



BANKING GROUP CORPORATE GOVERNANCE PROJECT
“ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE”

DECEMBER 2016

*APPROVED BY THE BOARD OF DIRECTORS
OF ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE BY
RESOLUTION OF JUNE 26, 2009
AND UPDATED BY RESOLUTIONS OF DECEMBER 18,
2009, FEBRUARY 10, 2012, JUNE 14, 2013, FEBRUARY 6,
2015 AND DECEMBER 13, 2016*

CONTENT

1	PREMISE	3
1.1	ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE (ICBPI) S.P.A	3
1.2	PROVISIONS INTRODUCED BY THE BANK OF ITALY. CORPORATE GOVERNANCE PROJECT PURPOSE	4
2	ORGANIZATIONAL MODEL ADOPTED BY ICBPI.....	6
2.1	TRADITIONAL MODEL: KEY CHARACTERISTICS AND RATIONALE FOR MAINTAINING THE MODEL.....	6
3	DUTIES, COMPOSITION AND POWERS OF THE CORPORATE BODIES.....	7
3.1	SHAREHOLDERS' MEETING.....	7
3.2	BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER	8
3.3	GENERAL MANAGEMENT	14
3.4	BOARD OF STATUTORY AUDITORS	14
3.5	DELEGATION OF POWERS.....	16
3.6	AUDIT REGIME.....	17
3.7	INCENTIVE AND REMUNERATION SYSTEMS.....	18
3.8	INFORMATION FLOWS	26
4	FINANCIAL STRUCTURE	28
4.1	SHARE CLASS AND LIMITS TO CIRCULATION.....	28
5	MANAGEMENT OF CONFLICTS OF INTEREST.....	30
5.1	OBLIGATIONS OF BANK REPRESENTATIVES.....	30
5.2	INTERESTS OF DIRECTORS	31
5.3	TRANSACTIONS WITH RELATED PARTIES	32
5.4	ACTIVITIES AND INVESTMENT SERVICES.....	35
6	RECONCILIATION PROCEDURES BETWEEN BODIES AND CORPORATE FUNCTIONS	38
6.1	THE ICBPI GROUP - COMPOSITION AND DESCRIPTION.....	38
6.2	GROUP UNITARY OBJECTIVE.....	64
6.3	UNITARY OBJECTIVE IMPLEMENTATION TOOLS	65
7	DESCRIPTION OF THE ICBPI GROUP INTERNAL CONTROL SYSTEMS.....	70
7.1	INTERNAL CONTROL SYSTEMS.....	70

1. PREMISE

1.1 ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE (ICBPI) S.P.A.

Istituto Centrale delle Banche Popolari Italiane S.p.A. (Hereinafter the "Institute" or "Bank"), also referred to as ICBPI, is a bank incorporated as a società per azioni (joint stock company). According to Article 3 of the Articles of Association, it will last until December 31, 2050 and may be extended.

The Institute is registered

- at the Milan Register of Companies R.E.A. no.318847;
- at the Register of Banks and Banking Groups under no. 5000.5.

The Institute, in its capacity as Parent Company of the banking group "Istituto Centrale delle Banche Popolari Italiane S.p.A." issues, in the coordination and management activity, provisions to the Group members for the execution of the instructions from the Bank of Italy in the interest of Group stability; it shall also ensure that the definition of the unitary business objectives, monitoring its implementation at each component, and ensure the overall consistency of the Group's governance structure.

The registered office is in Milan (Corso Europa, 18).

The Bank was established in Milan June 17, 1939.

Along with the typical banking business, the Institute shall perform any other financial activities, according to the legislation specific to each, as well as related and instrumental activities.

The Institute, among other things, shall:

- a) provide support in the development processes of the banks and companies operating in the financial and insurance sector, through the promotion of initiatives and the provision of direct services to improve their efficiency and competitiveness;
- b) study, design, develop and manage processing services and information systems to support banking, financial and insurance activities;
- c) carry out development, management and provision of services and information technology products, telematics and payment systems, management of databases, as well as financial and technical advisory services, and perform any type of commercial, securities, real estate and financial transactions aiding to achieve its statutory objectives;

d) hold equity interests in companies and other entities engaged in banking, financial and insurance activities, or connected or instrumental to these activities, as well as any other investments permitted by law.

1.2 PROVISIONS INTRODUCED BY THE BANK OF ITALY. CORPORATE GOVERNANCE PROJECT PURPOSE

The organizational structures and corporate governance of a bank, in addition to responding to the interests of the company, must ensure conditions of sound and prudent management, the essential objectives of regulation and supervisory controls.

This project is valid for the entire banking group and is also prepared on the basis of Title IV "corporate governance, internal controls, risk management," Chapter 1 "Corporate Governance" of the 1st update of Circular 285 dated December 17, 2013 issued by the Bank of Italy by provision of May 6, 2014, with a view to strengthening the minimum standards of corporate organization and corporate governance of banks, and to ensure a "sound and prudent management". The regulatory provisions, consistent with the evolution of the rules, principles and guidelines developed at the international and European level (Directive 213/36/EU of 26/06/2013 – so-called CRDIV), govern the role and function of the management and supervisory bodies and the relationship of these with the corporate structure; they form an integral part of a broader regulatory system on other relevant aspects of the organization and corporate governance, such as controls on the ownership structure and the statutory modifications, the system of internal controls, risk management, the requirements of corporate officers, transactions with related parties and more generally conflicts of interest.

The Supervisory regulations require that all banks, as of June 30, 2009, have prepared corporate governance project. The relevant document must:

- explain the reasons why the model selected is more likely to ensure efficient management and effective controls;
- describe the specific decisions regarding the organizational structure, the rights of shareholders, the financial structure, and the management of conflicts of interest;
- provide, in the case of the Parent Company, an adequate representation and reason for the liaison methods between the bodies and the corporate functions of the different components, with specific attention to the profiles related to the control system;

- be updated every time there are significant organizational changes and be submitted, if required, to the Bank of Italy.

The "Istituto Centrale delle Banche Popolari Italiane" banking Group corporate governance project was approved by the Board resolution of the Parent Company on June 26, 2009 and updated by the resolutions of December 18, 2009, February 10, 2012, June 14, 2013, February 6, 2015 and December 13, 2016.

The document is published on the website: www.icbpi.it.

2. ORGANIZATIONAL MODEL ADOPTED BY ICBPI

2.1 TRADITIONAL MODEL: KEY CHARACTERISTICS AND RATIONALE FOR MAINTAINING THE MODEL

The governance model adopted is the so-called traditional system, based on the presence of two bodies appointed by the shareholders: the Management Body (Board of Directors) and the Board of Statutory Auditors with administration control functions.

The external audit is carried out by an auditing firm, in accordance with the regulations and statutory provisions.

The chosen administration system appears to - according to the dimensional, organizational and operational characteristics -:

- be consistent with the organizational structure of corporate governance identified by the Institute for its subsidiaries;
- fully meet the purpose of ensuring the efficiency of the resolution and management process;
- fully satisfy the requirements to effectively represent the interests of shareholders.

3. DUTIES, COMPOSITION AND POWERS OF THE CORPORATE BODIES

In accordance with current regulations and the Articles of Association, to the corporate bodies - the composition of which is fully outlined below - have assigned the functions and powers according to the most appropriate articulation to ensure management efficiency and effectiveness of the controls.

3.1 SHAREHOLDERS' MEETING

First of all, it is noted that the Shareholder's Meeting is the sovereign body of the company: it, regularly convened and established at the registered office or such other locations in Italy, represents all shareholders. The corporate will is formed and expressed, which is then implemented by the governing body.

The Shareholder's Meeting has the powers established by law and the Articles of Association. In particular, in addition to resolve the subjects provided for by law, the Ordinary General Meeting, on the proposal of the Board of Directors, shall approve:

- a) the remuneration and incentive policies;
- b) any proposal to set a ratio limit between the variable and fixed component of the individual remuneration greater than 1:1 but not exceeding 200% (2:1), in compliance with the applicable regulations (and the conditions set by the Articles of Association);
- c) the remuneration plans based on financial instruments;
- d) the criteria and limits for the determination of pay in case of early termination of the employment contract.

The Ordinary General Meeting is convened at least once a year within one hundred twenty days of the closure of the corporate fiscal year.

The Extraordinary General Meeting takes place in the cases provided by law.

The Shareholders' Meeting is convened by the Board of Directors:

- a) whenever the Board considers it necessary;
- b) without delay if the request is made by shareholders representing at least one tenth of the share capital and the subject matter is indicated in the request, other than those on which the Shareholders' Meeting is required by law, at the proposal of the Directors or on the basis of a project or a report prepared by them;

c) in other cases provided by law.

The following are regulated by law:

- The formalities and conditions for the convening of Ordinary and Extraordinary Shareholders' Meetings;
- The conditions and the majorities for the regularity of the constitution and for the validity of the resolutions with the exception of certain matters listed in the Articles of Association (Art. 12).

The holders of voting rights that send a communication from the broker holding their accounts to the registered office at least two days before the date fixed for the first call, in accordance with law, can participate in the Meeting, in accordance with the law.

The delegation may not be conferred to Directors, Statutory Auditors and employees of the Institute, or to companies that it controls and to the Directors, Statutory auditors and employees thereof.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or by the substitute in terms of the Articles of Association; a Secretary is appointed, even if not a Shareholder and if necessary one or more scrutineers, also non-Shareholders. If the minutes of the Meeting are drawn up by a Notary the assistance of the Secretary is not necessary.

Each share entitles to one vote for the taking of the Meeting resolutions. It is the Chairman of the Meeting that shall ascertain the regular constitution of the Meeting, ensuring the identity and legitimacy of those present and the proxies.

Resolutions of the Meeting shall be recorded in the minutes signed by the Chairman, the Secretary and the scrutineers, if appointed, or by the notary when it is required.

3.2 BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The management of the company is solely for the Board of Directors, made up of a minimum of 9 to a maximum of 15 members, elected, after determining their number, by the Meeting

among the subjects possessing the requirements provided by the applicable regulations and the Articles of Association and therefore with skills, experience, age, gender and national and international calibre, adequate to the Institute's operations. The Directors are appointed by the vote of a legal requirement list, however without prejudice to different and further provisions under the mandatory laws or regulations and notwithstanding that, as part of the elect, at least a quarter are in possession of the independence requirements (as provided for the Statutory Auditors in Art. 2399 civil code or by the industry rules however applicable); they are not involved in executive management (art. 15-2 of the Articles of Association) and at least five do not hold office in the management and supervisory bodies, or top officials of companies and groups operating in the credit sector, insurance and financial competitors - executive officials meaning the General Managers and, for listed companies, senior managers responsible for preparing corporate accounting documents provided by art. 154-bis of the Consolidated Finance Act (art. 15-2 bis of the Articles of Association). The requirements listed above may be combined in the same subject; in addition, their absence does not determine the forfeiture of the interested member if the condition persists relating to the minimum number of Directors provided in the specific case. The Board members shall hold office for a period not exceeding three years and may be reappointed. The Board of Directors shall elect a Chairman from among its members and one or more Vice Chairmen up to a maximum of three; a secretary can also be selected from among its members or a General Manager appointed to that office or an executive of the company or another party subject to obligations of confidentiality.

Being the body to which the strategic supervision and management functions are reserved, the Board is vested with all-encompassing powers for the ordinary and extraordinary management of the company, except as reserved to the Shareholders' Meeting by law or by Articles of Association; the Board of Directors is also responsible for the determination of guidelines and strategic business objectives, and the monitoring of their implementation; the organizational structure and approval of the bank's corporate governance ensuring a clear separation of duties and functions, as well as the prevention of conflicts of interest, and ensuring the verification of their correct implementation and timely correction where necessary; the approval of the strategic, business and financial plans of the Institute; the approval of the accounting and reporting systems; the supervision of the public information and communication process of the Institute; the evaluation, based on the report of the executive bodies and the comparison with

the bodies with the management function, of the general performance of the management, checking the choices and decisions made by the executive bodies over time.

The following competencies are also attributed to the Board of Directors:

- a) merger resolutions in the cases of Articles 2505, 2505-bis, 2506-ter, final paragraph civil code;
- b) establishment and closure of branches;
- c) indication of which Directors may represent the Company;
- d) reduction of the share capital in case of withdrawal of a Shareholder;
- e) amendment of the Articles of Association to regulatory provisions;
- f) transfer of the registered office to another municipality in Italy.

In addition to those responsibilities non-delegable by law, the following decisions are the sole responsibility of the Board of Directors:

- a) determination of the Group's unitary business objectives as well as the approval and review of the budget and the pluriannual business plan;
- b) determination of the criteria for the coordination and management of the Group companies;
- c) acquisition and disposal of equity investments of strategic importance or that result in changes in the Group;
- d) appointment, powers and dismissal of the CEO and the General Manager¹, determination of their remuneration and the other members of the General Management;
- d-bis) appointment of Company Directors reporting directly to the CEO and the CEOs and General Managers of the other group companies; determination of the management remuneration above and proposals on the Banking Group's remuneration policy;
- e) appointment and removal of the head of the internal audit, compliance, risk control and anti-money laundering, on the proposal of the Risk Committee and the Board of Statutory Auditors; the revocation of the same roles having consulted the Statutory Auditors and after consulting the Risk Committee;
- f) approval and modification, in addition to those expressly referred to in the Articles of Association, of the main internal regulations;
- g) establishment of commissions or internal committees and the relative corporate bodies with advisory and proposal functions on specific matters;

¹ As shown below (paragraph 3.3), art. 29 paragraph 2 of the Articles of Association provides that: "In the event that the Board of Directors proceeds with the appointment [of the General Manager], the roles of the CEO and General Manager must be concurrently held by one and the same subject".

- h) development, submission to the Shareholders' Meeting Assembly and review, at least annually, of the remuneration and incentive policy;
- i) definition of remuneration and incentive systems for executive Directors and other subjects identified by the regulatory provisions in force at the time;
- l) approval of investments not included in the annual budget;
- m) acquisition, assignment, transfer or establishment of beneficial rights on companies, business units, and/or stakes also non-controlling for a price (including the portion of the financial net debt included in the company or business unit, or imposed on the interested company) in excess of Euro 5,000,000; the rent of companies or offices of companies regardless of the annual fee;
- n) acquisition, disposal or creation of beneficial rights on real estate or other tangible or intangible assets whose value exceeds Euro 5,000,000;
- o) signing of partnership agreements, joint ventures or distribution that can generate revenues or costs in excess of 2.5% of revenues or costs of the Company in the previous fiscal year;
- p) issue of bonds, launching programs for the issue of bonds and/or other debt instruments or equity, exceeding the amount of Euro 10,000,000;
- q) resolution proposals to be submitted to the Company Shareholders' Meeting, when not included, or not pertaining to one of the subjects listed above;
- r) decisions concerning the exercise of voting rights at the Shareholders' Meetings of the Group Companies;
- s) any decision of the management body on the issue of shares or other financial instruments convertible into, or which give the right to subscribe for, shares of the Company;
- t) approval of any transactions with related parties and any decision pertaining to the relationship or existing contracts with the company's shareholders or with companies or entities controlled by them, that control them or are subject to common control with the very same;
- u) examination and approval of major transactions or decisions of the Group Companies which, for the CEO's initiative, according to the internal regulations and/or provisions of the supervisory authority, should first be examined or approved by the Board of Directors.

