisory Board from the following five lists of candidates:

- **List 1**, with Ulrich Weiss as lead candidate, presented by UCITS no. 1 (Investindustrial IV L.P.), owner of 0.5% of the Bank's share capital, with the following candidates: Ulrich Weiss, Stefania Chiaruttini, Cesare Piovene Porto Godi, Anna Maria Pontiggia and Roberto Spada.
- **List 2**, with Roberto Perotti as lead candidate, presented by UCITS no. 8 (Fideuram Gestions S.A. – Fonditalia Euro Financials; Fideuram Gestions S.A. – Fonditalia Euro Defensive; Fideuram Gestions S.A. – Fonditalia Flexible Europe; Fideuram Gestions S.A. – Fonditalia Fund Equity Europe; Fideuram Gestions S.A. – Fonditalia Equity Europe; Prima SGR; Pioneer Investment Management SGR.p.A. – Azionario Crescita; Pioneer Asset Management S.A.), together the owner of 0.88% of the Bank's share capital, with the following candidates: Roberto Perotti, Lucia Calvosa and Francesca Cornelli.
- **List 3**, with Piero Lonardi as lead candidate, presented by 555 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.21% of the Bank's share capital, with the following candidates: Piero Lonardi, Roberto Fusilli, Giovanni Massimello, Emilio Luigi Cherubini, Claudio Danelon, Maurizio Pisati and Guido Castoldi.
- **List 4**, with Filippo Annunziata as lead candidate, presented by 680 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.36% of the Bank's share capital, with the following candidates: Filippo Annunziata, Umberto Bocchino, Giuseppe Coppini, Giovanni Bianchini, Francesco Giaretta, Mario Benito Mazzoleni, Maria Luisa Mosconi, Marcello Priori, Ezio Maria Simonelli, Michele Zefferino, Maurizio Cavallari, Ruggiero Cafari Panico, Alberto Balestreri, Maurizio Dallochio and Guido Nori.

- **List 5**, with Marcello Messori as lead candidate, presented by 416 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.22% of the Bank's share capital, with the following candidates: Marcello Messori, Carlo Dell'Aringa, Mauro Paoloni, Massimo Tezzon, Carmine De Robbio, Giovanna Nicodano, Alfredo Malguzzi, Massimo De Felice, Andrea Perrone, Raoul Pisani, Enrico Castoldi and Serenella Rossano.

Under article 63 of the Articles of Association, the same General Meeting of Members was called upon to appoint another two candidates for the office of Member of the Supervisory Board presented by the Bank as indicated by Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial; they are: (i) Federico Fornaro (nominated by Fondazione Cassa di Risparmio di Alessandria); (ii) Jean-Jacques Tamburini (nominated by Crédit Industriel et Commercial).

These five lists of candidates and those under article 63 of the Articles of Association, accompanied by the prescribed documentation, were made available to the general public at the Bank's head office, at the offices of Borsa Italiana S.p.A. and on the Bank's website on 11 October 2011, and their publication was communicated by means of a press release on the same date.

Once the votes had been counted, the lists had achieved the following results:

- list no. 1 obtained 143 votes;
- list no. 2 obtained 27 votes;
- list no. 3 obtained 1,375 votes;
- list no. 4 obtained 4,246 votes;
- list no. 5 obtained 2,274 votes.

Therefore, applying the quotient system for the election of board members taken from the minority lists – considering that the same General Meeting appointed the two Supervisory Board Members pursuant to article 63 of the Articles of Association – the voting list procedure as per article 47 of the Articles of Association permitted the appointment, within the Supervisory Board, of eleven board members on the list that obtained the highest number of votes (list no. 4), four board members taken from two different minority lists (of which three taken from list no. 5 and the other from list no. 3) and two board members taken from the minority list presented by a UCITS (list no. 1).

Subsequently, the Bank took note of the declaration of Marcello Messori that he did not accept the appointment; he was therefore replaced, under art. 48 of the Articles of Association, by Enrico Castoldi, a candidate taken from the same list (no. 5), who under the Articles of Association will remain in office – like the other members of the current Supervisory Board – until the date of the General Meeting to be held in 2014, as per art. 2364-bis, para. 2 of the Civil Code, to approve the 2013 financial statements.

The following is a full list of the board members elected as a result of the members' voting at the General Meeting on 22 October 2011, indicating any specific positions held on the Board, the original end of their term of office and their eligibility to qualify as independent directors pursuant to art. 3 of the Code of Conduct (as declared at the time the lists were presented).

Name	Office	Mandate	*	**
Filippo Annunziata (1)	Chairman	2014 General Meeting of Members	YES	YES
Umberto Bocchino (1)	Deputy Chairman	2014 General Meeting of Members	YES	YES
Giuseppe Coppini (1)	Deputy Chairman	2014 General Meeting of Members	YES	NO
Giovanni Bianchini (1)	Board member	2014 General Meeting of Members	YES	NO
Maurizio Cavallari (1)	Board member	2014 General Meeting of Members	NO	NO
Stefania Chiaruttini (4)	Board member	2014 General Meeting of Members	YES	YES
Carlo Dell'Aringa (2)	Board member	2014 General Meeting of Members	NO	NO
Federico Fornaro (5)	Board member	2014 General Meeting of Members	YES	NO
Francesco Giaretta (1)	Board member	2014 General Meeting of Members	YES	NO
Piero Lonardi (3)	Board member	2014 General Meeting of Members	NO	YES
Mario Benito Mazzoleni (1)	Board member	2014 General Meeting of Members	NO	NO
Marcello Messori (2) (7)	Board member	—	YES	NO
Maria Luisa Mosconi (1)	Board member	2014 General Meeting of Members	YES	YES
Mauro Paoloni (2)	Board member	2014 General Meeting of Members	YES	YES
Marcello Priori (1)	Board member	2014 General Meeting of Members	NO	YES
Ezio Maria Simonelli (1)	Board member	2014 General Meeting of Members	YES	YES
Jean-Jacques Tamburini (6)	Board member	2014 General Meeting of Members	NO	NO
Ulrich Weiss (4)	Board member	2014 General Meeting of Members	YES	NO
Michele Zefferino (1)	Board member	2014 General Meeting of Members	YES	NO

(\*) Candidate qualified as independent under art. 3 Code of Conduct for Listed Companies (2006 version).

(\*\*) Candidate declared that listed in the Register of Auditors and worked in the field of auditing for not less than three years.

(1) Taken from list no. 4, which gained a majority of the votes (4,246).

(2) Taken from list no. 5, which gained a minority of the votes (2,274).

(3) Taken from list no. 3, which gained a minority of the votes (1,375 votes).

(4) Taken from list no. 1, presented by UCITS (143 votes).

(5) Appointed under art. 63 of the Articles of Association (Fondazione Cassa di Risparmio di Alessandria).

(6) Appointed under art. 63 of the Articles of Association (Crédit Industriel et Commercial).

(7) Board member replaced under art. 48 of the Articles of Association by Enrico Castoldi.

On 22 November 2011, the Supervisory Board verified the requirements of professionalism, integrity and independence of its members. In this context, the Board took note of the declarations of the persons concerned and, based on the information at its disposal, checked that its members met the legal and regulatory requirements of professionalism, integrity and independence for holding office, including those of the Articles of Association, also taking note that the composition of the Board complies with the law and the Articles of Association.

During the course of 2012:

- following the resignation on 26 April 2012 of the Board member Ezio Simonelli, he was replaced, in accordance with art. 48 of the Articles of Association, by the Board member Ruggiero Cafari Panico with effect from 7 May 2012, a candidate taken from the same list of the Board member who resigned (list no. 4);
- following the resignation on 4 May 2012 of the Board member Stefania Chiaruttini, she was replaced, in accordance with art. 48 of the Articles of Association, by the Board member Cesare Piovene Porto Godi with effect from 9 May 2012, a candidate taken from the same list of the Board member who resigned (list no. 1);
- following the resignation on 30 October 2012 of the Board member Ulrich Weiss, he was replaced, in accordance with art. 48 of the Articles of Association, by the Board member Anna Maria Pontiggia with effect from 31 October 2012; a candidate taken from the same list of the Board member who resigned (list no. 1);

- following the resignation from office on 14 November 2012 of the Board member Francesco Giaretta, he was replaced, in accordance with art. 48 of the Articles of Association, by the Board member Alberto Balestreri with effect from 15 November 2012, a candidate taken from the same list of the Board member who resigned (list no. 4);
- During the course of the meetings held on 29 May and 27 November 2012, the Supervisory Board concluded that the directors Ruggiero Cafari Panico, Cesare Piovene Porto Godi, Anna Maria Pontiggia and Alberto Balestreri met with the requirements of professionalism, integrity and independence, laid down by primary and secondary regulations and by the Articles of Association for the office.

During the course of 2013:

- Prof. Carlo Dell’Aringa resigned from his position as member of the Bank’s Supervisory Board on 4 February 2013 and, since it was not possible to apply the automatic replacement mechanism envisaged by paragraph 1.1 of article 48 of the Articles of Association, the General Meeting of Members held on 27 April 2013 appointed – pursuant to paragraph 1.2 of article 48 of the Articles of Association – Prof. Luca Raffaello Perfetti as a member of the Supervisory Board;
- Prof. Filippo Annunziata resigned from his position as Chairman and member of the Bank’s Supervisory Board on 22 April 2013. In addition to Prof. Annunziata, the following also resigned as members of the Supervisory Board: Giovanni Bianchini on 18 April 2013 and, on 23 April 2013, Federico Fornaro, Cesare Piovene Porto Godi and Anna Maria Pontiggia;
- on 21 May 2013, the Supervisory Board – having consulted the Nominations Committee with regard to the required skills and experience and having taken account of the preference expressed by Fondazione Cassa di Risparmio di Alessandria – pursuant to article 63, paragraph 3 of the Articles of Association, coopted Carlo Frascarolo as a member of the Bank’s Supervisory Board to replace Federico Fornaro, who had resigned. On the same date, the Supervisory Board verified that the Board member Luca Raffaello Perfetti met the requirements of integrity, professionalism and independence for holding office laid down by primary and secondary legislation and by the Articles of Association, as well as ascertaining that he met the independence requirements set out in the Code of Conduct;
- on 3 June 2013 the Supervisory Board verified that the Board member Carlo Frascarolo met the requirements of integrity, professionalism and independence for holding office laid down by primary and secondary legislation and by the Articles of Association, as well as ascertaining that he did not meet the independence requirements set out in the Code of Conduct;
- since it was not possible to apply the automatic replacement mechanism envisaged by paragraph 1.1 of article 48 of the Articles of Association, on 22 June 2013 the Ordinary General Meeting of Members integrated the Supervisory Board by appointing as Board members Giovanni Maria Flick, Roberto Fusilli, Flavia Daunia Minutillo and Giacinto Sarubbi; in addition, as proposed by the Supervisory Board – to meet the commitments taken on with Fondazione Cassa di Risparmio di Alessandria – it confirmed Carlo Frascarolo as Supervisory Board member, in accordance with art. 63, paragraph 3 of the Articles of Association. Subsequent to the above appointments, the General Meeting of Members appointed Giuseppe Coppini as Chairman of the Supervisory Board. Subsequently, on 28 June 2013, Giovanni Maria Flick resigned as a member of the Supervisory Board with immediate effect;
- on 9 July 2013, the Supervisory Board verified that the Board members Carlo Frascarolo, Roberto Fusilli and Flavia Daunia Minutillo met the requirements of integrity, professionalism and independence for holding office laid down by primary and secondary legislation and by the Articles of Association, as well as ascertaining that the Board member Minutillo met the independence requirements set out in the Code of Conduct and that the Board members Fusilli and Frascarolo did not meet these requirements;
- on 23 July 2013, following verification as to whether the requirements of integrity, professionalism and independence for holding office had been met, the Supervisory Board declared that – as laid down in article 47, paragraph 14, of the Articles of Association – Giacinto Sarubbi had been removed from office as a member of the Supervisory Board;
- on 21 December 2013, the Ordinary General Meeting of Members – having taken note(i) of the request made by the Supervisory Board on 6 November 2013 (see paragraph 1.1. of this Report), (ii) of the reasons given in the Report of the Management Board based on article 125-ter of the CFA (available on the website: [www.gruppobpm.it](http://www.gruppobpm.it), in the section on Governance, General Meeting of Members of 20–21 December 2013), which was referred to and agreed with in its entirety, and (iii) having deemed that it was in the best interests of the Bank’s shareholder base to achieve stable and sustainable management that would guarantee the success of the increase in share capital approved by the Extraordinary General Meeting of Members held on 22 June 2013 and, more generally, to continue the process of relaunching the Bank – passed a resolution to revoke the entire Supervisory Board from office as of 21 December 2013, pursuant to article 2364-bis, paragraph 1 of the Civil Code and article 47, paragraph 8, of the Articles of Association.

