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**BANCA IFIS**

**OPTIMUM QUALITATIVE-QUANTITATIVE COMPOSITION  
OF BANCA IFIS'S BOARD OF DIRECTORS**

Approved by the Board of Directors on 2 February, 2016

## INDEX

1. Preamble.....	3
2. Optimal composition of the Board of Directors.....	4
2.1. Characteristics of the Bank .....	4
2.2. Quantitative composition of the Board of Directors.....	4
2.3. Qualitative composition of the Board of Directors .....	4
2.3.1. <i>Professional expertise</i> .....	5
2.3.2. <i>Heterogeneity</i> .....	Errore. Il segnalibro non è definito.
2.3.3. <i>Independence</i> .....	6
2.3.4. <i>Executive powers</i> .....	7
2.3.5. <i>Limits to the number of offices held</i> .....	7
3. Regulations on the self-assessment process for the Board of Directors .....	8
4. Self-assessment process for the Board of Directors.....	8

## 1. Preamble

Banca IFIS's Board of Directors, with support from the Appointments Committee as per the provisions of the Bank of Italy's Circular no. 285 of 17 December 2013 (from hereon in the 'Provisions'), has identified, in advance of the upcoming nominations to the Board, the quantitative and qualitative composition of the Board of Directors considered optimal for it to correctly perform its duties.

On this subject, it is acknowledged that the Provisions issued by the Bank of Italy implement in full EU Directive 2013/36/UE (CRD IV) which stipulates prudential supervision and corporate governance of banks, in order to ensure corporate bodies are effective in the pursuit of sound and prudent management.

These Provisions, therefore, together with the international and European regulations, standards and guidelines in force, govern the role and activities of corporate management and control bodies and relations between these bodies and the company within which they have been set up. In particular, effective organizational and corporate governance structures are essential for the pursuit of business objectives, even more so when considering the characteristics of the banking business and public interest which these set of rules pay special attention to. Indeed, banks' organizational and corporate governance structures, besides responding to the banks' needs, must also ensure sound and prudent management, a crucial objective of Supervisory regulations and control.

Hence, the composition of the Board of Directors is vital for the effective performance of the duties assigned to it by the law, by Supervisory Provisions and by the Articles of Association. The composition of the Board of Directors is important both in quantitative terms – i.e. the number of members must be commensurate with the dimension and organizational order of the Bank – and in qualitative terms. With reference to the latter, correct performance of the duties assigned to this strategic supervisory Board requires that the Directors within:

- Are fully aware of the powers and obligations inherent to the roles they are each called upon to carry out (executive and non-executive duties, independent members, etc.);
- Have adequate professional expertise for the role to be covered and any eventual roles in committees set up within the Board of Directors, calibrated to the operational and dimensional characteristics of the Bank;
- Boast widespread competencies, opportunely diversified between the Members, to allow every Member to contribute, whether during internal Board committees or in collective Board decisions, to, amongst other things, individualizing and pursuing fit strategies and to ensuring effective management of risks in all areas of the Bank;
- Dedicate the necessary time and resources to their office - limits to the number of positions possible to hold remaining firm;
- Focus their actions on pursuit of the Bank's overall interests, regardless of the Shareholders that voted them in or the list from which they were selected, always using independent judgment.

The above-mentioned Provisions apply to all Members of the Board of Directors, including Non-executive Directors who take part in the decisions made by the whole Board and are called upon to be dialectic and to monitor the choices made by the Executive Board Members. The authority and professional expertise of the Non-executive Directors must be suitable to carry out the aforesaid assignments, ever more essential for sound and prudent management of the Bank.

With the nomination of the Board of Directors drawing nigh, the Bank's Shareholders have been informed of the optimal quantitative-qualitative composition of this Board, so that they may take the professional requirements therein into consideration when selecting the candidates.

## **2. Optimal composition of the Board of Directors**

Banca IFIS's Board of Directors has drawn up the present document in order to illustrate to Shareholders – who will put forward the lists of candidates for nomination to this Board - the requirements in terms of professional expertise and competencies deemed necessary for the optimal composition of this Board and the execution of its strategic supervisory role.