The above determinations, if they concern matters relating to areas of overlap with the activities of the partner banks, are taken on the proposal of the CEO with the mandatory non-binding opinion of all the independent Directors.

The Board of Directors shall approve the Group's organizational Regulations, which each Group company shall turn transpose; the organizational Regulations of the Institute as the Parent Company and the resolution process for matters relating to areas of overlap with the activities of the partner banks.

The advisory board shall regulate, among other things:

- limits for multiple assignments of a similar nature on the part of the Board of Directors, paying particular attention to those which cause greater involvement in ordinary business activities, and their assessment methods;
- timing, form and the content of the documentation to be submitted to the individual members of the necessary bodies for the adoption of the resolutions on the matters on the agenda;
- documentation and minutes of the decision-making process and the ex post availability of such documentation and identification of the parties required to submit, on a regular basis, information flows to the corporate bodies;
- determination of the minimum content of information flows, including, among other things, the exposure level trend of the Institute to all types of significant risks, any deviations from the approved policies by the strategic supervisory body, the types of innovative transactions and their risks.

The Board of Directors shall appoint a CEO from among its members that do not hold positions in the management and supervisory bodies, or top officials of companies and groups operating in the credit sector, insurance and other financial competitors. The CEO, in line with the guidelines established by the Board of Directors, is responsible for managing and coordinating the various business components for the implementation of the Group's unitary business objectives; the CEO shall ensure the coordination and unitary management of the companies listed in the Group's scope and execution, also of the Bank of Italy Instructions. In particular, the Board of Directors shall delegate powers exclusively to the CEO in the management of the Institute's activities falling within the operational areas overlapping with partner banks. The resolutions of the CEO in these matters should be undertaken with the mandatory non-binding opinion of all Directors that have the requisites referred to in Art. 15-2 bis of the Articles of Association.

The Chairman (the Board of Directors) or his substitute shall:

- a) legally represent the Institute;

b) represent the company in respect of third parties and in legal proceedings, active and passive, before any judicial authority, ordinary or special, including proceedings on constitutional legitimacy.

The above powers also relate to, as part of the own powers, the sole signing authority to the CEO.

In case of urgency, and upon proposal of the CEO, the Chairman may decide on the matters within the competence of other management bodies, referring to the first available meeting of the Board of Directors regarding the resolutions adopted.

The duties of the Chairman listed in Art. 19 of the Articles of Association, under which the Chairman shall monitor the performance of the Company, promote the effective function of the corporate governance system encouraging internal dialectic in a neutral manner, soliciting the participation of non-executive members in the Board's work and ensure the balance of powers. The Chairman shall convene and chair the Board of Directors, establishing the agenda and ensuring that they are treated with the priorities of strategic importance.

The Chairman has no executive powers and therefore no operative role.

In order to meet the Group's unitary business objectives (as described in greater detail in the following paragraphs 6.2 and 6.3), the Board of Directors shall refer to the Risk Committee, established under Article 22a, paragraph 2 of the Articles of Association, and the Board of Statutory Auditors as the Supervisory Board per law no. 231 of 2001. In particular:

- the Risk Committee is entrusted with consulting and advisory functions in respect of the Board of Directors with regard to the competencies in relation to the Internal Control Systems; Committee composition and functions are governed by the relevant Regulation approved by the Board of Directors;
- the Supervisory Body per law 231 of 2001 (whose present composition as mentioned above coincides with that of the Board of Statutory Auditors) is delegated the duty of monitoring the adequacy, function, compliance and updating of the Organizational Model adopted by the Institute pursuant to Law 231/2001; it also carries out addressing functions for the creation of models of the Group companies and the coordination of the relative supervisory

bodies; the Board shall also supervise the compliance with the rules contained in legislative decree 231 of 21/11/2007.

3.3 GENERAL MANAGEMENT

Under Article. 29 of the Articles of Association, the Board of Directors may appoint a General Manager that will have to meet the requirements of art. 15-2 bis. In the event that the Board of Directors proceeds with the appointment, the CEO and General Manager must be concurrently held by one and the same person. Without prejudice to the provisions of art. 26bis, the Board of Directors shall grant powers to the General Manager to carry out the current affairs of the Institute and to execute the decisions and guidelines the Board of Directors.

The current structure of the General Management sees the presence of a General Manager that also holds the position of Chief Executive Officer and a Deputy Vice-General Manager. Paragraph 6 below summarizes the powers and functions conferred by the Board of Directors on the General Manager and the Deputy Vice-General Manager.

In case of absence or impediment, the General Manager is replaced by the Deputy Vice-General Manager and, even in this case of absence or impediment, by another Director appointed for the purpose by the Board.

3.4 BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is the body with control functions, composed of three statutory auditors and two substitutes, elected by the Shareholders' Meeting among subjects meeting the requirements of integrity, professionalism and independence through the statutorily provided list voting.

The Statutory Auditors shall remain in office for three fiscal years and may be reappointed.

They cannot be appointed as auditors, and if elected, the following shall forfeit office that:

- lack requisites of professionalism, integrity and independence established by the applicable laws;
- find themselves in situations of incompatibility provided for by law;
- hold positions in bodies other than that of supervision with other group companies or with companies with which the Bank holds, even indirectly, an equity investment of at least 10% of the share capital or voting rights at the ordinary shareholders' meeting of the subsidiary and

5% of the Group consolidated regulatory capital and must still meet the requirements of Article 15-2 bis of the Articles of Association.

The powers, duties and term of office are those established by law; in particular, the Board of Statutory Auditors shall monitor - making use of information flows coming directly from the internal audit functions and structures -:

- a) the compliance with laws, regulations and statutory provisions, on the correct administration, adequacy of the organizational and accounting structures of the Institute; it must immediately inform the Bank of Italy and the strategic managerial and supervisory bodies of all the facts or acts, of which it becomes aware, that may constitute a deficiency or irregularity in the management of the Institute or a violation of rules governing the banking and financial activities, calling for appropriate corrective measures and verifying their effectiveness over time;
- b) the function of the overall system of internal controls; it, making use of the structures and internal control functions, shall ensure through regular audits, the effectiveness of all the structures and functions involved in the control system and the adequate coordination of the same system, promoting action to correct any deficiencies and irregularities encountered;
- c) the adequacy of the risk control and management system;
- d) the powers granted to the CEO regarding the management of the Institute's activities within the operational areas overlapping with partner banks, reporting eventually any misalignments and possible needs to broaden powers.

The Board of Statutory Auditors shall also monitor the correct performance of strategic and management control by the Parent Company on the Group companies; it works closely with the corresponding bodies of the subsidiaries.

In performing its duties, the Board of Statutory Auditors makes use of the information flows from the internal control functions and structures (in particular Compliance, Risk Management, Audit), activating continuous reciprocal exchange of information with them relevant to the carrying out of their respective duties. The Statutory Auditors are also informed about the activities of the Risk Committee through the participation of the Chairman of the Board of Statutory Auditors in the meetings or by an auditor appointed by this Board.

Since, by legislative provision, the accounting control is entrusted to an external auditor, the Board of Statutory Auditors shall retain duties connected with the assessment of the adequacy and function of the accounting structure, including its information systems, in order to ensure

a fair representation of the corporate events; appropriate forms of constant coordination are also provided for between the Board of Statutory Auditors and the subject responsible for the financial audit.

Periodically, the Board of Statutory Auditors shall review its adequacy in terms of powers, function and composition (with particular focus on the existence referring to each component of the prescribed requirements), taking into account the size, complexity and the activities of the Bank including as the Parent Company of the ICBPI Group.

3.5 DELEGATION OF POWERS

Under the Articles of Incorporation, the Board of Directors may grant powers to individual Directors for the performance of certain activities or for the conclusion of individual agreements, establishing limits and content.

The Board may also confer decision-making powers and operations to Executives and Managers - individually or in Committees - as well as other employees, within the limits laid down on the basis of the functions and importance of the position held. It remains without prejudice that, subject to the provisions regarding legal representation, the Institute through its bodies, including delegates, executives or managers shall impede itself, in any capacity, and so as a board delegation, further delegation, general power of attorney, ad negotia, of special, powers of management, operational or even representation and signature of boards, Directors, managers, third parties that do not meet the requirements of art. 15-2 bis of the Articles of Association.

The bodies report to the Board of Directors and the Board of Statutory Auditors generally with monthly periodicity on the activity carried out and on the most significant economic, financial and capital transactions performed by the Institute or its subsidiaries.

As mentioned above, the powers and faculties that the applicable regulations attribute to the exclusive competence of the Board remain reserved to the Board, and therefore cannot be delegated. In particular, in addition to the non-delegable attributions according to law and regulations, the following cannot be delegated:

- a) the determination of the Group's unitary business objective;
- b) the determination of the criteria for the coordination and management of the Group companies;

- c) the acquisition and disposal of equity investments of strategic importance or that result in changes to the Group;
- d) the appointment and dismissal of the CEO and General Manager, the determination of their remuneration and the other members of the General Management;
- e) the appointment of the head of the internal audit, compliance, risk control and anti-money laundering, on the proposal of the Risk Committee and the Board of Statutory Auditors; the revocation of the same roles having consulted the Statutory Auditors and after the opinion of the Risk Committee;
- f) the approval and modification, in addition to those expressly mentioned in the Articles of Association, of the main internal regulations;
- g) the establishment of commissions or internal committees to corporate bodies with advisory and proposal functions on specific matters;
- h) the development, the submission to the Shareholders' Meeting and the review, at least annually, of the remuneration and incentive policy;
- i) the definition of remuneration and incentive systems of the executive managers and other subjects identified by the supervisory provisions in force at the time.

In case of absence or impediment of the Chairman of the Board of Directors, Vice-Chairman shall assume the powers and functions; in the case of several Vice Chairmen, such powers and functions are assumed in the order established by the Board of Directors; in case of absence or impediment of the Vice Chairmen, the most senior board member shall assume the powers and functions of the Chairman.

3.6 AUDIT REGIME

In accordance with the applicable provisions and on the proposal of the Board of Statutory Auditors, the Shareholders' Meeting has entrusted the external audit of the financial statements, the consolidated financial statements and interim financial reports of the company's accounts as well as the audit pursuant to Article. 2409 bis civil code to an external audit firm, registered in the Register of Auditors, after having carefully assessed the professionalism and experience, also because of the size and operational complexity of the Bank and the Group.

3.7 INCENTIVE AND REMUNERATION SYSTEMS

REASONS AND OBJECTIVES THAT THE BANK IS PURSUING WITH THE REMUNERATION POLICY

The ICBPI Group is committed to encouraging ethical and transparent criteria for the remuneration of the top Executives and all employees, in compliance with the regulations in force at the time and the instructions issued by the Supervisory Authority.

The remuneration mechanisms adopted not only ensure a balanced policy of remuneration in its various components, but also a clearly determined and coherent structure with the Bank's prudent management, with its objectives, even long-term, and with its economic situation.

The guidelines of the ICBPI remuneration policy is based on the criteria of:

- merit: rewarding human resources assessed in terms of performance;
- sustainability: aim to maintain a direct link between remuneration and performance;
- responsibility: adjust the remuneration level to the nature and complexity of the role assigned/covered;
- human capital development: attract and keep talent in the company with professionalism and decisive ability for business development.

In line with these guidelines, the goals to be pursued through the remuneration policy shall be:

- adequately balance the fixed and variable components of remuneration, avoiding imbalance, in particular as regards variable remuneration, which could lead to behaviour not in line with sustainable results and company risk appetite;
- accompany the assumption of responsibility of the employees towards increasing professional challenges;
- ensure an adequate economic base with respect to the position held;
- give emphasis on achieving results in order to recover competitiveness;
- link the variable component to the financial results parametrized to the risk assumed by the bank and calculated with mechanisms to ensure that remuneration is linked to actual and long-term results;
- reward the resources that develop skills, increase responsibility, demonstrate ability to replicate important results over time;
- consider only the results achieved in full compliance with the law, regulations, codes of conducts and ethical rules;
- avoid guaranteed bonuses and establish incentive systems that set minimum thresholds of performance;

- permit, through formal and transparent systems, the evaluation of such information by the control functions of incentive awards for independent checks and verification.

In line with the above, the ICBPI Board of Directors on July 15, 2011 defined the technical profiles of detail relating to the provisions on remuneration and incentives policies and practices as provided by the Bank of Italy with the title "provisions on remuneration and incentives policies and practices in banks and banking groups" issued March 30, 2011.

It noted that on November 18, 2014 the new Supervisory Provisions on remuneration and incentives policies and practices ("Circular 285. Seventh update") were published, which implement Directive 2013/36/EU of June 26, 2013 (CRD IV) and take into account the guidelines and criteria agreed at the international level, including those of the EBA and the FSB. These introduce - in Part I, Title IV "corporate governance, internal controls, risk management" - Chapter 2: "Policies and remuneration practices and incentives" in Circular 285 of December 17, 2013. The Provision of March 30, 2011, with their entry into force, is repealed. The new provisions of the Bank of Italy on remuneration and incentive schemes have been implemented in the Parent Company's Articles of Association, revised in the Shareholder's Meeting of May 8, 2015.

In fact, Article 10, paragraph 2, provides that the ordinary shareholders' meeting approves the remuneration and incentive policies, the remuneration plans based on financial instruments, and the criteria and limits for the determination of compensation in case of early termination of the employment relationship or early termination from office. As part of the remuneration policy, the faculty to set a ratio higher than 1:1 on the variable component of the remuneration with respect to the fixed component is assigned to the Ordinary Shareholder's Meeting, but still within the limit of 200% (ratio 2:1), in compliance with applicable regulations.

Article 21, paragraph 5 provides, also, that the Board of Directors ensures adequate disclosure to the Ordinary Shareholder's Meeting on the implementation of remuneration policies established by the Board.