The following table provides details of the Supervisory Board members in office between 1 January 2013 and 21 December 2013 (date of the General Meeting of Members that passed a resolution to revoke the entire Board), with an indication of the dates that their mandates started and ended, the offices held on the Board, and their independence and professional profiles.

Name	Office	Date of appointment	Date of leaving office	*	**
Filippo Annunziata (1)	Chairman	22.10.2011	22.04.2013	YES	YES
Giuseppe Coppini (1)	Deputy Chairman (11)	22.06.2013	21.12.2013	YES	NO
	Deputy Chairman (11)	22.10.2011	22.06.2013	YES	NO
Umberto Bocchino (1)	Deputy Chairman	22.10.2011	21.12.2013	YES	YES
Alberto Balestreri (7)	Board member	15.11.2012	21.12.2013	YES	YES
Giovanni Bianchini (1)	Board member	22.10.2011	18.04.2013	YES	NO
Ruggiero Cafari Panico (7)	Board member	07.05.2012	21.12.2013	YES	YES
Enrico Castoldi (2) (7)	Board member	22.10.2011	21.12.2013	YES	YES
Maurizio Cavallari (1)	Board member	22.10.2011	21.12.2013	YES	NO
Carlo Dell'Aringa (2)	Board member	22.10.2011	04.02.2013	NO	NO
Giovanni Maria Flick (9)	Board member	22.06.2013	28.06.2013	n.d.	n.d.
Federico Fornaro (5)	Board member	22.10.2011	23.04.2013	YES	NO
Carlo Frascarolo (5)	Board member	21.05.2013	21.12.2013	NO	YES
Roberto Fusilli (9)	Board member	22.06.2013	21.12.2013	NO	NO
Piero Lonardi (3)	Board member	22.10.2011	21.12.2013	NO	YES
Mario Benito Mazzoleni (1)	Board member	22.10.2011	21.12.2013	NO	NO
Flavia Daunia Minutillo (9)	Board member	22.06.2013	21.12.2013	YES	YES
Maria Luisa Mosconi (1)	Board member	22.10.2011	21.12.2013	YES	YES
Mauro Paoloni (2)	Board member	22.10.2011	21.12.2013	YES	YES
Luca Raffaello Perfetti (10)	Board member	27.04.2013	21.12.2013	YES	NO
Cesare Piovene Porto Godi (8)	Board member	09.05.2012	23.04.2013	YES	YES
Anna Maria Pontiggia (8)	Board member	31.10.2012	23.04.2013	YES	YES
Marcello Priori (1)	Board member	22.10.2011	21.12.2013	NO	YES
Giacinto Sarubbi (9)	Board member	22.06.2013	23.07.2013	n.d.	n.d.
Jean-Jacques Tamburini (6)	Board member	22.10.2011	21.12.2013	NO	NO
Michele Zefferino (1)	Board member	22.10.2011	21.12.2013	NO	NO

(\*) Independent director as per article 3 of the Code of Conduct.

(\*\*) Listed in the Register of Auditors with at least three years' audit experience.

((1)) Taken from list no. 4, which gained a majority of the votes (4,246).

((2)) Taken from list no. 5, which gained a minority of the votes (2,274).

((3)) Taken from list no. 3, which gained a minority of the votes (1,375 votes).

((4)) Taken from list no. 1, presented by UCITS (143 votes).

((5)) Appointed under article 63 of the Articles of Association (Fondazione Cassa di Risparmio di Alessandria).

((6)) Appointed in accordance with article 63 of the Articles of Association (Crédit Industriel et Commercial).

((7)) Board member taken from list no. 4 pursuant to article 48, paragraph 1.1 of the Articles of Association.

((8)) Board member taken from list no. 1 pursuant to article 48, paragraph 1.1 of the Articles of Association

((9)) Board member appointed by the General Meeting of Members of 22 June 2013 pursuant to article 48, paragraph 1.2 of the Articles of Association

((10)) Board member appointed by the General Meeting of Members of 27 April 2013 pursuant to article 48, paragraph 1.2 of the Articles of Association

((11)) The Board member Giuseppe Coppini, being the most senior Deputy Chairman, held office as interim Chairman of the Supervisory Board pursuant to article 48, paragraph 3 (a) of the Articles of Association from 22 April 2013 (the date of resignation of the Chairman Filippo Annunziata) to 22 June 2013, the date he was appointed as Chairman of the Supervisory Board by the General Meeting of Members.

For information relating to the professional profiles of the members of the former Supervisory Board, reference should be made to paragraph 10.2 of the Report on corporate governance and ownership structure for 2012 (available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance).

### ***Limits to the accumulation of offices***

Subject to the fact that each Board member – at the time of acceptance of office and during the course of the mandate – must assess if he/she has enough time to diligently perform the tasks entrusted, also taking account of his/her own work or professional commitments, it should be noted that the rules on limits to the accumulation of administration and control positions that members of the Supervisory Board of the Bank may hold are directly governed by primary and secondary legislation. The members of the Supervisory Board are not allowed to hold or accept directorships or auditorships (or as members of management or supervisory boards) in more companies and other entities than as laid down in articles 144-duodecies et seq. and Annex 5-bis of the Issuer Regulations, implementing art. 148-bis CFA (as amended).

The Supervisory Board – appointed by the General Meeting of Members of 21 December 2013 – during the course of the meeting held on 7 January 2014, verified that the limits to the accumulation of offices of its Board members, as laid down by primary and secondary legislation, had been complied with by each member of the Supervisory Board and also ascertained that there had been compliance with the prohibition of interlocking directorates as per article 36 of L.D. no. 201/2011.

With respect to the members of the former Supervisory Board that held office from 1 January 2013 to 21 December 2013, the Supervisory Board itself – during the course of the Board meetings held on 5 March 2013 and 15 November 2013 – concluded that the limits to the accumulation of offices by each Board member had been complied with and also ascertained that there had been compliance with the prohibition of interlocking directorates as per article 36 of L.D. no. 201/2011.

### **Responsibilities and Functioning of the Supervisory Board**

#### *Powers of the Supervisory Board*

The Supervisory Board takes over some of the tasks that under the traditional system of corporate governance are the responsibility of the General Meeting of Members, such as the determination of the remuneration of the members of the Management Board, as well as the initiation of liability actions. The Supervisory Board also has the task of approving the separate and consolidated financial statements.

The Supervisory Board is vested with the control functions foreseen by law, being given all of the powers granted by law and the Articles of Association for this purpose.

The Supervisory Board has not been given the task of strategic supervision according to article 2409-terdecies, lett.f-bis) of the Civil Code, a function that belongs exclusively to the Management Board under the current Articles of Association.

Without prejudice to the additional mandatory powers foreseen in the Articles of Association and in provisions required by applicable laws or regulations, the Supervisory Board:

- (i) approves the separate and consolidated financial statements prepared by the Management Board;
- (ii) on the proposal of the Nominations Committee, appoints and dismisses the Members of the Management Board, as well as its Chairman; also determines, on the proposal of the Remuneration Committee, the compensation for Members of the Management Board, the Chairman of the Management Board, the Managing Director and the Members of the Management Board who are assigned to sub-committees, or that have specific responsibilities, duties or powers;
- (iii) initiates liability actions against the members of the Management Board;
- (iv) performs the supervisory functions provided for in article 149, first and third paragraphs, of Legislative Decree 58 of 24 February 1998, and in particular:
  - performs the control function by monitoring compliance with laws and the Articles of Association, respect for the principles of proper management, the adequacy of the Company's organizational structure to carry out its duties, the system of internal control and the accounting system, including the fact that it can be relied on to present a true and fair view of the Company's affairs;
  - supervises the methods of implementing the governance rules laid down in codes of conduct drawn up by companies that run stock markets or trade associations, which the Company has announced publicly that it has adopted;
  - supervises the adequacy of the instructions given by the Bank to its subsidiaries pursuant to article 114, para. 2, CFA;
  - informs Consob without delay of any irregularities found during its supervisory activity and sends it the minutes of meetings and of any investigations that it has carried out, as well as any other relevant documentation;

- (v) evaluates the efficiency and adequacy of the internal control system, particularly with regard to control over risk, the functioning of the Internal Audit Department and the accounting and reporting system: it also checks that the Bank, as the Parent Company, performs its strategic and management control activities properly over the other Group companies, cooperating with the corresponding bodies at the subsidiaries;
- (vi) reports cases of maladministration to the Bank of Italy pursuant to article 70, paragraph 7, CBA;
- (vii) reports in writing to the General Meeting convened pursuant to article 2364-bis of the Italian Civil Code about its supervisory activities and about omissions or reprehensible situations that may have been found; it also reports in writing to any other Meeting convened in ordinary or extraordinary session about matters that it considers within its competence;
- (viii) makes reasoned proposals to the General Meeting on the appointment and revocation of the Independent Auditors;
- (ix) expresses the compulsory but non-binding opinion with regard to the Financial Reporting Officer referred to in article 154-bis of CFA, the Head of Internal Control and the Compliance Officer, as well as the heads of the various corporate functions and structures that have control duties and responsibilities;
- (x) approves, as required by applicable law, the remuneration policies for employees and collaborators who are not employees of the Bank;
- (xi) expresses its non-binding opinion on the decisions of the Management Board referred to in subparagraphs h), t) and u) referred to in article 39, paragraph 2, of the Articles of Association, when required by the Management Board;
- (xii) informs the Bank of Italy without delay of all acts or facts, of which the Board becomes aware during the exercise of their duties, which may constitute a management irregularity or a violation of the rules that govern the banking industry;
- (xiii) establishes, in accordance with the current Articles of Association, the general guidelines that the Management Board has to follow in laying down procedures for the admission and exclusion of Members.

In the interests of a more efficient and functional exercise of the Supervisory Board's powers of acquisition of information from Management Board Members under article 151-bis of the CFA, as a rule, requests are addressed to the Chairman of the Management Board and to the Managing Director through the Chairman of the Supervisory Board or the Chairman of the Internal Control and Audit Committee. Any news has to be given to all members of the Supervisory Board.

The powers of inspection and control assigned to the Supervisory Board by article 151-bis, para. 4, CFA will be exercised by the Internal Control and Audit Committee pursuant to article 52 of the Articles of Association. The Supervisory Board is entitled to provide information to the Internal Control and Audit Committee about the exercise of these powers. This Committee can also perform the functions mentioned in article 19 of Decree 39/2010.

The Supervisory Board's participation in meetings of the Management Board, pursuant to article 2409-terdecies, paragraph 4, of the Civil Code, is restricted to members of the Internal Control and Audit Committee, at least one of whom must attend meetings of the Management Board.