### **2.1. Characteristics of the Bank**

Banca IFIS S.p.A. is part of 'Gruppo Banca IFIS', the only independent bank in Italy specialising in the sector of trade receivables, non-performing loans and tax receivables.

Listed on the 'STAR' segment of the Italian Stock Exchange, La Borsa Italiana, Banca IFIS falls under the category of large or complex banks due to the size and the types of business it carries out, whether directly or through subsidiaries.

### **2.2. Quantitative composition of the Board of Directors**

The Bank's Articles of Association state that the Board of Directors should be composed of a minimum of 5 and a maximum of 15 Members, each having the requisites required by laws in force, amongst which integrity and professional expertise, competence and correctness and availability in terms of time. These Board Members must also comply with the prohibition on interlocking directorates.

In addition, in compliance with that laid down by the Provisions, as well as by Borsa Italiana S.p.A.'s Corporate Governance Code, which is referred to in Banca IFIS's Articles of Association, the optimum number of Independent Directors on the Board should be at least one quarter of the total number of Board Members.

It is also acknowledged that Law no. 120 of 12 July 2011 introduced gender quotas for corporate bodies of listed companies. This Law amended Article 147-*ter* of the Italian Consolidated Law on Finance (TUF), introducing Article 1-*ter*, which requires compliance with a criterion establishing the gender composition of the Board of Directors, according to which one third of seats are to be allocated to the least represented gender.

In consideration of the above, the optimum number of Members on the Board of Directors has been set at 9. Specifically, to guarantee the above requisites, Banca IFIS's Board of Directors must include at least 4 Independent Directors and at least 3 women.

### **2.3. Qualitative composition of the Board of Directors**

As far as concerns quality, Members of the Board of Directors must:

- Ensure a level of professional expertise that is suited to the complexity of Banca IFIS's business and its size. To this end, Directors must have gained specific and ongoing experience;

Optimum qualitative-quantitative composition of Banca IFIS's board of directors

- Have suitably diversified competencies, in order to ensure that each member can make appropriate contributions to Board activities;
- Allocate time and resources commensurate with the complexity of their office.

In addition, the Board must contain:

- Independent parties who supervise over corporate management using independent judgement;
- Non-executive Directors with clearly defined roles and duties, who can carry out their role of counterbalancing Executive Directors and the Bank's own management effectively.

### **2.3.1. Professional expertise**

The level of professional expertise is assessed in advance following a self-assessment process carried out by the Board of Directors itself (please see paragraph 4).

The Board of Directors must boast amongst its Members (Executive, Non-executive and Independent) and in relation to the activities carried out by the Bank, suitable professional and management expertise, also international experience.

Specifically – also in the light of national and international indications and guidelines, such as the Bank of Italy's EBA and common best practice – every Director must have adequate knowledge of the following areas:

- The banking business (credit, finance, etc.);
- Dynamics in the economic/financial system (national and international markets, forecasting models etc.);
- Legislation applicable to the sector (banking, finance and fiscal);
- Internal control systems and Risk management and control methods;
- Corporate governance and corporate management processes (financial statements, legal, Group management and coordination, management control, conflicts of interest, relations with stakeholders, management of key resources, remuneration, Corporate Social Responsibility);
- The Bank's organisational structures and IT systems (Organisational Dept., ICT, outsourcing policies, business continuity);
- The structure, governance and organisation of the Bank.

Furthermore, within the Board of Directors, Members must:

- Have widespread and diversified competencies in terms of management expertise and technical expertise in legal, accounting, fiscal, tax and finance matters, as well as risk management and control, corporate governance, IT processes, corporate organization and human resources;
- Have significant and consolidated experience in Bank and/or company management, accounting and control.

With reference to the last point, in order to ensure fruitful debates within the Board and, hence, the taking of decisions that are of an informed nature and have been suitably assessed, the Board ensures that more than one person has solid experience in each of the areas of competence set out above. In this way, significant contribution to the Board's debates and the taking of decisions that are in the interest of the company are guaranteed.