Article 22 bis, paragraph 2 of the Articles of Association also provides for the optional establishment of the Remuneration Committee, whose members were subsequently appointed by the Board on February 9, 2016.

During the Shareholders' Meeting of April 27, 2016, it was confirmed that the remuneration systems must be consistent with the framework for the determination of risk appetite and with governance policies and risk management.

The RAF (Risk Appetite Framework) is the instrument by which the risk levels are identified that the bank is able to sustain and, consequently, on which to base the remuneration.

In this perspective, the RAF was adopted by ICBPI Group in order to define certain conditions for access to the incentive system as more particularly specified in the rules in more detail below.

Finally, it should be noted that the provisions regard the generality of the staff, while more detailed rules:

- limit on the ratio between variable and fixed component of the remuneration (Sec. III, para. 1.2);
- use of financial instruments for the variable remuneration (Sec. III, par.2.1 point 3);
- deferral of variable remuneration (Sec. III, par.2.1 point 4);
- payment of discretionary pension benefits in the form of financial instruments in case of termination of employment (Sec. III, par.2.1.1);
- golden parachute (Sec. III par. 2.2.2)

are applied, as required by the Bank of Italy regulations, only Key Personnel.

A review of the various points of the legislation was therefore conducted in order to monitor the continued consistency of the application to these rules by the ICBPI Group.

Identification of "Key Personnel". Considering the relevant regulations and according to careful self-assessments conducted, the following have been included in the category of "Key Personnel" of the ICBPI Group:

- Chief Executive Officer/General Manager/Deputy General Manager of the Parent Company
- Chief Executive Officer/General Manager/Deputy General Manager of the Subsidiaries
- Head of the Payment Services Division of the Parent Company
- Head of the Securities Services Division of the Parent Company
- Group CIO
- Managers of the centralized Control Functions at the Parent Company (Audit, Risk Management, Compliance)
- Head of the centralized Human Resources Department at the Parent Company

- Head of the centralized ICT Division at the Parent Company
- Head of the centralized Administration Department at the Parent Company
- Head of the centralized Corporate and Legal Affairs Department at the Parent Company
- Head of the centralized Planning and Control Department at the Parent Company
- Head of the centralized Organization Department at the Parent Company
- Head of the centralized Loans Department at the Parent Company
- Head of the centralized Treasury and Finance Department at the Parent Company
- Head of the Digital Corporate Banking Department of the Payment Services Division
- Head of the Global Custody of the Department Securities Services Division
- Head of the Depository Bank and Controls Department of the Securities Services Division
- Head of the Brokerage & Primary Market Department of the Securities Services Division
- Head of the Market Making Division of the Securities Services Division
- Head of the CartaSi Sales Department
- Head of the CartaSi Business Development and Innovation of Department
- Head of the CartaSi Marketing of Department

-Proportionality Criterion

The ICBPI Group has been confirmed in the medium-size Bank category with assets between 3.5bn and 30bn.

This entails, for the Key Personnel, the application of the entire discipline on the rules of greater detail with the sole exception regarding the use of the financial instruments, the deferral and retention to which percentages are applied, and periods equal to 50% of those provided for large-size banks.

THE STRUCTURE OF COMPENSATION AND INCENTIVE SYSTEMS

Tools and ratio limits between variable and fixed component

The Group for years has adopted a variable MBO incentive system tied to the quali/quantitative objectives regarding certain professional roles, and which meets the principles set forth by the new Bank of Italy on the remuneration systems linked with corporate results, suitably adjusted to take account of exposure to risks and in any case such as to avoid incentives that could lead to regulation breaches, misconduct or non-transparent behaviour or taking excessive risks for the Bank and the Group.

For key personnel, the variable component already at present takes into account the risks and results of the Bank, the Group as a whole, those individual and the business units. All positions are also provided with at least a qualitative objective, which for Top Management is explicit in "pursuing the arrangement of the high-priority problems emerged during the verification prepared by the control structures and the Regulatory Authority".

The only exception is, as expressly provided for by the new legislation, the Managers of the Control Function and Head of Administration whose variable remuneration is linked exclusively to the achievement of quali/quantitative objectives measuring the effectiveness of their control activities and do not correspond to the economic results of the Bank or the Group. The total amount of the bonus pool must be sustainable with respect to the Group's financial position, and does not limit its ability to maintain or achieve an adequate level of capitalization to the risks assumed.

Finally, it should be noted that the performance assessment period is annual and takes into account the levels of capital resources and liquidity necessary to carry out activities undertaken. The RAPM (Risk Adjusted Performance Measurement) is the indicator that has been decided to continue to adopt, defined as follows: Required Economic/Capital result where the Economic Result is represented by Ebitda including the amount of expected losses, while the denominator is represented by the sum of the regulatory capital requirements associated with Pillar 1 risks (Credit, Market and Operational) and will weigh not less than 25% of the total goals. Compared to fiscal year 2015, the Gross Operating Result numerator has been replaced by EBITDA.

In addition to defining the tools and methods of assessment to calculate the variable remuneration, it is also required to define ex ante the limits the incidence of the same on the fixed component in a sufficiently granular.

Therefore, provided that there is only one Key Personnel position at the ICBPI Group with a ratio between the fixed and variable component of more than 100% remuneration but not exceeding 200%², the ratios that have been adopted as a maximum are listed below, divided among the various combinations of positions relating to "key personnel" according to the current situation:

² On September 7, 2016, the Shareholders' Meeting approved the increase the ratio from 1:1 to 2:1 between fixed and variable remuneration for the new CEO.

Members of the Management Body and Senior Management	100 %
Head of Market Making	80%
Other Department Heads or relevant Operational Units	100 %
Managers of Control Structures	33%
Head of Human Resources	35%

As regards the remaining personnel the ratio is:

Specialists in Brokerage and Market Making areas	75%
Commercial functions	50%
Other Functions	25%

Variable remuneration

The Bank of Italy also regulates the variable compensation structure: the type of objectives to be assigned, the method of payment, the retention period and the ex post correction mechanisms (malus and claw back).

As mentioned, as ICBPI is part of the medium-size category Banks, it also allows to apply the criteria for Section III par. 2.1 points 3 and 4 (balance between the component in cash and financial instruments, payment deferral and retention period) with percentages and deferment and retention periods equal to half of those defined by the legislation.

Therefore, in light of the above, the balance between the component for cash and financial instruments of the variable remuneration has taken place, as for fiscal year 2015, with 75% and 25% respectively, while the deferrals will be for a period of three years for both types of payment (cash and securities). Deferral limit is 30% of the two types of variable remuneration payment.

Moreover, the additional retention period on financial instruments shall apply at the expiry of the vesting period equal to 1 year for those paid up front and six months for those already subject to deferral.

As for the financial instruments that will be used for the payment of part of the variable remuneration, and given the fact that ICBPI is not a listed Bank, a plan based on the so-called

"Phantom Share" has been decided to be adopted, even for fiscal year 2016, whose value reflects the company's economic value.

Thus, the free and personal allocation of a number of Phantom Shares – nontransferable - dependent on the value of the Group's shares at the time of allocation shall be provided, for the portion of the variable remuneration to be paid on financial instruments, calculated by applying the following formula:

$$\text{n}^\circ \text{ phantom shares} = \frac{\text{VARIABLE REMUNERATION AMOUNT}}{\text{Group share value (allocation T)}}$$

In the case of ICBPI, being shares not traded on regulated markets, the Plan will also have to contain the criteria for determining this value (Group's equity value) at the time of assigning and the date of actual liquidation of the Phantom Share according to the balance sheet at December 31 of the respective reference fiscal periods, taking into account the dividends paid during the period and any capital increases.

Finally, it is noted that the deferred portion will be paid on a pro rata criteria annually.

As for the ex post correction mechanisms, the Bank of Italy shall specify the case studies of violations in which to apply, if committed, the claw back, specifically:

- behaviours that have generated a significant loss to the Bank;
- breach of the obligations imposed pursuant to art. 26 or when the subject is the interested party, of art.53, paragraph 4 and following of the Consolidated Banking Act or the obligations regarding remuneration and incentives;
- fraudulent behaviour or gross negligence against the Group.

The rule already introduced during the deferral defined for the Top Management in the previous fiscal years would apply to malus mechanisms, using the limit value of CET 1 as "entry gate" defined from time to time by the Bank of Italy (currently 14%).

Finally, it was decided to establish a minimum threshold on the variable remuneration (Euro 40,000) below which all the greater detail rules no longer apply to key personnel maintaining only the balance between the cash component and that of financial instruments in the same percentages (75% and 25%), and limiting the deferral of the liquidation of the part in financial instruments by only one year.

Moreover, it is noted that:

- guaranteed bonuses are not provided, except in exceptional cases and then only in the case, and where necessary, the first year of employment to restore the incentive losses at the previous employer;
- incentive mechanisms for non-executive Directors are not provided, as a rule;
- no form of variable remuneration for the members of the Board of Statutory Auditors is provided;
- incentive schemes for the benefit of collaborators not bound by an employment relationship are not provided, as a rule;
- a discretionary one-off bonus system is maintained for Personnel not subject to the MBO System, based on the overall performance achieved, and in any case of limited amount. This system is not applied to "Key Personnel" except in exceptional cases to be submitted to the Board of Directors for approval;
- discretionary pension benefits do not exist.

Termination of employment relationship

The criteria adopted by the Group in determining the compensation to be paid in case of early termination of employment upon the company's initiative with the exception of termination for just cause, are only those established by law and by the national collective labour agreement for the Personnel of Credit Companies.

Therefore, in addition to the pay on lieu of notice as set in relation to length of service, the supplementary indemnity is also counted as a reference upper limit to the fullest extent provided in the contract (22 monthly salary), in some cases automatically increased in relation to the age of the party subject to the provision. Therefore, additional months to be recognized can be from a minimum of 7 to a maximum of 29. The disbursement amount is calculated as provided by law (art. 2121 cc) and contract, and is therefore subject to change even significantly in view of the possible parties subject to the provision.

Moreover, as regards ICBPI, the compensation limit would be defined as 24 monthly salary provided that the amount exceeding the lieu of notice, as set by the National Collective Bargaining Agreement, would be subject to what is defined in Section III, paragraphs 2.1 points 3 and 4 with the methods provided for medium-size Banks, provided that a greater quantification will not be imposed on court proceedings. In such case, also the application of the more detailed criteria would no longer apply. The method of calculation is always carried

out according to the provisions of art. 2121 civil code. In relation to the above, the maximum amount is set at Euro 2 million, equal to 36 monthly salary of the fixed remuneration. The amount to be recognized as a result of a "minimum term contract" for the period of conventional stability not respected is to be added to the above: at the moment amounting to Euro 2.2 million, and it tends to decrease with each passing month.

Remuneration Policy for special categories

As for the agents/promoters in financial activities, remuneration is exclusively on commission without incentive value and therefore not subject to the detailed rules laid down by the new regulations.

Involvement of control functions

In regard to the process of defining the remuneration policies, the competent corporate functions (Risk Management, Compliance, Human Resources, Planning and Control) are involved in order to ensure the correct application of the principles and criteria laid down by the new regulations.

DISCLOSURE OBLIGATIONS

The new rules require ICBPI to provide a series of information to the public, the Bank of Italy and at the Shareholders' Meeting.

3.8 INFORMATION FLOWS

The Bank has formalized special measures - in compliance with the "Supervisory Provisions concerning the organization and corporate governance of banks" – on the timing, form and content of information flows addressed to the corporate bodies, identifying the parties responsible for providing periodically and/or on specific adequate disclosure required, with the aim of encouraging information circulation mechanisms among and within the corporate bodies, appropriate to achieve the objectives of efficiency management and control effectiveness, preparing appropriate organizational controls to prevent, at the same time, the risk of improper disclosure of confidential information.

Indeed, the formal regulation of the information flow structure (in particular to the governing board) has officially ruled the consolidated reports, already in use at the Bank, which has always:

- been characterized by systematic, precise definition and articulation by form and content;
- corresponded to the need for timely disclosure to the management body on delegated powers;
- been subject to constant review by the need to adapt both for regulatory purposes and for operational requirements,

with the introduction of a detailed specification of topics for consideration by the Directors and connected schematic of flow timing.

Emphasizing the importance of this aspect in the operational dimension of a bank, also given the stringent rules (statutory, self-regulatory and industry) in terms of:

- competence of the Directors for business management;
- duty to "act in an informed way";
- regular reporting to the Board by the executive bodies;
- right of Directors to have information from the governing bodies on the management of the company,

it is evident that this disclosure is made in accordance with art. 23 of the Articles of Association that requires the obligation – by the executives bodies - to report on a monthly basis, in accordance with the Board of Directors and the Board of Statutory Auditors on the activities carried out and on significant economic, financial and capital transactions performed by the company.

More specifically, with the collaboration of the General Management, the Board of Directors – also through specifically appointed Directors – shall report to the Board of Statutory Auditors on the activities carried out and significant economic, financial and capital transactions performed by the company and subsidiaries; in particular – without prejudice to the application of the provisions of article 2391 of the Civil Code – shall report on transactions in which Directors have an interest, personal or on behalf of third parties, or which are influenced by the party performing the management and coordination function. This communication shall be given at board meetings.

Then, information flows among the management and supervisory bodies and control functions shall be provided and encoded with specific structured and formalized regulations (regulation on Parent Company and Group, regulations on compliance and risk management functions; general regulation on coordination of the bodies and control functions of the ICBPI Group).

4. FINANCIAL STRUCTURE

4.1 SHARE CLASS AND LIMITS TO CIRCULATION

On December 18, 2015, Mercury Italy Srl (Vehicle indirectly held by the funds, Advent International, Bain Capital and Clessidra SGR) acquired the control of the Institute, with a stake of 88.95% of the share capital. The transaction was completed in execution of the Agreement concluded in June 2015 by Mercury Italy with the main shareholders of ICBPI (Credito Valtellinese S.c., Banco Popolare S.c., Banca Popolare di Vicenza S.c.p.a., Veneto Banca S.c.p.a., Banca Popolare dell'Emilia Romagna S.c., Iccrea Holding S.p.A., Banca Popolare di Cividale S.c.p.a., UBI Banca S.c.p.a., Banca Popolare di Milano S.c.a.r.l., Banca Sella Holding S.p.A. e Banca Carige S.p.A., collectively holding 93.7% of the share capital of ICBPI at the date of the Agreement) regarding the 85.3% sale of the share capital of ICBPI.

The share capital, subscribed and paid up, amounts to Euro 42,557,370 and is composed entirely of ordinary shares (14,185,790 all unexpressed par value).