#### Chairman of the Supervisory Board

With reference to the powers granted to the Chairman of the Supervisory Board, article 54 of the Articles of Association provides that, subject to the additional duties provided by law and other provisions in the Articles, the Chairman:

- a) coordinates the work of the Supervisory Board;
- b) receives proposals from the Management Board concerning matters to be submitted to the Supervisory Board;
- c) activates the information tools needed to monitor the accuracy and adequacy of the organizational structure and accounting system adopted by the Company and the Group;
- d) maintains relations with the Management Board and, in particular, with its Chairman;
- e) requests and receives information on specific aspects of the Company's and Group's operations and on their results, both current and forward-looking;
- f) after consulting the Chairman of the Management Board, plans and oversees implementation of charitable initiatives and projects of public benefit by the Company and the Group, to be submitted to the Supervisory Board;
- g) maintains relations with the Supervisory Authorities as part of the routine activities of the Supervisory Board;
- h) exercises any other powers needed to perform his duties.

In the event of the absence or impediment of the Chairman of the Supervisory Board, one of the Deputy Chairmen performs his functions. In the absence or impediment of the Chairman and of the Deputy Chairmen, the meeting is chaired by the Board Member who has been in office the longest, or, in the case of a tie, by the oldest member.

### How the Supervisory Board functions

In accordance with the provisions of law and the Articles of Association, at its meeting of 13 December 2011, the Supervisory Board adopted a specific set of regulations that govern, among other things, how the board is meant to function.

The Supervisory Board meets at least once every two months and Board meetings are called by the Chairman with a specific detailed agenda, which has to be sent out at least one week prior to the meeting or, in an emergency, by telegram, fax, telex or similar method at least two days prior to the meeting.

A board meeting has to be called with the same amount of notice, indicating the matters to be discussed, on the request of at least five Directors, who in case of necessity can call the meeting themselves.

The Chairman coordinates the proceedings of the Supervisory Board and takes steps to ensure that all Board Members are provided with adequate information regarding the matters on the agenda. In particular, well in advance of board or committee meetings, each Board Member will be provided with the information needed for an effective, thorough and non-formal preparation for such meetings. During the course of board meetings, and within the ambit of the agenda, all Board Members have the right to ask for any clarification and information they deem necessary or appropriate for a complete evaluation of the matter to be decided.

Remote participation in meetings of the Supervisory Board is permitted through the use of appropriate equipment for audio-video and/or teleconferencing, providing that all those entitled to attend can do so and can be identified and that they are allowed to follow the meeting and to intervene in the debate in real time, as well as to receive, transmit or view documents, being in a position to review documents and to make decisions at the same time. In this case, the Supervisory Board is considered held in the place where the person chairing the meeting and the Secretary are located.

Pursuant to article 49 of the Articles of Association, for Board resolutions to be valid, a majority of the Board Members currently in office has to be present at the meeting, including the Members mentioned in article 63 of the Articles of Association, and resolutions are passed by an absolute majority of votes, though resolutions are considered approved even if the vote was split 50/50, providing the person chairing the meeting voted in favour of the motion.

At the time of board meetings, any Board Members who on their own account or for third parties have an interest in a particular transaction of the Bank have to provide timely and exhaustive information regarding the nature, terms, origin and extent of their interest.

### Information flows

In carrying out its duties, the Supervisory Board makes use of the information flows from the internal control functions and structures; internal audit reports on compliance, risk management and money laundering have to be sent directly by the heads of the respective functions to the Chairman of the Internal Control Committee and the Chairman of the Supervisory Board. The Chairman of the Supervisory Board ensures that such information is made available to the Supervisory Board at its next meeting.

The Supervisory Board receives the information mentioned in article 150 CFA from the Management Board promptly and at least once a quarter.

The Bank's "Regulation on Information Flows" – which is currently being updated – regulates the information flows (periodic or event-related, for individual transactions) that have to be received by the governing bodies from the various corporate functions and from control bodies of BPM Group companies.

In 2013, the Supervisory Board held 30 meetings, lasting 3 hours and 36 minutes on average with an overall participation of 92.40% (the percentage attendance of each member is shown in table no. 2.2). In this regard, it should be noted that the Supervisory Board appointed by the General Meeting of Members of 21 December 2013 did not hold any meetings between 21 December 2013 and the year end.

In 2014, 6 Board meetings have been held up to the Date of this report.

### **Self-assessment of the functionality of the Supervisory Board**

During the course of the Board meeting held on 18 December 2013, the Supervisory Board undertook a review of its functionality.

The process of self-assessment was defined by the Board in compliance with the Bank of Italy governance measures, particularly the Bank of Italy's Note of 11 January 2012 and was conducted by means of the verification and the consequent assessment of the adequacy:

- (i) of the proceedings in place to ensure the participation by the directors at board meetings (means used for giving notice of meetings, agenda, information supporting the matters on the agenda and preparation of minutes of decisions taken) compared with the proceedings envisaged by primary and secondary regulations and the Articles of Association;
- (ii) of the role performed in practice by the Board (decisions taken, verifications performed, measures taken and reporting) compared with that required by primary and secondary regulations and the Articles of Association.

Based on the outcome of the self-assessment process, which was partly based on information provided by each Board member by responding to specific questionnaires, the Supervisory Board – despite findings concerning certain aspects that could be improved in relation to the adequacy of information flows provided by the Board – made a positive assessment of its functionality as well as that of the Nominations, Remuneration and Internal Control and Audit Committees, of the full awareness of the Board of its powers and obligations, also in consideration of the time spent, which proved to be sufficient for the performance of its role and of the adequacy of the professionalism of the individual Board members with respect to the operational and management characteristics of the business.

Note that the Supervisory Board was assisted by the consulting firm Co.Ba.Co. S.r.l. for the purpose of the aforementioned board review. In 2013, Co.Ba.Co. provided consulting services to the Bank for the revision of the Group's organisational model and, in particular, the principal processes that make up the individual business systems (organisational and corporate governance system; management system; system for measurement/assessment of risks; system for self-assessment of capital adequacy; and system of internal control).

### **Self-assessment of ideal composition of Supervisory Board**

In view of the General Meeting of Members of 7 April 2013 called to appoint 1 (one) member of the Supervisory Board to replace the outgoing Board member Carlo Dell'Aringa, on 19 March 2013 the Supervisory Board, as proposed by the Nominations Committee, performed a self-assessment of its ideal composition – in compliance with the Bank of Italy's Governance Measures (in particular the Bank of Italy note of 11 January 2012) – identified the characteristics of professionalism, independence and gender of the candidate to be nominated as a replacement for Carlo Dell'Aringa. The ideal profile of the candidate to be nominated was brought to the attention of the aforementioned General Meeting of Members of 21 March 2013 (see the document "*Ideal profile of candidate for the position of Supervisory Board member – Communication to Members – 2013 Annual General Meeting of Members*" available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance, General Meeting of Members 26/27 April 2013).

On 21 May 2013, the Supervisory Board – as proposed by the Nominations Committee – in compliance with the Bank of Italy's Governance Measures and, in particular, the Bank of Italy note of 11 January 2012, verified that the profile of the Board member Luca Raffaello Perfetti, appointed by the General Meeting of Members of 27 April 2013, met the requirements in terms of professionalism and independence of the ideal profile of the candidate identified by the Supervisory Board and communicated to the General Meeting of Members on 21 March 2013.

In view of the General Meeting of Members of 22 June 2013 called to appoint 4 (four) members of the Supervisory Board to replace the Board members who resigned in April 2013 (see paragraph 10.2.2. above), on 21 May 2013 the Supervisory Board decided – after having consulted the Nominations Committee – to confirm the indications given as to the ideal composition of the Board approved on 19 March 2013 and, on that basis, it consequently identified the ideal profiles (in terms of professionalism, independence and gender) of the 4 (four) candidates to be appointed at the General Meeting of Members. The aforementioned profiles were brought to the attention of the General Meeting of Members on 21 May 2013 (see the document "*Communication pursuant to the Bank of Italy note of 11 January 2012: theoretical profile of candidates for the office of member of the Supervisory Board*" available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance, General Meeting of Members 21/22 June 2013).

In view of the same General Meeting of Members of 22 June 2013, the Supervisory Board proposed, pursuant to art. 63, paragraph 3 of the Articles of Association, to confirm – due to the expiration of the cooption period – Carlo Frascarolo as a member of the Supervisory Board for the Board’s remaining term of office, after having verified that the professional profile of the latter matched the professional skills determined by the Board in the outcome of the self-assessment on 19 March 2013.

On July 2013, the Supervisory Board – after having consulted the Nominations Committee – in compliance with the Bank of Italy’s Governance Measures and, in particular, the Bank of Italy note of 11 January 2012, verified that the profiles of the Board members Carlo Frascarolo, Roberto Fusilli and Flavia Daunia Minutillo, appointed by the General Meeting of Members of 27 April 2013, met the requirements in terms of professionalism and independence of the ideal profiles of the candidates identified by the Supervisory Board and communicated to the General Meeting of Members on 21 March 2013.

Subsequently, in view of the General Meeting of Members of 21 December 2013 called to appoint the Supervisory Board for the three year period 2013/2015, on 15 November 2013 the Supervisory Board performed a new self-assessment of its ideal composition – in compliance with the Bank of Italy’s Governance Measures and, in particular, the Bank of Italy note of 11 January 2012 – to take account of the findings and comments made by the Bank of Italy in its inspection report issued to BPM on 25 July 2013 based on the inspection conducted between 22 October 2012 and 15 May 2013 at the BPM Group.

In particular, the Supervisory Board approved – as proposed by the Nominations Committee – the self-assessment document on its ideal board composition (hereinafter **“Self-assessment document”**), in which:

- (i) with reference to the ideal composition of BPM’s Supervisory Body, the Supervisory Board – with a view to a reform of the current system of corporate governance – deemed that member numbers of between eleven and fifteen would be ideal, considering the size of the Bank and the role of the Supervisory Board and would also ensure the simultaneous presence on the Board of various components of the shareholder base, a mix of professionalism needed for adequate internal debate and a sufficient number of independent members in compliance with the Code of Conduct;
- (ii) with reference to the ideal composition, the Supervisory Board has identified the theoretical profile (in terms of professionalism, independence, gender and limits to the accumulation of offices) of candidates eligible for appointment as members of the Supervisory Board.

The self-assessment document was made available to the General Meeting of Members of 20/21 December 2013 (see the document entitled *“Self-assessment of ideal composition of the Supervisory Board”* available on the website: [www.gruppobpm.it](http://www.gruppobpm.it) in the section on Governance, General Meeting of Members 20/21 December 2013).

On 4 February 2014, the Supervisory Board – after having consulted the Nominations Committee – concluded that, in compliance with Bank of Italy governance measures and, in particular, in accordance with the requirements of the Bank of Italy Note of 11 January 2012, the composition of the Supervisory Board matches the ideal composition of the Bank’s Supervisory Body as outlined in the Self-assessment document and agreed with the considerations made by the former Supervisory Board concerning the number of members of BPM’s Supervisory Body contained in the aforementioned Self-assessment document.

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## 10.3 Independent directors

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### 10.3.1 Supervisory Board in office at the date of this Report

During the meeting of 7 January 2014, the Supervisory Board – appointed by the General Meeting of Members of 21 December 2013 – verified the independence requirements of its members pursuant to paragraph 3 of article 148 of the CFA and the recommendations contained in the Code of Conduct.

