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**REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES**

pursuant to art. 123-bis of the CFA  
(traditional administration and control model)

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***2013***

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# 1. Issuer profile

## Governance

Banca IFIS, listed in the STAR segment of the Italian Stock Exchange and parent company of the Banca IFIS banking group, applies the traditional administration & control model, believing it to be the best for its specific corporate reality to ensure efficient management and effective controls.

In the model applied by Banca IFIS:

- strategic supervision is performed by the Board of Directors;
- pending the review of the corporate governance project, the Body assigned a management function has been identified in the person of the C.E.O. The General Manager participates in the management function;
- control is performed by the Board of Statutory Auditors.

## Mission

The Banking group currently carries out its activities in the following operational areas:

- factoring, in Italy and abroad; abroad, this activity is carried out through the Parent company's internal structures (International Area) and through the subsidiary IFIS Finance; the financial assistance and credit management offer is mainly aimed at Small and Medium Businesses; the outright definitive purchase activity mainly concerns, instead, receivables due from providers of the Italian National Healthcare Service;
- purchase and management of distressed retail loans;
- purchase and management of tax receivables;
- online collection through the rendimax savings account and the contomax current account; although these tools do not represent a specific business line for the bank, they are fully entitled to be classified among the Parent company's operational segments thanks to the type of activity involved and the size of the collection.

Company treasury activities are complementary to the aforementioned ones; although their contents at certain times are especially significant, they do not alter the mission of the Banking Group, which continues to be aimed at providing financial assistance and credit management to Small and Medium Businesses.

## Corporate social responsibility

The Bank introduced by virtue of the Board resolution passed on 4 July 2003 and lastly updated on 20 September 2013, its Code of Ethics, which spells out the combination of the rights, duties and responsibilities of the Group's components as regards all parties with whom they have dealings in order to accomplish their corporate purpose (clients, debtors, suppliers, employees and/or external collaborators, Shareholders, vigilance bodies, institutions); it is therefore a directive with rules of

conduct that have to be kept in mind while carrying out daily operations, in compliance with the legislation and regulations in force in all countries where the Group operates. The Code establishes reference standards and rules of conduct designed to reinforce corporate decision-making processes and guide the conduct of all collaborators of the Group's companies. The Code of Ethics is available on the company website [www.bancaifis.it](http://www.bancaifis.it), in the 'Corporate Governance/Italian Leg. Decree 231/2001' section.

## 2. Information on shareholding structure

(as per Art. 123-bis, para. 1, CFA) as at 31/12/2013

### a) Structure of share capital *(as per Art. 123-bis, para. 1, letter a), CFA)*

As at 31 December 2013, subscribed and paid-in share capital totalled 53.811.095,00 Euro, divided into 53.811.095 ordinary shares of the par value of 1,00 Euro each, as shown in the following table:

*Share categories forming share capital as at 31 December 2013:*

STRUCTURE OF SHARE CAPITAL	No. of shares	% of share capital	Listed (market) / unlisted	Rights and obligations
Ordinary shares	53.811.095	100%	Listed (on MTA – Milan electronic equity market)	Each ordinary share attributes the right to one vote

As at 31 December 2013 there were no other financial instruments outstanding attributing the right to subscribe newly issued shares.

As at 31 December 2013, there were no share-based incentive plans.

### b) Restrictions on security transfer *(as per Art. 123-bis, para. 1, letter b), CFA)*

There are no restrictions on security transfer.

### c) Significant shareholdings *(as per Art. 123-bis, para. 1, letter c), CFA)*

As at 31/12/2013, it resulted from communications made pursuant to article 120 of the CFA and from communications made by relevant subjects pursuant to Article 152 *octies* of the Issuers' Regulation that the following subjects possess, directly or indirectly, shares with voting rights representing more than 2% of share capital:

Declarant	% of share capital	Direct Shareholder	Possession status
FÜRSTENBERG SEBASTIEN EGON	56,680	La Scogliera S.p.A.: 56,667	Ownership
		Fürstenberg Sebastien Egon:0,013	Ownership
		Total: 56,680	
INTESA SANPAOLO S.P.A. (1)	2,710	Cassa di Risparmio del Veneto S.p.A.: 1,983	Pledge
		Banca Fideuram S.p.A.: 0,002	Pledge
		Banco di Napoli S.p.A. 0,004	
		Intesa Sanpaolo S.p.A.: 0,720	Pledge
Total 2,710			
PREVE RICCARDO	2,313	Preve Costruzioni S.p.A.: 2,156	Ownership
		Preve Riccardo: 0,157	
		Total 2,313	
BOSSI GIOVANNI	3,417	Bossi, Giovanni	Ownership

<sup>(1)</sup> The percentages declared by Intesa Sanpaolo S.p.A. as per Article 120 CFA can be fully attributed to pledges held by this banking group. According to the declaration received from Banca IFIS, no. 1.065.447 shares, equal to 1,980%, are in pledge at Cassa di Risparmio del Veneto S.p.A., and are owned by Alchimia S.p.A. which, moreover, has no voting rights only in the case of extraordinary Shareholders' meetings (subject to waiver of the pledge holder).

It is appropriate to point out that:

- the activity of the investment holding company La Scogliera S.p.A. is limited to holding its only significant equity investment consisting of the controlling interest in Banca IFIS S.p.A.;
- even though it is the majority Shareholder, La Scogliera S.p.A. does not perform any management and coordination activity vis-à-vis Banca IFIS S.p.A.;
- the corporate purpose of La Scogliera S.p.A. expressly excludes management and coordination of the financial companies and banks in which it owns equity interests.

#### **d) Securities granting special rights** (as per Art. 123-bis, para. 1, letter d), CFA)

No securities have been issued that grant special rights of control.

#### **e) Employee equity participation: mechanism for exercising voting rights** (as per Art. 123-bis, para. 1, letter e), CFA)

Any employees holding shares of the Company exercise their Shareholder rights in the same ways as other Shareholders.

#### **f) Restrictions on voting rights** (as per Art. 123-bis, para. 1, letter f), CFA)

The Company is not aware of the existence of restrictions on voting rights, with the sole exception of pledging to a bank of part of the equity interest held by a Shareholder owning a non-controlling interest, as specified earlier in paragraph c) Significant shareholdings.

### **g) Shareholder agreements** (as per Art. 123-bis, para. 1, letter g), CFA)

The Board of Directors of Banca IFIS S.p.A. is not aware of the existence of agreements between the Company's Shareholders as defined by Article 122 of the CFA.

### **h) Change-of-control clauses** (as per Art. 123-bis, para. 1, letter h), CFA) **and statutory provisions on takeover bids** (as per Arts. 104, para. 1-ter, and 104-bis, para. 1).

Neither Banca IFIS S.p.A. nor its subsidiary IFIS Finance Sp. z o.o. have concluded significant agreements that take effect, are modified or lapse if change of control of the contractual party occurs.

The Articles of Association of Banca IFIS S.p.A. do not contravene the passivity rule laid down by Article 104, paragraphs 1 and 2, of the CFA nor do they envisage the application of the neutralisation rules laid down by Article 104-bis, paragraphs 2 and 3, of the CFA.

### **i) Delegations of power to increase share capital and authorizations to buy treasury shares** (as per Art. 123-bis, para. 1, letter m), CFA)

#### **i.1) Capital resolved and not subscribed; delegation of authority to the Board of Directors to increase share capital**

As at 31 December 2013, the Board was not empowered to increase share capital pursuant to Article 2443 of the Italian Civil Code, i.e. to issue equity securities.

#### **i.2) Treasury shares**

The Ordinary Shareholders' Meeting of 30 April 2013 authorised the purchase and sale of treasury shares, pursuant to Article 2357 et seq. of the Italian Civil Code, as well as Article 132 of Legislative Decree no. 58/98. The essential characteristics of the resolution are as follows:

- 'Reserve for future buyback of treasury shares' up to the maximum amount of 20.000.000,00 Euro gross of the part already used;
- maximum number of shares that can be purchased: not more than one fifth of share capital, taking into account for this purpose also the shares owned by subsidiaries, and whose total purchase amount is covered by the 'Reserve for future buyback of treasury shares';
- duration of authorization: 18 months;
- minimum purchase price: 2 Euro;
- maximum purchase price: 20.00 Euro;
- minimum selling price: not less than 80% of the reference price recorded in the trading session of the market where the stock is listed on the day before execution of the sale.

The number of treasury shares held as at FY2013 year-end totalled no. 1.083.583, accounting for 2,014% of share capital.

The Board intends to propose to Shareholders renewal of authorization to the buyback of treasury shares pursuant to arts. 2357 and thereafter of the Italian Civil Code.

## **I) Management and coordination activity** (as per Arts. 2497 and thereafter of the Italian Civil Code)

Even though it is the majority Shareholder, La Scogliera S.p.A. does not perform any management and coordination activity in Banca IFIS S.p.A. In this regard, it should be noted that the corporate purpose of La Scogliera S.p.A. expressly excludes management and coordination of the financial companies and banks in which it owns equity interests.

Note that:

- the information required by Article 123-bis, paragraph 1, letter i) (*'agreements between the company and directors .... entailing indemnities in the event of resignation or dismissal without just cause or if the employment relationship ceases following a takeover bid'*), can be found in the Remuneration Report published pursuant to Article 123-ter of the CFA;
- the information required by Article 123-bis, paragraph 1, letter l) (*'rules applicable to the appointment and substitution of directors ... as well as the amendment of the Articles of Association, if different from additional legislative and regulatory rules applicable'*), are illustrated in the section of the Report dedicated to the Board of Directors (Section 4.1).

## **3. Compliance** (as per art. 123-bis, para. 2, letter a), CFA)

Banca IFIS S.p.A. complies with the Corporate Governance Code of listed companies approved in 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., as lastly updated in December 2011.

The Corporate Governance Code is accessible to the public on the website of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

The Corporate Governance structure of Banca IFIS is not influenced by non-Italian laws.

IFIS Finance Sp. z o.o., a factoring company wholly owned by the Issuer, is a Polish legal entity and is therefore subject to Polish legislation. This however, also because of the subsidiary's limited size in relation to the Parent company, in no way affects the Corporate Governance structure of Banca IFIS S.p.A.

## **4. Board of directors**

### **4.1. Appointment and substitution** (as per Art. 123-bis, para. 1, letter l), CFA)

Members of the Board of Directors are appointed on the basis of lists presented by Shareholders. Candidates are listed in sequential order and their number in any case must not exceed the maximum number of members established by the Articles of Association (fifteen).

Only Shareholders who, alone or together with others, own at least 1% of ordinary shares at the time of submittal have the right to submit lists. A lower ownership threshold is possible and – by



virtue of current legislation – it must be indicated in the notice convening the Shareholders' Meeting called to vote on appointment of the members of the Board of Directors.

One individual Shareholder may not submit or vote for more than one list, including via proxies or trustee companies. Shareholders belonging to the same group and Shareholders who are parties to a Shareholders' agreement in respect of the issuer's share capital may not submit or vote for more than one list, including via proxies or trustee companies. Individual candidates may only be featured on one list, otherwise they shall become ineligible.

The lists must be submitted to the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting in first call, and must be made available to the public at the Company registered office, on the Company's website and according to other methods provided for by regulations in force at least twenty-one days prior to the date set for the Shareholders' meeting in first call.

The ownership of the minimum number of shares needed for presentation of the lists is determined by taking into account the shares recorded in favour of the individual Shareholder or multiple Shareholders jointly on the day in which the lists are submitted to the company. In order to substantiate the ownership of the number of shares necessary for presentation of the lists, Shareholders may exhibit the relevant certification, even subsequent to the submission of the lists, provided it is within the term set for publication of the lists by the Company.

The lists must be accompanied by:

- information relating to the identity of Shareholders who have presented lists, stating the percentage of shares held as a whole;
- a declaration by Shareholders other than those who own, also jointly, a controlling or relative majority interest, certifying the absence of connections with the latter, as indicated in Article 147-ter of the CFA and Article 144-quinquies of the Consob Issuers' Regulation;
- exhaustive information on candidates' personal and professional characteristics, as well as by a declaration by the candidates themselves certifying possession of the requirements established by law and acceptance of their candidacy.

Candidates who do not meet the requirements of integrity, professionalism and independence established by Article 26 of Legislative Decree no. 385/1993 (CBA – Consolidated Banking Act) cannot be included in lists. In addition, each list must indicate:

- at least two candidates meeting the requirements of independence established both by the Corporate Governance Code for Listed Companies prepared by Borsa Italiana S.p.A. and by Article 148, paragraph 3 of Legislative Decree no. 58/1998. These candidates must be positioned, on the list, in the first four positions of the sequential order;
- a number of candidates belonging to the least represented gender, equal to at least one third.

The list failing to observe the above rules will be considered not to have been submitted, except for those lists that include a number of candidates that is less than three.

Board members are elected as follows:

- 1) all directors except one are elected, according to the sequential order with which they are indicated on the list, from the list obtaining the highest number of votes at the Shareholders' Meeting;

2) one director is elected from the list obtaining the highest number of votes at the Shareholders' Meeting and that, pursuant to Article 147-ter, paragraph 3, of the CFA is in no way connected, not even indirectly, with the Shareholders who submitted or voted for the list that came first in terms of the number of votes.

In case such selection criteria fail to ensure proper balance between genders to the extent established by the law from time to time, a sliding mechanism is applied to the selection from the list which obtained, during the Shareholders' Meeting, the highest number of votes based on the consecutive order with which the candidates are indicated. Such mechanism excludes the candidate or candidates of the more represented gender and reselects the candidate or candidates of the missing gender.

If just one list of candidates is submitted, the names indicated on that list will be elected as members of the Board of Directors, up to the number of directors to be elected less one, who shall be elected by the Shareholders' Meeting there and then, based on a simple majority but excluding from the vote the Shareholders who submitted the single list, and based on the proposal of the Shareholders not excluded from the right to vote.

In any case, at least two members of the Board of Directors must meet the independence requirements established both by the Corporate Governance Code for Listed Companies prepared by Borsa Italiana and by Article 148, paragraph 3 of Legislative Decree no. 58/1998.