The shares are registered and subject to the dematerialized and centralized management system of financial instruments traded on regulated markets. In case of capital increases, the new shares may be paid by the contribution of receivables and assets in kind. The shares for which the right to vote cannot be exercised are however considered in the determination of the regular establishment of the shareholders' meeting.

On December 11, 2015, some changes to the Articles of Association were also made concerning the Share Transfer Rules (Articles 7a, 7-b, 7-c, 7-d, 7-e, 7-f) in order to achieve consistency and functionality with the aforementioned change in the shareholding structure of the Institute. The shareholders have the right to withdraw in the cases imposed by law. Shareholders do not have the right of withdrawal, which do not have the approval of resolutions concerning:

- a) the extension of the term;
- b) the introduction, modification or removal of restrictions on the custody and settlement of shares.

Each share entitles to one vote for resolutions at the Shareholders' Meeting.

The shareholder of the Institute that, from the effective date of the reverse merger by incorporation of Mercury Italy Srl into ICBPI³, will hold directly and/or indirectly a stake greater than or equal to 2% will be Mercury UK HoldCo Limited (with a stake of 89.07%).

³ On November 23, 2016, an Extraordinary General Meeting of the ICBPI Shareholders was held that approved the merger by incorporation of Mercury Italy Srl into ICBPI. The completion of the merger is scheduled for December 28.

5. MANAGEMENT OF CONFLICTS OF INTEREST

The following is a summary of the rules of conduct adopted by the ICBPI Group relating to the management conflicts of interest, particularly with regard to conflicts of interest in respect of related parties.

5.1 OBLIGATIONS OF BANK REPRESENTATIVES (ART. 136 CONSOLIDATED BANKING ACT, TITLE II, CHAPTER 3, OF SUPERVISION INSTRUCTIONS)

In relation to the amendments introduced by Law 221 of December 17, 2012 art. 136 of the Consolidated Banking Act, the Institute has taken steps to restructure the operational provisions given in the topic, in more restrictive terms introduced by the abovementioned provisions of law, following the elimination of paragraphs 2 and 2a, it is currently attributable:

- only to representatives that perform administrative, management and control functions at the Institute. All of the above in relation to the elimination of the second paragraph of the article which provided for the extension of the provisions also to those that perform the same functions at a bank or a group company;
- to acts of purchase and sale and the obligations of any nature contracted by the above representatives of the Institute directly with the Bank as evidenced in the first paragraph of art. 136 Consolidated Banking Act remained in force;
- to acts of purchase and sale and the obligations of any nature contracted by the above representatives of the Institute indirectly with the Bank. On the latter case, all those transactions that may be concluded between the Institute on the one hand, with companies controlled⁴ by the corporate representative, with the family members of the very same, with the company registered/controlled by a family member of the representative are considered significant, on the other hand, provided that the obligations of the family members fall in the assets of the representative. For example, the transactions performed by the spouse in the community property regime or by dependent children.

In addition:

- obligations undertaken in the case of fictitious or real interposition (through subjective simulation of the contracting party) of a natural or legal person (i.e.,

⁴ Control hypotheses under Article. 23 of Legislative Decree no. 385/1993 (See. Supervisory Instructions (Circ. 229/1999), tit. II, Ch. 3, Sec. II, § 4).

through the conferral of a mandate without representation or through a trust deed), and

- the obligations undertaken in respect of the companies in which the bank representative has personal and unlimited liability.

In order to standardize the resolution processes, the adoption of a standard resolution scheme was confirmed, and the presence of pre-defined and unambiguous rules of conduct whose important features are:

- the statement of the bank representative (Director, Statutory Auditor, General Manager, Vice-General Manager with deputy functions, Vice-General Manager) to the Board of Directors and the Board of Statutory Auditors in the presence of obligations to the Institute or interest in any transaction which has the Institute as a counterpart.
- the resolution undertaken by the Board unanimously and with the favourable vote of all the members of the Board of Statutory Auditors.

In the Regulation on transactions with related parties, the preliminary procedure of the cases is precisely described to be submitted to the Institute's Board of Directors for approval and the related internal information flows.

5.2 INTERESTS OF DIRECTORS (ART. 2391 CIVIL CODE)

The regulations impose an unconditional obligation on the Directors to declare any interest, direct or indirect, to the other Directors and the Board of Statutory Auditors in relation to the resolutions to be undertaken.

In order to standardize the decision-making processes within the Group, a specific rule of conduct was adopted which provides - in the case in which a Director has any interest, personal or on behalf of third parties, not referring to any of the cases regulated by Article 136 of Legislative Decree 385/93 - the following procedural steps in the adoption of the resolution:

- the Director shall communicate, which must be recorded in the minutes, any interest in a specific transaction to the Board and the Board of Statutory Auditors, specifying its nature, terms, origin and extent. The Director shall give communicate, in advance, any interest to the bodies mentioned above, even if absent from the board meeting; if it is the Chief Executive Officer, the very same must also refrain from undertaking the transaction entrusting it to the Board of Statutory Auditors;

- the Director has a right to refrain and/or be absent if considered appropriate; in the event of abstention; the Director, in the case of a resolution adopted with the casting vote of the very same, the Director shall be liable for damages that may arise to the Company from the transaction;
- the resolution of the Board of Directors shall satisfactorily explain the reasons and the benefits of the transaction for the company.

5.3 TRANSACTIONS WITH RELATED PARTIES

The Institute has approved a Regulation of Transactions with Related Parties which aims at ensuring transparency and substantive and procedural fairness of transactions with related parties (meaning those associated parties and connected parties) carried out by the Institute, also through its subsidiaries, so as to strengthen, in the presence of transactions involving potential conflict, the protection of the general interests of the shareholders and creditors, as well as the efficient function of the corporate bodies and, in any case, any other stakeholders, both of the Parent Company and subsidiaries.

In drawing up the Regulations the principles and content rules have been taken into account in Title V "*Risk assets and conflict of interest of banks and banking groups with regard to related parties*" of the Bank of Italy circular 263 of December 27, 2006 – 9th update of December 12, 2011, entered into force on December 31, 2012.

The Regulations provided for the census of the related parties and the creation of a "*Related Parties Databank*".

To this end, it is established that the Parent Company must adopt specific operational procedures for the collection, monitoring and periodic updating of the information relevant to the identification of related parties. Based on the collected information, the Institute shall establish and maintain the list of related parties, in order to ensure the correct application of the procedural and informational rules established by the Regulation, as well as the compliance with legal and regulatory obligations of disclosure and accounting relative to transactions with related parties entered into by ICBPI and its subsidiaries.

The disciplined procedures regard transactions with related parties, of significant and less importance, carried out both by the Parent Company and the Group Companies.

Transactions whose value, in relation to the consolidated regulatory capital, is above the threshold of 5% are considered of significant importance; while all transactions other than those of significant importance are considered to be of less importance.

As part of the transactions of less importance, also, the SO-CALLED "Ordinary" transactions are identified, within the ordinary operations of ICBPI and its subsidiaries, carried out at standard or market conditions, to be assessed taking into account a number of specifically indicated elements (*attributability to ordinary activities; objectivity of conditions; economic-contractual scheme simplicity; size; type of counterparty; timing*).

Without prejudice to the powers reserved to the Shareholders' Meeting by law and/or Articles of Association and to the Chief Executive Officer (ICBPI and CartaSi) in the subject matter of operational overlap with partner banks, the competence for transactions of significant importance placed by the Parent Company or by the Group Companies is always the Board of Directors, respectively, of the Parent Company or the subsidiary; for transactions with related parties regarding the Group companies, however, the favorable opinion of the ICBPI Board of Directors is necessary.

The transactions of significant importance entered into by the Parent Company are resolved with the prior opinion of the Related Party Transaction Committee on the formal and substantial regularity of the transaction, the interest of the Company in completing the transaction and the advantage and substantial correctness of the related conditions. In the event of a negative or conditioned opinion raised by the Committee, it is expected that a preliminary opinion to the Board of Statutory Auditors should be requested.

The transactions of significant importance of the subsidiaries, in addition to the prior approval of the Board of Directors or, in matters relating to the operational overlap with partner banks, the CEO of the Parent Company, need the reasoned opinion of the Company Board of Statutory Auditors.

Transactions of less importance with related parties, relating to the Parent Company or a Group company, fall, instead, within the responsibilities "*of the competent bodies/subjects based on the current resolution regarding operating powers*". These transactions must be approved after obtaining the opinion of the Related Party Transaction Committee.

As regards transactions of less importance related to a company of the Group, the prior approval by the Parent Company is not expected. These transactions must be approved after consulting the Board of Statutory Auditors

Finally, a category of transactions so-called "Exempt" has been provided (ordinary transactions; transactions to be carried out on the basis of instructions, actions or measures of the Bank of Italy; minor transactions not exceeding Euro 250,000; intragroup transactions), which can be carried out notwithstanding the preliminary procedures and resolutions described in the Regulations governing transactions with related parties.

On October 18, 2013, the Regulation was amended and supplemented in order to implement the actions on the governance and organizational structures (such as the establishment of the CEO's role and the conferment of management powers in respect of matters relating to the scope of the application of the SO-CALLED "interlocking" ban) and in order to provide greater clarity to the text.

In detail, the substantial actions include:

- the definition of "Participant" and "Significant Influence" more in line with the Supervisory provisions and in light of which, also as a result of dialogue with the Supervisory Authority, the minority shareholders of the Subsidiaries were excluded from the scope of the Related Parties;
- the detailed description of the duties of corporate bodies and functions of both the Parent Company and the Group companies involved in the evaluation process of the transactions with Related Parties;
- the inclusion in the resolution process of transactions with related parties of the ICBPI CEO role and, in particular, of the competencies in subject matters of operational overlap with the partner banks;
- the approval explication of the Regulations by the Boards of Directors of the subsidiaries.

Furthermore, on October 5, 2015 some integrations of a formal nature were implemented requested by the Compliance Department. In particular, the Regulation has been integrated into the framework of:

- periodic information
 - acknowledging what is already in place in practice in regards to the disclosure of transactions of significant importance that is provided, as well as to the competent Board of Statutory Auditors, also to the Board of Directors/Chief Executive Officer/General Manager of the Company that approved the transaction;

- introducing, in relation to transactions of significant importance, as well as the settlement agreements and the transitions to loss of the subsidiaries, the disclosures to the Parent Company Board of Directors;
- the formulation of the opinion by the Related Party Transaction Committee (or the Board of Statutory Auditors for the transactions of the subsidiaries) with regard to transactions of less importance indicating - in analogy to that reported for transactions of significant importance and greater compliance with the rules and regulations - that the opinion should also relate to "the interest of the Company in completing the transaction and the advantage and substantial fairnedd of the relevant conditions";
- of the validation process of the Regulation, stating that changes to the Regulation must be subject to prior verification, in addition to the Compliance Department, also the Corporate and Legal Affairs Department and Risk Management Department as, in fact, is found in practice.

5.4 ACTIVITIES AND INVESTMENT SERVICES

In investment services, ICBPI operates both on behalf of clients and own account.

ICBPI Clients are classified as Eligible Counterparties or Professional Clients for the MiFID purpose (by Law and at the request of the very same), both public and private.

It is not allowed to operate with Retail Clients.

The investment services / activities offered are:

- Proprietary trading
- Execution of orders on behalf of clients
- Underwriting and/or placement with or without firm or standby commitment to issuers
- Reception and transmission of orders

ICBPI also offers the following ancillary services:

- Custody and administration of financial instruments and their related services
- Research in investments, financial analysis or other forms of general recommendation regarding transactions relating to financial instruments.

5.4.1. CONFLICT OF INTEREST (CONSOLIDATED LAW ON FINANCE ARTS. 6 PARAGRAPH 2-BIS AND 21, BANK OF ITALY/CONSOB JOINT REGULATION 29/10/07 ARTS. 23 TO 28)

ICBPI adopted a policy regarding conflicts of interest relating to the Services and Investment Activities and Ancillary Services, as further defined the Consolidated Law on Finance art.1 paragraph 5 and 6, which transposes the provisions of Directive 2004/39/EC and as amended and supplemented, and its implementing regulations issued by Consob and Bank of Italy.

Such policy, whose last update was communicated with the mail of the Organization Department of August 1, 2016 aims to regulate the management policy on conflicts of interest, actual or potential, on investment services of the Bank, through the adoption of appropriate measures in the administrative, organizational, management and control areas, necessary to prevent situations that could negatively impact on the interest of its customers. The policy shall be reviewed annually and, anyway, in case of significant changes resulting from the evolution of the Group structure, the services provided by entities that are part of the Group, by new laws or regulations. The Compliance Department is the entity dedicated to identification of Conflicts of Interest; its activity is mainly supported by the Managers of individual organizational units and may make use, where necessary, of the support of other corporate functions or external consultants.

The Compliance Department is responsible for the keeping and updating of the "Conflicts of Interest" Register.

5.4.2 PERSONAL TRANSACTIONS (ART.18 BANK OF ITALY/CONSOB JOINT REGULATION)

The Community provisions (EC Directives 2004/39 and 2006/73) and its implementing regulation issued jointly by Consob and Bank of Italy on October 29, 2007 require that investment firms take appropriate measures to prevent its relevant subjects performing certain personal transactions including those that could lead to conflicts of interest.

In this regard, ICBPI prepared a special "Code of Conduct" (last update communicated by mail by the Organization Department on December 15, 2015) where the rules of conduct are defined to be respected in the provision of investment services and ancillary services, with regard to "Personal Transactions" carried out by Relevant Subjects, the restrictions, the control measures,

the duties and responsibilities of the departments involved, the records and information flows, implemented by the Bank, are governed.

Furthermore, steps were taken to identify the "Personal Transactions" prohibited and regulate the manner of behaviour referring to the analysts of the Equity Research and Reports and Macroeconomic and Financial Analysis Offices.