In this regard, the Supervisory Board laid down certain preliminary criteria and parameters for the practical application within BPM of the independence requirements established by the Code, taking into account the specific characteristics and operations of the Bank and the Group at governance level (“Application Criteria”); in particular, the Board – reiterating the latest assessments made by the former Supervisory Board in March 2013 – specified that:

- those to be considered as “companies of strategic importance”, in accordance with the Code, are BPM Group companies that keep records pursuant to article 115-bis of the CFA, that is, those companies, which, based on specific internal regulations adopted at Group level, keep (or have kept in the previous three financial years) a so-called “Insiders register”;
- with reference to “commercial, financial and professional transactions” with the Bank and/or subsidiary companies carried out even indirectly by a Board member (including any companies where they hold a key position), which could jeopardise their independence (see article 3.C.1.c of the Code of Conduct), BPM considers particularly important, among other things, lines of credit and professional relationships between the Group and the Board Member (and/or companies controlled by them). In order to assess the materiality of the aforementioned relationships, account should generally be taken, depending on the circumstances, of the amount of the credit facilities or of the remuneration payable for the office held, to be assessed on the basis of the earnings and financial standing of the individual Board member (obviously based on a self-assessment by the person in question, underlying the declaration regarding “commercial, financial and professional relationships” with the Bank or its subsidiaries), as well as the size of the relationship, depending on the circumstances, with respect to the total loans granted by the Bank or by the Group or to the total costs incurred for the year by the Bank or by the Group for professional positions;
- with regard to the definition of “supplementary remuneration” paid by the Bank or its subsidiaries (see article 3.C.1.d of the Code) that is over and above the fixed emolument received as a member of BPM’s Supervisory Board – which in BPM is considered to primarily consist of a Board member’s basic emoluments, inclusive of attendance fees – it is deemed that the emoluments linked to particular positions held by a Board member (approved by the General Meeting of Members with reference to the Chairman and Deputy Chairmen of the Supervisory Board, as well as the Chairman and members of the Internal Control and Audit Committee) are part of the fixed element of remuneration as the amounts thereof are predetermined, are tied exclusively to the position held (and related to the responsibility that comes with the position) and are in some way linked to business performance as it is prohibited by law to pay any kind of variable remuneration to members of a control body;
- regarding the assessment of the “materiality” of the supplementary remuneration payable to a key person in BPM or its subsidiaries, over and above the fixed emolument due as a Board member of BPM, note that the members of the Supervisory Board can only hold control positions in Group companies under penalty of forfeiture of the position and, accordingly, the payment thereto of any kind of variable remuneration by BPM Group companies is prohibited. In any event, the Board – having taken into account the size of the Group and by way of confirmation of what was established in the previous meeting of 5 March 2013 – believes that, to be considered as significant, any supplementary remuneration would need to exceed twice the amount of the fixed emolument over a three year period;
- as regards the application criterion of the Code of Conduct (art. 3.C.1.) which, among other things, does not normally allow someone to qualify as an independent director if they have been an employee of the company in the last three years, the Bank considers it opportune – applying the principle of substance over form – to qualify as independent any director who is no longer an employee of the Bank (or Group company) for a period of time to be measured in (three) calendar years rather than financial periods;
- as regards qualification as a “key person” in BPM and its subsidiaries of strategic importance (a position which the Code classifies as “non independence”), it is deemed appropriate that those to be included in this category are the Chairman, any Chief Executive Officer/Managing Director of the Bank and its subsidiaries of strategic importance and, generally – subject to any substantive assessments of the corporate governance structure of an individual company or of individual positions – any members of the executive committee of the Bank (a body which existed in BPM up till 22 October 2011, the date of adoption of the two-tier system) and of the aforementioned subsidiaries.

Based on the findings of the checks performed on 7 January 2014 – without prejudice to the fact that all of the members of the Supervisory Board meet the independence requirements of article 148, paragraph 3, CFA – it results that the following Board members meet the independence requirements of the Code of Conduct: Dino Piero Giarda, Mauro Paoloni, Alberto Balestreri, Andrea Boitani, Claudia Bugno, Angelo Busani, Donata Gottardi, Flavia Daunia Minutillo, Alberto Montanari, Giampietro Giuseppe Omati, Luca Raffaello Perfetti, Cesare Piovene Porto Godi, Ezio Maria Simonelli and Lucia Vitali.

The remaining Board members did not meet the independence requirements of the Code of Conduct, for the following reasons:

- Piero Lonardi and Jean-Jacques Tamburini have held key positions in the Bank during the last three years (as members of the Executive Committee);
- in the last three years the Board members Marcello Priori, Carlo Frascarolo and Roberto Fusilli have been key persons (members of the Executive Committee or Chairman of the Board of Directors) in BPM Group companies of strategic importance.

### **10.3.2 Supervisory Board in office from 1 January 2013 to 21 December 2013**

With reference to members of the Supervisory Board in office from 1 January 2013 to 21 December 2013, during the course of the meeting held on 5 March 2013 the Supervisory Board laid down the criteria and parameters for the practical application within BPM of the independence requirements established by the Code, taking into account the specific characteristics and operations of the Bank and the Group at governance level; subsequently, this criteria was then also adopted by the Supervisory Board currently in office (reference should thus be made to the Application Criteria disclosed in paragraph 10.3.1 above).

It was ascertained on 5 March 2013 that all the members of the Supervisory Board met the independence requirements set out in the Code of Conduct and, subsequently, a similar check was performed (i) on 21 May 2013 in respect of the Board member Luca Raffaello Perfetti, (ii) on 3 June 2013 in respect of the Board member Carlo Frascarolo, (iii) on 9 July 2013 in respect of the Board members Carlo Frascarolo, Roberto Fusilli and Flavia Daunia Minutillo.

Based on the findings of the checks performed – without prejudice to the fact that all of the members of the Supervisory Board in office from 1 January 2013 to 21 December 2013 met the independence requirements of article 148, paragraph 3, CFA – it results that the following Board members met the independence requirements of the Code of Conduct: Filippo Annunziata, Umberto Bocchino, Giuseppe Coppini, Alberto Balestreri, Giovanni Bianchini, Ruggiero Cafari Panico, Enrico Castoldi, Maurizio Cavallari, Federico Fornaro, Flavia Daunia Minutillo, Maria Luisa Mosconi, Mauro Paoloni, Luca Raffaello Perfetti, Cesare Piovene Porto Godi and Anna Maria Pontiggia.

The remaining Board members did not meet the independence requirements of the Code of Conduct, for the following reasons:

- Carlo Dell'Aringa, Piero Lonardi and Jean-Jacques Tamburini have held key positions in the Bank during the last three years (as members of the Executive Committee);
- in the last three years the Board members Carlo Frascarolo, Roberto Fusilli, Mario Benito Mazzoleni, Marcello Priori and Michele Zefferino have been key persons (members of the Executive Committee or Chairman of the Board of Directors) in BPM Group companies of strategic importance.

Lastly, it should be noted that, during the course of 2013, the Board members that resulted as being independent as per the Code of Conduct did not deem it necessary to hold any meetings due to the absence of the other Board members (article 3.C.6. Code of Conduct).

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### **10.4 Lead independent director**

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To date, the circumstances envisaged by the Code of Conduct for the appointment of a lead independent director have not yet materialised.

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## 11. Supervisory Board committees

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In accordance with articles 52 and 53 of the Articles of Association, the Supervisory Board is to set up the following sub-committees, determining their duties and how they are to function:

- (i) Internal Control and Audit Committee;
- (ii) Nominations Committee;
- (iii) Remuneration Committee.

In accordance with the recommendations of the Code of Conduct (article 5.C.1.) and the relevant instructions of the Bank of Italy, at BPM all of the Committees with consultative, investigatory and propositional powers:

- are made up of independent members in accordance with the Code of Conduct and have a minimum of 3 and a maximum of 5 members, in line with the tasks entrusted to them;
- their period of office is laid down by the Supervisory Board and they have a specific set of regulations, if necessary, integrated or amended by another board resolution, that govern, among other things, their composition, mandate, powers and how they are meant to function;
- in carrying out their functions, they have the right to access any corporate information or function they may need to perform their duties; if necessary, they can also make use of outside consultants;
- have adequate resources allocated to them should the above mentioned Committees need third-party consulting support or any other kind of activity connected with their function.

All meetings of each Committee, which can also be attended by non-members, if invited, are minuted and the minutes are filed in separate minute books.

Lastly, having said that BPM does not have any committees that simultaneously perform the functions of two or more committees (article 5.C.1. c), we would also point out that the specific information required by the Code of Conduct concerning each of them is available in later sections of this Report.

In addition, on 24 January 2012 the Management Board and the Supervisory Board – each for the matters within their competence – approved the adoption of the “Framework resolution for rules concerning the admission and handling of members” (see paragraph 17) which, among other things, establishes the “Members’ Relations Commission” made up of two members of the Management Board and the Chairman of the Supervisory Board, with investigatory powers in relation to applications for admission to Membership.

In fact, the Supervisory Board can set up other sub-committees required by applicable laws and regulations, laying down how they should function; it can also set up technical committees or commissions with a consultative role.

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## 12. Nominations Committee

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### Duties

The Nominations Committee is responsible for selecting and proposing candidates for appointment to the Management Board and in the cases established by the Articles of Association and the Code of Conduct. In particular, the Committee:

- a) makes proposals to the Supervisory Board concerning the appointment and dismissal of the Chairman and other members of the Management Board;
- b) can provide indications about the appointment of the Managing Director;
- c) can offer an opinion to the Supervisory Board regarding the size and composition of the Supervisory Board and Management Board, as well as on the professional figures whose presence on the Supervisory and/or Management Board is deemed appropriate;
- d) carries out any other tasks assigned to it by the Supervisory Board.

In accordance with the Bank of Italy's Note of 11 January 2012, the Nominations Committee also provides appropriate support to both the Supervisory and Management Board, by issuing opinions of a consultative nature on the following occasions:

- (i) periodic self-assessments made by the respective governing bodies about their ideal composition in terms of quality and quantity,
- (ii) ex-post reviews carried out by these bodies on the correspondence between the composition considered ideal from a quantitative and qualitative point of view (on completion of the self-assessment process) and the actual one resulting from the appointments process.

In accordance with the Bank's "Regulation on Information Flows" (which is being updated), the Committee has adequate instruments to carry on its duties with information flows provided by the various relevant structures of the Bank. In any case, it is entitled to request information from the functions and structures of the Bank or other Group companies. The Committee can also call on the services of external consultants within the terms and spending limits laid down by the Supervisory and/or Management Board, each according to their respective powers.

The Nominations Committee's Regulations state that if a committee member has an interest in a particular matter being examined by the Committee, whether in his own right or on behalf of others, he has to declare it.

The Nominations Committee passes resolutions by a majority vote of its Members, providing the votes in favour include those of the member elected from a list presented by UCITS and the member appointed under article 63 of the Articles of Association.

### Composition

The Nominations Committee is made up of five Members, including: (i) the Chairman of the Supervisory Board, who chairs the committee; (ii) a member selected from among those taken from the list submitted by UCITS (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member from the list submitted or voted by the UCITS that had the largest number of shares at the time the Supervisory Board voted); (iii) a member taken from the list submitted by the Supervisory Board pursuant to article 63 of the Articles of Association (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member appointed by Fondazione Cassa di Risparmio di Alessandria or Crédit Industriel et Commercial, depending on which had the highest number of shares at the time the Supervisory Board voted, taking associated entities into account as well). The other members are taken unconditionally from within the Supervisory Board.

The majority of the members of the Nominations Committee have to meet the independence requirements foreseen in the Code of Conduct, as well as the other independence requirements provided for by applicable laws and regulations.

On 26 October 2011, the Supervisory Board appointed the following people as members of the Nominations Committee: Filippo Annunziata (Chairman), Maria Luisa Mosconi, Ezio Maria Simonelli, Jean-Jacques Tamburini and Ulrich Weiss.

On 19 June 2012, the Supervisory Board appointed the Board member Ruggiero Cafari Panico as a member of the Nominations Committee following the resignation of Ezio Maria Simonelli from the Supervisory Board (vacated the position on 26 April 2012).

On 5 March 2013, the Supervisory Board appointed the Board member Anna Maria Pontiggia as a member of the Nominations Committee, following the resignation of Ulrich Weiss from the Supervisory Board (vacated the position on 30 October 2012).

Following the resignation of the Chairman, Filippo Annunziata, on 22 April 2013, Giuseppe Coppini, the most senior Deputy Chairman, held the position of interim Chairman of the Supervisory Board, pursuant to article 48, paragraph 3(a) of the Articles of Association, from 22 April 2013 to 22 June 2013 and, in this capacity, he chaired the meetings of the Nominations Committee.