If, during the year, fewer than two directors are found to meet such requirements, the Board will resolve the lapse of one or of two of its members who have ceased to meet such requirements, based on a criterion of shorter tenure, or, in the case of equal tenure, or lower age, and will co-opt one or two independent members. For any substitution of Board members, without prejudice to the case of cessation of all Directors, legal provisions hold good, without application of the list vote.

The laws in force, without the involvement of list voting, shall govern any replacement of Directors, except in cases involving the termination of all Directors.

In the event of cessation of the director elected from the list that obtained the highest number of votes at the Shareholders' Meeting and that, pursuant to Article 147-ter, paragraph 3 of the CFA is in no way connected, not even indirectly, with the Shareholders who submitted or voted for the list that came first in terms of number of votes, the Board will first check the continued availability of the candidates listed in the list, according to the latter's sequential order, and will co-opt members based on this criterion of preference.

In case of termination of a director belonging to the least represented gender, the co-opted director shall in any event belong to the same gender.

## **Succession Plans**

The Board of Directors has resolved to not adopt a succession plan for executive directors in light of interchangeability for purposes of ordinary management between the CEO and the General Manager.

## 4.2. Composition (as per Art. 123-bis, para. 2, letter d), CFA)

The composition of the Board in office as at FY2013 year-end, as shown also in Table 2 attached to this Report, was as follows:

- Sebastien Egon Fürstenberg (Chairman of the Board of Directors);
- Alessandro Csillaghy (Deputy Chairman of the Board of Directors; Executive Director);
- Giovanni Bossi (CEO);
- Giuseppe Benini (Lead Independent Director);
- Francesca Maderna (Independent director)
- Andrea Martin;
- Marina Salamon;
- Riccardo Preve;
- Daniele Santosuosso (Independent director).

The Shareholders' Meeting that appointed the Board took place on 30 April 2013. Two lists were submitted: one by the majority Shareholder 'LA SCOGLIERA S.p.A.' and one by the Shareholders of 'Ersel Asset Management SGR S.p.A. Fund Manager of Fondersel P.M.I.; Eurizon Capital SGR S.p.A. Fund Manager of Eurizon Azioni PMI Italia; Eurizon Capital SA Fund Manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. Fund Manager of Fideuram Italia; Fideuram Gestions SA Fund Manager of Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav Fund Manager of Interfund Equity Italy and Otus Capital Management Limited Fund Manager of Maga Smaller Companies Master Fund Limited' (which certified the absence of connections with the controlling Shareholder).

Below we show, for both of them, the list of candidates, the list of those elected and the percentage of votes obtained in relation to voting capital:

List submitted by the majority Shareholder 'LA SCOGLIERA S.p.A.'		
List of candidates	List of those elected	Percentage of votes obtained
Sebastien Egon Fürstenberg	Sebastien Egon Fürstenberg	80,38%
Alessandro Csillaghy	Alessandro Csillaghy	
Giovanni Bossi	Giovanni Bossi	
Giuseppe Benini	Giuseppe Benini	
Francesca Maderna	Francesca Maderna	
Andrea Martin	Andrea Martin	
Riccardo Preve	Riccardo Preve	
Marina Salamon	Marina Salamon	
Lorenza Danzo		

List submitted by the Shareholders 'Ersel Asset Management SGR S.p.A. Fund Manager of Fondersel P.M.I.; Eurizon Capital SGR S.p.A. Fund Manager of Eurizon Azioni PMI Italia; Eurizon Capital SA Fund Manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. Fund Manager of Fideuram Italia; Fideuram Gestions SA Fund Manager of Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav Fund Manager of Interfund Equity Italy and Otus Capital Management Limited Fund Manager of Maga Smaller Companies Master Fund Limited'

List of candidates	List of those elected	Percentage of votes obtained
Daniele Santosuosso	Daniele Santosuosso	3,83%

Below we show a summary of the personal and professional characteristics of each director in office as at the end of the 2013 financial year (pursuant to Article 144-*decies* of the Consob Issuers' Regulation) based on the declarations provided by each of them and attached to the lists, as well as on any subsequent updates notified by those concerned.

### **Chairman of the Board of Directors – Sebastien Egon Fürstenberg**

Sebastien Egon Fürstenberg has been active in the factoring sector for over 25 years. In 1983 he founded the company I.Fi.S. S.p.A. – Istituto di Finanziamento e Sconto (now Banca IFIS S.p.A.).

As from 1992 he was the Sole Director and, as from 2 February 2009, Chairman of the Board of Directors of La Scogliera S.p.A., a company whose purpose is to purchase, manage and sell investments in banks and financial companies and which holds the majority equity interest in Banca IFIS S.p.A..

### **Deputy Chairman – Alessandro Csillaghy**

Alessandro Csillaghy has been the Bank's Deputy Chairman since 1996, performing an executive role to develop the Bank's presence abroad, by means of contacts with local institutions and foreign entrepreneurs designed to further Banca IFIS's foreign commercial business.

In particular, he has set up representative offices in Central Europe in Bucharest and Timisoara in Romania and in Budapest in Hungary. He is the head of the Budapest representative office and, as from April 2010, he was the officer in charge of the Paris branch up until its closing (30 September 2012). Since 2011, he has been Chairman of the Board of Directors of the subsidiary IFIS Finance Sp. Z o.o, a factoring company in Poland.

### **Chief Executive Officer – Giovanni Bossi**

A graduate in Economics & Commerce and a licensed professional accountant, Giovanni Bossi has been registered in the Italian public register of approved statutory auditors since 1992. In the past he has taught at the faculty of Finance Science and Law at Rome's Luiss University.

As a self-employed professional he provided consulting services to industrial and financial groups, also controlled by European public companies, located in Northern Italy, as well as to Italian

companies in relation to the design and development of industrial and financial activities in East European countries.

Since May 1995, he has been the CEO of the Issuer. He was also CEO and then Member of the Board of Directors of La Scogliera S.p.A., office from which he resigned on 20 November 2012.

## **Giuseppe Benini**

He holds a degree in Economics and Business Administration from the Università degli Studi di Padova and has been enrolled since 1986 in the Association of Certified Public Accountants of Verona (section A) and in the Register of Accounting Auditors. He works as Certified Public Accountant and Auditor and has acquired significant experience in:

- legality check and accounting check;
- organization models (Italian Law Decree 231/2001) for banking, industrial and service companies;
- corporate restructurings as per articles 67 and 182 of the Italian Bankruptcy Law.

He assists leading national banks as a party-appointed consultant in matters such as claw-backs, anatocism and usury.

## **Director – Francesca Maderna**

She graduated in Economics and Business Administration in 1988 and has been registered with the Association of Certified Public Accounts of Belluno since 1990 and with the Italian Register of Legal Auditors under no. 33675 since 1995.

She currently holds the following offices: Sole Director of Immobiliare del Nord S.p.A, a property asset management company, Sole Director of Vitanova S.r.l., a leisure-boat charter company, and Member of the Board Directors of Clinica Mediterranea S.p.A..

She has also held the office of Director in various companies operating in the hollow glass sector (AVIR Group).

## **Director – Andrea Martin**

A graduate in Economics & Commerce, Andrea Martin is registered with the Venice orders of Labour Consultants and of Professional Accountants & Accounting Experts; since 1986 he's registered with the register of statutory auditors. Since 1993 he is registered in the central list of expert auditors for fiduciary and audit firms.

He has performed consulting services for some provincial associations of Veneto manufacturers, as well as for their consortia and service companies, for the Venice Public Prosecution Department for bankruptcy and corporate crimes, and has followed numerous creditor arrangement procedures. He has held offices as chairman, deputy chairman, Executive Committee member and internal statutory auditor of banks, financial and tax-collection entities. He has also been an external auditor for various public entities and public and private cultural foundations.

He currently holds office as a member of the Board of Statutory Auditors of various public entities, companies and foundations.

### **Director – Preve Riccardo**

A sociology graduate, in 1980 Riccardo Preve founded Preve Costruzioni S.p.A., an infrastructure construction company in the public works sector that controls other road signage and construction.

He operates heavily in the real estate field and has invested in the photovoltaic sector.

He currently covers the following offices: President, C.E.O. and Technical Director in different industrial companies, and he is a member of the Confindustria Council of Cuneo.

He previously acquired a longstanding experience in various financial companies and was President of Banca di Credito Cooperativo.

### **Director – Marina Salamon**

With a university degree in history (specialization in economic history), in 1982 Marina Salamon founded Altana S.p.A. one of the foremost European medium/high-end children's apparel companies.

She controls Doxa S.p.A, Doxa Marketing Advice S.r.l., Connexia S.p.A., Duepuntozero Research S.r.l. and Doxa Metrics S.r.l.: these are some of the major Italian companies in the market research and web communication sector. The group also has minority interests in the companies The Visual Agency S.r.l. and Doxa Pharma S.r.l..

All entrepreneurial and financial undertakings are headed by the holding company Alchimia S.p.A., wholly owned, which is strongly present also in the real estate sector. Alchimia S.p.A. has also invested in the photovoltaic sector, through the construction or acquisition of solar parks in various Italian locations.

### **Director – Daniele Santosuosso**

After obtaining his degree in Commercial Law, Mr. Santosuosso embarked on an academic path initially as a scholar and visiting fellow at various universities abroad. He then became an associated researcher in Commercial Law at 'La Sapienza' University in Rome and, lastly, Associate Professor and then Full Professor in Commercial Law at the same university. He is the author of many papers, articles, essays and books, as well as a member of and cooperates with certain scientific publications, including the Italian newspaper Il Sole 24 Ore; he is also the founder and director of 'Rivista di diritto societario' (Corporate law Review). He has been a member of the Bar Association since 1992 and has held various institutional and corporate management posts.

As specified in section 4.3 of this report, on 20 February 2014, the Board of Directors performed an overall assessment of the corporate governance and of its own composition. The practices adopted for the convening and functioning of the Board of Directors were the object of different considerations, which led to an update of the relevant Regulations during the session held on 29th January 2014.

The commitment also continues to constantly update documentation and regulations pertaining to corporate governance, including with reference to the evolution of the reference legislative framework (corporate governance project).

Other ideas for improvement may come up during the course of the office of the current corporate Bodies (which is set to expire with approval of the financial statements for the 2015 period) on the functional efficacy of the adopted corporate governance system in relation to the capital composition, strategic prospective, size, operational complexity and type of activity carried out by the Bank and by the group.

Said ideas will be useful to provide suitable indications to the shareholders in view of the upcoming appointments.

## **Maximum number of offices held in other companies**

The 'Regulation on the maximum total number of offices that can be held by company officers' was approved by the Shareholders' Meeting on 30 June 2009.

This Regulation first of all establishes that:

*'The officers of Banca IFIS S.p.A. accept office and maintain it insofar as they believe themselves able to dedicate the necessary time to diligent performance of their tasks, taking into account both (a) the number and the quality of offices held in the management and control bodies of other companies and (b) the commitment required of them by their further professional activities and by association appointments held'.*

For the purposes of calculation of the limits on the maximum total number of offices governed by the 'Regulation', the following items are relevant:

- a) companies with shares listed in Italian or foreign regulated markets;
- b) Italian or foreign companies, with shares not listed in regulated markets and that operate in the insurance and banking sectors and in the financial sector in general. As regards the latter sector, the only financial companies relevant are those subject to prudential supervision by the Bank of Italy and registered in the specific list indicated in Article 107 of Legislative Decree no. 385/1993. In the case of foreign companies, an evaluation of substantial equivalence is performed;
- c) 'companies of significant size' ('companies of significant size' are those that have individual Shareholders' equity of at least 100 million Euro based on the last approved set of annual accounts).

Conversely, offices held within the Banca IFIS Group or in companies other than those listed above, do not count.

In the Regulation, the term 'executive offices' means the following offices:

- CEO
- General Manager
- Member of the Management Board
- Member of the Executive Committee

The term 'Non-executive or control director offices', on the other hand, means the following offices:

- Member of the Board of Directors without proxies



- Standing member of the Board of Statutory Auditors
- Member of the Supervisory Board.

In addition to the office held at the Bank, an executive director:

- cannot hold other executive offices in the companies identified, in terms of type or size, as relevant for the purposes of the Regulation;
- can hold up to a maximum of 5 (five) offices as non-executive director or statutory auditor in such companies.

In addition to the office held at the Bank, a non-executive director cannot hold more than 10 (ten) offices as director or statutory auditor, of which not more than 2 (two) executive offices, in other companies identified, in terms of type or size, as relevant for the purposes of the Regulation.

Candidates for appointment as Director or Statutory Auditor of Banca IFIS S.p.A. must provide the Bank with an updated statement of the management, direction and control offices held by each of them.

Following their appointment, the Company's Directors and Statutory Auditors promptly notify the Corporate Affairs Department of Banca IFIS S.p.A. of any changes affecting the offices held by them in the management and control bodies of other companies.

The Board of Directors of Banca IFIS S.p.A. has the authority to accord possible exceptions, also temporary, to the maximum limit in the Regulation. At the time of writing of this Report, no such exceptions had been accorded.

As part of the submittal of the lists for the appointments made by the Shareholders' Meeting on 30 April 2013, all candidates declared – when accepting their candidacy and possible appointment – that they had perused the 'Regulation' and checked that they did not hold a number of offices in other companies exceeding the related limits.

No significant changes in this respect were notified subsequent to appointment.

Offices held by Directors of Banca IFIS S.p.A. as at 31 December 2013 in the management and control bodies of other companies 'relevant' for the purposes of the said Regulation, based on the information provided by those directors, were as follows:

Members	Office held in Banca IFIS	Offices held in other companies
Sebastien Egon Fürstenberg	Chairman	--
Alessandro Csillaghy	Deputy Chairman	--
Giovanni Bossi	C.E.O.	--
Giuseppe Benini	Director	--
Francesca Maderna	Director	--
Andrea Martin	Director	--
Riccardo Preve	Director	--
Marina Salamon	Director	Point c) IIIY SpA (Director)
Daniele Santosuosso	Director	--



## Induction Programme

During the course of 2013, no induction initiatives aimed at directors were carried out, specifically due to the satisfactory level of skills and professionalism also confirmed by the self-assessment conducted during the month of February 2014 which entailed the administration a questionnaire that included the formulation of opinions on the knowledge of the Issuer's sector of business.