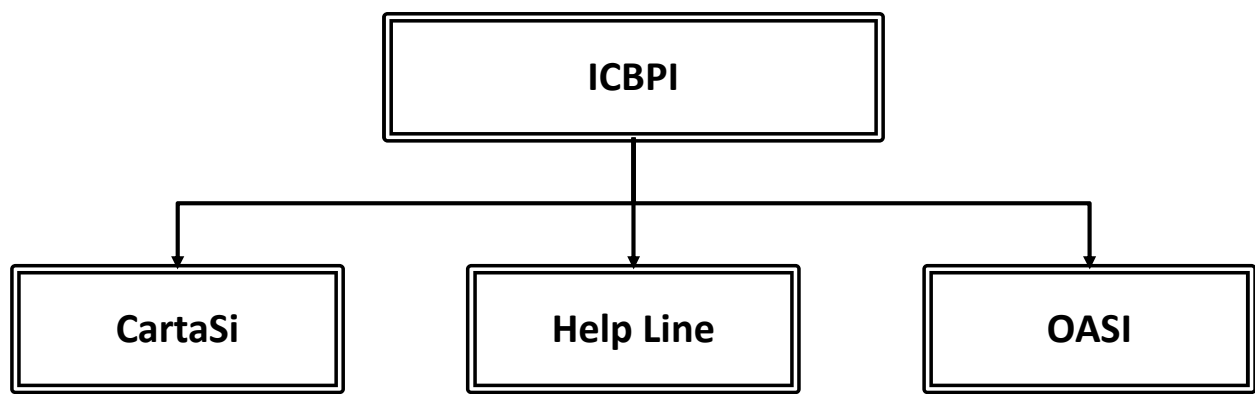
The register of "personal transactions" is managed and organized by the Compliance Department.

Non-compliance, partial or total, of the rules contained in the Code of Conduct, may be susceptible, in compliance with applicable contractual rules, disciplinary action corresponding to the gravity of the violation, in addition to penalties including criminal prosecution provided for by law.

6. RECONCILIATION PROCEDURES BETWEEN BODIES AND CORPORATE FUNCTIONS

6.1 THE ICBPI GROUP - COMPOSITION AND DESCRIPTION

ICBPI Group is composed of Istituto Centrale delle Banche Popolari Italiane S.p.A (hereinafter ICBPI or Institute or the Parent Company), which is its Parent Company, that performs banking and financial activities as well as connected or instrumental activities, and by the companies controlled by it, as shown in the following organization chart:



The Companies controlled by the parent company are:

- CartaSi S.p.A., financial company registered in the Payment Institutes Register pursuant to art. 114-f of the Consolidated Banking Act;
 - Oasi – Outsourcing Applicativo e Servizi Innovativi S.p.A., instrumental company;

Four specialized competence centers can be identified within the Group organization, operating in "Payments", "Securities Services", "Electronic Money", "Application Outsourcing and innovative services".

Today, the Group is structured as follows:

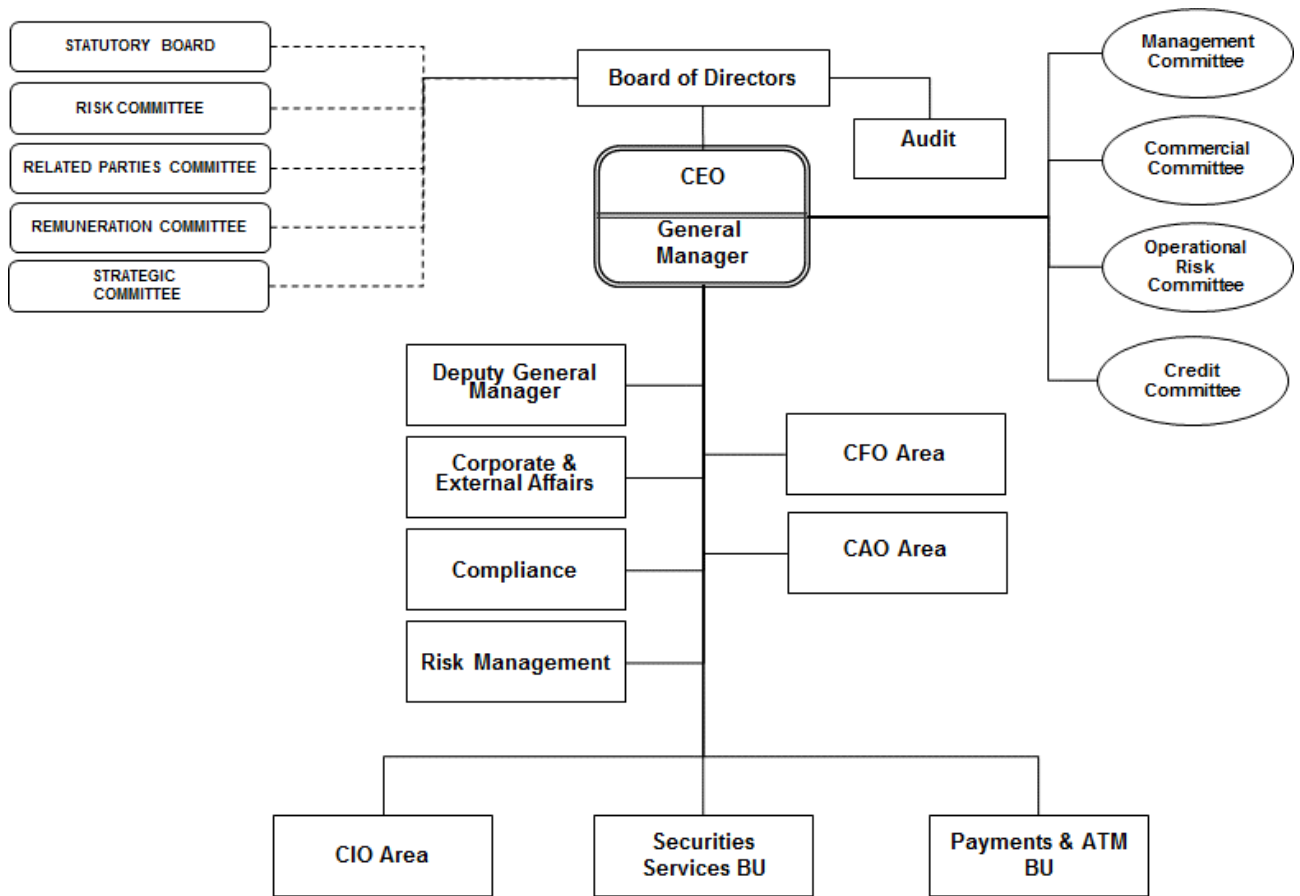
- in ICBPI:
 - Group governance and coordination functions;
 - Group centralized functions and structures;

- Activities related to the "Payments" competence centre (banking settlement, collection and payment services, interbank payment clearing, corporate and electronic banking, and coordination of the business related to ATM);
- Activities related to the Competence Centre "Securities Services" (custody, administration and settlement of securities, back-office services, fund services, investment services and accessories, Depository Bank services, outsourcing services in administrative and accounting management of Pension Funds);
- Treasury, finance and loans activities of the Group, managed in an instrumental manner with respect to the service activities;
- In CartaSi; activities related to the "Electronic Money" Competence Centre are managed (issuing, acquiring, national and international credit and debit card processing, and ATM and POS terminals);
- In Oasis Diagram; supervision of the activities:
 - for providing application outsourcing services related to Regulatory Reporting and management systems, monitoring of compliance and management of anti-money laundering, security and controls,
 - for the design and delivery of corporate training services;
- in Help Line; contact centre activities for providing help desk services to Group companies.

That said, the following describes the current organizational structure of the Parent Company and the Group Companies (the level of illustration detail is graduated according to the degree of organizational complexity and riskiness of the individual Companies within the Group).

ICBPI organizational structure

The Company's organizational structure is as follows.



The Management of the Institute is entrusted to the Chief Executive Officer which coincides with the General Manager.

The CEO, in line with the guidelines established by the Board of Directors, is responsible for managing and coordinating the various corporate components for the implementation of the Group's unitary business objectives. The CEO shall ensure coordination and unified management of the companies listed in the scope of the Group and also the execution of the Instructions of the Bank of Italy.

The CEO has also been delegated, exclusively, all powers (subject to the mandatory non-binding opinion of all the independent Directors), of ordinary and extraordinary management of the activities in the areas of operational overlap with partner banks (depository bank activities, activities relating to issuing and acquiring of payment cards and the activities in investment and services).

The CEO, among other things, shall:

- manage the strategic coordination and control of the Parent Company and the Group;
- manage and coordinate the relationship with the institutional and supervisory bodies, with the exception of those reserved by law to other bodies and functions, and the relationship with shareholders, entities, subsidiaries, other companies and third-party groups;
- manage and coordinate media relations and represent the company externally and towards the external stakeholders;
- implement the decisions of the Board of Directors;
- oversee and coordinate, on the basis of directives issued by the Board of Directors, the drafting and the review activity of documents, strategic plans and budgets of both the Parent Company and the other companies of the Group, ordinary and/or extraordinary, in order to ensure its conformity with the objectives and with the Group unitary business objectives defined by the Parent Company Board of Directors;
- propose draft agreements to the Board related to transactions or investments, in agreement with the Chairman;
- chair the Management Committee and, within the framework of coordination and control Functions of the Group's activities, the following committees with advisory functions: Credit Risk Committee, Operational Risk Committee and Commercial Committee;
- prepare, in order to perform the Control Function of the Group's activities, the necessary measures to establish and maintain an efficient and effective system of internal controls;
- set up working Groups and Committees with the task of studying and researching particular issues and matters;
- independently authorize the implementation of the expenditure within the limit set in the budget by the Board of Directors;

- decide on the hiring of personnel and adopt measures relating to promotions, transfers, economic improvements and modifications of duties; propose the measures of the same type for the Executives to the Board of Directors
- take disciplinary measures and decide dismissals of the personnel of the Company, excluding the first line reporting to the CEO and Managers of the Corporate Control Functions.

The Deputy Vice-General Manager shall cooperate with the CEO in the management and coordination of the corporate components operating with the powers and the powers specifically granted by the Board of Directors.

In order to perform the Control Function of the Group's activities, the Deputy Vice-General Manager shall assist the CEO in identifying the measures necessary to ensure the establishment and maintenance of an efficient and effective system of internal controls.

The Institute's organizational structure is divided into:

- control organizational unit;
- support organizational units;
- Business organizational units,

constituted by Departments reporting directly to the CEO.

Departments and Divisions can be divided into Offices and/or "operating Units", established independently by the CEO.

Support committees

In order to comply more effectively with the regulatory requirements, the following collective bodies with their own function rules have been established by the Board of Directors:

- Risk Committee;
- Related Parties Committee
- Remuneration Committee
- Strategic Committee.

In relation to specific issues, the CEO shall make use of the following Committees - chaired by the CEO - having advisory functions:

- Management Committee;
- Credit Risk Committee;
- Operational Risk Committee
- Commercial Committee.

Organizational control unit

The organizational control units are represented by:

- *The Audit Department*, which reports the Board of Directors. The Audit Department shall carry out, at the Parent Company, the relative Centralized Function for all the Group companies in accordance with current Supervisory regulations and the forecast of the "Group Audit Model" approved by the Board of Directors. The Department shall work closely with the Parent Company Board of Statutory Auditors and the Boards of Statutory Auditors and CEOs and/or General Managers of the Group companies, and shall report its work, in addition to the Board of Directors, Board Statutory Auditors, also in its capacity as Supervisory Body 231, to the Risk Committee.
- *The Compliance Department*, which reports to the CEO, shall carry out, at the Parent Company, the relative Centralized Function for all the Group companies in accordance with current Supervisory regulations. The Department shall operate in close liaison with the Boards of Statutory Auditors and the CEOs and/or General Managers of the Group companies, and shall report its work to the Board of Statutory Auditors, also in its capacity as Supervisory Body 231, and to the Risk Committee. The Department shall define the methods of assessing the risk of non-compliance and assess the work of compliance specialist supervisors as described in the Policy on Non-Compliance Risk Management approved by the Board of Director. Within the Department, in addition, the Anti-Money Laundering Group Function is provided, whose function is to prevent and combat the money-laundering attractions and terrorism financing. The Anti-Money Laundering function of the Parent Company shall operate in close coordination with the appointed Delegate of the Group Anti-Money Laundering Function, appointed by the Companies of the group subject to the obligations imposed by Legislative

Decree 231/2007 which had outsourced the function to the Parent Company. The Compliance Department Manager also holds the position of Company and Group Anti-Money Laundering Manager, as well as the company and the Group Anti-Money Laundering Delegate for the reporting of suspicious transactions pursuant to art. 42 Legislative Decree 231/07.

The Group Anti-Money Laundering Function is provided in the Compliance Department.

- *The Risk Management Department*, which reports to the CEO, shall perform, at the Parent Company, the relative Centralized Function for all the Group companies in accordance with current Supervisory regulations. The Department shall operate in close liaison with the Boards of Statutory Auditors and the CEOs and/or General Managers of the Group companies.

Organizational support units

The organizational support units are represented by the CAO Area, Corporate & External Affairs, CFO Area and CIO Area, all reporting directly to the CEO/General Manager.

The CAO Area is divided into the following services:

- *The Human Resources Department*, which manages, for the Parent Company and the Group Companies, the activities related to the administration of staff, the insurance policies relating to employee personnel, the definition of research methods/selection/appraisal of personnel, staff selection, support in staff training, support in the management of trade union relations as well as support in disputes with employees;
- *The Organization Department*, which manages, for the Parent Company and in collaboration with the Group companies, the monitoring of corporate processes, identifying areas for improvement and promoting/coordinating, together with the organizational units involved, actions on organizational development required to improve the existing processes or the definition of new processes associated with the start of new products / services, also managing the activity of design, development and maintenance of the Management System for Quality and its ISO9001 Certification. The Department shall prepare and manage the internal regulations of the Parent Company and the Group and collaborate with the Group companies in the preparation and management of the organizational processes, maintain the "centralized service tenders" and the related "Service Connections" (so-called "intercompany agreements" between

ICBPI and the Group Companies) and periodically report the performance of service levels to the Companies. The Department shall also collaborate with the Audit and Compliance Departments in the preparation and updating of the organizational model pursuant to Legislative Decree 231/2001, as recommended by the Supervisory Board 231;

- *The Facility Management & General Services Department*, which manages, for the parent company and the Group companies, the management of use of property, support for the execution of acquisitions/management and selling of real estate, the management of physical security of the property used for the Group Companies, the preparation/update of technical and legal documentation and management of relations with public authorities involved as well as the provision of the so-called auxiliary services (switchboard, archive management, security and cleaning services, etc.).