The above-stated competencies are, according to each case, deemed to have been gained through long-term experience holding the position of corporate officer in a company; through

entrepreneurial or professional activities (with particular regard to the professions of Certified Public Accountant, Lawyer and Notary); through university activities or the holding of roles of responsibility within entities, institutions, foundations or associations.

In all cases, each Board Member must be fully aware of the obligations and responsibility they are taking on when accepting the office; have suitable ulterior competencies for specific roles they will subsequently perform (e.g. in committees or workgroups etc.) and be able to allocate the time and resources commensurate with the complexity of their duties.

It is necessary, moreover, that the professional expertise of Directors be ensured over time. Speed of change and the increasing complexity of the sector make ongoing training and updates a must. To this end, periodic refresher meetings are organised, using external professionals if deemed necessary, especially where important regulatory or legal changes have come about.

### **2.3.2. Heterogeneity**

A suitable level of difference in terms of age, gender and geographic origin encourages, amongst other things, diversity in approaches and perspectives when analysing problems and making decisions, and helps to avoid the risk of behavior that merely goes along with the majority, whether that majority is within or outside the Bank.

Such diversification can lead to a deeper level of Board member involvement on matters or decisions more akin to the characteristics of each Director, without however jeopardizing the principle of active participation by all Board members in the Board's works and decisions. To this end, every Member must be able to analyse and assess all the topics dealt with and all the decisions made by the Board.

Further diversification is achieved within the Board of Directors, as per that laid down by the Bank's Articles of Association, by ensuring that at least one third of the Board Members are of the least represented gender. As previously mentioned and considering the requisites provided for in the Articles of Association and applicable regulations, ideal composition of Banca IFIS's Board of Directors requires at least 3 Members to be of the least represented gender.

### **2.3.3. Independence**

The Board of Directors must contain Directors that are independent and that monitor corporate management using independent judgement – also overseeing possible conflicts of interest –, contributing to ensuring that such corporate management is carried out in the interests of the Bank and is consistent with the objectives of sound and prudent management.

These Directors must also possess the independence requisites provided for in Borsa Italiana's Corporate Governance Code.

As previously mentioned, considering the requisites provided for in the Articles of Association and applicable regulations, as well as the size and complexity of the Bank's business, ideal composition of Banca IFIS's Board of Directors requires at least 4 Members to be Independent Directors.

One of these Independent Directors is nominated by the Board of Directors as the Lead Independent Director who:

- Represents a reference point and coordinates the requests and contributions of the Non-executive Directors and, in particular, the Independent ones;

- Collaborates with the Chairman of the Board of Directors so as to guarantee that the Directors receive complete and timely information flows.

#### **2.3.4. Executive powers**

In order to ensure a higher level of efficiency and effectiveness in the Bank's actions, the Board of Directors has within it Executive Directors to whom specific proxies, duties and roles related to management of the Bank are assigned. The overall articulation of the powers of management and representation delegated by the Board of Directors to its Members is clearly defined and suitably officialised.

Likewise, the presence of a suitable number of Non-executive Directors with clearly defined tasks and duties, who carry out their role of counterbalancing Executive Directors and the Bank's own management effectively, favours internal dialectics within the Board and thus contributes to the taking of informed decisions. These Directors pay particular attention to areas where potential conflicts of interest may arise.

The number, competence, authority and availability in terms of time of these Executive Directors is such that it guarantees that their judgement carries significant weight in the Board of Directors' decision-making.

Non-executive Directors too, like their Executive counterparts, must possess and demonstrate suitable knowledge of the banking business, dynamics in the economic/financial system, financing legislation and regulations and, above all, control systems and risk management and control methods, as knowledge of these areas is essential for Board Members to be able to carry out the roles required of them effectively. These Directors enrich Board debates with the general strategic or specific technical know-how they have acquired outside the Bank.

To the above end, the majority of Directors sitting on Banca IFIS's Board of Directors must be non-executive. The Directors considered non-executive are those that:

- Have not been assigned proxies;
- Do not carry out, even by de facto, any activities related to management of the Bank.