### 4.3. Role of Board of Directors (as per Art. 123-bis, para. 2, letter d), CFA)

During FY2013, 18 meetings of the Board of Directors were held, each lasting about 3 hours on average. Percentage attendances are shown in Table 2 attached to this Report.

Since the beginning of 2014 up to the date of approval of this Report, four Board meetings have been held, including the one during which the Report was approved. The number of Board meetings in 2014 is expected to be higher compared to last year.

In fulfilment of the obligations established, for listed issuers, by Article 2.6.2 of the Market Regulation of Borsa Italiana S.p.A., the Board of Directors annually approves the Corporate Events Calendar, to be notified to Borsa Italiana, for disclosure to the public, within the deadline of 30 (thirty) days after the end of the previous corporate financial year.

In particular, the Calendar specifies, within the framework of Board meetings established for the new financial year, the dates fixed for the approval of draft financial statements, interim financial report and quarterly reports, as well as the date scheduled for the Shareholders' Meeting for the approval of the financial statements.

The 'Regulations for convening and functioning procedures of Board of Directors' Meetings', whose latest update was made on 29 January 2014, establishes that:

- the documentation supporting discussion of agenda items is sent by e-mail or fax, or saved in the shared network folder made available to each Director and Statutory Auditor by the end of the third working day before the date fixed for the meeting, without prejudice to urgent cases when documentation is made available by the end of the day before the meeting and in any case as soon as possible;
- such documentation is sent or made available, on the Chairman's order, by the Bank's Corporate Affairs Department;
- when the Chairman deems it advisable in relation to the contents of the topic and related resolution – also in order to avoid abusive disclosure of confidential information, made possible by the means of communication instruments used quite apart from the intentions of those concerned – the briefing documentation can be provided directly at the meeting, advising Directors and Statutory Auditors of this beforehand by the deadline indicated above so that, if they deem it appropriate, they can in any case have access to the information at the Company's registered office by the end of the day before the meeting and in any case as soon as available.

The methods and terms for sending the documentation to the Board as described above were usually complied with during the course of 2013.

The evaluations which emerged during the self-assessments of the Board of Directors held on 20 February 2014 concerning the planning of the Board's meetings, the comprehensiveness of the

agenda and the contents of the informative note conveyed prior to the meetings, as well as the participation in said meetings and the precision of the minutes drawn up are considered satisfactory as a whole.

Pursuant to the Articles of Association, Board meetings are attended by the General Manager with consultative functions. In addition, pursuant to the aforesaid 'Regulation', the Chairman can invite to attend Board meetings managers or other employees of the Company or other parties or external advisors, whose presence is deemed useful by the Chairman in relation to the matters to be addressed. During 2013, meetings were also attended by the Corporate Accounting Reporting Officer and by the employees called to act as secretary. There was also occasional attendance by the Heads of the Customer Area and of the Debtor Area, to aid the Board in the assessment of some assignment dossiers, as well as by the Head of the Organization & Information Systems Area, the Chief Risk Officer and the Head of Planning and Management Control Area when topics addressed concerned related activities and responsibilities. Lastly, the Internal Audit Officer and the Compliance and Anti-Money Laundering Officer directly illustrate their reports and work plans to directors, in accordance with the current supervisory regulation enacted by the Bank of Italy.

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Pursuant to Article 14 of the Articles of Association, besides the attributions that, mandatorily, cannot be delegated, the matters reserved to the exclusive prerogative of the Board of Directors include:

- adaptations of the Articles of Association to regulatory requirements;
- strategic guidelines and operations as well as business and financial plans of the Group;
- purchase and disposal of equity investments, companies and/or company branches leading to changes in the group or investments or disinvestments exceeding 1% (one percent) of the Shareholders' equity reported in the Company's latest financial statements approved.

On the basis of strategic indications, dimensional objectives and additional qualitative-quantitative elements of the Industrial plan, the ICAAP Report and the related Risk Policies are prepared every year and approved by the Board of Directors. The last version of said documents was approved by the Board of Directors during the meetings held on 10 and 29 April 2013 respectively based on an intense preliminary investigation activity carried out by the Risk Management Function.

The Board assesses the overall trend of operations at least once every three months, specifically during the analysis of the Financial Reports required by art. 154-ter of the CFA and upon receiving a quarterly informative note to the company's top management (*tableau de bord*) prepared by the *Risk Management* Function which summarizes, from time to time, the overall trend of operations both in terms of results and risk taken; in said document, the main parameters are examined from an objective/final balance/deviation standpoint and in terms of the resulting impacts with regards to management manoeuvres.

Hence, the Board of Directors can monitor the implementation of strategic orientations and the trend of the risk indicators identified with the relevant 'Policies', in a systematic and structured manner through said document.

The Board assesses on an ongoing basis, as part of its handling of matters for which it is responsible, the appropriateness of the Bank's organizational, administration and general

accounting set-up. In particular, during 2013, it updated the General Regulations of the Bank and the Group Regulations. The version in force of these Regulations was approved by the Board of 29 January 2013. On 17 July 2013, as specified in Section 12 (Directors' Interests and related-party transactions), the Board approved the new 'Procedure for associated-party transactions'. The control model is calibrated according to the risk priorities characterizing the Bank's core management. Each year, a document on risk-management policies that identifies procedures for performing related controls is submitted to the Board of Directors for approval.

The Banca IFIS Group is currently composed of the Parent Company Banca IFIS S.p.A. and the wholly owned subsidiary IFIS Finance Sp. z o.o. - a factoring company located in Poland. Even though this company's total contribution to consolidated turnover is extremely minor, Banca IFIS S.p.A. has equipped itself with some governance and control governance tools to set relations with the subsidiary in an appropriate frame work. It is constantly working to refine these tools for accomplishing a single overall entrepreneurial design, also as regards the Internal Audit and risk management system and management of conflicts of interest; Banca IFIS S.p.A. further refined those tools when it consolidated the former Toscana Finanza Group.

Pursuant to the provisions of the Articles of Association highlighted earlier, the Board has the prerogative of prior review and approval of the transactions of the Issuer and its subsidiaries, when such transactions are of significant importance in strategic, economic, equity or financial terms. In such cases the following procedure is applied: the Board of Directors gives a mandate to the CEO to perform a feasibility study of the transaction, in order to assess its risks and opportunities. This study must contain all the parameters necessary to permit knowledgeable decision-making by the Board of Directors. The Board, after having reviewed the feasibility study, can either approve the transaction or ask for further in-depth analysis.

The Board has not established general criteria to identify transactions of significant strategic, economic, equity or financial importance for the Bank. The reason is due to the fact that the present arrangement of the Banca IFIS Group's governance documentation (with special reference to documents concerning strategic planning and risk policies) already performs this function, including, at any given time, significant transactions.

The Board examined the issue of general criteria to identify transactions with associated parties of significant strategic, economic, equity or financial importance for the Bank when it approves the 'Procedure for associated-party transactions' mentioned earlier.

The Board of Directors, as referred to in the previous Report on corporate governance and ownership structure, had carried out, during the meeting held on 21 February 2013, and also in light of the provisions and instructions provided by Bank of Italy, an evaluation on the functioning of the Board and its Committees as well as on their size and composition.

This evaluation was carried out taking into account the usual elements, such as the professional characteristics, experience, including of a managerial nature, and general experience of its members, as well as their seniority in office, including with a view to draw up the guideline to be expressed to the shareholders on those figures whose presence in the Board is deemed appropriate.

From the standpoint of the methods used in 2014, it is useful to remember that:

- at the time of the self-assessment, conducted during the meeting held this past 20th February, Bank of Italy's newly issued regulations on the subject of organization and

corporate governance of Banks had yet to be applied (such as, for example, the obligation for a bank to equip itself with a formalized process and to resort to an external consultant at least once every three years).

- considering the satisfactory results of the evaluation carried out last year, the annual evaluation of 2014 was therefore performed through the administration to the directors of an equivalent questionnaire without referring to external consultants.

The questionnaire consisted of 39 questions, subdivided into the following six thematic areas:

- 1) Size and composition of the Board of Directors
- 2) Role of the Board of Directors
- 3) Competences (qualitative composition)
- 4) Functioning of the Board of Directors
- 5) Degree of involvement of the Board of Directors in the definition of risk propensity and on suitable information in risk performance
- 6) Information flows and circulation of information.

The questions contained in the questionnaire required the answer to be supplied, on the basis of consolidated international practices, on a gradual rating scale, where 1 represented the best opinion and 5 the worst. As a whole, the answers to the questionnaires photograph an extremely positive self-assessment, as they are mainly positioned on the first two levels of the rating scale.

In particular, as regards the qualitative-quantitative composition of the Board of Directors, it seems advisable to preliminarily point out that:

- the Chairman Sebastien Egon Fürstenberg is also the majority Shareholder and is responsible for promoting internal discussion, supervising the organisation of the Board's work and the circulation of information, while the Lead Independent Director, Giuseppe Benini, represents a reference and coordination point for requests and contributions of non-executive, and in particular, independent directors, for the purpose of improving the operation of the Board;
- the CEO Giovanni Bossi has the experience and expertise necessary for fulfilling many of the 'types of operations' indicated below.

Below please find the comparison schedule which emerged from the self-assessment process carried out in 2013 between the requirements of professionalism and competences deemed necessary for purposes of the optimal qualitative-quantitative composition for the described Group's operational areas and the actual composition of the Board of Directors.

Type of operations	Directors present
The Group's core business in the factoring field leads us to consider useful the presence of professional figures coming from the entrepreneurial world.	Francesca Maderna Riccardo Preve Marina Salamon
The current and future development of the factoring business at the international level makes advisable the presence of people who know foreign markets and how to deal with the structures to be found in such markets.	Alessandro Csillaghy
The specific aspects of factoring also lead us to consider advisable the presence of people with significant legal knowledge of the sector.	Leopoldo Conti
Operations involving the collection, utilisation and management of liquidity entails the need for specific experience and expertise in financial matters.	Andrea Martin
At least one member (of the Remuneration Committee) must be in possession of adequate knowledge and experience in financial matters or remuneration policies.	Andrea Martin
At least one member (of the Control and Risks Committee) must be in possession of adequate experience in accounting and financial matters or risks management.	Andrea Martin

The aforementioned schedule with no indication of the names was then made available to the shareholders as part of the 'Directors' explanatory report on proposals concerning the items on the agenda' pursuant to art. 125-ter of the CFA.

With regards to the Board of Statutory Auditors, the previous members possessed an appreciable variety of skills and significant professionalism, in both professional and academic areas (in the corporate, financial, fiscal and budget areas).

The qualitative-quantitative composition of the Board (nine members at the time of the Board's appointment and eight after the resignation handed in by Mr. Cravero during the course of 2012) was deemed excellent at the time, just like the composition of the Board of Statutory Auditors, including in view of the guidelines to be expressed to the shareholders, for purposes of submitting lists of candidates for the renewal of corporate offices, on figures whose presence in the Board is considered advisable.

The checks carried out by the Board of Directors during the sessions held on 30th May and 17th July 2013 concerning the possession of the professionalism requirements referred to in the regulations in force, the verification concerning the possession (also prescribed by the Articles of Association) of the independence requirements set out by both the Self-regulation Code of Listed Companies issued by Borsa Italiana S.p.A and by art. 148, paragraph 3 of Italian Leg. Decree no. 58/1998 for a minimum number of directors, and the absence of any of the obstructive situations listed by the regulations in force, explicitly indicating the verification concerning the absence of offices in competing companies or groups of companies (i.e., 'interlocking ban') confirm that the

qualitative-composition resulting from the appointment process followed during the Shareholders' Meeting held on 30th April 2013 is consistent with the composition deemed optimal ex ante.

The practices carried out for the convening and functioning of the Board of Directors were the focus of many discussions, which led to the update of the relevant Regulations during the session held on 29th January 2014.

The commitment also continues to constantly update the corporate governance documentation and/or regulations, including in connection with the evolution of the reference legislative framework (corporate governance project).

Other ideas for improvement may come up during the term of office of the current corporate Bodies (which is scheduled to expire with approval of the financial statements for the 2015 period) concerning the efficacy of the operation of the adopted corporate governance system in relation to the capital composition, strategic outlook, size, operational complexities and type of activity of the Bank and of the Group.

These ideas will be useful for providing suitable information to the shareholders in view of the upcoming appointments.

The Shareholders' Meeting has not authorized any exceptions to the ban on competition envisaged by Article 2390 of the Italian Civil Code.

## 4.4. Delegated bodies and officers

### CEOs

In the model applied by Banca IFIS:

- strategic supervision is performed by the Board of Directors;
- pending the review of the corporate governance project, the Body assigned a management function has been identified in the person of the C.E.O. The General Manager participates in the management function.

Management powers cover the following main areas:

- human resources management;
- granting and utilization of credit;
- treasury;
- spending management.

Distribution of management powers is calibrated on decreasing levels of authorization, from the Board of Directors to operating units.

The most significant limits in terms of value and area are summarized below, whereas systematic information flows exist concerning exercise of powers at any given time, as well as compliance with related quantitative limits:

Human resources management	As regards human resources management, the CEO is responsible for decisions concerning the start, management and cessation of managers' employment, without prejudice to the authorities maintained by the Board for relations with key managers [i.e. strategically accountable] and/or those in staff functions serving the Board.
Granting and utilization of credit	<p>As regards the granting of credit, the CEO has the authority to:</p> <p>take on credit risks vis-à-vis third-party corporate counterparties for transactions lasting a maximum of 24 months, up to a maximum amount of 8.000.000 Euro or the lower amount of 4.000.000 Euro depending on the transactions' type of risk. Within the scope of risk positions undertaken by the Board Bodies, the C.E.O. is also granted the following powers:</p> <ul style="list-style-type: none"> <li>• to suspend, revoke and resume operations;</li> <li>• to change the amount, convert the technical form and change the operational characteristics without worsening the overall risk position;</li> <li>• to distribute the risk in terms of 'loans to couples', loan duration, debtor's ceiling (individual or group) and multiple group credit line.</li> </ul> <p>With the exception of financial conditions, whose definition is the prerogative of the Credit Committee or Board of Directors, the CEO also has the right to establish the financial conditions applicable to transactions undertaken with customers, without any type of limit.</p>
Treasury	<p>Among the most significant limits attributed to the CEO in this area (in a perspective of integrated asset &amp; liability management) the one pertaining to exposure to the interest rate risk is equal to:</p> <ul style="list-style-type: none"> <li>• 5% in terms of the absolute value of weighted net exposure for each due-date range;</li> <li>• 10% in terms of overall weighted net exposure.</li> </ul> <p>In reference to the company securities portfolio, the limit on the overall financial lever is equal to 25 times the net consolidated equity.</p>
Spending management	Generally speaking, up to euro 1.000.000 for each spending instruction within the sphere of the annual forecasts contained in the Industrial Plan.