The CFO area is divided into the following Departments:

- *The Procurement Department*, which manages and verifies reports of service provider assessment, the archive of the supply contracts as well as collaborating with the Administration Department in the management of the Service Provider database; the Department shall collaborate with the budget managers in the identification/selection of service providers, in the purchasing negotiations and verification of the offers;
- *The Administration Department*, which manages, for the Parent Company and the Group Companies, activities related to accounting, the preparation of the documentation for the preparation of the individual financial statements of the Group companies and the Group's consolidated financial statements, fiscal compliance, the production of regulatory reporting for the Group Companies that carry out banking and financial activities, tax planning, management of invoices payable and receivable, the control of relations of the correspondent accounts held with Italian and foreign banks;
- *Credit and Branches Department*, which manages the Branches, opening/change/termination of accounts with non-bank customers, the operational management of interest rates and economic conditions relating to customers, the reliability examination of the customers, the management of loan applications to be presented to the Credit Risk Committee and to the Credit Approval Bodies, as well as the management of the "Central Safety-Deposit";

- *The Treasury Department*, which manages the liquidity of the Parent Company and the Group and the implementation of investment policies decided by the Board of Directors, in constant compliance with regulations issued by the Supervisory Authorities (Bank of Italy and CONSOB) and the established operational limits by the competent corporate bodies;
- *The Planning & Control Department*, which manages, for the Parent Company and the Group, the support activities to the Governing bodies in the definition/revision of the objectives and strategic plans, in order to assist Governing Bodies in the definition of the annual capital, financial and economic planning objectives, the monitoring and verification of the capital, financial and economic balance sheet variables, subject of strategic and annual planning. Among other things, Planning and Control Department shall monitor the operating results and the evolution of the main variables (economic and financial) business, also for the purpose of preparing the relative forecasts and/or support of the budgeting process, as well as defining the Group "control management" models, in accordance with the Group's organizational model.

The Corporate & External Affairs Department is divided into the following services:

- *The Legal Affairs & Corporate Secretary Department*, which manages, for the Parent Company and the Group companies, the administrative duties associated with legal-corporate nature of the Group and its components, and activities related to investment management and legal assistance. In addition, only for the Parent Company, the Department is responsible for the preparation of offers to Clients and relations with the Judiciary Authority / Public Security bodies;
- *The External Communication & Media Relations Department*, which, for the Parent Company and the Group companies, the definition of objectives and the Group's communication strategies, as well as the coordination of corporate communication activities, organization of institutional events, the relationship with the media;
- *The Institutional & Regulatory Relationships Department*, which manages relationships with external stakeholders with the aim to support business growth, institutional relations of the Group, promoting and addressing relations with the Entities, institutional

Bodies, associations and national and international category instructions; it represents the Group's position institutionally as regards policies for growth and economic and social development.

The CIO Area manages, for the Parent Company and the Group companies, the definition of the strategic guidelines of "Information and Communication Technology Governance" in relation to meet the needs of the organizational units of ICBPI and the Group Companies, the preparation of guidelines for system design, technological innovation, realization of the technical application solutions of ordinary maintenance and upgrading of information systems and coordination and relationship with suppliers; it is also responsible for preparation of the ICT budget, technical management of ICT security; it cooperates with the Information Security Manager in identifying the IT risk profiles of infrastructure and applications, and provides support to the appropriate organizational units for the identification of mitigation measures; manages the productivity of individual devices and tools. The CIO Area is also entrusted to promote periodic monitoring of the Business Continuity Plan and its updating in accordance with the guidelines issued by the Management Committee of the Business Continuity Plan and Security and Business Continuity Manager.

The CIO Area is divided into the following Divisions:

- *Payments*, which is responsible for management of the range of applications for services regarding payments in coordination with the respective competence centre of the Parent Company;
- *Securities Services*, which is responsible for management of the range of applications relating to services in the securities services and finance in coordination with the respective competence centre of the Parent Company;
- *Issuing* which is responsible for management of the range of applications for services regarding issuing, in coordination with the respective competence centre of CartaSi;
- *Merchant Services* responsible for management of the range of applications for services regarding acquiring in coordination with the respective competence centre of CartaSi;

- *Digital*, which is responsible for management of the range of applications for services regarding portals, data, e-commerce, mobile, and SOA with the respective competence centre of CartaSi;
- *Corporate Systems*, which is responsible for management of the range of applications for services regarding supports and controls in coordination with the competence centres of the Group;
- *Service Management*, which is responsible for the continuity of ICT services and ICT monitoring and incident management for the entire Group. As it is responsible for the operational continuity, it governs the evolution planned by the authorities and coordinates production releases;
- *Security and Quality Architectures*, which is responsible for managing standards and architectural processes, ICT security and the quality of releases in collaboration with other organizational units of the Division and the Group;
- *Infrastructure*, which is responsible for overseeing the management of individual devices and tools, and monitoring networks and systems;
- *Governance & Strategy*, which manages issues related to ICT governance, overseeing the control of ICT costs, control of service quality and management of the project portfolios; in particular it has the duty to support the CIO in defining ICT strategic guidelines, govern the activity of defining the Business Plans for all aspects related to information technology and to address, together with the Organization Department, the aspects related to the ICT operating model and the definition of the CIO Area specific processes; it also has the responsibility of managing projects transversal to the Division with particular reference to those strategic.

Business organizational units

The Business Organizational Unit, responsible for the achievement of the Parent Company's business objectives in conjunction with the Commercial Department for CartaSi with regard to the Banks market, consist of:

- Securities Services Division;
- Payments & ATM Services Division.

The **Securities Services** Division oversees the development and offer to the market of products and services related to the Finance area with a specific focus on Custody and Settlement services, Depositary Bank service on Fund Accounting activities, investment services and accessories for which the Institute is authorized, as well as the Market Maker activity.

The Securities Services Division includes:

- *Securities Services Market Development*: responsible for sales support activities in the Securities Services area for the entire banking market, brokers, asset management companies, pension funds, etc, both on existing clients and the new market;
- *Operations Services*: responsible for all activities related to the calculation of the NAV in-house and in Outsourcing that ICBPI performs for Mutual Funds, Pension Funds, Real Estate Funds and Funds of Hedge Funds, subscriber management activities for Mutual Funds and Hedge Funds, activities related to the custody and administration of securities deposited by clients and of its own Parent Company, manages in particular capital transactions and administrative events. It also deals with the management activity of matching and settlement for securities of Third Party and Proprietary in accordance with the settlement venue (Italy and abroad). The division also delivers cross support to other Organizational Units with regard to the management of the back office activity for the treasury (in euro and currency), for transactions in foreign exchange and derivatives, securities lending and collateral management.
- *Market Making*: responsible for market making and sales trading for its own account in constant compliance with regulations issued by the Supervisory Authorities (Bank of Italy, CONSOB, ESMA, etc.), market Regulations, operating limits set by the competent corporate bodies and by current pro-tempore internal regulations.
- *Depositary Bank & Controls*: responsible for activities related to the role of Depositary Bank, management of database and pricing and other monitoring activities and cross support to other Divisions of the Department.
- *Securities Services Market Development*: responsible for business development and customer management activities.
- *Operational Planning & Change Management*: responsible for the planning, analysis and regulation verification activity - in view of the evaluation of new service

opportunities - management of projects related to the development of new products and projects transversal to the Division resulting from developments in the relevant legislation.

- *Brokerage & Primary Market*: responsible for activities relating to the provision of services on reception, transmission and execution of orders to buy and sell financial instruments on behalf of clients, and the activities of Specialist and Liquidity Provider. The Division also manages the analyses on the performance of the financial markets and listed companies in order to provide suggestions and investment ideas to clients, as well as other services of the Institute and provides consulting services to clients that have signed a special contract.

The **Payment Services Division** is responsible for the development of the "Payments" Competence Centre and ensures the proper execution of the services/products related to the interbank systems of receipts and payments, and associated back office services, and "bank-company" services/products including the management of its relative technology infrastructures.

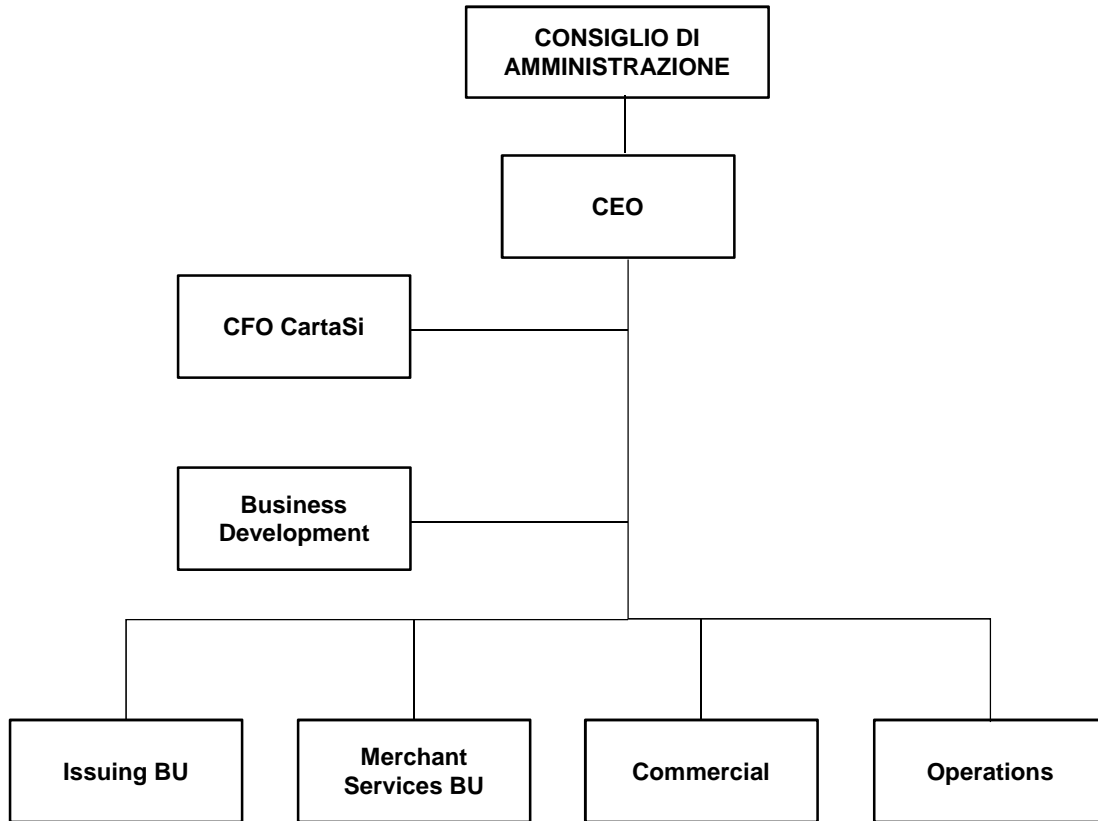
The Payment Services Division includes:

- *Customer Service & Clearing*: responsible for the sales support activity in payments area throughout the banking, corporate, and public administration market, and first level service to Clients (Banks and Corporate) for all products/services offered by the Payment Services Division and providing second-level support activities for the assigned services; it also provides clearing services and monitoring applications to support this;
- *Marketing e Innovation*: manages, for the Parent Company and the Group Companies, where so requested, the activities required to identify, propose and develop potential new business opportunities, ensuring a constant and in-depth knowledge of the market, competition and related evolutions; it is also responsible for customer satisfaction surveys;
- *Bank Sales Payments*: responsible for the sales activities in the Payments area for the banking sector and is coordinated by the CartaSi Commercial Department;

- *Digital Corporate Banking*: responsible for the analysis, development and second level management of the products relating to the payment of pensions and tax collection, interface products as operator of "Access Point" and "Delegated Technical Structure" as part of the Interbank Corporate Banking functions, Remote Banking and Innovation Banking products, web products for the market of payment systems for electronic invoicing and electronic storage products.
- *Portfolio Operation*: responsible for the activities of providing services related to the system of collections and payments (electronic and paper) and back office and related accounting.
- *Settlement & Foreign Operation*: responsible for the management of services connected to the settlement and related accounting.

CartaSi organizational structures

The Company's organizational structure is as follows:



All of the Departments that make up the Company's organizational structure is responsible for the execution of the resolutions of the Board of Directors in accordance with the operational guidelines and the guidelines established by the CEO.

The Departments and Services have specific responsibilities in its areas of competence - as shown here in this document - and ensure strict management of relevant costs, also through the search for solutions to achieve savings and optimization of efficiency.

The Departments and Divisions shall ensure, in order to perform its duties, the application of the provisions by the Management System for Quality, regulations and company procedures, as well as the Organizational Model pursuant to Legislative Decree 231/2001.

The CEO, in line with the guidelines and objectives set by the Board of Directors, shall manage and coordinate the various corporate components for the implementation of the Company's strategic evolution in line with the Group's unitary business objective.

The CEO, in accordance with and within the limits of powers and duties specifically conferred by the Board of Directors, is responsible in particular for:

- implementing the resolutions of the Board of Directors;
- supervising and coordinating, on the basis of guidelines from the Board, the preparation and review of the budget, ordinary and/or extraordinary, in order to ensure compliance of the mentioned documents with the objectives of the Company and the Group unitary business objective defined by the Parent Company Board of Directors;
- defining and modifying the organizational structures and the related company regulations except the (i) organization structure of the first line reporting to the CEO; (ii) provisions of specific regulations regarding the overall Internal Control Systems;
- implementing the measures necessary to ensure efficient and effective management of operations and risks associated in line with strategic guidelines and risk management policies approved by the Board of Directors of the Company and the Parent Company;
- overseeing and carrying out all activities related to the marketing of products/services and determine under what conditions;
- managing the relations with the institutional and supervisory bodies, with entities, subsidiaries, other companies and third-party groups;
- exercising all powers, both ordinary and extraordinary, necessary for the management of activities relating to issuing and acquiring;
- bearing costs and investments necessary to manage the Company in relation to the strategies resolved by the Board of Directors and within the limit set by the Board in the budget;
- deciding on the hiring of staff and adopting the measures relating to promotions, transfers, economic improvements and changes of positions, within the guidelines shared with the Board and in line with the current remuneration policies, with the exception of the first line reporting to the CEO and the control functions;

- taking decisions regarding the purposes and methods of processing personal data pursuant to Legislative Decree 196/2003 - including the adequacy profile of security measures - with full purchasing power, although not provided for in the annual budget, and with the authority to nominate Managers and representatives of data processing, with the disclosure at the next Board of Directors meeting.

The CEO should report, on the powers delegated and the most important decisions taken from time to time, at the first available meeting of the Board of Directors.

In carrying out the activities, the CEO is assisted by the Heads of Department.

The CartaSi organizational structure is divided into six divisions:

- CFO CartaSi Area
- Business Development
- Issuing Business Unit
- Merchant Services Business Unit
- Commercial
- Operations.

The CartaSi CFO has the responsibility to provide support to the business structures carrying out financial planning and commercial activities and effectively governing all aspects of planning and management control, analysis and financial reporting (including financial management in relation to National and International Circuits); and shall ensure the supervision of the company's governance aspects, the relationship with the Parent Company, operating relationships with Institutional Bodies, with the international and national circuits. The Division shall ensure that the objectives of the projects on regulatory adaptation of a interdependent/corporate relevance nature are met, also collaborating with other structures of the company and the Group involved.