On 9 July 2013, the Supervisory Board – having acknowledged the resignation of the Chairman, Filippo Annunziata and of the Board member Anna Maria Pontiggia and of the nominations approved by the General Meeting of Members of 22 June 2013 (see paragraph 10.2.2 of this Report) – redesigned the Nominations Committee by appointing the following as members: the Chairman of the Supervisory Board, Giuseppe Coppini (chairman) and the Board members Ruggiero Cafari Panico, Maria Luisa Mosconi, Luca Raffaello Perfetti and Jean-Jacques Tamburini. The aforementioned ceased to be committee members as a result of the revocation of the entire Supervisory Board approved by the General Meeting of Members of 21 December 2013 (see paragraph 10.2.2 of this Report).

On 7 January 2014, the Supervisory Board – appointed by the General Meeting of Members of 21 December 2013 and currently in office – elected the following committee members: Dino Piero Giarda (Chairman), Angelo Busani, Alberto Montanari, Luca Raffaello Perfetti and Jean-Jacques Tamburini.

The Committee is made up of a majority of Supervisory Board Members who meet the independence requirements of article 3 of the Code of Conduct (4 out of a total of 5 members) and in accordance with the provisions of article 53 of the Articles of Association and in line with the Bank of Italy's Governance Measures, the following are members of the Committee: (i) Dino Piero Giarda, who chairs it; (ii) Jean-Jacques Tamburini, as a board member taken from the list presented under article 63 of the Articles of Association, (iii) Luca Raffaello Perfetti, as a board member taken from the list presented by UCITS.

During 2013, the Committee performed the duties delegated to it by the Articles of Association and the rules approved by the Supervisory Board on 13 December 2011. In particular, the Committee:

- (i) approved and proposed to the Supervisory Board the self-assessment documents on the ideal composition of the Supervisory Board approved by the Board on 19 March and 15 November 2013;
- (ii) approved and proposed to the Supervisory Board the ideal profiles of the candidates for the office of member of the Supervisory Board communicated to the General Meetings of Members of 27 April and 22 June 2013;
- (iii) gave a positive opinion to the Supervisory Board on the correspondence of the profiles of the members of the Supervisory Board nominated by the General Meetings of Members of 27 April and 22 June 2013 with the ideal profiles of the candidates for the office of member of the Supervisory Board communicated to the aforementioned General Meetings of Members;
- (iv) gave a positive opinion to the Management Board on the self-assessment document on the ideal composition of the Management Board approved on 30 October 2013.

In 2014, the Nominations Committee – having acknowledged the self-assessment document on the ideal composition of BPM's Management Board approved by the Management Board itself on 30 October 2013 – proposed to the Supervisory Board (i) the appointment of Mario Anolli, Giuseppe Castagna, Davide Croff, Giorgio Girelli and Paola De Martini as members of the Bank's Management Board for the years 2014/2015/2016; (ii) the appointment of Mario Anolli as Chairman of the Bank's Management Board for the years 2014/2015/2016 (iii) to indicate, pursuant to article 53 of the Articles of Association, Giuseppe Castagna to the Management Board as a candidate for the position of Managing Director.

During 2013, the Committee held 9 meetings, properly minuted, lasting an average of 1 hour and 5 minutes, with an overall attendance of 93.9% (the attendance of each member is indicated in table 2.2 attached).

In 2014, up to the date of this Report, the Committee has held 3 meetings.

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## 13. Remuneration committee

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### *Duties*

The Remuneration Committee is responsible for making proposals on the determination of remuneration in the cases established by applicable laws and regulations, the Articles of Association and the Code of Conduct promoted by Borsa Italiana S.p.A. In particular, the Committee:

- a) has a consultative role in determining the criteria for the remuneration of employees as mentioned in the Bank of Italy's "Supervisory Provisions concerning remuneration policies and practices and incentives in banks and banking groups" applicable at the time;
- b) presents to the Supervisory Board proposals concerning the remuneration of the members of the Management Board, the Chairman of the Management Board, the Managing Director and of Management Board Members who are assigned to Committees or Commissions, or who have been granted particular offices, duties or mandates;
- c) submits to the Supervisory Board proposals concerning the establishment of performance objectives linked to any variable element of the Management Board's compensation in accordance with the Bank of Italy's guidelines on remuneration policies and practices and incentives in banks and banking groups applicable at the time;
- d) expresses its opinion to the Supervisory Board on whether the Board should approve the remuneration policies and the policies relating to the adoption of incentive schemes for employees and contract staff (collaborators who are not Company employees). If requested by the Supervisory Board, the Remuneration Committee assists the Board in defining these remuneration policies;
- e) gives advice and makes proposals on the remuneration to be paid to the heads of internal control functions;
- f) ensures proper implementation of the rules on the remuneration of the heads of internal control functions, in close collaboration with the Internal Control and Audit Committee;
- g) prepares the documentation to be submitted to the Management Board for its decisions regarding remuneration, monitoring and verifying implementation of such decisions, in particular, the effective achievement of performance objectives, as well as the fact that the incentives that underlie the remuneration system are consistent with management of the risk, capital and liquidity, so that it is ensured that the incentive systems are properly adjusted to take account of all the risks assumed by the Bank, using methods that are consistent with those that the Bank uses to manage risk for domestic regulatory purposes;
- h) expresses its opinion, also on the basis of the information received from the relevant company departments, on the achievement of the performance objectives to which the incentive plans are linked and on the fulfillment of other conditions for the payment of remuneration;
- i) ensures the involvement of the pertinent corporate functions in the process of preparing and monitoring of remuneration policies and practices;
- j) provides adequate feedback on its activities to the governing bodies, including the General Meeting of the Members;
- k) makes recommendations and gives general advice on remuneration to the Supervisory and Management Boards;
- l) works together with the other Supervisory Board sub-committees;
- m) evaluates periodically – at least every six months – the adequacy, overall consistency and practical application of the general policy for the remuneration of the Management Board (with particular emphasis on its executive members and those with special duties) and managers of the Bank with strategic responsibilities, using the information provided by the Management Board in the latter case;
- n) assists the Supervisory Board and the Management Board, each according to the respective functions, in supervising, monitoring and updating the rules and principles underlying the Group's remuneration policies, so as to ensure compliance with the Supervisory Instructions issued from time to time by the Bank of Italy, as well as with the dispositions of law and regulations in force at the time;
- o) carries out any other tasks assigned to it by the Supervisory Board.

Committee meetings have a quorum when it is attended by a majority of its members and resolutions are passed by a majority of those present.

In accordance with the Bank's "Regulation on Information Flows", the Committee has adequate instruments to carry on its duties with information flows provided by the relevant structures of the Bank. In any case, it is entitled to request information from the functions and structures of the Bank or other Group companies. The Committee can also call on the services of external consultants within the terms and spending limits laid down by the Supervisory and/or Management Board, each according to their respective powers.

The Remuneration Committee's Regulations state that if a committee member has an interest in a particular matter being examined by the Committee, whether in his own right or on behalf of others, he has to declare it.

### Composition

As per article 53 of the Articles of Association, the Remuneration Committee consists of five members, including: (i) the Chairman of the Supervisory Board, who chairs the committee; (ii) a member selected from among those taken from a list other than that of the majority and different from those submitted by UCITS or by the Supervisory Board pursuant to article 63 of the Articles of Association (it being understood that if the Board Members taken from these lists fail to vote in favour, the Board shall appoint the most senior of them); (iii) a member selected from among those taken from the list submitted by UCITS or by the Supervisory Board pursuant to article 63 of the Articles of Association (it being understood that if the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member who represents the shareholders with the largest number of shares, based on the same criteria as mentioned previously for the Nominations Committee). The other members are taken unconditionally from within the Supervisory Board. The majority of the members of the Remuneration Committee have to meet the independence requirements foreseen in the Code of Conduct, as well as the other independence requirements provided for by applicable laws and regulations.

On 26 October 2011, the Supervisory Board appointed the following people as members of the Remuneration Committee: Filippo Annunziata (Chairman), Enrico Castoldi, Giuseppe Coppini, Mario Benito Mazzoleni and Jean-Jacques Tamburini.

Following the resignation of Filippo Annunziata (Chairman) on 22 April 2013, Giuseppe Coppini, the most senior Deputy Chairman, held the position of interim Chairman of the Supervisory Board, pursuant to article 48, paragraph 3(a) of the Articles of Association, from 22 April 2013 to 22 June 2013 and, in this capacity, he chaired the meetings of the Remuneration Committee.

On 9 July 2013, the Supervisory Board – having acknowledged the resignation of the Chairman, Filippo Annunziata and of the nominations approved by the General Meeting of Members of 22 June 2013 (see paragraph 10.2.2 of this Report) – redesigned the Remuneration Committee by appointing the following as members: the Chairman of the Supervisory Board, Giuseppe Coppini (chairman) and the Board members Umberto Bocchino, Roberto Fusilli, Flavia Daunia Minutillo and Jean-Jacques Tamburini. The aforementioned ceased to be committee members as a result of the revocation of the entire Supervisory Board approved by the General Meeting of Members of 21 December 2013 (see paragraph 10.2.2 of this Report).

On 7 January 2014, the Supervisory Board – appointed by the General Meeting of Members of 21 December 2013 and currently in office – elected the following committee members: Dino Piero Giarda (Chairman), Andrea Boitani, Roberto Fusilli, Jean-Jacques Tamburini and Lucia Vitali.

The Remuneration Committee is made up of a majority of Board members who meet the independence requirements of article 3 of the Code of Conduct (3 out of a total of 5 members) and in accordance with the provisions of article 53 of the Articles of Association and in line with the Bank of Italy's Governance Measures, the following are currently members of the Committee: (i) Dino Piero Giarda, who chairs it; (ii) Jean-Jacques Tamburini, as a Director taken from the list presented under article 63 of the Articles of Association, (iii) Roberto Fusilli, as a board member taken from the list presented by UCITS and by the Supervisory Board as per article 63 of the Articles of Association. It is also worth pointing out that, in line with the Principle 7.P.3 of the Code of Conduct, three members of the Committee, namely Dino Piero Giarda (Chairman), Andrea Boitani and Lucia Vitali, have adequate knowledge and experience in accounting and financial matters.

During 2013, the Committee performed the duties delegated to it by the Articles of Association and the rules approved by the Supervisory Board on 13 December 2011. In particular, the Committee makes proposals to the Supervisory Board regarding the remuneration of the members of the Management Board and expresses its opinion regarding the approval by the Supervisory Board of the "document on remuneration policies", which also contains the Remuneration Report as per article 123-ter, CFA (available on the Bank's website: [www.gruppobpm.it](http://www.gruppobpm.it)).

In 2013, 8 properly minuted meetings were held, lasting an average of around 1 hour and 30 minutes, with an overall attendance of some 82% (the attendance of each member is indicated in the attached table 2.2).

In 2014, up to the date of this Report, the Committee has held 4 meetings.

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## 14. Internal Control and Audit committee

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### *Duties*

The Internal Control and Audit Committee is the means by which the Supervisory Board carries out its control functions and the Committee has to respond to it with up-to-date and timely information. Within the Supervisory Board's sphere of competence the Committee has propositional, consultative and investigatory functions, also giving its opinion when this is foreseen by the law or by the Articles of Association, and supporting the Supervisory Board in the performance of the control activities assigned to it.