Pursuant to Article 15 of the Articles of Association, in emergencies the CEO can take decisions concerning any deal or transaction that is not the sole prerogative of the Board of Directors, informing the Chairman immediately and notifying the Board at the first subsequent meeting.

The CEO, Giovanni Bossi, does not cover any other offices of director at any other Issuer. Consequently, the situation of interlocking directorate does not apply.

## Chairman

The Chairman has not been given any management powers.

As he is the majority Shareholder, the Chairman, via the corporate governance mechanisms described in this Report and particularly at Shareholders' meetings, plays a significant role in determining corporate strategies.



## Executive Committee

The Articles of Association do not envisage the possibility of setting up an Executive Committee.

## Reporting to Board

During 2013, the CEO did not take any emergency decisions pursuant to Article 15 of the Articles of Association.

The Board received reports on the exercising of management powers at different intervals depending on the subject of the power involved.

The rules for reporting on the use of powers are summarized below:

Trading of financial instruments issued by the Bank	At every meeting
Report on liquidity status	At every meeting
Composition of investment securities book	At every meeting
Credit-granting activity	Monthly
Report on use of powers relating to spending	Quarterly
Dashboard report (management report on overall operating progress in terms both of results and risks taken on)	Quarterly
Report on use of powers for Human Resources management	6-monthly
Training of personnel in prevention of money laundering	Annual
Incentive system (report on criteria adopted by Top Management)	Annual

## 4.5. Other executive directors

There are no other directors considered executive directors because they hold:

- office as the CEO or executive chairman of a strategically significant subsidiary;
- management positions in the Bank or in a strategically significant subsidiary or in the parent company.

In addition to the CEO, the definition of 'executive director' also includes the Deputy Chairman for his activities promoting the corporate image and commercial development in some foreign markets.

## 4.6. Independent directors

The Board performs its own assessments of the requirements established by the Corporate Governance Code for directors classified as independent at the first meeting after appointment by the Shareholders' Meeting. It also assesses, periodically, the directors' level of independence. On 30 April 2013, after appointment, the Board ascertained that three of its members (Giuseppe Benini, Francesca Maderna and Daniele Santosuosso) met independence requirements as per the criteria contained in the Corporate Governance Code for Listed Companies, making the outcome of its evaluations known by means of a communication aimed at the market. In addition, the Board of Statutory Auditors, pursuant to Application Criterion 3.C.5. of the Corporate Governance Code,



checked, on the same date, the application of the criteria and of the verification procedures used by the Board of Directors to assess the independence of its members and deemed it compliant with the indications provided by the Corporate Governance Code.

During the session held on 20th February 2014, the Board of Directors, in presence of the Board of Statutory Auditors, acknowledged the persistence of the independence requirements provided for by the Self-regulation Code and by paragraph 3 of art. 148 of the CFA as concerns the directors Giuseppe Benini, Francesca Maderna and Daniele Santosuosso.

During the year, the independent directors met three times without the other directors.

On the date of this report, those directors who, in the lists for the appointment of the Board (April 2013) had indicated their suitability to qualify themselves as independent, maintained their independence.

## 4.7. Lead Independent Director

In line with the guidelines established by the Corporate Governance Code for Listed Companies, as the Chairman of the Board of Directors is also the majority Shareholder of La Scogliera S.p.A., and thus controls Banca IFIS, the Board of Directors has designated an independent Director as Lead Independent Director. The latter has the task of being the point of reference and coordination of the requests and contributions of (non-executive and in particular independent) Directors to improve operation of the Board, also ensuring that the information flows between Directors are constant and effective.

The Lead Independent Director has the power to call, when deeming it appropriate or at the request of other Directors, specific meetings solely for independent Directors for significant matters relating to operation of the Board and/to company operations in general.

On 30 April 2013, the Board of Directors nominated Mr. Giuseppe Benini as Lead Independent Director for the 3-year period running 2013-2015.

## 5. Processing of corporate information

Pursuant to Application Criterion 1.C.1, letter j of the Corporate Governance Code, the Board of Directors of Banca IFIS S.p.A. approved, on 11 April 2007, the 'Regulation for internal management and external disclosure of corporate documents and information'. The CEO is responsible for correct corporate information ensuring, via compliance with the above 'Regulation', provision of correct information to the market, with special reference to privileged information.

With resolution of 19 January 2012, the Board of Directors appointed as Investor Relations Manager the Head of Communications Mara Di Giorgio. The staff of the Investor Relations Department reports to the CEO. The 'Regulation for internal management and external disclosure of corporate documents and information' can thus be updated.

Within the legal and regulatory environment of Banca IFIS S.p.A., the Regulation governs internal management and external disclosure of the documents and information concerning the issuer and its subsidiaries, with special reference to information of a privileged nature, establishing:

- the approach for management, processing and circulation of 'confidential information';

- the approach for identification, management and circulation of ‘privileged’ information’ and the issue of related press releases;
- the approach for management of external disclosure of other documents and information concerning the Bank.

## Confidential information

The Regulation is designed first of all to avoid selective, untimely, incomplete or inappropriate disclosure of confidential information.

The Regulation also governs the processing and management of information and documents that, albeit not relevant pursuant to stock market regulations, are confidential in nature and which it is therefore advisable to protect, in the corporate interest, from indiscriminate access and circulation.

The Regulation therefore establishes that the Directors, Statutory Auditors and employees of the Bank who, for reasons of office, come into legitimate possession of confidential information concerning the Bank and/or Banca IFIS Group, are required to:

- keep it confidential, protecting it most scrupulously from access by parties who, as regards such confidential information, do not have the duty and/or need to be informed about it by virtue of their role;
- transmit such information only to parties legitimately able to come into possession of the same.

Besides observing the above requirements, Directors, Statutory Auditors and employees of the Bank who come into possession of confidential information not relating to their office or to the position held in the Bank, strip themselves of such possession, sending the confidential information to its ‘natural’ addressee, if identified, or to the CEO in other cases, removing such information from any support on which they are present and ensuring that this deletion is definitive and irreversible.

## Privileged information

In order to drive the procedure for the disclosure of information, the Bank has identified the moment when information occurs and acquires the status of ‘precise’ and ‘price-sensitive’.

If information stems from a unilateral decision by the Bank such as – solely by way of example – entry into or exit from a business or an extraordinary finance transaction, the moment of occurrence is the moment when the related decision is taken by the relevant body.

If it instead stems from mere confirmation of objective facts and circumstances such as, for example, resignation of a member of the management team or from performance of a precise procedure such as, once again for example, preparation of an accounting document, occurrence respectively coincides with the moment of reception by the corporate organization or when the above-mentioned procedure has been completed.

In the presence of unmistakable signs of the fact that, notwithstanding the use of appropriate procedures to preserve the confidentiality of privileged information concerning the events in question, confidentiality obligations have not been observed by parties having access to the privileged information, the Bank is required to issue a press release simultaneously in the case of wilful disclosure and without delay in the case of unintentional disclosure.

If, when markets are closed or in the pre-opening phase, news is generated in the public domain concerning the Bank's economic and financial position or extraordinary finance transactions (circulated by national news media or by specialized, credible Internet sites) not disclosed according to the procedures established by Article 66 of the Issuers' Regulation and capable of tangibly affecting the stocks' price, the CEO evaluates the possibility of informing the public as soon as possible as regards the truthfulness of the news, supplementing or rectifying its contents where necessary. Changes in the Bank's share price are considered significant when they deviate significantly from the previous day's closing price and are not in line with the market or sector trend.

In such cases, a correct and timely press release is issued to the public, in the ways and terms indicated in this procedure.

## Characteristics of information disclosed to the public

In drafting press releases and in its conduct in disclosing them, the Bank observes criteria of fairness, clarity, equality of access to information, and timeliness.

In pursuing the objective of providing exhaustive corporate information that is not misleading, the Bank pays the utmost attention to the legitimate requests for data and news coming from the market, pre-empting them when possible.

Clarity relates to the form of the press release and requires that the latter be complete, intelligible and suited to the various recipients.

To achieve this, the Bank endeavours to communicate all items able to assure representation of the economic, financial and equity repercussions of the event disclosed, also circulating to the public any significant modification that occurs subsequently.

## 6. Internal Board Committees (as per Art. 123-bis, para. 2, letter d), CFA)

The following Committees have been set up within the Board of Directors:

- Control and Risk Management Committee, consisting of three independent non-executive directors and by one not independent and non-executive director, as specified later on in Section 10;
- Committee for Appointment and Remuneration, consisting of non-executive directors, most of which independent and with an independent Chairman, as specified in Sections 7 and 8 below.

The Board of Directors adopted a resolution on 30 April 2013 nominating the Appointment and Remuneration Committee, maintaining a single Committee to deal with appointment-remuneration issues, composed according to the rules provided for the Appointment Committee (majority of independent directors), and also according to the stricter ones provided for the Remuneration Committee (all non-executive directors, the majority of which independent and independent Chairman).

The Board of Directors decision to maintain a single internal committee with the tasks of the 'Appointment Committee' and of the 'Remuneration Committee' was the result of:

- The non-excessive composition of the Board itself;
- Cost-effectiveness considerations;
- The opportunity of a synergic and integrated use of professional figures within the Bank's strategic supervision Body.

The Board of Directors has also appointed a Supervisory Body vested with autonomous powers of initiative and control as indicated in Legislative Decree no. 231/2001. It is currently chaired by a non-executive director and consists of three other permanent members (two independent and non-executive directors and the Internal Audit Officer), as specified in greater detail in the third paragraph of Section 11.

No function of one or more Committees required by the Corporate Governance Code has been reserved to the entire Board, under the Chairman's coordination.

No further Committees have been set up in addition to those reported in this Section.

## 7. Appointment Committee

As recalled in Section 6 of this Report, by means of resolution adopted on 30 April 2013, the Board of Directors of Banca IFIS, following renewal of the posts for the three years running from 2013 to 2015, appointed the new 'Appointment and Remuneration Committee', maintaining, as previously resolved on 19 December 2012, the functions usually assigned to the Appointment Committee to a single Committee that complies with the composition requirements of both.

The Appointment and Remuneration Committee consists of at least 3 members chosen from among the non-executive members of the Parent Company's Board of Directors, the majority of which is independent.

The Committee consists of the Chairman of the Board of Directors of Banca IFIS, Sebastien Egon Furstenberg (non-executive and not independent), the Director Francesca Maderna (independent and non-executive) in the capacity of Chairman and Director Daniele Santosuosso (independent and non-executive).

During the course of the 2013 period, the Committee met to discuss issues pertaining to appointments twice (13 and 21 February 2013) in order to express their opinions on the optimum quantitative and qualitative composition of the Board of Directors and its internal committees in view of the opinions to be provided to the Shareholders for the submission of the lists of candidates for the purpose of renewing the Board itself.

During the current period, up to the date this Report was prepared, the Committee has not met to discuss issues pertaining to appointments.

On the subject of appointments, the Committee is specifically assigned the following tasks:

- Providing opinions to the Board of Directors with regards to the size and composition of said Board;

- Expressing recommendations to the Board of Directors with regards to the professionals whose presence within the Board is considered appropriate in order to encourage its proper and effective functioning;
- Providing opinions to the Board of Directors on the limits of cumulated assignments of directors and statutory auditors and on any exceptions to the non-competition clause as per art. 2390 of the Italian Civil Code;
- Suggesting to the Board of Directors candidates for the office of director in cases of co-opting, if independent directors need to be replaced;
- Provide preliminary information to the Board of Directors in order to prepare the succession plan of the executive directors, should the Board of Directors have considered necessary the adoption of such plan.

Summarized minutes of the meetings of the Committee is prepared and signed by the members.

The Committee may access all company information deemed relevant for the performance of its tasks.

The Committee's Regulations provide for the possibility of using financial resources, which can be used autonomously, in the amount established by the Board and with the requirement of reporting with regards to any use of funds at least once a year, usually during the review of the report on corporate governance and ownership structures.

For the time being, the Board of Directors has not assigned to the Committee any financial resources that can be used autonomously.

The Committee may avail itself and/or request the presence of:

- external consultants with experience in salary policies, which can also be identified from among the members of the Parent Company's Board of Directors, provided that such experts do not provide at the same time to the Human Resources area, to executive directors or to managers with strategic responsibilities of the Parent Company and/or of the other Groups companies, services whose significance is such as to actually compromise the independent judgement of said consultants;
- any representative of employee of the Parent Company or of another Group company.

## 8. Remuneration Committee

Please refer to the relevant parts of the remuneration report published in compliance with Article 123-ter of the CFA.

## 9. Remuneration of Directors

Please refer to the relevant parts of the remuneration report published in compliance with Article 123-ter of the CFA.

## 10. Control and Risk Management Committee

The Board has set up a Control and Risks Committee (formerly Internal Audit Committee) within the Board itself, that was formed, at the end of 2013, by the Director Giuseppe Benini (independent and non-executive) with the role of Chairman, and by the Directors Francesca Maderna (independent and non-executive), Andrea Martin (non-independent and non-executive) and Daniele Santosuosso (independent and non-executive).

During 2013, the Committee met 18 times, as shown in Table 2 enclosed with this Report, with meetings lasting an average of one and a half hour. Five of these meetings were joint meetings with the Board of Statutory Auditors and one was a joint meeting with the Board of Statutory Auditors and the Supervisory Bodies as per Legislative Decree 231/2001.

The President of the Committee, Giuseppe Benini (independent and non-executive director) who was nominated on the 30 April 2013, took part in all fourteen meetings convened during his term. Director Daniele Santosuosso, appointed on 30 April 2013, took part in 13 of the 14 meetings called during his term while the other two members, in office since the beginning of the year, Director Andrea Martin (former Committee Co-ordinator) and Director Francesca Maderna, took part in all 14 meetings. For 2014, the Committee is expected to meet more times than last year.

