

UBI Banca Scpa

**2013 SHAREHOLDERS' MEETING
ELECTION OF THE SUPERVISORY
BOARD**

**Qualitative and quantitative
composition of the Board**

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1. Introduction

The term of office of the Supervisory Board (hereinafter the “Board”) expires on the date of the 2013 Shareholders' Meeting of UBI Banca convened in accordance with paragraph two of article 2364-*bis* of the Italian Civil Code. The Shareholders' Meeting shall therefore be called upon, in implementation of article 22 of the Articles of Association, to nominate the Supervisory Board and to elect its Chairman and Senior Deputy Chairman. The Shareholders' Meeting will proceed to the election of the Members of the Supervisory Board on the basis of lists, which can be presented by registered shareholders or by the Supervisory Board, in accordance with the law and the Articles of Association. In this context, the Supervisory Board, with the involvement of the Appointments Committee, has prepared this document in order to present the results to registered shareholders of analyses conducted on the theoretical profile of its own qualitative and quantitative composition considered most appropriate, comprising also the professional characteristics which must be taken into consideration by registered shareholders in the process of selecting and nominating Members of the Supervisory Board.

2. The governance model

UBI Banca is a “popular” bank incorporated in the form of a joint stock co-operative company.

UBI Banca has adopted a two tier system of management and supervision since it was formed. The main feature of this system is the distinction between:

- the strategic supervision and control functions, assigned to the Supervisory Board, which combine some of powers assigned by traditional systems to shareholders' meetings (approval of financial statements, appointment of the members of the management body and determination of the relative fees) and to boards of statutory auditors and assumes some "senior management" responsibilities, insofar as it is called upon to take decisions on proposals submitted to it by the Management Board on the business and/or financial plans and budgets of the Bank and the Group and also on strategic operations indicated in the Articles of Association (article 46 of the Articles of Association);
- corporate management functions, assigned to the Management Board, which has exclusive authority to perform all ordinary and extraordinary operations necessary to pursuit of the company objects, in compliance with the general guidelines and strategic policies approved by the Supervisory Board (article 37 of the Articles of Association).

3. The Supervisory Board

UBI Banca's Articles of Association establish that the Supervisory Board is composed of 23 Members appointed by a Shareholders' Meeting selected from among those registered shareholders possessing the necessary qualities of integrity, professionalism and independence required by the legislation in force. At least 15 of the Members of the Supervisory Board must be in possession of the requirements of professionalism required by

the legislation currently in force for persons who perform the functions of directors of banks.

In particular, at least three members of the Supervisory Board must be chosen from amongst persons enrolled in the *Registro dei Revisori Contabili* (register of external statutory auditors) who have practiced as external statutory auditors for a period of not less than three years.

While mandatory regulations of the law, the Supervisory Authority or other regulations must be complied with, persons already holding the office of full statutory auditor, or who are members of other supervisory bodies in more than five listed companies and/or their parent companies or subsidiaries, cannot hold office as a member of the Supervisory Board. If the cause of incompatibility just mentioned is not eliminated within 60 days of election or of communication of the fact to the person concerned, if it occurs subsequently, the Member of the Board is automatically removed from the position.

In compliance with the principle of collegial responsibility in the performance of its duties, the Supervisory Board - in relation to its responsibilities, its composition and the characteristics of its members - decided to establish specific internal committees with the specific proposal-making, advisory and fact finding functions, in compliance with Bank of Italy regulations and the recommendations of the Borsa Italiana Corporate Governance Code.

These committees have been established in order to allow the Supervisory Board to make its decisions on a more informed basis and they are composed of at least three members: Appointments Committee (six members); Remuneration Committee (five members); Internal Control Committee (five members); Accounts Committee (four members); Related Parties and Associated Parties Committee (three members).

4. Supervisory Regulations

For the purposes of the election of the Members of the Supervisory Board by the Shareholders' Meeting, the Board, the body which fulfils the function of strategic supervision, is required, – on the basis of instructions issued by the Bank of Italy on 11th January 2012 (hereinafter the “Application Instructions”) in “*Application of the Supervisory Provisions concerning the organisation and governance of banks*” of March 2008 – to identify its qualitative and quantitative composition considered most appropriate in relation to the achievement of the objective of properly fulfilling the functions for which it is responsible, inclusive of its professional characteristics and the independence, if the case, of the candidates to be nominated.