The Department consists of the following Divisions:

- *Planning & Control*, which manages budgeting, forecasting, reporting, supervision of analysis and control of costs by organizational unit, business, client, the economic verification of project initiatives, the operational management of partner banks fees, the preparation of reports for the National and International Circuits;
- *Commercial Controller*, which deals with defining and planning the sales targets for client/product in line with the company's budget revenues and monitoring the financial and operating performance of the commercial activities to verify that the defined objectives are met. Supports the Business Units and Commercial Department in the definition of the business model and the pricing determination; and shall also be responsible for producing reports for Management and provide commercial analysis support to the business units
- *Governance & Controls*, which deals with the monitoring of the management of findings from the centralized Audit, Compliance, Risk Management functions, the support for functions responsible for the Parent Company in updating the Organisational Model 231/2001 and the management of the delivery process of periodic reporting to the Company's Supervisory Body; the management of operational activities aimed at regulatory requirements (with particular reference to the Anti-Money Laundering and Counter-terrorism legislation, the obligations concerning the Registry of Financial Reports and Financial Investigation, the Supervisory provisions for Payment Institutions), the management of relations with Law Enforcement and Institutional Bodies, the management of the criminal proceedings, with the support of the responsible centralized structures;
- *Operational Support*, which manages the relations with the National and International Circuits ensuring the distribution of the information to the competent corporate structures for the adjustment of processes to the required standards, the constant monitoring of the correct application of the standards and the management of anomalies that might arise, the management of activities necessary to obtain the certification of the systems from domestic and international circuits; the administrative management of licenses/affiliations/new products, access to institutional websites, profiles and certification of external users; the management of the safety regulations (policies and

procedures), particularly with the implementation of PCI certification and governance of logical security and with the coordination of the key management, where appropriate.

The Business Development Division is dedicated to the development of new strategic initiatives in support of the Group's business and monitors, in particular, product innovation and service in areas such as digital, mobile and big data, working in close collaboration with the CIO Area of the Parent Company and Business Units.

The Issuing Business Unit is geared to the needs of customers holding payment cards, credit, debit and prepaid cards within the offer areas of licensing, servicing and direct channels. It has the responsibility to lead the development and execution of the business strategy in Issuing, in order to increase competitiveness, customer satisfaction, revenues and margins by operating directly or indirectly on the necessary business levers, monitoring and verifying the KPI operational performance and service levels to customers.

The Department shall oversee, for the Group, both the brand management and the product communication activities and, for Issuing business area, the marketing activities, Customer Value Management, development of products and services and the direct sales channel and partnerships with non-banking players.

The Merchant Services Business Unit is geared to the needs of merchant customers. It has the responsibility for the costs and revenues of the "Acquiring" and "POS" business area and all the value-added services that will be developed for the reference customer overseeing product marketing, product development and services, direct sales channels and partnerships and managing the primary relationship with the POS suppliers.

The *Commercial Department* is dedicated to the management of the sales of all Group products and services through the bank channels. The Department, which is the main point of contact for the client-banks is responsible for managing the sales and pre-sales activities to banks, creating new business development initiatives, preparing agreements and commercial offers in collaboration with other Departments involved, increasing profitability of client-banks through the support and training to the sales networks of Banks, increasing the penetration of products, existing or new, in the banking market or the clients of the banks (including PA and Multiutilities), planning the activities of networks and sales channels, preparing business plans for commercial initiatives with the support of the CFO CartaSi Area, supporting product and service design activities and managing promotional activities aimed at increasing the issue and the sale of products and services offered to bank customers, managing change requests of the banks guaranteeing completion, increasing the satisfaction and loyalty of client-banks, managing the communication with the Banks.

The Department, in order to carry out the supervision of the banking channel for the payments products/services, shall undertake the functional coordination of the network-Banks of the Payments & ATM BU of the Parent Company and the management of participation in tenders managed by the Parent Company.

The Operations Department is responsible for overseeing all operational activities of the electronic money to support the ICBPI Issuing and Merchant Services Business Units of CartaSi and Payments and ATM, focusing in particular on the quality of service and improving operational efficiency and effectiveness. The Operations Department is also assigned the responsibility of managing the Customer Care function. The Department consists of the following:

- *Disputes Division*, which manages the activities relating to disputes and litigation in Issuing for the own license perimeters, associated and servicing, as well as disputes concerning on-us, the management of activities relating to disputes and litigation Acquiring the own license perimeters, associated and servicing and the matching and reconciliation of technical accounts, suspended accounts and suspense accounts related to the processes of competence;

- *Frauds & Credits Division*, which manages the prevention of fraud risks in Issuing and Acquiring, fraud management in Issuing and Acquiring, the supervision of WEB security, the analysis and management of counterparty risk; assessment, disbursement and periodic monitoring of receivables, card holder and merchant debt collection and, the matching and reconciliation of technical accounts, suspended accounts and suspense accounts related to the processes of competence;
- *Customer Care Division* which manages the of claims of banks, cardholders and merchants and the relative civil liability litigation, the management of operational reports, the monitoring of the activities and SLA of the call centre and the constant and systematic updating of information for customer relations, exception management of assistance activities of the call centre in banks, cardholders and merchants (secondary level assistance), management of anomalies reported by the call centre and customers attributing the activities necessary for their resolution to the competent corporate functions, the management of impacts related to new products and services, or the modification of existing ones, in order to adapt the relationship processes with customers, the monitoring of the quality of services provided to customers through the KPI measurement and SLA contract (Quality Assurance); the Department carries out the monitoring of the services provided through the business portals and SMS and also ensures the coordination of the activities of the Contact Centre;
- *Issuing & Acquiring Operations Division*, which manages and optimizes card personalization processes and relative delivery, printing and P.I.N. forwarding and management of non-delivery (undelivered), the management and optimization of the printing process and delivery of account statements, management of supplies and relations with suppliers of the Operations Department, the management and optimization of the operational processes and maintenance and data input of archives for cardholders, merchants, and banks, the supervision of clearing, settlement and operational accounting of issuing and acquiring services, ensuring, in specific, the accounting, matching and reconciliation of technical accounts, suspended accounts and suspense accounts and the periodic review of the situation of all the competence accounts of the Operations Department, product certification (cards), certification of Acquiring solutions, the operational assistance and support to the banks in own license and in servicing for the resolution of problems and anomalies on processes;

- *POS Operations Division*, which manages the selection and testing and certification of equipment and the definition of terminal configurations on Host, technical support to client-banks/companies on POS, the management, coordination and on-site technical support to suppliers in charge of installation and maintenance, the management of back office related service and POS VPOS (e-Commerce), supply management of POS equipment and delivery to the suppliers warehouse assigned for the installation and maintenance activities on site, managing the front end operating for client-banks/companies of POS services, the management of contracts relating to the personalized services for client-banks/companies, the coordination of projects for the migration/integration of POS range of the banks, overseeing internal and outsourced production processes, according to logics of cost optimization and service level, for activities related to POS terminals, supply management, servicing and back office activity, installation and maintenance of terminals ensuring the achievement of high levels of quality and security, achieving the objectives of the projects also with the collaboration of other structurers of the company and Group involved;
- *ATM Operations Division*, which manages the selection and verification of tests, certification of equipment and definition of terminal configurations on Host, and technical support to client-banks/companies on ATM, the management, coordination and on-site technical support to suppliers assigned for the installation and maintenance, the management of supply of ATM equipment and managing the delivery to the depots of the suppliers assigned for the installation and maintenance activities on site, management of operating Front end for client-banks/companies of ATM services, the management of contracts relating to the personalized services for client-banks/companies, the coordination of projects for the migration/integration of the ATM range of the Banks, the monitoring of service levels to client-banks/companies, the planning and control roll out processes of the new features or services related to terminals, the supervision of the internal and outsourced production processes, according to the logic of cost optimization and service level, for activities related to ATM terminals.

Oasis Diagram organizational structures

The company is managed a Chief Executive Officer that is responsible for identifying the strategic lines of evolution to submit to the Board of Directors and the definition of the implementation procedures. The CEO shall define, together with the Chairman and the Vice-General Manager and in line with the directives of the Parent Company, the proposals for approval by the Board of Directors; coordinate the business development of the organization, on the basis of defined strategies; oversee the achievement of the objectives of the company budget, oversee the management of relations with employees of the Company; implement all the actions needed to achieve the objectives set by the Board of Directors in compliance with the guidelines and budgets established by the Board.

The Vice-General Manager shall assist the CEO in the management of the Company within the limits of the powers delegated and execute the decisions and guidelines of the Board of Directors and the CEO to achieve the Group's unitary business objective.

The CEO and the Vice- General Manager shall ensure the liaison functions with the Parent Company and Centralised functions.

The Oasis organizational structure is organized as follows:

- Staff Services to the CEO/General Management, represented by
 - *Corporate Support Division*, which ensures the management of the administrative/accounting processes, planning processes, management control and procurement control, management and administration of personnel, legal affairs and corporate secretarial, general services, the internal secretariat, the billing process and credit management. The Division shall perform liaison functions with the centralized structures of the Parent Company;
 - *Commercial Division*, which ensures support to all business processes of the various organizational units and has the responsibility of the Company's revenues in consultation with the heads of the various organizational units. It shall coordinate all the Company's activities by providing guidelines and defining the sales policies and price list of marketed products/services, oversee the development of commercial activities in support of achieving the objectives of the Divisions and the Company, in line with the

Group Marketing and Communication strategies and synergistically with the other Group companies. It shall prepare the commercial budget by identifying objectives, resources and tools, ensuring the necessary actions to achieve the same goals, exerting constant monitoring on the regular bill issues and their payment.

- Line Divisions, allocated directly to the Chief Executive Officer/General Management, represented by
 - *Anti-Money Laundering and Training Division*, which is responsible for the development and governance, in an integrated and synergistic form with other organizational units of the Group, the achievement of economic and financial results related to consulting, training, services and products in the area anti-money laundering and related disciplines.
 - *Regulatory Reporting, Executive Systems Division*, which is responsible for the development and governance, in an integrated and synergistic form with other organizational units of the Group, the achievement of economic and financial results related to the business of Information Systems on Supervisory Reporting and Management Systems.
 - *Software Development and Architectures Division*, which is responsible for, in an integrated and synergistic form with other Organizational units of the Company, the development and maintenance of proprietary software solutions, as well as the technological infrastructure of the Company and continuity of outsourcing services.
 - *ICT Security and Internal Controls Division*, which is responsible for the development and the governance, in an integrated and synergistic form with other Organizational units of the Group, of achieving the economic and financial results related to consulting, training, services and products in the area of computer security and security-related activities, also ensuring compliance with primary and secondary security regulations, standards and authority provisions; it also has responsibility for the development and the governance, in an integrated and synergistic form with other Organizational units of the Group, of achieving the economic and financial results related to services for the system of internal controls.

Help Line Organizational structures

The company is led by the General Manager, on the basis of the powers and duties specifically conferred by the Board of Directors.

In particular, the General Manager shall identify the strategic evolution lines to the Board of Directors and define the procedures for its implementation, ensuring the connection with the Group's strategies; define, in line with the Parent Company guidelines the proposals to be submit to the Board for approval; coordinate the development of the company organization; oversee the management of relations with employees of the Company and shall implement all the necessary actions to achieve the objectives set by the Board of Directors, in compliance with the guidelines and budgets set by Board.

In case of absence or impediment, the General Manager is replaced by the Vice-General Manager that is responsible for overseeing, implementing and maintaining the products/services to customers, ensuring the management of competence processes and achieve high levels of quality and security. The Vice-General Manager shall report directly to the General Manager and is responsible for the following services:

- *Governance and Support Division*, which is responsible for ensuring the supervision of the specific functions directly related to business management and the management of relations with the Parent Company (except those with the IT function), with the specific duty of monitoring the provision of services by the Centralised Functions, the output quantification provided by the Parent Company and controlling the relative service levels;
- *Reporting and ICT Division*, which is responsible for ensuring the necessary support for the achievement of the Company business objectives. It also deals with the facility management of corporate real estate; management, and development and maintenance of IT applications of the Company also through the coordination of Group functions and companies, ensuring their compliance with the service levels signed with customers; analysis of telephone flows and directional and management reporting, analyzing data and trends of the various services.

The Vice-General Manager is responsible for the following organisational structures:

- *Customer Report, Quality and Design Division*, ensures the effective management of business relationships with existing customers and developing relationships with

potential customers both inside and outside the Group; coordinates to the extent applicable, the actions and development projects of services provided to customers, respecting time and costs, eventually enabling corrective actions

- *Operational Units* manage, through all communication channels, the contact activity with end customers relating to the products and services offered, in compliance with quality standards and corporate guidelines, and with a focus on customer satisfaction and customer loyalty; in addition, provide customer support with regard to new products and services offered.

6.2 GROUP UNITARY OBJECTIVE

The Group's unitary business objective is defined by:

- the objectives and the strategic Plans of the Group and the individual companies;
- the operating plans of the Group and the individual companies;
- the financial, economic and capital Annual Budgets of the Group and the individual companies;
- the control models of the Group and the individual companies.

The consistency of the Group's unitary objective is ensured by:

- a precise regulation of the definition/approval/variation of the objective components, that guide the activities of the Group companies, subject, even statutorily, of the powers of management and coordination of the Parent Company;
- control mechanisms on compliance of the decisions taken by the individual Group companies, compared to the unitary business objective and set common guidelines.

The decision making process and delegation of powers are defined on the basis of the following principles:

- the unitary business objective, for each of the Group elements that define it, must be approved by the Board of Directors of the Parent Company and precisely, to the extent applicable, by the Boards of Directors of the individual subsidiaries;
- the decisions concerning the activities of the subsidiaries must follow common guidelines defined by the Parent Company;
- the Decisions of the Group Companies on the unitary business objective, proposals to be submitted to the Shareholders' Meeting, and in general, the resolutions of the Group Companies on matters which are of particular relevance for the activities of the Group, shall be adopted by the Boards of Directors of the Companies, with the approval of the Board of Directors of the Parent Company;
- the powers relating to the operations of each Group Company are to be defined in a manner consistent with those of the Parent Company, however, having considered the peculiarities of the activity and organization of the individual Companies.

The control over the implementation of the Group's unitary business objective, in compliance with the laws and supervisory regulations, is ensured through:

- the control on the accounts and on the performance of the Group and the individual companies with respect to the forecasts;
- the strategic supervision of the Board of Directors and the strategic control and management activities of the Board of Statutory Auditors and the Internal Control Committee of the Parent Company;
- the centralization of "Internal Auditing", "Risk Management" and "Compliance" in the Parent Company, entrusted to structures with autonomy and independence;
- the Group's Internal Control Systems.