#### **2.3.5. Limits to the number of offices held**

Every Board Member must be fully aware of the strategic role they hold, as well as of the powers and duties arising from this role. To ensure correct performance of their assignments and guarantee effectiveness in their role, Board Members must be able to devote adequate time and resources to their duties. Such availability must be greater for those Board Members who have been allocated specific executive assignments or those involved in the Board's internal committees.

Directors may accept the office of Member of the Board of Directors only when they believe that they are able to dedicate the necessary time to the diligent carrying out of their assignments, taking into account commitments connected to their own working and professional activities and the number of Board of Director or Board of Statutory Auditor offices they hold in other companies listed on regulated markets (even foreign) or in financial companies, banks, insurance companies or companies that are considered large enterprises.

Without prejudice to stricter limits that may be set by laws and regulations in force pro tempore - and, particularly, those concerning prohibition of interlocking directorates – Banca IFIS's Board

Members are bound to precise limits on the number of offices they may hold. To this end, the Annual General Meeting of 30 June 2009 approved regulations on the number of offices that can be held by key corporate officers which sets specific limits according to the role covered.

Specifically, these regulations adopted by the Bank state that an Executive Director, in addition to the position covered in the Bank:

- Cannot hold other Executive offices in companies that the regulations consider relevant due to their type or size;
- Can cover a maximum of 5 Non-executive Directorships or Statutory Auditorships in such companies.

A Non-executive Director, in addition to the position covered in the Bank, cannot hold more than 10 offices of Director or Statutory Auditor in companies that the regulations consider relevant due to their type or size. Of these 10, no more than 2 of these offices can be Executive positions.

### **Regulations governing the process of self-assessment by the Board of Directors**

In compliance with that laid down by the Provisions, the Board of Directors is required to assess its quantitative-qualitative composition on a periodic basis and to identify any corrective actions should the results of such self-assessment be less than ideal.

Banca IFIS has officialised the self-assessment process the Board of Directors is obliged to carry out in specific internal regulations – drawn up as per the Provisions – which set out:

- The methods and tools required to carry out the self-assessment process;
- The Bank's personnel responsible for conducting this process and any eventual referral to external professionals;
- A description of the different stages of the process (initial paperwork, processing the answers, analysis of the results, Board debate);
- Other aspects considered by this process.

These regulations were approved by the Board of Directors during the Meeting of 18 December 2014.

### **3. Self-assessment by the Board of Directors**

The Board of Directors is obliged to assess its qualitative-quantitative composition on a periodic basis in order to:

- Check that the Board of Directors works correctly and effectively and is suitably composed;
- Ensure compliance with the Provisions and alignment with the objectives these Provisions aim to achieve;
- Encourage updating of the internal regulations governing the Board's actions, so as to ensure their suitability, especially in the light of changes occurring as a result of evolution in the Bank and the business environment;
- Individuate the main weak points, promote discussion on these within the Board and identify the corrective actions to adopt;
- Reinforce collaboration and trust between individual Board Members and between strategic supervisory roles and those of corporate management;
- Encourage active participation by each Board Member, as well as ensuring full awareness of the specific role each covers and connected responsibilities.

## Optimum qualitative-quantitative composition of Banca IFIS's board of directors

Specifically, the self-assessment process aims to ensure that the Board of Directors contains an array of different competencies, that each Director is aware of the powers and duties they are called upon to perform, and that they dedicate time and resources commensurate to their office.

To this aim, each Director, on an annual basis, will see to filling in a specific questionnaire, the results of which will be set out in a report that illustrates:

- The methodology and the single phases making up the process;
- The parties involved, including any external experts that may be called upon;
- The results of the process, highlighting strong points and weak points;
- Any corrective action considered necessary.

This document, thus prepared, is further discussed in Board of Directors' Meetings with particular reference to any weak points and consequent action to be taken in order for the Board to be considered of optimal structure.

In this regard, it should be noted that during the Board Meeting of 19 January 2016, the Bank's Board of Directors approved the report on the self-assessment of the Board of Directors, the results of which have been taken into account when determining the optimal qualitative/quantitative composition of this Board, laid out in the present document.