In 2014, the Committee has already held 5 meetings, four of which were joint meetings with the Board of Statutory Auditors.

During its meetings the Committee also interacted, based on prior agreement and to address individual topics, with the CEO, the Corporate Accounting Reporting Officer, the Compliance and Anti-Money Laundering Officer, the Auditing firm and the Chief Risk Officer. It systematically interacted with the Internal Audit Officer, who normally attends the Committee's meetings with a view to achieving synergy between the various players in the Internal Audit system. It is normal for the Head of the Corporate Affairs Office to be invited to such meetings too.

The Committee also interacted with the Supervisory Body as per Italian Leg. Decree 231/2001, also due to the existing cross-membership mechanisms.

Following appointment, from the meeting held on the 30 May 2013 and thereafter, as part of the top-management's self-assessment performed on 20 February 2014, the Board of Directors ascertained that Giuseppe Benini, the Committee's Chairman, has accounting and financial experience, deemed appropriate by the Board.

The Committee provides its preliminary opinion to the Board of Directors with regards to:

- the guidelines of the internal control and risk management system;
- the adequacy of the internal control and risk management system with respect to the company's characteristics and to the assumed risk profile as well as its efficacy;
- the work plan prepared by the head of the Internal Audit function;
- the main characteristics of the internal control and risk management system and its adequacy;
- the results presented by the external auditor in the letter of recommendations, if any, and in the report on the main issues which came up during the external audit.

In reference to the appointment and revocation of the head of the Internal Audit function and to the allocation of resources suited to the fulfilment of its responsibilities by the Board of the Directors, the Control and Risks Committee is required to provide its favourable opinion (which is binding).

When aiding the Board of Directors, the Control and Risks Committee:

- evaluates, together with the Corporate Accounting Reporting Officer, and having heard the opinion of the External Auditor and of the Board of Statutory Auditors, proper application of the accounting standards and their uniformity for the purpose of drawing up the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- examines the periodical reports covering the evaluation of the internal control and risk management system, and the specifically relevant ones prepared by the Internal Audit function;
- monitors the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- may ask the Internal Audit function to carry out checks on specific operational areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- examines the annual plans of the Control Functions and the reports on their implementation.

The Control and Risks Committee reports to the Board of Directors, at least once every six months during approval of the annual and interim financial report, on the activities carried out, on the use, if any, of its financial resources as well as on the adequacy of the internal control and risk management system.

On the subject of transactions with related parties and/or affiliated subjects, the Control and Risks Committee (consisting of independent directors only), also performs the functions assigned to it by the Board of Directors, as governed within the scope of the 'Procedure' in force.

During 2013, the Committee's activity regarded the following key guidelines:

- procedure for transactions with related parties – applications and adaptation to the supervisory regulations on the subject of 'Associated parties' (approved by the Board of Directors on the 17 July) and the new 'Internal policies governing risk management and conflict of interest with associated parties' (approved by the Board on 24 September);
- presentation and implementation of the 2013 Auditing Plan;
- implementation of the action plan drawn up following interaction with the Bank of Italy and the results of the inspections carried out by the latter in the second half of 2012;
- adjustment plan in accordance with the 15th update to Circular 263/2006 of 2 July 2013 on the internal control and risk management system.

Upon conclusion of its interim reports to the Board of Directors, the Committee stated that it had not found any inadequacies in the Internal Audit system.

The Chairman of the Board of Statutory Auditors - or another external auditor appointed by the Chairman from time to time - participates in the doings of the Committee. If deemed appropriate in



connection to the issues to be discussed, the Control and Risks Committee and the Board of Statutory Auditors meet jointly.

During the course of the period, the Chairman of the Board of Statutory Auditors took part in all meetings.

Committee meetings were properly documented in minutes.

In performing its functions, the Control and Risks Committee can access the information and corporate functions necessary to carry out its tasks.

The Chairman of the Board of Directors and, if invited, the CEO and the General Manager may participate in the activities of the Control and Risks Committee; the Committee can also ask for the presence at its meetings of:

- experts if the technical content of transactions becomes particularly important, to be identified also among Board members; these experts can be called to take part in meetings on an advisory basis;
- all members or company staff concerned, who can be called to take part in the meetings on an advisory basis.

With resolution of 19 January 2012 the Board of Directors allocated the Control and Risk Management Committee annual economic resources of 60,000 Euro, to be used autonomously, subject to reporting to the Board concerning the use of funds within the sphere of the already envisaged six-monthly Report.

## 11. Internal control and risk management system

The strategic planning process of the Banca IFIS Banking Group is based on a three-year industrial plan approved by the Board of Directors on a yearly basis. Said Plan annually adjusts the strategic prospects drawn up in the previous document and extends their temporal horizon to the following year. On the basis of the strategic indications, dimensional objectives and additional qualitative-quantitative elements of the Industrial Plan, the ICAAP Report and the related Risk Policies are drafted and approved by the Board of Directors every year.

Moreover, during the course of 2013 the Board approved the guidelines of the Risk Appetite Framework, reserving itself to proceed with final document approval after approval of the Three-year industrial plan, which was granted during the session held on 20th February 2014.

The risk appetite of the Banca IFIS Group can be outlined as follows:

- capital adequacy
- exposure to the interest rate risk
- overall liquidity position

and it is operationally translated through key risk indicators that:

- provide an expression of both the current and future situations, under ordinary conditions and under conditions of stress;



- basically consist of operational limits that effectively guide future strategic choices (said operational limits are set out in specific policies).

The Board of Directors has also approved a 'Document on the company and group internal control system – Guidelines' which defines:

- a) the principles underlying the group internal control system and the corporate internal control system;
- b) the development process of the internal control system, with a comprehensive description of the tasks assigned to the governance bodies with regards to the following phases: a) design of the internal control system; b) implementation of the internal control system; c) assessment of the internal control system; d) communication toward the public on the internal control system;
- c) the elements that characterize risk governance;
- d) the organizational control model, specifying the structural characteristics of both the group internal control system and the company internal control system;
- e) the control roles tasks assigned to the organizational units that carry out the company control functions, distinguishing between activities carried out for the group, activities carried out for Banca IFIS on an individual basis and activities carried out for the subsidiaries;
- f) the liaison methods between organizational units that carry out the company control functions;
- g) information flows between the organizational units that carry out the company control functions and between these functions and the corporate bodies.

The 'internal control system' (internal hence specific for each group company, Parent company included) consists of the set of rules functions, structures, resources, processes and procedures aimed at ensuring, in compliance with healthy and prudent management, the achievement of the following purposes:

1. verifying the implementation of company strategies and policies;
2. containing the risk within the maximum accepted limit
3. safeguarding the value of assets and protecting against losses;
4. efficacy and efficiency of company processes;
5. reliability and security of company information and of IT procedures;
6. preventing the risk of the company being involved, including involuntarily, in illegal activities;
7. compliance of the transactions with the law and regulations, including of a supervisory nature, as well as with internal policies, regulations and procedures.

The term 'group internal control system' means the set of rules, procedures and organizational structures aimed at allowing the Parent company to carry out:

- A. strategic control over both the trend of activities performed by the group subsidiaries as well as over the latter's acquisition and disposal policies;
- B. managerial control aimed at ensuring the maintenance of conditions of economic, financial and equity balance of both the individual subsidiaries and of the group as a whole;
- C. the technical-operational check aimed at evaluating the various risk profiles brought to the group by the individual subsidiaries and of the group's overall risks.

During the course of 2013, the internal control system was adapted including in light of the 15th Update (dated 2nd July 2013) of Bank of Italy's Circular no. 263/2006 (New prudential supervisory provisions for banks) on the subject to Internal Control System, IT system and Business continuity.

In this area, during the session held on 29th January 2014, the Board of Directors of Banca IFIS updated or approved several internal regulation documents, including:

1. Regulations for the Group Risk Management Function
2. Regulations for the Group Compliance and Anti-money laundering Function
3. Regulations for the Group Internal Audit Function
4. Document on the Company and Group Internal control system – Guidelines

The roles of the other main players in the Internal Control System (Board of Directors, Control and Risk Management Committee, Director in Charge of Internal Audit System, Supervisory Body pursuant to Legislative Decree no. 231/2001, Internal Audit Function, Corporate Accounting Reporting Officer and other company positions or functions) are described in the parts of this Report specifically dedicated to such bodies or figures and/or their respective activities.

## **Key characteristics of present risk management and internal control systems in relation to the financial reporting process**

### **1. Foreword**

In relation to the financial reporting process, the risk management and Internal Audit systems are components of the same overall 'System', which is designed, among other things, to assure the trustworthiness, accuracy, reliability and timeliness of financial reporting.

Together with the central body of administration & accounting procedures, the provisions in the Articles of Association concerning the 'Corporate Accounting Reporting Officer' (hereinafter also 'Accounting Reporting Officer'), the appointment of the present Accounting Reporting Officer, and the 'Regulation of the Corporate Accounting Reporting Officer', approved by the Board, form the overall set of measures applied by the Bank to cover the risk of erroneous financial reporting.

As regards this, the approaches via which the appropriateness and effective application of the said administration & accounting procedures is ensured are based on our internally developed methodology. The latter is based on assessment of the risk of erroneous financial reporting, meaning an intentional or unintentional action potentially capable of producing errors in financial statements. This methodology, as described at the beginning of the present paragraph, is consistent with the requirements established by supervisory regulations concerning risk assessment and the internal control system.

## 2. Description of key characteristics of present risk management and internal audit systems in relation to the financial reporting process (the ‘System’)

The System is described in the following documentation approved by the Board of Directors, also bearing in mind its supervisory tasks pursuant to Article 154-*bis* of the CFA (Consolidated Finance Act):

- Group Accounting Manual, which describes the guidelines underlying preparation of the individual and consolidated financial statements in accordance with the requirements of current regulations;
- Financial Reporting Process, which governs the activity of production and approval of the individual financial statements, of the interim report and of quarterly reports, as well as of the consolidated financial statements and related annexes;
- Regulation of the Corporate Accounting Reporting Officer, which includes the methodological document describing the process for managing the risks of erroneous financial reporting. Specifically, this latter document establishes the approach followed by the Accounting Reporting Officer to assess the individual administration & accounting processes, examining their:
  - riskiness;
  - appropriateness;
  - efficacy and effective application.

### 2.1 Phases of the process for managing risks of erroneous financial reporting

The process is illustrated below in chart form.



#### 2.1.1 Identification of administration & accounting processes

An ‘administration & accounting process’ is that corporate process comprising operations/transactions capable of positively or negatively affecting the correctness of data and therefore preparation of financial statements and further corporate acts and notifications.

### **2.1.2 Assessment of inherent risk**

Administration & accounting processes can generate events featuring the risk of erroneous financial reporting, i.e. events able to violate one or more financial-statement assertions.

Each risk event identified has a given level of inherent riskiness, which depends on the following criteria:

- risk associated with a significant accounting item;
- risk generated by an operation/transaction featuring high frequency;
- risk generated by an operation/transaction subject to a specific valuation (e.g. securities, impairment).

In the face of the inherent risk found at the level of activity, specific criteria are established as the basis to assess efficacy, as described in the subsequent point addressing this topic.

### **2.1.3 Assessment of the appropriateness of administration & accounting procedures**

Assessment of the appropriateness of administration & accounting procedures is performed by analysis of the documentary set-up of the administration & accounting procedure examined and of line controls existing and consequently documented.

#### ***Documentary analysis of the administration & accounting procedure***

Documentary analysis concerns the combination of internal regulations and operating practices. In view of the risk-based approach applied, the analysis is carried out with reference to risks, to the operations/transactions generating them and to the line controls established to mitigate such risks.

For each risk the analysis assesses:

- the level of formalization of procedures, consisting of various parameters, such as, by way of non-exhaustive example, formalization, updating and circulation;
- the level of responsibility, consisting of the existence and attribution of roles and responsibilities in the execution of the operation/transaction generating the risk.

In addition, for each line control the analysis assesses the:

- level of formalization;
- attribution of roles and responsibilities;
- level of traceability and verifiability of the controls themselves.

#### ***Combination of appropriateness assessments***

Appropriateness is assessed by combining the assessments of appropriateness of the:

- documentary analysis of procedures and
- analysis of line controls.

### **2.1.4 Ex ante assessment of residual risk**

For each risk event, ex ante assessment of the residual risk is performed by combining the level of 'inherent risk' with the related assessment of appropriateness.

### **2.1.5 Assessment of efficacy**

Based on the assessment of inherent risk at the level of activity (see point 2.1.2), efficacy is then assessed.

The aim of the assessment of efficacy is to check that conducts and corporate operations (which, for the purposes of this analysis, translate into processes and activities) are able to assure achievement of the Bank's established objectives, while covering the risks identified.

The tools used to make this assessment are:

- Testing of controls: these are checks designed to check that line controls have been executed or, in the latter's absence, the proper functioning of the process by means of tests of transactions;
- Compliance with international accounting standards: these are checks designed to ascertain that accounting entries are performed in compliance with the requirements of current relevant regulations and international accounting standards;
- Operating environment factors: these are analyses designed to detect the presence of organizational or regulatory changes that may affect achievement of process objectives.

### **2.1.6 Ex post assessment of residual risk**

Ex post assessment of residual risk is performed by comparing the level of residual risk ex ante, found for each individual risk, with the related assessment of efficacy.

Specifically, for each risk a comparison is performed – as regards the administration & accounting procedures and controls in place – between the assessment of the set-up and the assessment of the operation of these organizational approaches.

### **2.1.7 Assessment of appropriateness and effective application of administration & accounting procedures**

To make the assessment of appropriateness and effective application of administration & accounting procedures, the ex post assessments of residual risk at the level of activity are grouped.

Further grouping of the assessments obtained at activity level leads to attribution of a rating of appropriateness and effective application of administration & accounting procedures at process level.

Lastly, the overall evaluation of the appropriateness and effective application of administration & accounting procedures in terms of the Bank as a whole, is based on the qualitative evaluation of the Accounting Reporting Officer, developed on the basis of his professional judgement stemming from the evidence obtained on the individual processes.