In particular, the internal regulations governing the activities of the Internal Control and Audit Committee, approved by the Supervisory Board on 13 December 2011, establish that the committee:

- a. monitors (pursuant to article 19 of Decree 39/2010): (i) the financial reporting process; (ii) the effectiveness of the systems of internal control, internal audit (if applicable) and risk management; (iii) the audit of the separate and consolidated financial statements; (iv) the independence of the Independent Auditors, especially as regards performing non-audit services for the Bank;
- b. it promptly informs the Supervisory Board of any significant act or fact under article 52 of Decree 385 of 1 September 1993 and on any report or complaint made to the competent organs or authorities;
- c. using of the pertinent structures (Internal Audit and Compliance), it can at any time carry out inspections and controls, also on the recommendation of the Supervisory Board, and can exchange information with the supervisory bodies of BPM Group companies on their administration and control systems and general business trends;
- d. it is heard by the Supervisory Board on the proposed appointment of the auditors that it will make to the General Meeting;
- e. it is heard by the Supervisory Board with regard to the opinion that the Board gives to the Management Board on the appointment of the Financial Reporting Manager, the heads of the internal control and compliance functions, and with regard to the heads of corporate functions and structures with control duties and responsibilities;
- f. it assists the Supervisory Board in assessing the degree of efficiency and adequacy of the internal control system and related Group procedures, with particular attention to risk control, the functioning of internal audit and the accounting and reporting system, bringing the results of their checks to the attention of the Supervisory Board on a timely basis; in the event of weaknesses or anomalies, it must promptly inform the Supervisory Board by making proposals to it on the matters in question, including requests and proposals of recommendations to be made to the Management Board for the adoption of appropriate measures. It promptly informs the Supervisory Board about resolutions or initiatives taken by the Management Board that are not consistent with the objectives of capital allocation and the levels of risk and liquidity needed to finance the business;
- g. it examines the monthly reports prepared by the Financial Reporting Manager in support of the legal certifications;
- h. monitors the effectiveness of the audit process, exchanging information with the auditors, also in accordance with article 150, para. 3, CFA, and any data relevant to the performance of their duties;
- i. it examines the periodic reports sent in by the heads of internal control functions, as well as the reports on specific situations or on business trends, adding observations to the Supervisory Board and making proposals to it on the matters in question; in the event of weaknesses or anomalies, it must promptly inform the Supervisory Board by making proposals to it on the matters in question, including requests and proposals of recommendations to be made to the Management Board for the adoption of appropriate measures;
- j. it assesses any remarks contained in the reports received by the Head of Controls and the Compliance Department, as well as the reports about specific situations or business trends. It makes observations and submits to the Supervisory Board any proposals, including any proposals for recommendations to be addressed to the Management Board for the adoption of appropriate operational measures;
- k. it assesses, with the support of the Bank's Corporate Social Responsibility structure and, possibly, the internal audit function, compliance with the principles and values contained in the Bank's Code of Ethics and Charter of Values and Commitments;
- l. with the support of the relevant structures of the Bank, it collaborates with the Supervisory Board in preparing the report to be submitted to the General Meeting on the supervisory activities carried out, and on any omissions and wrongful acts found, as well as any other reports that the Supervisory Board is required to make to the General Meeting;
- m. it reports periodically to the Supervisory Board on its activities and on the adequacy of the internal control system;
- n. it supports and assists the Supervisory Board with regard to its supervision activities according to the Articles of Association and the law (or regulations) in force at the time;
- o. it carries out any other tasks assigned to it by the Articles of Association, by the law (or regulations) and by the Code of Conduct, as well as any tasks assigned to it by the Supervisory Board.

At least one of the members of the Committee has to attend meetings of the Management Board. This participation must take place with the physical presence of the Committee member(s) at the meeting; participation by means of appropriate audio-video conferencing and/or teleconferencing equipment can only occur under exceptional circumstances, in the event of emergency meetings or other situations which make it objectively impossible for one or more members to be physically present at the meeting. The Committee, through its Chairman or another member designated from time to time, informs the Supervisory Board about significant matters that emerged during the meetings of the Management Board at the next meeting of the Supervisory Board; when required for reasons of urgency, the Chairman of the Committee informs the Chairman of the Supervisory Board that it would be a good idea to hold a special meeting of the Supervisory Board or to update the agenda if a meeting has already been convened.

The Chairman of the Internal Control and Audit Committee has a permanent invitation to attend the meetings of the Bank's Supervisory Body as per Legislative Decree 231/01.

The Committee, making use of the pertinent structures, may at any time carry out inspections and controls, also on the recommendation of the Supervisory Board, and can exchange information with the supervisory bodies of Group companies on their administration and control systems and general business trends.

The Internal Control and Audit Committee is an ongoing point of reference for the Company's organizational structures that perform internal control functions; it receives periodic information from these structures about specific situations or trends in the Company and informs the Supervisory Board on any relevant act or fact as per article 52 of the CBA.

The Internal Control and Audit Committee meets frequently enough to make sure that it can carry out its functions effectively. The Chairman of the Internal Control and Audit Committee is entitled to invite to meetings representatives of all relevant structures of the Bank to report on the agenda items; he can also make use of external consultants within any terms and spending limits established by the Supervisory Board. In this regard, the Chairman of the Committee can send specific requests in the name and on behalf of the Committee. Moreover, when carrying out its duties, the Committee can - already at the investigatory stage - ask through the Chairman for the collaboration of the functions and structures of the Bank or of other Group companies.

The Committee has adequate instruments to carry on its duties with information flows provided by the relevant structures of the Bank. In any case, it is entitled to request information from the functions and structures of the Bank or other Group companies. The Committee can make use of external consultants within any terms and spending limits established by the Supervisory Board.

The Committee's Regulations state that if a committee member has an interest in a particular matter being examined by the Committee, whether in his own right or on behalf of others, he has to declare it.

### Composition

The Internal Control and Audit Committee is made up of five members of the Supervisory Board.

At least four members of the Internal Control and Audit Committee have to meet the independence requirements of the Code of Conduct promoted by Borsa Italiana S.p.A., as well as the other independence requirements provided for by current law and regulations. At least three members have to be listed in the Register of Auditors and have to have at least three years' audit experience. At least one member must be a Board Member elected from a list other than that of the majority and different from those submitted by UCITS or by the Supervisory Board pursuant to article 63 of the Articles of Association (it being understood that if the Board Members taken from these lists fail to vote in favour, the Board shall appoint the most senior of them). At least one member must be a Board Member elected from a list submitted by UCITS (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member from the list submitted or voted by the UCITS that had the largest number of shares at the time the Supervisory Board voted). Lastly, at least one member must be a Board Member taken from the list submitted by the Supervisory Board pursuant to article 63 of the Articles of Association (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member appointed by Fondazione Cassa di Risparmio di Alessandria or Crédit Industriel et Commercial, depending on which had the highest number of shares at the time the Supervisory Board voted, taking associated entities into account as well). If there are no Board Members taken from the lists submitted by UCITS or by the Supervisory Board pursuant to article 63 of the Articles of Association, the number of members of the Internal Control and Audit Committee to be chosen from the other minority lists increases correspondingly. The Chairman of the

Internal Control and Audit Committee is chosen from among the members listed in the Register of Auditors. The Supervisory Board can replace members of the Internal Control and Audit Committee by a suitably motivated resolution. In the event of termination of a Member for whatever reason, he will be replaced by the Supervisory Board in accordance with the rules laid down in its Regulations.

On 26 October 2011, the Supervisory Board appointed the following people as members of the Internal Control and Audit Committee: Umberto Bocchino (Chairman), Stefania Chiaruttini, Federico Fornaro, Mauro Paoloni and Marcello Priori.

During the course of the meeting held on 19 June 2012, the Supervisory Board appointed the Board member Cesare Piovene Porto Godi as a member of the Committee, following the resignation of Stefania Chiaruttini from the Supervisory Board (vacated the position on 4 May 2012).

On 3 June 2013, the Supervisory Board – having acknowledged the resignation of the Board members Cesare Piovene Porto Godi and Federico Fornaro (see paragraph 10.2.2 of this Report) – redesigned the Internal Control and Audit Committee by appointing the following as members: Alberto Balestreri (Chairman), Enrico Castoldi, Carlo Frascarolo, Mauro Paoloni and Luca Raffaello Perfetti. The aforementioned ceased to be committee members as a result of the revocation of the entire Supervisory Board approved by the General Meeting of Members of 21 December 2013 (see paragraph 10.2.2 of this Report).

On 7 January 2014, the Supervisory Board – appointed by the General Meeting of Members of 21 December 2013 and currently in office – indicated the members for the committee: Alberto Balestreri (Chairman), Carlo Frascarolo, Mauro Paoloni, Cesare Piovene Porto Godi and Ezio Maria Simonelli.

The Committee consists of a majority of members who meet the independence requirements of article 3 of the Code of Conduct (4 members out of a total of 5) and of 5 members listed in the Register of Auditors with at least three years' audit experience, including the Chairman. Moreover, in accordance with the provisions of article 53 of the Articles of Association and in line with the Bank of Italy's Governance Measures, the following are members of the Committee: (i) Carlo Frascarolo, as a board member taken from the list presented under article 63 of the Articles of Association, (ii) Cesare Piovene Porto Godi, as a board member taken from the list presented by UCITS, (iii) Ezio Maria Simonelli, as a board member taken from a list other than those mentioned above and from the majority list.

During 2013, the Committee held 40 meetings, all properly minuted, lasting an average of 2 hours, with an overall attendance of 89% (the attendance of each member is indicated in table 2.2 attached).

In particular, during this period the Internal Control and Audit Committee:

- (i) shared the planning criteria and objectives of the audit and compliance activities for 2013;
- (ii) monitored the progress of the internal audit, compliance and anti-money laundering activities;
- (iii) carried out preparatory activities for the approval of the financial statements;
- (iv) carried out detailed reviews in specific areas, such as:
  - audits on the three control functions;
  - monitoring of costs for external consultants;
  - impacts of the "EU Directive on Alternative Investment Fund Managers – Dir. 2011/61/EU and Regulation EU 231/2013";
  - "Fraud Risk Assessment" carried out by Banca Akros S.p.A;
  - analysis of the validation reports of the Internal Rating System and of the internal Model for market risk;
  - examination of the mechanisms for voting at General Meetings;
  - progress on the action undertaken as part of the spending review project;
  - the Bank's IT procedures;
- (v) communicated its non-binding opinion on the appointment of the Financial Reporting Manager and the Head of Internal Audit;
- (vi) analysed the self-assessment report (Gap & Impact Analysis) under the XV amendment to the Bank of Italy's Circular 263/2006 – New Minimum Capital Requirements for Banks;
- (vii) carried out constant monitoring of correspondence with the Supervisory Authorities, also with regard to the verification activities performed by them at the Bank and at Group companies;
- (viii) met with the Boards of Statutory Auditors and the heads of internal control functions of the subsidiaries.

In 2014, up to the date of this Report, the Committee has held 10 meetings.

During this period the Internal Control and Audit Committee:

- set out the areas to be addressed by the Committee;
- reviewed the audit work performed in 2013, the 2014 audit plan and the annual reports issued by the compliance function and the person responsible for anti-money laundering;
- monitored the gap analysis and asset quality review conducted by the ECB;
- met the Independent Auditors Ernst & Young and the Financial Reporting Manager.

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## 15. Remuneration of the Supervisory Board Members

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The Articles of Association require the General Meeting to establish the remuneration of the Members of the Supervisory Board, including the remuneration of those with specific responsibilities in accordance with these Articles of Association.

The General Meeting also approves the remuneration policies for the Members of the Supervisory and Management Board, as required by applicable law and the Bank of Italy's Supervisory Provisions in force at the time.

Detailed information on the remuneration of members of the Supervisory Board is provided in the Report on the remuneration and incentive policies of the BPM Group, prepared in compliance with the Supervisory Regulations of the Bank of Italy of 30 March 2011 and with article 123-ter of the CFA (available on the Bank's website [www.gruppobpm.it](http://www.gruppobpm.it)).

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## 16. Relations with Shareholders and Members

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In the interests of a constant dialogue with the shareholders in general, and with institutional investors in particular and in order to comply with its required reporting requirements, the Bank makes use of an Investor Relator function, a position created in May 2001. The main task of this person is to manage relations with institutional, domestic and international investors, rating agencies and financial analysts in order to ensure a constant, timely and transparent flow of information on the Group's performance and strategies.

A separate section of the Bank's website ([www.gruppobpm.it](http://www.gruppobpm.it)) is currently devoted to "Investor Relations" with a view to ensuring timely information for the market and facilitating access to information by institutional investors. This section provides a wide range of constantly updated financial and other documents concerning the Bank.

