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Please consider that only the original version in Italian language has legal value.*



## **REPORT TO THE ORDINARY SHAREHOLDERS' MEETING**

**12 April 2019**

**Appointment of members of the Board of Directors and the Management  
Control Committee for the years 2019-2020-2021  
on the basis of slates of candidates presented by Shareholders;  
relative and consequent resolutions.**

Dear Shareholders,

The Shareholders' Meeting marks the end of the three-year term of office of the Supervisory Board appointed by the Shareholders' Meeting on 2nd April 2016.

As previously reported, the extraordinary Shareholders' Meeting of 19th October 2018 resolved, by approving new Articles of Association (the “**Articles of Association**”), to adopt a one-tier management and control system pursuant to Articles 2409-*sexiesdecies et seq.* of the Italian Civil Code, with effect from the date of renewal of the governing bodies following the approval of the said Articles of Association.

The said management and control system is characterised by the presence of a Board of Directors and of a Management Control Committee with control functions internal to the Board of Directors.

Accordingly, the Shareholders' Meeting is called on to pass resolutions regarding the appointment of the Board of Directors and, among them, the members of the Management Control Committee.

Pursuant to Article 20.2 of the Articles of Association, the members of the Board of Directors remain in office for three financial years and expire with the Shareholders' Meeting convened to resolve upon the financial statements relating to the final financial year of their term of office. As a result, the Board of Directors will remain in office for financial years 2019, 2020 and 2021, i.e. until the approval of the financial statements at and for the period ending 31st December 2021.

In any case, the members of the Board of Directors will remain in office, with full powers, until their renewal and may be re-elected, subject to the limits set forth in current laws and regulations and the Articles of Association.

In particular, in accordance with Art. 22, para. 1, of the Articles of Association, the Shareholders' Meeting elects the members of the Board of Directors on the basis of slates submitted by shareholders.

#### Members of the Board of Directors

Pursuant to Art. 20, para. 1, of the Articles of Association, **the Board of Directors is made up of 15 members including the Chairman, the Deputy Chairman, the Chief Executive Officer and the five members of the Management Control Committee.**

As further specified below, the composition of the Board of Directors must ensure the balance between the genders provided for in Art. 22, para. 5(i) of the Articles of Association.

Members of the Board of Directors cannot be over 75 years of age upon their appointment.

*Furthermore, those who have covered the respective specific office continuously for three previous mandates may not be appointed to the role of Chairman or Deputy Chairman.*

Subject to any further requirement prescribed for the Directors making up the Management Control Committee, the members of the Board of Directors must be fit to perform the duties of their office, in accordance with the provisions of existing laws and regulations and the Articles of Association; they must, in particular, satisfy the requirements of personal integrity and professionalism and respect criteria of competence, fairness and sufficient time commitment provided by the *pro tempore* laws and regulations in force and the specific limits on number of directorships prescribed by applicable laws and regulations to perform the role of director of a bank issuing shares listed on regulated markets. In any event, any member of the Board of Directors shall satisfy the requirements set forth in European Directive 36 of 26<sup>th</sup> June 2013, to carry out the duties of director of a bank issuing shares listed on regulated markets.

Pursuant to Art. 20, para. 7 of the Articles of Association, in addition to the requirements established by existing regulations, all members of the Board of Directors must have accrued overall experience - through the exercise, in Italy and abroad - of at least three years as chairman or at least five years in the field of:

- management and/or strategic supervision
- direction

or

- control

in

- banks, financial companies, asset management companies or insurance companies;
- independent public authorities;
- enterprises aimed at the production and/or exchange of goods or services that have exceeded, for the periods of permanence in office provided for by Art. 20, paragraph 7 of the Articles of Association, two of the following limits: (a) €20 million of balance sheet assets; (b) €40 million of revenues from sales and services; (c) 250 employees employed on average during the financial year calculated on the figures of the latest approved financial statements or, if prepared, consolidated financial statements;
- companies with shares traded on an Italian or foreign regulated market.

Candidates who have not acquired the aforementioned professional experience may also be elected provided that:

- they have been tenured university professors for at least five years in legal or economic or mathematical or statistics or management engineering subjects;
- they are or have been members of the professional associations of accountants, notaries or lawyers for at least ten years.

Pursuant to Art. 20, para. 8, of the Articles of Association, at least 2 (two) of the members of the Board of Directors must be chosen from persons registered on the Register of Statutory Auditors who have exercised statutory accounts auditing activity for a period of no less than three years.