In this respect, the Application Instructions require the presence in governing bodies of persons:

- who are fully aware of the powers and obligations concerning the functions that each of them are called upon to carry out (supervisory or management function, executive and non-executive functions, independent members, etc.);
- who are equipped with professionalism appropriate to the roles they fill, inclusive of roles in internal Board committees, and that is of a nature appropriate to the operating characteristics of the bank and to its size;
- with expertise present among all members and appropriately diversified, in order to allow each of the members, both in the internal committees to which they belong and also in collegial decision-making, to make a concrete contribution to ensuring effective risk management in all areas of the Bank;

- who dedicate adequate time and resources to the complexity of their position.

The above mentioned Application Instructions require that attention is paid to all members including non-executive members: these take part in decisions taken by the whole Board and are required to play an important discussion and monitoring function with regard to decisions taken by executive members.

The expertise and professionalism of these persons must be adequate for those tasks, which are increasingly more important for the sound and prudent management of a bank. It is therefore fundamental that non-executive members also possess and demonstrate good knowledge of: banking as a business, the dynamics of economics and finance, financial regulations, and above all, the methods for the management and monitoring of risk. This is essential knowledge which they must possess to carry out their duties effectively.

The objective of the Application Instructions is to ensure that – both following the nomination process, which involves a number of bodies and functions (Appointments Committee; Board; Shareholders' Meeting) and afterwards – persons are present on governing bodies who are able to ensure that the duties they perform in the roles they are assigned are carried out effectively. This requires the professional qualities needed to achieve this result to be clearly defined beforehand and to be reviewed if necessary in good time to take account of difficulties that arise and it requires the selection and nomination process to take account of these recommendations.

The supervisory and management bodies of banks must therefore firstly identify the theoretical profile of candidates for nominations, with account taken of their expertise and professionalism which must be adequate for the duties that board members are called upon to perform in those bodies (and in the internal committees which they may create), with account taken also of the size and the complexity of the companies and the groups to which they belong.

If nominations must be made by a Shareholders' Meeting, the results of the analyses must be made available to registered shareholders in time for them to choose the candidates to be proposed with account taken of the professional qualities required. In this respect it is recommended that proposals of candidates put forward by registered shareholders or by the Board are accompanied by a curriculum vitae designed to identify the theoretical profile for which each one is appropriate, while registered shareholders retain the right to express different opinions on the most appropriate composition of the Board, giving their reasons for any differences there may be from the results of the analysis carried out by the latter and consequently proposing candidates with different profiles.

5. The self-assessment process for governing bodies

5.1 The Supervisory Board

In 2011 and 2012, the Supervisory Board of UBI Banca carried out a self-assessment of the size, composition and functioning of the Board itself and also of its internal committees, by means of an analysis conducted in Board meetings, after asking each Board Member to fill in a special self-assessment questionnaire.

The size and composition of the Board and its Committees and the professional expertise of Board Members were examined in relation to the size of the Group and to its related activities.

More specifically, the self-assessment was conducted on the following factors: the quality and completeness of skills, experience and expertise within the Board and the internal

committees; sufficient number of members; the degree of effectiveness of the five internal committees; the quality of Board and internal committee meetings; the quality and promptness of reporting and presentations to the Board; the effectiveness and efficiency of decision-making processes within the Board; the clarity, agreement and satisfaction with regard to policies, performance and risk objectives and the results achieved; a benchmarking comparison with boards of other companies and groups in which individual members may hold positions.

On conclusion of the self-assessment conducted, the Supervisory Board confirmed its findings that its size was adequate and it was of the opinion that, taken as a whole, the proceedings of Board and Committee meetings, in terms of organisation, analysis of the issues, attendance at meetings and discussion, allowed the Supervisory Board and its internal Committees to perform its functions effectively and efficiently.

At the time of the 2012 Shareholders' Meeting, for the purposes of replacing two Supervisory Board Members by the Shareholders' Meeting who had resigned following the entry into force of article 36 of Decree Law No. 201/2011, converted with amendments by Law No. 214/2011 and in compliance with supervisory provisions, the Supervisory Board of UBI Banca, with the co-operation of the Appointments Committee, identified the theoretical profile of the candidates to the position of Member of the Supervisory Board, in the light, amongst other things, of the self-assessment process.

The results of that analysis are reported in the document “Quantitative and qualitative composition of the Supervisory Board of UBI Banca Scpa”, published on the Bank’s website at the time of the 2012 Shareholders' Meeting.