There is also a special e-mail address – [bpm.investor.relations@bpm.it](mailto:bpm.investor.relations@bpm.it) – allowing financial analysts and institutional investors to request information on the BPM Group's strategy, financial information and results.

As regards relations with Members (also structured into a specific function of the Bank, the Members Secretariat) and the ways in which the qualification of Member is acquired, please read article 11 of the Articles of Association, which states that:

The status of member is acquired through subscription to newly-issued shares, or the purchase or inheritance of existing shares. Prospective members must in any case apply to the Management Board in writing, according to the methods and terms laid down by the Board.

Resolutions to approve or reject applications for membership are taken by the Management Board following the guidelines laid down by the Supervisory Board. They have to be taken within sixty days of the application being submitted; they have to be motivated, bearing in mind the Bank's interests, the rules embodied in these articles and the spirit of the co-operative principle; they also have to be notified to the person concerned within ten days. If no decision is taken to approve or reject an application within sixty days of it being submitted, it is considered accepted. The Management Board must reconsider an application for membership when requested to do so by the Arbitration Committee established under these articles, supplemented by a representative of the prospective member. A request for reconsideration must be submitted within thirty days of communication of the resolution for rejection. The Arbitration Committee must announce its findings within twenty days of receiving the request for reconsideration.

Those whose applications for membership have been refused by the Management Board continue to exercise the rights relating to the shares that they hold, subject to the current limits on ownership of interests in cooperative banks.

On 24 January 2012 the Management Board and the Supervisory Board – each for the matters within their competence – approved the adoption of the new "Framework resolution for rules concerning the admission and handling of members" (said document is available on the Bank's website). With the approval of the aforementioned framework resolution, among other

things, a Members' Relations Commission was formed, made up of the Chairman of the Supervisory Board and two Management Board members, the tasks of which are to review applications for admission to membership and cases of exclusion of Members. During the course of 2013, the Members' Relations Commission held 7 meetings (with an average length of around one hour and with an overall participation of some 90%) during which, in addition to ordinary business – 464 applications for admission to membership were received and 297 were removed from the list of members – the Commission discussed matters relating to the shareholder base, which it had constantly monitored and checked.

The Members' Relations Commission is currently made up of Prof. Piero Giarda (Chairman of the Supervisory Board) as Chairman, the Managing Director Giuseppe Castagna and the Management Board member Paola De Martini.

At 31 December 2013, there are 55,829 Members; in addition there are 57,530 Shareholders not recorded in the Members' Register, for a total of 113,359 names.

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## 17. General Meeting of Members (article 123-bis, paragraph 2, lett. c), CFA)

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The General Meeting represents all Members and takes on a central role in company life, being the fundamental moment in the relationship among Members and between the Members and the administration bodies, especially in listed companies and even more so in co-operatives (where the individuality of the Member and his relationship with the company are of particular importance when contact is made at General Meetings).

General meetings are called, according to the rules laid down in current legislation, by publishing a notice of calling in the "Official Gazette" or in "Il Sole 24 Ore", a financial newspaper, pursuant to article 28 of the Articles of Association. The notice of calling has to be published in any case in two daily newspapers with nationwide distribution to ensure that the Members are adequately informed. The notice of calling has to specify: a) the day, time and place of the Meeting; b) the matters to be discussed, including any proposals by Members, as per article 25 of the Articles of Association; c) the day, time and place of the Meeting at second calling, if required, as per article 30 of the Articles of Association.

An Ordinary General Meeting has to be called at least once a year, without 120 days from the end of the financial year, at the Company's head office or in another place indicated in the notice of calling, providing it is in Italy. Pursuant to article 26 of the Articles of Association, the Ordinary General Meeting:

- a) appoints and dismisses the members of the Supervisory Board, establishes their remuneration and elect its Chairman and two Deputy Chairmen;
- b) decides on the responsibility of the members of the Supervisory Board and, pursuant to art. 2393 and art. 2409-decies of the Civil Code, also on the responsibility of the members of the Management Board, without prejudice to the concurrent powers of the Supervisory Board;
- c) decides on the distribution of earnings, after presentation of the separate and consolidated financial statements, if approved by the Supervisory Board; if they have not been approved by the Supervisory Board, the Ordinary General Meeting decides on the distribution of profits at the same time as it approves the separate financial statements;
- d) appoints and dismisses the Independent Auditors on the basis of a reasoned proposal on the part of the Supervisory Board;
- e) appoints the Arbitrators;
- f) approves the Regulations for General Meetings;
- g) approves the remuneration policies for the members of the Management Board and Supervisory Board, as required by applicable law and the Supervisory Authority's instructions in force at the time;
- h) decides on other matters delegated to it by law or the Articles of Association.

With regard to point c), the Articles of Association do not allow the General Meeting to approve the financial statements if this is requested by at least one third of the members of the Management Board or Supervisory Board; this power is given in the event that the financial statements are not approved by the Supervisory Board.

In addition, with reference to the determination of the remuneration of the Supervisory Board Members, article 50 of the Articles of Association provides that the General Meeting determines the remuneration of the members of the Supervisory Board, including the remuneration of those with specific responsibilities in accordance with the Articles of Association.

An Extraordinary General Meeting has to be called whenever required by law and shall act in accordance with article 27 of the Articles of Association, on matters in its sphere of competence, including any increase in capital when the issue of new shares is not done in the ordinary way.

In any case, a General Meeting has to be called without delay after receiving a written request, with authenticated signature, also

by an officer of the Company, indicating the topics to be discussed, made by at least 2,000 Members entitled to vote as of the date that the request is presented.

General meetings are called by the Management Board and can also be called by the Supervisory Board or, according to article 151-bis, CFA, by at least two of its Members, one of whom is a member of the Internal Control and Audit Committee.

The General Meeting, whether ordinary or extraordinary, is validly constituted and has a quorum at first calling when at least one tenth of the Members are present, even in those cases where the law requires a special majority. At second calling, the General Meeting is validly constituted and has a quorum however many Members are present at an ordinary meeting, and with the presence of at least 1,000 Members at an extraordinary meeting.

General Meetings can also be validly held on a remote basis by using teleconferencing facilities, providing they guarantee the identification of the Members entitled to participate and the possibility for them to follow the proceedings and to cast their votes in resolutions and, if expressly foreseen in the notice of calling, to join in the debate on the matters being discussed. In any case, the Chairman and the Secretary to the Meeting have to present in the place indicated in the notice of calling, which is considered the official location of the meeting. The Regulations for General Meetings establish the criteria and methods for holding General Meetings by means of remote communication systems.

The General Meeting passes resolutions by an absolute majority of votes of those taking part in the voting.

As already mentioned in paragraph 2 lett. l of this Report, the amendments to the Articles of Association, including those relating to mergers and/or absorptions, have to be approved by a vote in favour of at least two thirds of the Members involved in voting, but in no case by less than five hundred votes.

Moreover, resolutions that involve amending article 5 of these Articles of Association or the rules regarding who has the right to vote and how it should be exercised, or that concern the Company's transformation or its early winding up, or any change in article 31.3 of the Articles of Association (concerning the quorums needed to pass resolutions) have to be approved by at least one seventh of the Members with the right to vote.

A secret ballot is held for the appointment of board members and officers, without prejudice to the terms of article 63 and article 47 of the Articles of Association, regarding the favourable vote of lists presented by UCITS, for the purpose of calculating 2% of the share capital.

The resolutions to be taken to comply with the requirements of the Supervisory Authority, issued to maintain stability or to adjust to regulatory or legislative provisions, are passed with the quorums envisaged in these Articles of Association for Ordinary General Meetings.

General meetings are chaired by the Chairman of the Supervisory Board or, in the event of his absence or impediment, by one of the Deputy Chairmen of the Supervisory Board or, in case of their absence or impediment, the Chairman of the Management Board; if he too is absent or impeded, by another person appointed by the Meeting.

If approved by the Supervisory Board, the Chairman of the Supervisory Board can also delegate to the Chairman of the Management Board to preside over the General Meeting; the Chairman of the Management Board then has to explain the circumstances at the beginning of the Meeting. The Secretary to the Management Board also acts as the Secretary for the General Meeting, unless the Meeting decides otherwise.

The role of Secretary is taken on by a notary public at Extraordinary General Meetings or whenever the Chairman considers it opportune. The General Meeting can appoint two or more scrutineers.

It is up to the Chairman to ascertain that participants have the right to attend the Meeting, to run proceedings, lead the debate and organise the voting, laying down the methods, without prejudice to the provisions of law, the Articles of Association and the Regulations for General Meetings.

Members have the right to take part in General Meetings providing they have been included in the Register of Members for at least ninety days prior to the date of the Meeting at first calling and providing that he has complied with the obligations prescribed in article 83-sexies of the CBA. In addition to such Members, the members of the corporate bodies and of the management of the Bank have the right to take part in the General Meeting.

General Meetings can be attended, without any right to speak or to vote, by professionals, consultants, experts, financial analysts, qualified journalists and persons other than Members, if expressly authorised,

Minutes are kept of the proceedings of General Meetings and are made available, in accordance with the law, at the head office and on the Bank's website [www.gruppobpm.it](http://www.gruppobpm.it).

\* \* \*

With reference to the information mentioned in article 1.C.4. of the Code of Conduct, we hereby inform you that, in 2013, the General Meeting has not given any general and preventive authorisations in derogation of the non-compete provisions of article 2390 of the Civil Code.

### **Regulations for General Meetings**

In compliance with the recommendations contained in the Code of Conduct, the general meeting of 20 April 2002 approved the "Regulations for General Meetings" which govern proceedings at ordinary and extraordinary meetings, ensuring that they are conducted in an orderly fashion.

These lay down in detail the terms and conditions for attendance at a General Meeting of Members, the Chairman's powers for running such meetings in full respect of each Member's right to take the floor to speak on the topics on the agenda and to make proposals, and how voting should take place. These Regulations – which have been fully institutionalised by being included in the Articles of Association – have been subject to constant updates during the course of General Meetings of Members (the latest amendment was made in April 2013).

The text of the Regulations for General Meetings of BPM can be read on the Bank's website [www.gruppobpm.it](http://www.gruppobpm.it), in the "Governance/Corporate Documents" section.

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## **18. Other Corporate Governance practices (article 123-bis, paragraph 2.a), CFA)**

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### **Arbitration Committee**

Pursuant to article 55 of the Articles of Association, the Arbitration Committee, made up of three acting and two alternate members chosen from among the Members by the General Meeting, evaluates and any disputes deferred to it by the Articles of Association and seeks to resolve any disputes that might arise between Members or between Members and the Bank for reasons involving relations between shareholders.

The General Meeting of Members of 28 April 2012 appointed for the three year period 2012/2014, as Acting Arbitrators, Onofrio Amoruso Battista, Italo Ciancia and Anna Maria Sanchirico and, as Alternate Arbitrators, Guido Mina and Giancarlo Tarantola.

Following the resignation as Acting Arbitrator of Onofrio Amoruso Battista on 7 February 2013, he was replaced by Guido Mina (an Alternate Arbitrator on the Arbitration Committee appointed by the General Meeting of Members on 28 April 2012), subsequently confirmed as Acting Arbitrator by the General Meeting of Members of 27 April 2013 and whose term of office will expire on the same date as the current arbitrators, that is, on approval of the financial statements for the year ending 31 December 2014.

On 22 June 2013, the General Meeting of Members dealt with the integration of the Arbitration Committee by appointing Emilio Luigi Cherubini as Alternate Arbitrator, whose office will have the same expiry as the acting alternates, that is, up to the approval of the financial statements for the year ending 31 December 2014.