At least two-thirds of the members of the Board of Directors must satisfy the requirements of independence provided for in Art. 21 of the Articles of Association and in any case in the *pro tempore* laws and regulations in force. In particular, Art. 21 of the Articles of Association establishes that independent directors are considered to be directors in possession of the

independence requirements provided for by Art. 148 of the Italian Legislative Decree no. 58 dated 24th February 1998 and the implementing regulation of Art. 26 of the Italian Legislative Decree no. 385 dated 1<sup>st</sup> September 1993 (“**Consolidated Banking Law**”). Notwithstanding the above, the independent members of the Board of Directors shall satisfy the requirements set forth in the Corporate Governance Code from time to time applicable.

It should be noted that pursuant to Art. 20, para. 11, of the Articles of Association, members of the Board of Directors who are also members of the Management Control Committee:

- must satisfy the personal integrity and professionalism requirements set by the legislation and regulations in force for the position of a member of the control body of a bank that issues listed securities on a regulated market;
- must comply with the limit on the number of directorships set out in Art. 91 of Directive 2013/36/EU of the European Parliament and of the Council of 26th June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Articles 144-*duodecies et seq.* of the Consob Regulation adopted by Resolution No. 11971/1999 (the “**Issuers Regulations**”);
- subject to the foregoing, in relation to the limits on number of directorships, may not (a) hold the role of executive director in other companies having total revenues exceeding €50 million or (b) assume non-executive roles in the management bodies of other enterprises aimed at the production and/or trading of goods or services having revenues exceeding €500 million, of banking or financial enterprises having total assets at least equal to €5 billion, of insurance companies with a gross value of annual premiums collected at least equal to €1 billion, in a number higher than two. The size data under letters (a) and (b) above are calculated on the data of the last approved financial statements or, if prepared, consolidated financial statements. In any case, the pro tempore applicable regulations on interlocking restriction shall be applied.
- must all satisfy the independence requirements provided for in Art. 21 of the Articles of Association;
- at least 2 (two) members must be enrolled with the Register of Statutory Auditors and must have exercised statutory auditing activity for a period of at least three years.

Without prejudice to the foregoing, in the light of the significant responsibilities to be assumed by the Directors, for the purposes of the submission of slates, the Shareholders are invited to take account of the information provided in the document “*Qualitative and quantitative composition of the Board*” approved by the outgoing Supervisory Board (available from the website [www.ubibanca.it](http://www.ubibanca.it), Shareholders Section, Shareholders' Meetings, April 2019 Shareholders' Meeting), which illustrates the theoretical profile of the candidates and the criteria for the overall composition of the Board of Directors in the light of the requirements established by applicable laws and regulations, and in particular the provisions and principles set out in the following documents:

- in Directive 2013/36/EU of the European Parliament and of the Council of 26<sup>th</sup> June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation (EU) No. 575 of the European Parliament and of the Council of 26<sup>th</sup> June 2013 on prudential requirements for credit institutions and investment firms (CRR);

- in EBA Guidelines on Internal Governance (2017) in effect since 30<sup>th</sup> June 2018;
- in the EBA/ESMA *Joint Guidelines* on the assessment of the suitability of members of strategic supervision and management bodies and key function holders (2017), which entered into effect on 30<sup>th</sup> June 2018;
- the ECB Guidelines on the verification of fit and proper requirements, published on 26<sup>th</sup> September 2017 and updated in May 2018.

Finally, it should be noted that, when formulating its recommendations to shareholders, the outgoing Supervisory Board also took account of the principles contained in the draft Ministerial Decree establishing the regulation on suitability requirements and criteria for carrying out duties which implements the new Art. 26 of the Consolidated Banking Law, consultation of which came to an end on 22<sup>nd</sup> September 2017 (**the Draft MD**).

Without prejudice to applicable provisions of laws, regulations and the Articles of Association governing the methods of appointment of the members of the Board of Directors, understood as referenced herein in their entirety, the following is an illustration of the methods for submitting slates.

#### *Submission of slates for the appointment of the Board of Directors*

The Shareholders' Meeting elects the members of the Board of Directors on the basis of slates submitted by the Shareholders. Such slates must contain the names of no fewer than two and no more than 15 candidates, at least one of whom in the second section. Each slate is split into two sections of names, both ordered sequentially by number, and they must indicate, separately, in the first section, candidates to the role of Board Directors different from candidates also to the role of member of the Management Control Committee who must be indicated in the second section.

Each slate containing at least three candidates must (i) be made up of candidates representing both genders, so that at least a third of the candidates belongs to the less represented gender, (ii) contain a number of candidates in the first section with at least half in possession of the requirements of independence (should the application of such quota not result in a whole number, the resulting number shall be rounded up to the higher unit), while all candidates in the second section must be equipped with the independence requirements indicated in Art. 21 of the Articles of Association and in the pro tempore regulations in force. The second section must contain at least two candidates meeting the requirements set out in Art. 20.8 of the Articles of Association (i.e., they must be registered on the Register of Auditors and must have practised the profession of statutory accounts auditor for a period of no less than three years).

Each candidate shall be able to be entered in just one slate under penalty of ineligibility.