5.2 The Management Board

A similar self-assessment process was conducted by the Management Board, as a result of which the Board unanimously confirmed the adequacy of its composition, size and functioning and considered that overall performance of the Board’s proceedings in terms of organisation, study of the issues and participation of Board members in meetings and in discussion constituted adequate guarantees of the sound and prudent management of the Bank and the Group.

5.2.1 Qualitative and quantitative composition of the Management Board

With regard to specific provisions of the aforementioned Provision of the Governor of the Bank of Italy of 11th January 2012, the Management Board carried out the relative prior analysis of its qualitative and quantitative composition considered most appropriate. In doing this, the Management Board: *(i)* confirmed the adequacy of the composition and size of the Board; the Board Members also considered that a possible decrease in the number of members of the Board, consistent with the limits set by the Articles of Association, with a view to alignment with trends in the sector nationally and best practices recommended by the Supervisory authority, would nevertheless allow it to continue to function adequately; *ii)* considered, in agreement with the recommendations of the Appointments Committee, that the Board should be varied and complete in terms of professional roles and that the duties and responsibilities of the position require possession, not only of the professional requirements prescribed by the legislation, but also of adequate experience and knowledge acquired nationally and internationally of business management, the dynamics of the economic and financial system and systems of corporate governance, organisation, corporate management and risk management and control. One essential requirement is that each Board Member guarantees the availability of the time necessary to fill the position of

Board Member with the dedication due to it; (iii) observed that at least one of the members of the Management Board must hold the requirements of independence pursuant to Art. 148, paragraph three of Legislative Decree No. 58 of 24th February 1998.

6. 2013 Shareholders' Meeting of UBI Banca – election of the Supervisory Board

6.1 – Introduction

In view of the renewal of the governing bodies in the 2013 Shareholders' Meeting of UBI Banca, the Supervisory Board is required to define adequate profiles of professionalism beforehand, which must be considered by registered shareholders in the process of selecting and nominating Members of the Supervisory Board. The Board is therefore required, with the co-operation of the Appointments Committee, to identify beforehand its own qualitative and quantitative composition considered most appropriate, defining and giving reasons for its theoretical profile, inclusive of the characteristics of professionalism and independence of the candidates recommended to carry out the duties of the position. In this context the Appointments Committee is called upon to play an active role in the analysis of the professional qualities that the candidates must possess.

6.2 – The activities carried out

In this respect, the Supervisory Board, with the support of the Appointments Committee, added to studies conducted previously, by analysing the principal results of a comparison of UBI Banca's corporate Governance with that of a sample of representative and comparable European companies, which are considered to follow European best practices in their corporate governance models. In consideration of the specialist expertise required for that survey, the Board and the Committee were supported by the company Egon Zehnder International (hereinafter "EZI") – a leading consulting firm on corporate governance issues with its global Board Consulting practice – which had already worked with the Board and the Appointments Committee for the self-assessments conducted in 2011 and 2012, as part of which EZI had developed a model of analysis used as support in the identification of the most appropriate qualitative and quantitative profile for the Supervisory Board and the Management Board.

6.3 – Conclusions

As a result of that analysis, the Committee and the Board considered that they should generally confirm the recommendations already contained in the document cited, the "Quantitative and qualitative composition of the Supervisory Board of UBI Banca Scpa", with particular regard to:

- the number of members of the Board required by the Articles of Association, considered consistent with and appropriate to ensuring an adequate level of representation in the listed parent company of the various members of the shareholder base and the demands of the various stakeholders, favouring conditions

- for the simplification of Group governance, through initiatives in progress at subsidiaries and also in compliance with Supervisory Authority recommendations;
- the requirement for a qualitative composition in which the professional legal, economic and financial expertise present in the Supervisory Board and also the business experience constitutes a group of complementary skills with a view to ensuring the most appropriate composition of the Board as a whole and also of its internal committees.

The Appointments Committee therefore submitted a document to the Supervisory Board for its examination containing guidelines for the process of nominating candidates to the Supervisory Board, for the purposes of its most appropriate composition as a whole and the professional qualities of the candidates.