Milan, 18 March 2014

**The Management Board**

Table 1.1 – Management Board in office at the date of this report

Office	Management Board							Credit and Loans Committee			
	Members	In office from	In office up to	Exec	Non-exec	Indep. as per Code	Indep. as per CFA	(%) *	No. of other offices held ***	****	(%) **
Chairman	Mario Anelli	21.01.2014	App. fin. stats. 31.12.2016	NO	YES	NO	YES		1		
Managing Director	Giuseppe Castagna	21.01.2014	App. fin. stats. 31.12.2016	YES	NO	NO	NO		2	X	
Board member	Davide Croff	21.01.2014	App. fin. stats. 31.12.2016	YES	NO	NO	NO		7	X	
Board member	Paola De Martini	21.01.2014	App. fin. stats. 31.12.2016	NO	YES	YES	YES		6		
Board member	Giorgio Angelo Girelli	21.01.2014	App. fin. stats. 31.12.2016	NO	YES	YES	YES		6		

**No. of meetings in 2013: 0**

**NOTES:**

(\*) This column shows directors' participation at meetings of the Management Board (no. of times attended/no. of meetings held during the term of office of the person concerned).

(\*\*) This column shows directors' participation at meetings of the Management Board and of the Credit and Loans Committee (no. of times attended/no. of meetings held during the term of office of the person concerned).

(\*\*\*) This column shows the number of positions held by the person in question as director or auditor at 14 February 2014 (see paragraph 4.2 of this Report) in other companies listed on regulated markets, including foreign companies, finance-sector companies, banks, insurance companies or large companies. This list of companies with reference to each director is included in the Report, with an indication of whether or not the company belongs to the BPM Group.

(\*\*\*\*) This column indicates with an "X" the members of the Management Board on the Credit and Loans Committee.

Table 1.2 – Management Board that ceased to exist on 21 January 2014

Office	Management Board										Credit and Loans Committee	
	Members	In office from	In office up to	Exec	Non-exec	Indep. as per Code	Indep. as per CFA	(%) *	No. of other offices held ***	****	(%) **	
Chairman	Andrea C. Bonomi	26.10.2011	21.01.2014	NO	YES	NO	NO	84.97	2			
Managing Director	Piero Luigi Montani	10.01.2012	30.10.2013	YES	NO	NO	NO	96.77	n.d.			
Board member	Davide Croff	26.10.2011	21.01.2014	YES	NO	NO	NO	100	8	X	97.56	
Managing Director	Davide Croff	30.10.2013	21.01.2014									
Board member	Alessandro Foi	26.10.2011	21.01.2014	NO	YES	NO	YES	92.10	3			
Board member	Dante Razzano	26.10.2011	21.01.2014	YES	NO	NO	NO	92.10	4	X	81.25	

**No. of meetings in 2013: 38****NOTES:**

(\*) This column shows directors' participation at meetings of the Management Board (no. of times attended/no. of meetings held during the term of office of the person concerned).

(\*\*) This column shows directors' participation at meetings of the Management Board and of the Credit and Loans Committee (no. of times attended/no. of meetings held during the term of office of the person concerned).

(\*\*\*) This column shows the number of positions held by the person in question as director or auditor at 17 December 2013 (see paragraph 4.2 of this Report) in other companies listed on regulated markets, including foreign companies, finance-sector companies, banks, insurance companies or large companies. This list of companies with reference to each director is included in the Report, with an indication of whether or not the company belongs to the BPM Group.

(\*\*\*\*) This column indicates with an "X" the members of the Management Board on the Credit and Loans Committee.

Table 2.1 – Supervisory Board in office at the date of this report

Supervisory Board													
Office	Members	In office from	In office up to	List (M/m/s) <sup>*</sup>	Indep. as per Code	Indep. as per CFA	No. of offices <sup>***</sup>	Nominations Committee		Internal Control and Audit Committee		Remuneration Committee	
								****	(%) **	****	(%) **	****	(%) **
Chairman	Dino Piero Giarda	21.12.2013	2016 General Meeting of Members	M	YES	YES	1	X				X	
Deputy Chairman	Mauro Paoloni	21.12.2013	2016 General Meeting of Members	M	YES	YES	15			X			
Deputy Chairman	Marcello Priori	21.12.2013	2016 General Meeting of Members	M	NO	YES	11						
Board member	Alberto Balesireri	21.12.2013	2016 General Meeting of Members	M	YES	YES	3			X			
Board member	Andrea Boitani	21.12.2013	2016 General Meeting of Members	M	YES	YES	1					X	
Board member	Angelo Busani	21.12.2013	2016 General Meeting of Members	M	YES	YES	1	X					
Board member	Claudia Bugno	21.12.2013	14.01.2014	M	YES	YES	4						
Board member	Carlo Frascarolo	21.12.2013	2016 General Meeting of Members	s	NO	YES	18			X			
Board member	Roberto Fusilli	21.12.2013	2016 General Meeting of Members	m	NO	YES	2					X	
Board member	Donata Goltardi	21.12.2013	2016 General Meeting of Members	M	YES	YES	1						
Board member	Piero Lonardi	21.12.2013	2016 General Meeting of Members	m	NO	YES	12						
Board member	Flavia Daunia Minutillo	21.12.2013	2016 General Meeting of Members	m	YES	YES	12						
Board member	Alberto Montanari	21.12.2013	2016 General Meeting of Members	M	YES	YES	1	X					
Board member	Giampietro Giuseppe Omali	21.12.2013	2016 General Meeting of Members	M	YES	YES	9						
Board member	Luca Raffaello Perfetti	21.12.2013	2016 General Meeting of Members	m	YES	YES	1	X					
Board member	Cesare Piovone Porto Godi	21.12.2013	2016 General Meeting of Members	m	YES	YES	12			X			
Board member	Ezio Maria Simonelli	21.12.2013	2016 General Meeting of Members	m	YES	YES	18			X			
Board member	Jean-Jacques Tamburini	21.12.2013	2016 General Meeting of Members	s	NO	YES	3	X				X	
Board member	Lucia Vitali	21.12.2013	2016 General Meeting of Members	M	YES	YES	1						X

**Quorum required, as per the Articles of Association, for the submission of lists on the occasion of the last appointment:** each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members' Register for at least ninety days prior to the date set for the General Meeting at first calling and who can document their right to do so in the prescribed manner. UCITS may also submit a list, providing they hold at least 0.5% of the share capital and can document their possession at the time of submission of the lists in the prescribed manner (article 47, Articles of Association).

No. of meetings in 2013: 0	SB: 0	NC: 0	ICC: 0	RC: 0
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**NOTES:**

(\*) This column shows "M" or "m" or "s" depending on whether the member was elected from the list voted by the majority (M), by a minority (m) or under special clauses in the articles of association (s). The list to which they belonged or the articles of association relating to the appointment are detailed in the Report.

(\*\*) This column shows directors' participation at meetings of the Supervisory Board and of the various Committees (no. of times attended/no. of meetings held during the term of office of the person concerned).

(\*\*\*) This column shows the number of directorships or auditorships held by each director or auditor in other companies (including BPM) at the date of the Board meeting when the limits to the accumulation of offices was verified by the Supervisory Board (see paragraph 10.2.1 of the Report). The list of offices considered relevant according to art. 148-bis CFA is published by Consob on its website ([www.consob.it](http://www.consob.it)) as per art. 144-quinquiesdecies of the Issuers' Regulations.

(\*\*\*\*) This column indicates with an "X" the members of the Supervisory Board on the Committee.

Table 2.2 – Supervisory Board that ceased to exist on 21 December 2013

Supervisory Board													
Office	Members	In office from	In office up to	List (M/m/s)	Indep. as per Code	Indep. as per CFA	No. of offices	Nominations Committee		Internal control committee		Remuneration Committee	
								****	(%) **	****	(%) **	****	(%) **
Chairman	Filippo Annunziata	22.10.2011	22.04.2013	M	YES	YES	6	X	100%	X	100%	X	100%
Chairman	Giuseppe Coppini	22.06.2013	21.12.2013	M	YES	YES	1	X	100%	X	100%	X	100%
Deputy Chairman	Giuseppe Coppini	22.10.2011	22.06.2013	M	YES	YES	11		100%				
Deputy Chairman	Umberto Bocchino	22.10.2011	21.12.2013	M	YES	YES	3		96.67%	X	95%	X	67%
Board member	Alberto Balestrieri	15.11.2012	21.12.2013	M	YES	YES	1		100%	X	100%		
Board member	Giovanni Bianchini	22.10.2011	18.04.2013	M	YES	YES	5	X	93.33%				
Board member	Ruggiero Cafari Panico	07.05.2012	21.12.2013	M	YES	YES	4		93.33%	X	85%	X	80%
Board member	Enrico Castoldi	22.10.2011	21.12.2013	m	YES	YES	2		100%				
Board member	Maurizio Cavallari	22.10.2011	21.12.2013	M	NO	YES	n.d.		0				
Board member	Carlo Dell'Airinga	22.10.2011	04.02.2013	m	NO	YES	n.d.		0				
Board member	Giovanni Maria Flick	22.06.2013	28.06.2013	A	YES	YES	1		100%				
Board member	Federico Fornaro	22.10.2011	23.04.2013	s	YES	YES	18		100%	X	88.89%		
Board member	Carlo Frascarolo	21.05.2013	21.12.2013	s	NO	YES	2		100%	X	100%		
Board member	Roberto Fusilli	22.06.2013	21.12.2013	A	NO	YES	12		100%			X	100%
Board member	Piero Lonardi	22.10.2011	21.12.2013	m	NO	YES	6		93.33%			X	100%
Board member	Mario Benito Mazzoleni	22.10.2011	21.12.2013	M	NO	YES	15		100%			X	100%
Board member	Flavia Dautina Minutillo	22.06.2013	21.12.2013	A	YES	YES	16	X	100%			X	100%
Board member	Maria Luisa Mosconi	22.10.2011	21.12.2013	M	YES	YES	12		100%	X	100%		
Board member	Mauro Paoloni	22.10.2011	21.12.2013	m	YES	YES	1	X	80%	X	50%		
Board member	Luca Raffaello Perfetti	27.04.2013	21.12.2013	A	YES	YES	17		84.21%	X	88.89%		
Board member	Cesare Piovone Porto Godi	09.05.2012	23.04.2013	m	YES	YES	16	X	100%				
Board member	Anna Maria Ponfiggia	31.10.2012	23.04.2013	m	YES	YES	14		90%	X	90%		
Board member	Marcello Priori	22.10.2011	21.12.2013	M	NO	YES	n.d.		100%				
Board member	Giacinto Sarubbi	22.06.2013	23.07.2013	A	NO	YES	2	X	77.7%			X	37%
Board member	Jean-Jacques Tamburini	22.10.2011	21.12.2013	s	NO	YES	2		100%				
Board member	Michele Zeffirino	22.10.2011	21.12.2013	m	NO	YES	2		100%				

**Quorum required, as per the Articles of Association, for the submission of lists on the occasion of the last appointment:** each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members' Register for at least ninety days prior to the date set for the General Meeting at first calling and who can document their right to do so in the prescribed manner. UCITS may also submit a list, providing they hold at least 0.5% of the share capital and can document their possession at the time of submission of the lists in the prescribed manner (article 47, Articles of Association).

**No. of meetings in 2013:**

**SB: 30**

**NC: 9**

**ICC: 40**

**RC: 8**

**NOTES:**

(\*) The use of the letters "M", "m", "s" and "A" in this column indicate whether the member was elected from the list voted by the majority (M), by a minority (m), under special clauses in the articles of association (s) or by the General Meeting of Members as per articles 48 of the Articles of Association (A). The list to which they belonged or the articles of association relating to the appointment are detailed in the Report.

(\*\*) This column shows directors' participation at meetings of the Supervisory Board and of the various Committees (no. of times attended/no. of meetings held during the term of office of the person concerned).

(\*\*\*) This column shows the number of positions held by the person in question as director or auditor in other companies (including BPM) at the date of the Board meeting when the limits to the accumulation of offices were verified by the Supervisory Board (see paragraph 10.2.2 of this Report). The list of offices considered relevant according to article 148-bis CFA is published by Consob on its website (www.consob.it) as per article 144-quinquiesdecies of Consob's Issuers Regulations.

(\*\*\*\*) This column indicates with an "X" the members of the Supervisory Board on the Committee.





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