The Accounting Reporting Officer uses the evaluation of the appropriateness and effective application of administration & accounting procedures to provide the certification required pursuant to Article 154-bis, paragraph 5, of Legislative Decree no. 58/1998. The Accounting Reporting Officer reports back to the CEO on occasion of this certification.

## **2.2 Roles and functions involved**

In the light of the important responsibilities entrusted to him, the Accounting Reporting Officer is attributed appropriate powers and resources for performance of his functions, as detailed in the last

paragraph of this Section. Specifically, the Accounting Reporting Officer, who retains responsibility for and coordination of the activity, draws on the support both of internal personnel and of an auditing firm other than the one appointed to audit accounts, which has been given the task of assisting the Accounting Reporting Officer in the assessment activity described earlier.

As regards relations with the Bank's units/Bodies, besides the necessary information flows envisaged by regulations with the various control functions and vis-à-vis the Management & Control Bodies, the Accounting Reporting Officer receives from all Organizational Units the utmost collaboration needed to carry out the activities for which he is responsible, with assurance of free access to all premises, information, accounting records and documentation and timely, complete, accurate and reliable supply of all data requested. If any of the activities managed by the Organizational Unit in question have been outsourced to third parties, the Head of the Organizational Unit ensures that the Accounting Reporting Officer is also able to access the information at such parties' disposal. The Accounting Reporting Officer agrees the procedures for implementation of appropriate information flows with each Organizational Unit.

In addition, as regards coordination of Group Companies for preparation of consolidated financial reports, specific information flows are established for provision to the Parent Company. Specifically, Group Companies identify the delegated parties to empower to interact with the Accounting Reporting Officer, in order to enable the latter to fulfil his responsibilities.

In particular, the delegated parties provide the Accounting Reporting Officer with the information and with any certifications deemed necessary to enable the latter to comply with the requirements established pursuant to Articles 123-*bis* and 154-*bis*, paragraph 5, of the CFA, as well as with those established by Circulars 272 and 115 issued by the Bank of Italy concerning the matrix for accounts and production of supervisory reports on a consolidated basis.

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During the course of 2013, a plan was kicked off and implemented for the most part aiming at strengthening the risk governance and internal control system, drawn up also on the basis of discussions held with Bank of Italy and of the results of the audits carried out by the latter in the second half of 2012. On this occasion, the Control and Risk Management Committee did not identify additional critical elements, whilst the Board of Directors, during the review of the expected 'gap analysis' with respect to the provisions contained in the mentioned 15th Update (dated 2nd July 2013) of Bank of Italy's Circular no. 263/2006, did not detect any gaps with regards to the role of the corporate bodies and the organizational model of the Internal Audit Function and of the Compliance and Anti-Money Laundering function. With regards to the risk control function and to the possible outsourcing of company activities, also in light of the recently introduced regulatory changes, certain gaps were still detected, and for which the relevant plan of corrective actions has already been duly defined.

## **11.1. Director in charge of internal control and risk management system**

The Board of Directors appointed by the Shareholders in the AGM of 30 April 2013 has confirmed the CEO as the director in charge of overseeing the functionality of the internal control and risk



management system. During 2013, the CEO directed the plan for the reinforcement of the Internal Control and Risk Management System and presented proposals on matters arising that fall under the Board of Directors' competence. As a managing body, he constantly reported back to the Board of Directors on all aspects of corporate management, including verification of the overall appropriateness, effectiveness and efficiency of the internal control and risk management system.

Furthermore, the CEO:

- interacted with the other parties in the internal control and risk management system;
- constantly followed implementation of the Audit Plan and the results of the audits performance;
- reported to the Board of Directors every quarter on the trend of risks.

The director in charge of the Internal Control and Risk Management System may ask the Internal Audit function to carry out checks on specific operational areas and in compliance with internal rules and procedures when performing corporate operations, at the same time notifying the Chairman of the Board, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors. The outcome of Internal Auditing inspections that are negative or have revealed serious shortcomings are immediately sent in a complete and timely manner directly to the applicable corporate bodies.

## 11.2. Head of the Internal Audit function

Since mid-2006, the position of Head of the Internal Audit Function, reporting to the Board of Directors, has been held by the manager Ruggero Miceli. The mission assigned to this Department by the relevant regulation approved by the Board of Directors also includes verification that the internal control and risk management system is always complete, adequate, fully operational and working properly.

The appointment took place at the Board meeting held on 4 August 2006, on the proposal of the director in charge of overseeing the functionality of the internal control and risk management system. On the basis of supervisory provisions and corporate governance rules in force at the time, no other opinions were acquired in explicit form.

At the time of hiring, the remuneration of Mr. Miceli was approved by the Remuneration Committee (now Appointment and Remuneration Committee). Remuneration policies for the members, employees and outside staff members of the Banca IFIS banking group approved by the Shareholders' Meeting subsequently decreed his exclusion from stock option plans, as other managers of control functions, as established by supervisory requirements concerning banks' organization and corporate governance. The mechanism for the possible acknowledgement of variable salary portions is governed within the scope of 'policies' approved by the Shareholders' Meeting, and requires the opinion of the Appointment and Remuneration Committee and the competence of the Board of Directors. The Function is equipped, from time to time, with resources suited to the fulfilment of its duties.

The Internal Audit Function is not responsible for any operating area. The position of the Internal Audit Function in the organization chart as a staff department of the Board of Directors, in addition to

assuring its independence - consistently with the Bank of Italy's guidance and with sector *best practice* - facilitates the appropriate exchange of information with the Internal Control and Risks Committee, with the Board of Statutory Auditors and, in general, with corporate bodies and officers.

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The Regulations of the Group Internal Audit Function, which were recently updated, require for the Parent Company's Internal Audit Function to define a Plan of activities that, basing itself on a structured process of analysis and prioritization of the main risks, takes into account the different levels of risk involved in the various activities and structures of the Parent company and the subsidiaries, also in view of the activities carried out and/or planned by the structures having control Functions. The Programmatic plan of audit activities lists the control activities planned for the three-year period (multi-year plan), and contains a separate and detailed presentation of the activities planned for the first 12 months (annual plan).

In the Programmatic plan of audit activities, the Internal Audit Function, with the aim of providing a summary framework linked to the Programmatic plan of audit activities for the previous financial period, reports on:

- the level of adaptation to the observations made within the context of the audits carried out;
- the completeness, adequacy, functionality and reliability of the internal control system.

The Programmatic plan of audit activities is forwarded simultaneously to the Board of Statutory Auditors, to the Control and Risk Management Committee, to the Chairman of the Board of Directors, to the Director in charge of the internal control and risk management system as well as to Top Management for subsequent review by the Board of Directors. The Programmatic plan is updated any time it is deemed necessary.

During 2013, the Head of the Internal Audit Function:

- had direct access to all information useful for performance of his office;
- constantly interacted with the Internal Control and Risk Management Committee, with the Board of Statutory Auditors and with the Supervisory Body as per Legislative Decree no. 231/2001 (of which he is a member), also reporting on his work;
- forwarded the outcome of all activities ('investigations' or 'inspections') to the Committee, to the Board of Statutory Auditors, to the Chairman of the Board of Directors and to the director in charge of the internal control and risk management system, as well as to Top Management;
- reported on its doings on a half-yearly basis to the Board of Directors providing, in reference to the audited processes and/or areas, adequate information on the activity carried out as well as evaluations on the internal control system and on the residual risk, including through instructions on compliance of the plans defined for the purpose of mitigating risks;
- carried out specific activities concerning the reliability of information systems and accounting systems.

During approval of the 2013 Audit Plan, the Board of Directors had also confirmed the decision-making autonomy of the Internal Audit Officer concerning training of the Department's staff, purchase of publications and payment of association dues, as well as assignment of further



economic resources of 50,000 Euro, that can be drawn upon independently by the Head of the Internal Audit Function for external consultancy.

The main activities carried out by the Head of the Internal Audit Function during the course of the 2013, on the basis of the aforementioned Programmatic plan, concerned, with varying depth in relation to the risk level, both the Parent company (Banca IFIS S.p.A.) and the subsidiaries (IFIS Finance Sp. z o.o.).

The main sectors of operation refer to the following areas: business loans, non-performing loans, online collection and management of company liquidity, the latter including transactions in government bonds. Activities were also implemented concerning the information system, general accounting and the financial reporting process, the statistical supervisory reports as well as certain additional company processes.

Besides the interim Reports on the work done, in compliance with the requirements of Supervisory Bodies, the Head of the Internal Audit Function also prepared specific reports concerning:

- assessments of the subsidiaries;
- remuneration policies;
- the ICAAP process;
- government and management of the liquidity risk.

He also interacted with Level 2 control units with reference to the areas of risk covered by such units.

The Internal Audit Function availed itself of the collaboration of BDO Sp. z o.o. for the performance of audit activities on the Polish subsidiary.

### **11.3. Organizational Model as per Legislative Decree no. 231/2001**

Banca IFIS, sensitive to the need to ensure conditions of transparency and fairness in conducting its business, in order to safeguard its institutional role and image, the expectations of shareholders and of those who work for and with the Bank, has deemed it consistent with its corporate policies to implement the Organizational & Management Model envisaged by Legislative Decree 231/2001.

This initiative was taken also in the conviction that application of the Organizational Model is a sound means of increasing the sensitivity of those who work for the Bank, spurring them to apply, in performing and conducting their activities, fair and linear conduct, such as to prevent the risk of perpetration of the crimes contemplated in Legislative Decree no. 231/2001.

The Bank condemns conduct contrary to current legislative requirements and to the ethical principles also stated in the Bank's Code of Ethics. In this respect, application and effective implementation of the Model improves the Bank's Corporate Governance, limiting the risk of crimes being committed.

In preparing its Organizational Model, Banca IFIS has based itself on the guidelines issued by the ABI (Italian Banking Association) for the adoption of organizational models in relation to banks' administrative liability'. These guidelines provide orientation for the interpretation and analysis of the legal and organizational implications stemming from introduction of Legislative Decree no. 231/2001.

## Crimes pursuant to Legislative Decree no. 231/2001

As regards the crimes to which the set of rules in question is applicable, at present they consist of the following types:

- crimes in dealings with Public Administration;
- computer crimes and unlawful processing of data;
- organized crime;
- counterfeiting of coins, legal tenders, government stamps and identification instruments or signs;
- crimes against industry and trade;
- some types of corporate crimes;
- crimes with terrorist intent or aiming to subvert the democratic order;
- mutilation of female genitals;
- crimes against the person;
- market abuses;
- crimes (manslaughter and negligently causing serious or grievous bodily harm) committed with breach of occupational health and safety regulations;
- receiving, laundering and use of cash, assets or other benefits of unlawful provenance;
- copyright breaches;
- convincing people to be reticent or to make false statements to the court authorities;
- environmental crimes;
- crimes on the subject of employment of third-country citizens with no regular work permits;
- crimes of corruption between private individuals.

For full observance and interpretation of the Organization Model, a Supervisory Body has been set up. The Supervisory Body is a collective body formed by members of the Board of Directors, chosen from among the non-executive Directors, and the Internal Audit Officer. Following resolution of the Board of Directors appointed by the Shareholders' Meeting of 30 April 2013, the Body is currently chaired by the director Andrea Martin and is composed of another three permanent members: the directors Giuseppe Benini and Daniele Santosuosso and the Internal Audit Officer Ruggero Miceli.

During its meeting held on 13 November 2013, the Board of Directors confirmed its decision not to assign to the Board of Statutory Auditors the functions of Body as per Italian Leg. Decree 231/2001, and reserved itself the option to consider, next time the corporate offices are renewed, the solution of entrusting the Control body with the Supervisory Body's tasks as per Italian Legislative Decree 231/2001 (recommended by the supervisory provisions issued with the 15<sup>th</sup> Update dated 2<sup>nd</sup> July 2013 of Bank of Italy's Circular no. 263/2006).

The Body holds office for three years and meets at least once a quarter. Meetings are regularly documented in minutes, which are recorded in the minutes register. The Committee reports on its work to the Board of Directors every six months. This Body is in possession of independent powers of initiative and control, as per Legislative Decree no. 231/2001 'Rules for the administrative liability of legal entities, companies and associations, including those without legal personality'.

Insofar as it is applicable, the Organizational Model adopted by the Bank also refers to the subsidiary, considering the current Group structure, particularly as regards:

- Group regulations;
- Code of Ethics;
- Group Accounting Manual;
- System of delegated powers;
- Business procedures (where present).

The Regulations of the Supervisory Body are available on the Bank's website, in the section 'Corporate Governance – Corporate Documents – Supervisory Body Regulations'.

## 11.4. Auditing firm

The Shareholders' Meeting of 30 April 2007 appointed KPMG S.p.A. to audit the Company's financial statements and the Group's consolidated financial statements as well as Banca IFIS' interim report for the financial years 2008-2013 and until approval of the financial statements as at 31 December 2013<sup>1</sup>.

The audit of the financial statements of the subsidiary IFIS Finance Sp z o.o. has been assigned to a KPMG network company.

During 2013, the selection process for the appointment of the new auditing company, set up thanks to the proposals put forward by the Board of Statutory Auditors and the Shareholders, was initiated.

## 11.5. Corporate accounting reporting officer

On 27 September 2007, the Board of Directors appointed Carlo Sirombo as Corporate Accounting Reporting Officer, effective from 1 October 2007. Mr. Sirombo is also Head of the Administration and General Affairs Area.

Pursuant to Article 19 of the Articles of Association:

- the Board of Directors, pursuant to Article 154-*bis* of Legislative Decree no. 58/1998, appoints, after having received the mandatory opinion of the Board of Statutory Auditors, a corporate accounting reporting officer;
- the Corporate Accounting Reporting Officer must meet the requirements of integrity established for election as a statutory auditor by Article 2 of Ministry Decree no. 162 of 30 March 2000 and the requirements of professionalism established for election as a director of Banks that are joint-stock companies by Article 1, paragraph 1, of Ministry Decree no. 161 of 18 March 1998.

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<sup>1</sup> Extension of the office previously conferred by the Shareholders' Meeting of 28 April 2005 for the three years running 2005/2007.