7. The qualitative and quantitative composition of the Supervisory Board

In view of the above, the Supervisory Board underlines the need – although without affect on the current size of the Board as determined in the Articles of Association – in consideration of the complexity of the background context, for the governing bodies of the Bank to contain a range of complementary skills and expertise on general management, management and monitoring of risk, legal and corporate affairs, human resources, marketing and sales, finance, accounting and financial reporting, organisation and IT processes and internal audit and compliance, acquired through experience of senior management in the banking, financial, industrial and service sectors, or through practice in the professions or in university teaching. Each Board Member must guarantee the availability of the time necessary to fill the position in compliance with the internal regulations in force concerning the limits on the accumulation of the positions of corporate officers.

The Board therefore recommends that the candidates nominated take proper consideration of the professional qualities and expertise indicated, considered necessary for ensuring the most appropriate composition of the Board as a whole.

In this respect it is requested that the proposals of candidates put forward by registered shareholders are accompanied by a curriculum vitae designed to identify the theoretical profile for which each of them is appropriate, while registered shareholders retain the right to propose candidates with different profiles, with adequate reasons given.

a) professional requirements: expertise and experience

In addition to the requirements of professionalism demanded by the regulations in force and by the Articles of Association, in order to ensure adequate levels of expertise on the Board as a whole, the Supervisory Board has identified the following areas of knowledge and experience considered appropriate to the role of Member of the Supervisory Board, and it therefore recommends that candidates for appointment to the position of Member of the Supervisory Board of UBI Banca are in possession of good knowledge and experience, preferably acquired at national and international level in at least one of these areas:

- knowledge of business management and of the dynamics of the economy and finance acquired through several years of experience in administration, management or supervision in companies or groups of substantial economic size, or through practice in the professions or in university teaching;

- knowledge of corporate governance and corporate processes, acquired through several years of experience in legal or process control or management activities, carried out within companies of substantial size or acquired through the practice of related activities in the professions;
- knowledge of corporate organisation and human resource management, acquired through several years of experience in administration, management or supervision in companies or groups of substantial economic size, or through practice in the professions or in university teaching;
- knowledge of the rules of ITC (Information and Communications Technology) governance and organisation acquired through several years of experience in administration, management or supervision in companies or groups of substantial economic size, or through practice in the professions or in university teaching;
- knowledge of accounting and tax matters, acquired through several years of experience in positions of management or supervision in companies, or through practice in the professions, or in university teaching;
- knowledge of management and control systems and of risk management and monitoring systems, acquired through several years of experience in positions of management or supervision in companies, or through practice in the professions, or in university teaching;

b) integrity requirements

The Supervisory Board recommends that candidates for nomination as a Member of the Supervisory Board of UBI Banca, not only satisfy the conditions of integrity pursuant to Ministerial Decree No. 161 of 18/03/1998 and to Ministerial Decree No. 162 of 30/03/2000, but also do not meet conditions which might be cause for suspension from functions pursuant to article 6 of Ministerial Decree No. 161 of 18/03/1998 and have not been responsible for conduct which might have serious harmful consequences for the Bank's reputation.

c) independence requirements

The Supervisory Board observes that candidates for nomination as a Member of the Supervisory Board must be in possession of the requirements of independence required by the legislation and regulations in force and by the Articles of Association.

d) gender quotas

Law No. 120 of 12th July 2011 introduced gender quotas in Italy for the composition of the corporate bodies of listed companies. The law amended article 148 of the Consolidated Finance Act, introducing the new provisions of paragraph 1-*bis*, applicable to the Supervisory Board, which imposes compliance with a gender composition criterion on the supervisory body, on the basis of which a quota of at least one third of the members is reserved to the least represented gender. It also provides for the gradual introduction of the application of the rules with the provision that, on the first renewal following the date of entry into force of the law, the least represented gender must account for at least one fifth of the members.

The composition of lists must take account of the gender allocation required by the laws in force and by the Articles of Association.

Compliance with the gender allocation criterion is not required for lists which submit less than three candidates.

e) incompatibility

The Supervisory Board recommends that the absence of causes of incompatibility laid down by the legislation and regulations in force is verified beforehand and it reports the following provisions in this respect:

- article 36 of Law No. 214/11, containing measures concerning “interlocking personal equity investments in credit and financial markets”, bars “holders of positions in management, supervision and control bodies and senior officials of companies or groups of companies operating in credit, insurance and finance companies from acquiring or occupying similar positions in competing companies or groups of companies”;
- article 44 of the Articles of Association states that those who already hold the position of full auditor or member of other supervisory bodies in more than five listed companies and/or their parent or subsidiary companies may not occupy the position of Member of the Supervisory Board.