The slates of candidates must be filed with the company's office by the 25<sup>th</sup> day prior to the date of the Shareholders' Meeting in single session (i.e., by 18<sup>th</sup> March 2019) and must be accompanied by information on the identity of the Shareholders submitting them, indicating the number of shares and thus the percentage of share capital held overall by the submitting Shareholders and, within the

time limits established by laws and regulations in force, a communication indicating the ownership of that investment, as well as any other information required by the *pro tempore* regulations in force. In order to prove ownership of the number of shares necessary for the submission of slates, the relative communication must also be produced at least 21 days before the date of the Shareholders' Meeting according to the procedures provided for by the legislation and regulations in force, i.e. by 22nd March 2019. Ownership of the aforementioned equity investment is determined by reference to the shares that are on record as registered to the Shareholder on the date on which the slates are filed with the Bank.

In order to appoint the members of the Board of Directors one or more Shareholders who represent at least 1% of the share capital, or the different percentage established by the *pro tempore* regulations in force, shall be able to submit a slate of candidates. By Executive Order of the Director of its Corporate Governance Division No. 13 of 24<sup>th</sup> January 2019, Consob set the minimum equity investment required to submit a slate of candidates for the election of the governance and control bodies of UBI Banca at 1% of share capital.

Each Shareholder and the Shareholders who are parties to a shareholders' agreement involving UBI Banca shares may not submit more than one slate, even through third person or trust companies: in the event of a breach, their signature is not calculated for any slate.

Submission of the slates may be performed by remote means of communication in a manner stated in the notice to convene, which allows those depositing the slates to be identified.

A thorough statement of the personal and professional characteristics of the candidates, inclusive of their positions on governance or control bodies of other companies, together with (i) a declaration of their acceptance of candidacy and certification of satisfaction of the requirements imposed by the *pro tempore* legislation and Articles of Association and (ii) a questionnaire containing all information useful to an overall assessment of suitability for the position occupied must be filed together with each slate.

In order to facilitate the process of submitting a slate, a facsimile of this documentation will be made available from the website [www.ubibanca.it](http://www.ubibanca.it), section "Shareholders, Shareholders' Meetings, April 2019 Shareholders' Meeting".

Moreover, Shareholders who submit a "minority slate" are subject to the provisions of Art. 144-*sexies*, para. 4, letter b), of the Consob Regulation issued by resolution no. 11971/1999 (the "**Issuers Regulations**") and the recommendations formulated by Consob in communication no. DEM/9017893 of 26th February 2009. A facsimile of the declaration set out in Art. 144-*sexies*, para. 4, letter b), of the Issuers Regulations will be made available from the website [www.ubibanca.it](http://www.ubibanca.it), section "Shareholders, Shareholders' Meetings, April 2019 Shareholders' Meeting".

Slates submitted without respecting the above methods shall be considered not to have been submitted.

Where at the end of the period set out under para. 2 of Art. 22 of the Articles of Association (i.e., on 18th March 2019, the 25th day prior to the Shareholders' Meeting in single session) only a single

slate has been filed, or only a slate with candidates in just the first or second section has been filed – and in any event in the other cases provided for in current legislation – the Company will disclose this fact promptly to the public in a specific press release. In this eventuality, slates may be submitted until the third day after the aforementioned deadline (i.e., by 21st March 2019), and the minimum threshold for submitting a slate will be reduced to one-half (and will thus be 0.5% of share capital).

The slates will be subject to the forms of publication provided for in current regulations. In particular, at least 21 days prior to the date of the Shareholders' Meeting (i.e., by 22nd March 2019), the slates will be available from the registered office and published in accordance with the law and regulations on the company's website and according to the methods established by Consob in a regulation.

### *Procedures for appointing the Board of Directors*

Pursuant to Art. 22, para. 12 of the Articles of Association, the Board of Directors is elected as follows:

- a) if multiple slates are submitted, the first three that have obtained the highest number of votes expressed by the Shareholders and that are not connected in accordance with the applicable regulations are taken into consideration;
- b)
  - b.1) if the slate that obtained the second highest number of votes has obtained less than 15% of the votes expressed in the Shareholders' Meeting, 10 candidates are taken from the first section and 4 candidates are taken from the second section of the slate that obtained the majority of votes. One candidate is taken from the second section of the slate that obtained the second highest number of votes. In such case, no candidate is taken by the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting, regardless of the number of votes that has obtained;
  - b.2) if the slate that obtained the second highest number of votes has obtained a percentage of votes expressed in the Shareholders' Meeting of at least 15% and less than 30%, 9 candidates are taken from the first section and 4 candidates from the second section of the slate that obtained the majority of votes, while 1 candidate is taken from the first section and 1 candidate from the second section of the slate that obtained the second highest number of votes. In the event that the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting has obtained more than 15% of the votes expressed in the Shareholders' Meeting, 9 candidates are taken from the first section and 3 candidates from the second section of the slate that obtained the majority of votes; 2 candidates are taken from the second section of the slate that has obtained the second highest number of votes expressed in the Shareholders' Meeting, while the remaining candidate is taken from the first section of the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting;
  - b.3) if the slate that obtained the second highest number of votes has obtained at least 30% of the votes expressed in the Shareholders' Meeting, 9 members will be taken from the first