Following a proposal made by the Control and Risks Committee, the Board of Directors allocated a budget of 100.000 Euro to the Corporate Accounting Reporting Officer with the obligation to report to the Board concerning how the funds are utilised. The Accounting Reporting Officer may exceed the approved budget limits in the case of specific and proven needs, pursuant to the general provisions laid down by the 'Regulation of the Corporate Accounting Reporting Officer' approved by the Board of Directors on 7 March 2011.

Please find below the Heads of the other company functions who have been assigned specific tasks on the subject of internal control and risk management:

- The role of the person responsible for the Risk Management function (*Chief Risk Officer* (CRO)) is assigned to Mr. Kristian Tomasini, who was taken on in January 2013 and who, during 2013, under the provisions of the Bank's General Regulations, carried out a supervisory role over the Risk Management Function, the Compliance Function, the Anti-Money Laundering Function (set within the Compliance Function). The Parent company Risk Management function has an annual expenses budget, agreed upon with the Chief Executive Officer, according to the action plan presented;
- The Position of Compliance and Anti-Money Laundering Officer was assigned, by the Board of Directors with validity from 30 June 2013 to Mr. Francesco Peluso, who is provided with an annual budget of € 25.000. The duties and responsibilities of the afore-mentioned second-level control functions are in line with recalled supervisory provisions on internal control systems issued by the 15<sup>th</sup> update to Bank of Italy's Circular 263/2006 of 2 July 2013 (new provisions for prudential supervision of Banks)

## 11.6. Coordination between subjects involved in the internal control and risk management system

The *cross-membership* mechanisms and the non-excessive composition of Committees, bodies and structures facilitate coordination between the subjects involved in the internal control and risk management system. During the course of its meetings, the Control and Risks Committee and the Board of Statutory Auditors interact frequently, subject to agreement and to discuss individual topics, with the CEO, with the Corporate Financial Reporting Officer, with the Auditing Firm, with the Chief Risk Officer and with the Chief Risk Officer and with the Compliance and Anti-Money Laundering Officer. They also systematically interact with the Head of the Internal Audit Function who usually takes part in the meetings.

The Supervisory Body as per Italian Leg. Decree 231/2001 also benefits from the same *cross-membership* mechanisms and similar systematic methods during comparisons in interacting with other parties involved in the internal control and risk management system.

At this time, it is useful to also recall the aforementioned adjustments to the internal control system carried out during 2013 including in light of the 15th Update of Bank of Italy's Circular no. 263/2006 and, specifically, the approval of a 'Document on the company and group internal control system – Guidelines', which defines, among other things, the liaison methods between the various organizational units that carry out the company control functions and the information flows between these functions and the corporate bodies.

The 'vertical' information flows, on the other hand, were adapted within the scope of the revision of Regulations on the convening and functioning methods of the Board of Directors, approved by the same Board during the meeting held on 29th January 2014.

## 12. Directors' interests and related-party transactions

During 2013, the Board of Directors approved – following approval of the Control and Risk Management Committee (composed solely of independent directors) and the Corporate Accounting Reporting Officer – the updating of the 'Procedure for Transactions with Associated parties' (definition which, as per the Bank of Italy's provisions, includes related parties and the parties connected to these).

The 'Procedure', which describes the criteria for identifying the transactions that must be approved by the Board after receiving the opinion (or after involvement) of the Control and Risks Committee, is available on the Website [www.bancaifis.it](http://www.bancaifis.it) (in the section 'Corporate Governance – Corporate documents').

The Board has not found any need for further operating solutions to facilitate identification and appropriate management of situations in which a director has an interest on his/her own account or that of third parties.

## 13. Appointment of statutory auditors

The appointment of members of the Board of Statutory Auditors is regulated by Article 21 of the Articles of Association and takes place based on lists presented by shareholders on which candidates are listed in sequential order and with a number of candidates not exceeding the members to be elected. Each list consists of two sections: one for candidates for the office of standing auditor and the other for candidates for the office of substitute auditor.

A list can be presented by the shareholder or shareholders who, at the time of submittal of the list, own an equity interest equal to at least 1% of ordinary shares, or to another lower ownership threshold that –pursuant to current regulations – must be indicated in the notice convening the Shareholders' Meeting called to resolve the appointment of Statutory Auditors.

A shareholder can neither submit nor vote for more than one list, not even via agents or fiduciary companies. Shareholders belonging to the same group and shareholders forming part of a shareholder agreement concerning the Company's shares cannot submit or vote for more than one list, not even via agents or fiduciary companies. A candidate can be present only on one list, on pain of ineligibility.

Two standing auditors and one substitute auditor from the list that obtained the highest number of votes are elected, based on the progressive order in which they appear on said list; from the list that obtained the highest number of votes among the lists presented and voted upon by shareholders who are not associated with the reference shareholders pursuant to art. 148, paragraph 2 of Italian Leg. Decree no. 58/1998, the candidate indicated in first position of the relevant section of said list is

elected as standing auditor; from the same list, the candidate indicated in first position of the relevant section of said list is elected as substitute auditor.

In the case of a tie between two or more lists, the oldest candidates will be elected as statutory auditors.

If said selection criteria do not ensure the presence within the Board of at least one standing auditor and one substitute auditor belonging to the least represented gender, a sliding mechanism is applied to the selection from the list which obtained, during the Shareholders' Meeting, the highest number of votes based on the consecutive order with which the candidates are indicated. Such mechanism excludes the candidate or candidates of the more represented gender and reselects the candidate or candidates of the missing gender.

Chairmanship of the Board of Statutory Auditors is the prerogative of the Standing Auditor elected from the minority list mentioned above.

Outgoing statutory auditors can be re-elected.

If, notwithstanding the provisions of the Articles of Association, as indicated above, only one list is presented or only one list receives votes, three standing and two substitute auditors will be elected – on condition that the list in question receives the majority of the votes represented at the Shareholders' Meeting – in the order in which they are indicated for the respective office on that list. The candidate for the office of standing auditor indicated in the first position on the list will be appointed Chairman of the Board of Statutory Auditors.

In case of substitution of a standing auditor, his/her place is taken over by the substitute auditor belonging to the same list as the auditor who has ceased to hold office.

If it is necessary to appoint standing and/or substitute auditors in order to reconstitute the Board of Statutory Auditors following auditors' early cessation from office, the Shareholders' Meeting will proceed as follows: if it is necessary to substitute auditors elected from the majority list, appointment of the statutory auditor(s) takes place on the basis of a majority vote, without the constraint of lists. If instead it is necessary to substitute a statutory auditor designated by the minority, the Shareholders' Meeting will substitute him/her, with a relative majority vote, choosing the candidate from among the candidates indicated in the list to which the auditor to be replaced belonged, who have confirmed their candidacy at least 25 days before the date set for the Shareholders' Meeting in first call, together with statements concerning the absence of causes of ineligibility or incompatibility, as well as possession of the requirements needed to hold the office.

The lists must be submitted to the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting in first call, and are made available to the public at the registered office, on the Company's website and according to other methods provided for by regulations in force at least twenty-one days prior to the date of the Shareholders' Meeting in first call.

The ownership of the minimum number of shares needed for presentation of the lists is determined by taking into account the shares recorded in favour of the individual shareholder or multiple shareholders jointly on the day in which the lists are submitted to the Company. In order to substantiate the ownership of the number of shares necessary for presentation of the lists, the shareholders may exhibit the relevant certification even subsequent to the submission of the lists, provided it is within the term set for publication of the lists by the Company.

The lists must be accompanied by:



- information relating to the identity of shareholders who have presented the lists, stating the percentage of shares held as a whole;
- a declaration by shareholders other than those who own, also jointly, a controlling or relative majority interest, certifying the absence of connections provided for by art. 144-*quinquies* of the 'Regulations implementing Italian Leg. Decree no. 58/1998 concerning the Issuers' regulations' with the latter as well as of any other significant relationships;
- exhaustive information on candidates' personal and professional characteristics, as well as a declaration by the candidates themselves certifying possession of the requirements established by law and acceptance of their candidacy.

Those candidates who already cover auditor positions in five other listed companies or who do not possess the honourableness, professionalism and independence requirements set forth by applicable regulations or that fall within the cases referred to in art. 148, para. 3 of Italian Leg. Decree no. 58/1998.

Each list has to indicate at least one candidate for the office of standing auditor and at least one candidate for the office of substitute auditor belonging to the least represented gender.

Such requirement does not apply to lists with less than three candidates.

## 14. Composition and functioning of the Board of Statutory Auditors (as per art. 123-bis, para. 2, letter d), CFA)

The membership of the Board of Statutory Auditors in office as at FY2013 year-end date, as is also shown in Table 3 attached to this Report, is as follows:

- Chairman: Giacomo Bugna;
- Standing auditor: Giovanna Ciriotto;
- Standing auditor: Mauro Roviola;
- Substitute auditor: Luca Giacometti;
- Substitute auditor: Sonia Ferrero.

The Shareholders' Meeting that made the appointment took place on 30 April 2013 according to the Articles of Association rules in force. The election for the 3-year period 2013-2015 took place based on a list vote. Two lists of candidates were submitted: one by the majority shareholder 'LA SCOGLIERA S.p.A.' and the other by the shareholders 'Ersel Asset Management SGR S.p.A. Fund Manager of Fondersel P.M.I.; Eurizon Capital SGR S.p.A. Fund Manager of Eurizon Azioni PMI Italia; Eurizon Capital SA Fund Manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. Fund Manager of Fideuram Italia; Fideuram Gestioni SA Fund Manager of Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav Fund Manager of Interfund Equity Italy and Otus Capital Management Limited Fund Manager of Maga Smaller Companies Master Fund Limited'(which certified the absence of connections with the controlling shareholder).



Below we show, for both of them, the list of candidates, the list of those elected and the percentage of votes obtained in relation to voting capital:

List of candidates presented by the majority shareholder 'La Scogliera S.p.A.'		
Candidates for the office of standing auditor	List of those elected	Percentage of votes obtained
Mauro Rovida Giovanna Ciriotto	Mauro Rovida Giovanna Ciriotto	80,38 %
Candidates for the office of substitute auditor		
Luca Giacometti Francesca Rapetti	Luca Giacometti	

List of candidates presented by the shareholder 'Ersel Asset Management SGR S.p.A. Fund Manager of Fondersel P.M.I.; Eurizon Capital SGR S.p.A. Fund Manager of Eurizon Azioni PMI Italia; Eurizon Capital SA Fund Manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. Fund Manager of Fideuram Italia; Fideuram Gestions SA Fund Manager of Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav Fund Manager of Interfund Equity Italy and Otus Capital Management Limited Fund Manager of Maga Smaller Companies Master Fund Limited.'		
Candidates for the office of standing auditor	List of those elected	Percentage of votes obtained
Giacomo Bugna	Giacomo Bugna	3,83 %
Candidates for the office of substitute auditor		
Sonia Ferrero	Sonia Ferrero	

Below we summarize the personal and professional characteristics of each standing auditor (pursuant to Article 144-*decies* of the Consob Issuers' Regulation) based on the statements provided by each of them and attached to the lists, as well as on any subsequent updates notified by those concerned.

### Chairman of the Board of Statutory Auditors – Giacomo Bugna

Mr. Bugna acquired his experience at a leading auditing firm, focusing on the sector of financial institutions with regards to both the auditing and advisory activity. In 1997-1998, he was responsible for introducing the certification of financial statements at Bank of Italy. Since 2011, he has been a member of the Board of the 'Fédération des Experts-comptables Européens' (Federation of European Expert Accountants), which groups together the professional associations of the 27 Members States that make up the European Community.

## **Standing auditor – Giovanna Ciriotto**

Director of the Board of Certified Public Accountants and Expert Bookkeepers of Venice, director as well as member of the same Board's continuous professional training commission, Ms. Ciriotto obtained a Degree in Economics and Business Administration from the Università Cà Foscari di Venezia. Since 2011, she has been a director of the Fondazione Università Cà Foscari and is an expert in the following areas: corporate law and corporate governance, extraordinary transactions, tax-real estate planning and consulting, and tax litigation. She is a partner with the Accounting Firm de Perini & Ciriotto, located in Venice.

## **Standing auditor – Mauro Roviida**

A 1973 graduate in Economics and Business Administration, scholarship holder at the Chair of Economic Politics of the Faculty of Economics and Business Administration at the Università degli Studi di Genova, Certified Public Accountant since 1975, Legal Auditor, member of the association of technical consultants of the Court of Genoa. He currently carries out consulting activities, mainly in Genoa, in the corporate, litigation and bankruptcy proceedings areas; consultant for various Genoa-based companies and groups with interests in the following sectors: construction, maritime tourism services, goods handling harbour services, industries associated with the shipbuilding activity, real estate trading, mechanical industry apparel, IT and services; member of the Boards of Directors and Boards of Statutory Auditors of different companies.

## **Substitute Auditor – Sonia Ferrero**

A Certified Public Accountant, she has been a member of the Board of Certified Public Accountants and Expert Bookkeepers of Turin since 2001. After obtaining a degree in Economics from the Università di Torino, she attended the IPSOA Master in International Taxation. Ms. Ferrero currently works for the Law and Taxation Firm Di Tanno&Associati, where she deals with Italian and international taxation issues, tax litigation, assistance on the subject of collection and transactions involving private equity funds.

## **Substitute Auditor – Luca Giacometti**

Luca Giacometti graduated in Economics & Commerce. He has been a Certified Public Accountant since 1995, and since 1999 has been a member of the register of external auditors; he is also enrolled in the register of technical consultants of the Court of Genoa. He is a member of the Board of Certified Public Accountants and Expert Bookkeepers for the circumscription of the Court of Genoa.

He has acquired in-depth knowledge and experience in the corporate, tax, accounting, administrative and financial fields; moreover, he provides consulting services for companies and groups of companies mainly located in the area of Genoa and operating in the sector of construction and of maritime and harbour tourist services, for which he also holds the office of director and member of the Board of Statutory Auditors.

During FY2013, the Board of Statutory Auditors met at the Bank 24 times, during which it interacted with the Chief Executive Officer, the General Manager, the Control and Risk Management Committee, the Supervisory Body as per Legislative Decree no. 231/2001, the auditing firm, the Head of Internal Audit, the Accounting Reporting Officer and other control departments, as well as with numerous managers and employees of the Bank. The meetings and/or audits lasted about 2 hours and a half on average.