6.3 UNITARY OBJECTIVE IMPLEMENTATION TOOLS

The Group's unitary business objective is entrusted to:

- the Board of Directors of the Parent Company, within the powers assigned by the Articles of Incorporation.

The Board of Directors relies on the Risk Committee and the Board of Statutory Auditors in its capacity as Supervisory Body 231 that - in this context - respectively perform, advisory and proposal functions with regard to the competencies delegated to the Board of Directors regarding the Group Internal Control Systems and guideline functions for the creation of Organizational Models pursuant to Law 231/2001 of the Group companies, as well as coordination of the relevant Supervisory Bodies.

- The Chief Executive Officer/General Manager of the Parent Company, in this context, is:
 - Supported by the Board of Directors of the Parent Company in the management and coordination of the Group and the individual companies, in particular, formulating, in line with the resolutions of the Board, provisions and/or guidelines to the CEO and/or General Managers of the Group companies, also with a view to ensuring compliance of the decisions made by the subsidiaries with the objectives and the strategic guidelines of the Group and with the unitary business objective;

- presides over the functions of operational coordination of the activities of the Group Companies.
- presides over the control functions of the Group Companies activities, preparing the necessary measures to establish and maintain an efficient and effective system of internal controls.

In the activity of operational coordination and control of the Group Companies, the General Manager of the Parent Company uses the following Committees:

- Management Committee;
- Credit Risk Committee;
- Operational Risk Committee
- Commercial Committee.

The *Management Committee*, which it meets once a month is composed of: the CEO of the Parent Company, who chairs it, the Deputy Vice-General Manager of the Parent Company, General Managers and/or CEOs of the Group companies, CFO, CAO, CIO, ICBPI Managers of the Corporate & External Affairs, Payments & ATM and Securities Services, Managers of CartaSi of the Issuing BU, Merchant Services BU and Commercial Departments, Operations and Business Development, and the Heads of Corporate Control Functions.

The CEO of the Parent Company can call other employees of the Parent Company or other Group Companies, i.e. professional and/or external consultants, to attend the meetings of the Committee.

The Management Committee has the task of examining the most defining operational and management issues of the Group and the Group companies, representing the instrument through which the Parent Company CEO shall exercise powers in matters of operational coordination and control of the activities of the Group companies, as well as the coordination in the preparation, modification and/or review of documents of a strategic and/or extraordinary nature, the Plans, Budget and Organizational Models for the Group and the Group companies.

The Management Committee, in addition, also has the task of:

- examining the regulations and/or guidelines issued by the Parent Company to the CEOs and/or General Managers of the Company, also in order to ensure the compliance of decisions taken by the subsidiaries with the objectives and the strategic guidelines of the Group and the unitary business objective;

- identifying and outlining any relevant information for the definition of the Group's unitary business objective, as well as the determining factors for the stability and development of the Company and the entire Group;
- coordinating the activities of preparation, modification and/or review of plans and documents of a strategic and/or extraordinary nature of the Group and Group Companies, in order to ensure compliance of the budget with the Group's strategic objectives;
- highlighting particularly significant aspects of the relationship existing between the Group companies and the reference context (institutions, markets, suppliers, etc.);
- discussing the Group's operational priorities and/or the Group Companies based on indications formulated by their Managers;
- coordinating the interactions between the various Group Companies for the implementation of initiatives and the development of joint projects;
- ensuring a uniform level of information on the performance of the Group and the Group companies and their development paths;
- analysing and approving the most significant project initiatives, monitoring and prioritizing the Group's project portfolio by defining corrective actions if necessary.

The Management Committee also analyses the performance, operational and economic, of the various business lines of the Group identifying possible actions for improvement. It shall examine, in particular, the monthly and YtD results and forecasts for the fiscal year. These issues can also be addressed in meetings devoted to the individual business lines of the Group to which the CEO shall invite the heads of the relevant departments to attend.

The Management Committee shall also ensure constant monitoring of the service quality, upgrading of information technology, analysis of partnerships with banks and effectiveness of the organizational and human resource issues.

The Management Committee shall also examine issues concerning the preparation of the necessary measures to establish and maintain efficient and effective Group Internal Control Systems. The CEO, in relation to these issues, may call the Managers of the Audit, Compliance and Risk Management Departments to participate in the meetings.

As part of retail payment systems, the Management Committee shall also carry out the functions with regard to payments under the Bank of Italy provision of 18/09/2012 "Regulation on the oversight of retail payment systems" studying in particular the most defining operational and management issues, and promoting and verifying the achievement of the relative strategic and project objectives.

The Commercial Committee, which normally meets monthly, is composed of the Head of the CartaSi Commercial Department, who chairs the meeting, the Head of the Issuing BU, the Head of the Merchant Services BU, the Head of Business Development, for CartaSi, the Head of the "Securities Services BU" and the Head of the "Payments & ATM BU" for ICBPI. In relation to the topics covered, the CEO and other employees of the Parent Company or other Group companies, or professionals and/or external consultants may be invited. The Committee has the task of analysing the performance of commercial initiatives undertaken in relation to banks, define the appropriate commercial actions towards individual banks and analyse the performance of the commercial initiatives undertaken in relation to other sales channels.

The Operational Risk Committee, which is convened on a monthly basis is composed of the Head of the Risk Management Department, who chairs the meeting, the CEO, the Vice- General Manager, the CFO, the Head of the Compliance Department, the Head of the Audit Department, the Business Continuity Manager appointed by the Board of Directors in case business continuity topics are discussed, the Head of the Organization Department, the Head of Governance & Strategy Department.

The Head of the Risk Management Department, in relation to the topics to be discussed, other employees the Parent Company or other Group companies, or professionals and/or external consultants may be called to attend the meetings of the Operational Risk Committee. In particular, if issues transversal to the Group in terms of security and business continuity are discussed, the Business Continuity Manager of the Group Companies may be invited.

The Committee has the task of:

- analysing exposure to risk by the Parent Company and the Group Companies;
- supporting the decision-making process of the competent superior decision-making Body regarding the recruitment policy, management and measurement of significant Risks of the Parent Company and the Group Companies;

- assessing the adequacy of the methodologies adopted for the measurement (quantitative or qualitative) of Risk and support procedures
- monitoring the performance of the risk mitigation actions.

In addition, the Committee, in compliance with the regulations issued by the Bank of Italy, has the task of formulating proposals with regard to:

- the guidelines to be adopted on the subject of Business Continuity to be submitted to the Board of Directors for approval, ensuring the following implementation;
- the security strategy.

In this context, the Committee is, among other things, responsible for:

- assessing the adequacy and proposing corrective actions to the Business Continuity Plan
- implementing the most appropriate measures for the dissemination of its knowledge; providing the Group companies, through the Business Continuity Manager of the Parent Company, the operational guidelines relating to business continuity; monitoring the levels of security in cooperation with the company Functions responsible for controls, periodic checks on the effectiveness and efficiency of the management process and governance for IT Security.

7. DESCRIPTION OF THE ICBPI GROUP INTERNAL CONTROL SYSTEMS

7.1 INTERNAL CONTROL SYSTEMS

As part of the ICBPI Group organizational model on internal controls, the role and duties of the various corporate bodies are as follows:

- the Board of Directors the Parent Company is responsible for the clear identification of the degree of risk appetite chosen and, in this context, the definition and approval of the strategic guidelines and risk management policies; it is responsible for the consistency of the system of internal controls with respect to the risk management policy adopted and verifying that the senior management of the Group companies define the structure of internal controls in line with the chosen risk appetite;
- the Board of Directors of the Subsidiary shall implement the strategic guidelines and risk management policies established by the Parent Company and define the structure of internal controls in line with the chosen risk appetite, ensuring – in line with the guidelines established by the Board of Directors of the Parent Company – that a correct, complete and timely IT system is defined;
- the Board of Statutory Auditors of the Parent Company is the Body with Corporate Functions of Control that shall oversee the compliance with laws, regulations and by-laws; and the principles of correct administration and the adequacy of the organizational, administrative and accounting structure adopted by the Bank and its correct functioning;
- the Board of Statutory Auditors of the subsidiary company is responsible for supervising the functionality of the overall Internal Control Systems of the Company. It is required to ensure the effectiveness of all the structures and functions involved in the Internal Control Systems and its adequate coordination, also with reference to risk control and IT - accounting, promoting action to correct any deficiencies and identified irregularities;
- the Risk Committee, established by the Parent Company, is responsible for supporting the Board of Directors in performing the tasks assigned to the same advisory body relating to internal controls, performing advisory and proposals in this regard;
- the Related Parties Committee of the Parent Company shall check the formal and substantial regularity of the transactions of significant and less importance of ICBPI

with the Related Parties, the actual interest of the Company in the transaction and its benefit;

- the Supervisory Body 231 of the Parent Company, whose functions are performed by the Board of Statutory Auditors has the task of supervising the functioning and compliance of the Model 231 and shall inform the Board of Directors on the activities carried out and reporting of practices inconsistent with the organizational model 231 eventually communicated. In each Group company, the functions of the Supervisory Body shall be performed by the Board of Statutory Auditors. The duties and the operational working methods are differentiated in relation to the organizational complexity and the services provided by the Company. Organizational Models are currently in force that, while respecting the independence of the individual Supervisory Bodies and specificity of the Company, are inspired by principles and common control protocols established by the Parent Company;
- the CEO/General Manager of the Parent Company, assisted by the Vice-General Manager and supported by the Operational Risk Committee, has responsibility for the organization and implementation of the Internal Control Systems in accordance with the strategic guidelines and management risk policies approved by the Board of Directors;
- the General Management of the subsidiary Company (CEO, General Manager and Vice-General Managers as appointed by the Company's Board of Directors supported by the competent centralized functions at the parent Company) has responsibility for the organization and implementation of the Internal Control Systems of the Company, consistent with the risk appetite defined by the Parent Company.

In order to institutionalize moments of coordination, at the operational level, of the implementation of activities of internal control systems and to ensure the integrated management of risks at the Group level, the Group Management Committee and the Operational Risk Committee were established.

The Management Committee of the Group has, among other things, the task of examining the issues concerning the preparation of the necessary measures to establish and maintain an efficient and effective internal control system of the Group, while the Operational Risk Committee has responsibilities regarding:

- the analysis of exposure to Risk by the Parent Company and the Group Companies;
- the support to the decision-making process of the competent superior decision-making Body regarding the policy on assumption, management and measurement of relevant Risk of the Parent Company and the Group Companies, also through updating on the problems of Risk, Compliance and Audit;
- the assessment of the adequacy of the methods used for Risk measurement (quantitative or qualitative) and support procedures;
- the monitoring of the progress of risk mitigation actions.

In addition, the Operational Risk Committee, in compliance with the provisions issued by the Bank of Italy, has the task of formulating proposals with regard to:

- the guidelines to be adopted on the subject of Business Continuity to be submitted to the Board of Directors for approval ensuring the following implementation;
- the security strategy.

Within the overall architecture of the Group's internal control system:

- the internal audit function (Level 3) is assigned to the Audit Department, placed directly under the Board of Directors. In particular, the Audit Department carries out, at the Parent Company, the relative Centralized Function for all the Group companies in accordance with current supervisory regulations. The Audit Department shall work in close liaison with the Board of Statutory Auditors and the General Managers of the Parent Company and the Group companies, and report its work to the Board of Directors, Board Statutory Auditors, the Risk Committee and the Supervisory Board 231 (for activities of specific competencies) of the Parent Company and the Group Companies, where required, and verify the compliance of the individual behaviour of companies with the Parent Company guidelines;
- the Compliance Department is placed under the direct authority of the CEO and carries out, at the Parent Company, the relative Centralised Function for all the Group companies in accordance with current Supervisory regulations. It shall report directly to the Board of Directors of the Parent Company and work in close liaison with the Board of Statutory Auditors and the General Managements of the Parent Company and the Group Companies, and report its work to the Board of Statutory Auditors, the Risk Committee, the Supervisory

Body pursuant to Decree 231 (for activities of specific competence), the CEO of the Parent Company and the CEO/General Manager of the Group Companies. The Compliance Department also has the Group Anti-Money Laundering Function;

- The Risk Management Department is placed under the direct authority of the CEO and carries out, at the Parent Company, the relative Centralised Function of control on risk management for all the Group companies. It shall report directly to the Board of Directors of the Parent Company and work in close liaison with the Board of Statutory Auditors and the General Managers of the Parent Company and its subsidiaries, and report its work to the Board of Statutory Auditors of the Group Companies, the Risk Committee (for activities of specific competence) and the CEO of the Parent Company. In addition, the Risk Management Department shall collaborate in the definition and implementation of the Risk Appetite Framework and related risk management policies, through an adequate risk management process and support the Parent Company governing Bodies in determining the operational limits for the various types of risks and defining policies for the management and measurement of risk (risk policy) and provide, in collaboration with the corporate functions involved, a consistency assessment of Transactions of Significant Importance compared to the RAF;
- The process and Organizational Unit managers that, under the Group's Internal Control Systems, take on a role of paramount importance as the ultimate addressees, along with their management, of the execution performance of line controls in place to supervise corporate risks. To this end, each process and Organizational Unit Manager is required to perform directly and is responsible to perform line controls to its collaborators that are required in the course of activities under the same process, regardless of the formalization that took place in the corporate procedures, and/or that have been identified and mapped in assessment forms of operational risks and assessment forms of risks pursuant to Legislative Decree 231/01.

Within the management and supervisory bodies and the control functions, specific and structured information flows are provided, formalized in the "General Rules on the ICBPI Group coordination of the bodies and control functions", paragraph 2.4. These information flows fall into the following main four macro categories:

1. flows of the Corporate Control Functions to the CEO/General Manager, the Board of Statutory Auditors and the Board of Directors;
2. flows among the Corporate Control Functions (Audit, Compliance and Risk Management, including the Anti-Money Laundering Function);
3. flows among the Supervisory Bodies (Board of Statutory Auditors, also in its capacity as Supervisory Body 231, and Risk Committee), the CEO/General Manager, and among the same Bodies and the respective Board of Directors;
4. flows of the Organizational Units to the Supervisory Bodies and Corporate Control Functions.

For details of these flows, see paragraphs 2.4.1, 2.4.2, 2.4.3 and 2.4.4 of the mentioned Regulations.

Finally, without prejudice to the need to preserve the independence of the different subjects and the need that they provide peculiar views to the Corporate Bodies on the issues concerning the Internal Control Systems, some moments of coordination, information exchange and collaboration among the Control Functions were defined.