section and 3 from the second section of the slate that has obtained the majority of the votes, while 1 candidate will be taken from the first section and 2 candidates from the second section of the slate that obtained the second highest number of votes. In such case, no candidate is taken by the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting, regardless of the number of votes that has obtained;

If the slate that obtained the highest number of votes does not have a number of candidates in the first and/or the second section sufficient to constitute the number of directors to be elected, the remaining directors will be taken from the slate that obtained the second highest number of votes and that obtained at least 20% of the votes expressed in the Shareholders' Meeting; if no further candidates remain from the aforementioned slate, the Shareholders' Meeting resolves by relative majority again in respect of the requirements required for the appointment (Art. 22, paragraph 13 of the Articles of Association).

If, following the identification of the candidates to be drawn from the slates that received the most votes according to the conditions stated in Art. 22, para. 12, of the Articles of Association, on the basis of the sequential order in which they are indicated on the respective slate in which they are named, the gender ratios set out in Art. 22, para. 5(i) of the Articles of Association, the additional ratio provided for in Art. 20, para. 10 of the Articles of Association (at least two-thirds of the members of the Board must meet independence requirements) or the provisions of Art. 20, para. 8 of the Articles of Association (at least two members must be registered on the Register of Statutory Auditors and must have practised the profession of statutory account auditor for a period of no less than three years) have not been observed, the persons drawn from the slates in question whose appointment would entail the breach of the foregoing provisions will not be considered elected. In this case, the persons indicated in the same slate in the number that allows for respect of the composition requirements of the Board of Directors provided by applicable laws and regulations in force and by the Articles of Association shall be appointed as Directors, again proceeding according to the sequential order by which the same candidates are indicated in the respective section of the relevant slate. In particular, in this circumstance, the candidates to be appointed belonging to the gender that is less represented on the basis of the results of the vote or which allow compliance with the additional proportion specified in paragraph 10 of article 20 of the Articles of Association shall be taken from each slate in proportion to the total number of candidates elected on each slate according to the results of the voting. In that case, if the minority slates have not respected the gender proportions established by Art. 22., para. 5(i), of the Articles of Association, the candidates to be appointed in order to re-establish the correct gender proportion will be taken solely from the slate that obtained the most votes, or from the slate from which the majority of Directors is taken pursuant to paragraphs 12 and 13 of Art. 22 of the Articles of Association.

If only one slate is validly submitted and this has obtained the majority required for the ordinary Shareholders' Meeting, all 15 Board Directors shall be taken from that slate, including the 5 members of the Management Control Committee.

For the appointment of those Directors who, for any reason, have not been able to be elected by means of the preceding procedures described above or if no slate is submitted, the Shareholders' Meeting resolves by relative majority, again in respect of the requirements necessary for the appointment; if the votes are equal, the eldest candidate is appointed.

If two or more slates obtain an equal number of votes, those slates must be voted on again until they no longer receive an equal number of votes.

Each Shareholder shall be able to vote on only one slate.

*Procedures for appointing the Chairman and the Deputy Chairman of the Board of Directors*

The roles of Chairman and Deputy Chairman of the Board of Directors are held, respectively, by the candidate indicated in first and second place of the first section of the slate that obtained the majority of votes, or of the slate from which, in accordance with paragraphs 12 and 13 of Art. 22 of the Articles of Association, the majority of directors was taken or of the only slate submitted or by the members appointed as such by the Shareholders' Meeting, if no slate has been submitted.

*Procedures for appointing the Chairman of the Management Control Committee*

The position of Chairman of the Management Control Committee is held by the candidate indicated in the first position in the second section of the slate that received the second-highest number of votes, unless the majority of the Board of Directors are drawn from the said slate in the event of the application of Art. 22, para. 13, of the Articles of Association. In this latter eventuality, the position of Chairman of the Management Control Committee is held by the candidate indicated in the first position in the second section of the slate from which the majority of the members of the Board of Directors have not been drawn and which ranks first by number of votes received from the Shareholders' Meeting.

Failing that, the role of Chairman of the Management Control Committee is held by the candidate indicated in first place in the second section of the only slate submitted or by the member appointed as such by the Shareholders' Meeting, if no slate has been submitted.

February 2019

THE SUPERVISORY BOARD

THE MANAGEMENT BOARD