Since the beginning of 2014 until the date of approval of this Report, the Board of Statutory Auditors has met at the Bank during the course of 5 days, working with the Control and Risk Management Committee, the auditing firm, the Control Functions and some of the Heads of operating areas or services. The Board of Statutory Auditors is likely to hold more meetings in 2014 than those held last year.

There have been no changes in the Board of Statutory Auditors' composition as of the closing of the period.

After its nomination, the Board of Directors, in its meetings on 30 April and 30 May 2013 checked statutory auditors' possession of the requirements of integrity, professional skill/repute and independence, as per Article 148, paragraph 3 of Legislative Decree no. 58/1998, based on the Substitute Declarations envisaged by Italian Presidential Decree no. 445 of 28 December 2000. During the Board of Directors' session held on 17<sup>th</sup> July 2013, an overall presentation was given on the verifications carried out on the subject of the requirements of professionalism, honourableness and independence of directors and auditors. The Board of Statutory Auditors was present during the above-mentioned meetings of the Board of Directors. In addition, the Board of Statutory Auditors periodically checks the suitability of its members to perform the functions of the control body in terms of professionalism, availability of time and independence, as well as its own adequacy in terms of powers, functioning and composition, taking into account the entity and complexity of Banca IFIS and of its business activities. During this verification, it has been confirmed from time to time that the members of the Board of Statutory Auditors continue to meet the independence requirements as per all the criteria established by the Corporate Governance Code for directors' independence. For the 2014 period, the verification of independence requirements possessed by the individual members of the Statutory Board was carried out in the Meeting of 27 February 2014.

During the course of 2013, no induction initiatives aimed at auditors were carried out, due to the satisfactory level of their skills and professionalism.

Consistently with the provisions of the Corporate Governance Code, and also pursuant to the provisions of Article 136, para. 1 of the Consolidated Banking Act ('Obligations of banking officers'), if a statutory auditor either directly or on third parties' account has an interest in a certain transaction of the Issuer, he/she must inform the other statutory auditors and the Chairman of the Board promptly and exhaustively about the nature, terms, origin and extent of his/her interest. The Statutory Auditors also fall within the field of application of the 'Procedure for transactions with Associated parties' discussed in Section 12.

As part of the coordination with the other players of the Internal Control and Risk Management System, the Board of Statutory Auditors had primarily relations, as envisaged by the Corporate Governance Code, with the Internal Audit Department, whose Head normally attends the Board of Statutory Auditors' meetings, and with the Control and Risk Management Committee, as well as with the Appointments and Remuneration Committee, whose meetings are normally attended by the

Chairman of the Board of Statutory Auditors. In addition, during 2013, five joint meetings of the Board of Statutory Auditors and Control and Risk Management Committee were held.

## 15. Relations with shareholders

The Bank has created a specific section on its Website, easy to identify and access by clicking on the item 'Corporate Governance' in the menu at the top of the home page, which makes available information of importance to shareholders in order to enable them to exercise their rights knowledgeably.

The CEO had been put in charge of managing relations with shareholders (*Investor Relations Manager*) by virtue of the Board resolution passed on 29 April 2010. With Board resolution of 19 January 2013 the office was assigned to the Head of Communications Mara Di Giorgio.

The Investor Relations Function reporting to the CEO was also resolved and set up.

## 16. Shareholders' meetings (as per Art. 123-bis, para. 2, letter c), CFA)

The duties of the Shareholders' Meeting are similar to those found in the majority of listed Italian banks. Specifically, the Shareholders' Meeting:

- approves financial statements;
- appoints, applying the list vote mechanism, and revokes members of the Board of Directors, establishing their remuneration;
- appoints, applying the list vote mechanism, and revokes members and the Chairman of the Board of Statutory Auditors, establishing their remuneration;
- resolves on remuneration policies for directors, employees and outside staff members and receives reports on the same;
- resolves on remuneration plans based on financial instruments;
- resolves on transactions that involve amendments to the Articles of Association;
- resolves on the other matters reserved for it by the Articles of Association or by law.

Shareholders' Meetings can also be held outside the Company's registered office, as long as the venue is in Italy. The Shareholders' Meeting is held at least once a year, within 120 days after the end of the corporate financial year.

Shareholder's Meeting may be attended by holders of voting rights for whom the Company has received the notification by the intermediary at the end of the third day of open trading preceding the date set for the Shareholders' Meeting in first call. The communication is made based on the evidence at the end of the seventh accounting day of open trading set for the Shareholders' Meeting in first call.

The above is without prejudice to legitimate attendance and the exercise of the right to vote should such communication be received by the Company beyond the aforementioned term, provided that this is before the start of the Shareholders' Meeting of the single call.

Those who are entitled to vote may have themselves represented at the Shareholders' Meeting, pursuant to the law, by means of written proxy or proxy granted by electronic means.

The electronic notification of the proxy may be made using the special form available on the Company website.

The Company designates for each Shareholders' Meeting, indicating it in the notice to convene, one or more individuals to whom the holders of voting rights can grant, following the methods established by applicable normative provisions, a proxy with voting instructions on all or some of the proposals on the agenda. The Proxy has effect only with regards to the proposals for which voting instructions have been provided.

With regards to the majorities for the validity of resolutions and the drafting of the minutes, reference is made to the provisions of the law, to applicable regulations, to the Articles of Association and to the Shareholders' Meeting Regulations.

Only shareholders who, alone or together with others, own at least 1% of ordinary shares at the time of submittal have the right to submit lists for the appointment of members of the Board of Directors. A lower ownership threshold is possible – if allowed by current legislation – and must be indicated in the meeting notice convening the Shareholders' Meeting called to vote on appointment of the members of the Board of Directors. A shareholder can neither submit nor vote for more than one list, not even via agents or fiduciary companies. Shareholders belonging to the same group and shareholders forming part of a shareholder agreement concerning the Company's shares cannot submit or vote for more than one list, not even via agents or fiduciary companies. A candidate can be present only on one list, on pain of ineligibility. One director is taken from a list other than the one receiving the most votes. In the event of the latter's cessation from office during the mandate, the Board will first check the continued availability of the candidates listed on the list concerned, according to the latter's sequential order, and will proceed with co-optation based on this criterion of preference.

\*\*\*

No proposals were made to the Shareholders' Meeting by Shareholders who control the Issuer with regards to topics for which a specific proposal was not formulated by the directors.

\*\*\*

The 'Shareholders' Meeting Regulations', the current version of which was approved by the Shareholders' Meeting on 30 April 2013, governs the manner in which meetings are held and function. The Regulation specifies the maximum duration of individual contributions by attendees, their order, the voting procedure, the contributions of Directors and Statutory Auditors, and also the powers to settle and prevent the occurrence of conflict during Shareholders' Meetings.

Pursuant to the Shareholders' Meeting Regulations, the Meeting's Chairman, also drawing on the assistance of Company personnel, checks that proxies are correct, the right of attendees to take part in the Meeting and the latter's proper constitution.

All those who attend have the right to take the floor on each of the topics discussed. Those with rights may ask questions on the items on the agenda even before the Meeting takes place, within the terms set forth by the regulations in force and indicated in the notice to convene. The questions

received within the term indicated in the notice will be answered during the Meeting, at the latest. A single answer may be given to questions with the same content. Those who intend to speak must ask the Chairman, by written request containing an indication of the topic to which the question refers, after the Chairman has read out the agenda items and until he declares discussion of the relative topic closed. As a rule, the Chairman gives permission to speak according to the chronological order in which requests are submitted. If two or more requests are submitted simultaneously, the Chairman gives permission to speak according to the alphabetical order of the requesters' surnames. The Chairman can authorize the submission of requests to speak by a show of hands. In such case, the Chairman gives permission to speak according to the alphabetical order of requesters' surnames. Members of the Board of Directors, of the Board of Statutory Auditors and of Top Management of the Bank or of other Group companies, as well as the representatives of the Firm assigned the task of the legal auditing of the accounts, Company and Group personnel may ask to join the discussion when the Chairman deems it useful in connection with the topic to be discussed.

\*\*\*

During the Ordinary Shareholders' Meeting held on 30 April 2013, only one member of the Board of Directors was absent. Consequently, the total number of attending directors was equal to 7. The entire Board of Statutory Auditors was on hand.

During the Shareholders' Meetings the CEO, on behalf of the Board of Directors, makes himself available to report on the activity performed and planned by the Board, while in any case observing the rules for privileged information. The Board, also by means of the reports made available to shareholders in the terms established by the CFA and through ongoing fine-tuning of the organization of institutional communication via the Website, commits itself to ensure that shareholders receive sufficient information on the items necessary to enable them to take informed decisions as regards the resolutions that are the prerogative of the Shareholders' Meeting.

\*\*\*

During the Ordinary Shareholders' Meeting held on 30 April 2013, as concerns the Appointments and Remuneration Committee, Andrea Martin (Chairman) and the two members Sebastien Egon Fürstenberg and Francesca Maderna were present. Shareholders were informed with regards to the methods used to exercise the Committee's functions as part of the Remuneration Report as per art. 123-ter of the CFA.

\*\*\*

During the financial year, no significant changes occurred in the control structure of Banca IFIS S.p.A.. On 4<sup>th</sup> October 2013, the majority shareholder La Scogliera S.p.A., through an accelerated book building procedure reserved to institutional investors (transaction duly communicated to the market and to the Supervisory Authority), transferred 6.000.000 Banca IFIS ordinary shares, corresponding to 11% of the share capital. Following completion of the transaction, La Scogliera S.p.A. still maintains control of the Bank since it owns about 57% of its capital.

The market capitalisation of shares recorded the following values at the beginning and end of the period:

Date	Share price (€)	No. of shares forming share capital	Capitalization (€)
28 December 2012	5,530	53.811.095,00	297.575.355,35
30 December 2013	12,95	53.811.095,00	696.853.680,30

Source: Bloomberg, closing price (PX-LAST)

The increase in capitalisation reflects the changes observed in the trends of Banca IFIS's securities and such changes are directly due to the results achieved and the future outlook of the company.

## 17. Further corporate governance practices (as per Art. 123-bis, para. 2, letter a), CFA)

No further Committees have been appointed other than those described in the previous sections. Adoption of the Organizational Model pursuant to Legislative Decree no. 231/2001 is discussed in the third paragraph of Section 11.

## 18. Changes since end of the financial year concerned

Since FY2013 year-end up to the date of approval of this Report there have been no changes in the corporate governance structure.



## Tables

### TABLE 1: INFORMATION ON SHAREHOLDING STRUCTURE

STRUCTURE OF SHARE CAPITAL				
	No. of shares	% of share capital	Listed (market) / unlisted	Rights and obligations
Ordinary shares	53.811.095	100%	Listed (on MTA – Milan electronic equity market)	Each ordinary share attributes the right to one vote
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (giving right to subscribe newly issued shares)				
	Listed (market) / unlisted	No. of instruments outstanding	Share category servicing conversion/exercise	No. of shares servicing conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

### SIGNIFICANT SHAREHOLDINGS

Declarant	% of share capital	Direct shareholder	Possession status
FÜRSTENBERG SEBASTIEN EGON	56,680	La Scogliera S.p.A.: 56,667	Ownership
		Fürstenberg Sebastien Egon: 0,013 Total: 56,680	Ownership
INTESA SANPAOLO S.P.A. (1)	2,710	Cassa di Risparmio del Veneto S.p.A.: 1,983	Pledge
		Banca Fideuram S.p.A.: 0,002 Banco di Napoli S.p.A. 0,004	Pledge
		Intesa Sanpaolo S.p.A.: 0,720 Total 2,710	Pledge
PREVE RICCARDO	2,313	Preve Costruzioni S.p.A.: 2,156 Preve Riccardo: 0,157 Total 2,313	Ownership
BOSSI GIOVANNI	3,417	Bossi, Giovanni	Ownership

(1) The percentages declared by Intesa Sanpaolo S.p.A as per Article 120 CFA can be fully attributed to pledges held by this banking group. According to the declaration received from Banca IFIS, no. 1.065.447 shares, equal to 1,980% are in pledge at Cassa di Risparmio del Veneto S.p.A., and are owned by Alchimia S.p.A. which, moreover, has no voting rights only in the case of extraordinary shareholders' meetings (subject to waiver of the pledge holder).

**TABLE 2: STRUCTURE OF BOARD OF DIRECTORS AND BOARD COMMITTEES**

Board of Directors											Control and Risks Committee		Appointment and Remuneration Committee	
Office	Members	In office since	In office until	List (M/m) *	Exec.	Non exec.	Indep. as per Code	Indep. as per CFA	** (%)	No. of other offices ***	****	**	****	***
Chairman	Furstenberg Sebastien Egon	2013	2015	M		X			100%	-			X	100.00%
Deputy Chairman	Csillaghy Alessandro	2013	2015	M	X				100%	-				
C.E.O.	Bossi Giovanni	2013	2015	M	X				100%	-				
Director (LID)	Benini Giuseppe <sup>1</sup>	2013	2015	M		X	X	X	100,00%		X	100,00%		
Director	Maderna Francesca	2013	2015	M		X	X	X	94,44%	-	X	77,78%	X	100.00%
Director	Martin Andrea <sup>2</sup>	2013	2015	M		X			94,44%	-	X	77,78%	X	100.00%
Director	Preve Riccardo <sup>3</sup>	2013	2015	M		X			94,44%	-	X	75,00%		
Director	Salamon Marina	2013	2015	M		X			88,89%	1				
Director	Daniele Santosuosso <sup>1</sup>	2013	2015	m		X	X	X	100,00%	-	X	92,86%	X	100.00%
<b>DIRECTORS TERMINATED DURING THE 2013 FINANCIAL PERIOD</b>														
Director	Conti Leopoldo <sup>4</sup>	2010	2012	M		X			83,33%		X	75,00%		
Quorum required for the presentation of lists on occasion of last appointment: 1%														
No. of meetings held during the reference Financial year:						B.o.D.: 18		CRC: 18		ARC: 9				

**NOTES**

\* In this column 'M/m' indicates whether the member was elected from the list voted by the majority (M) or by a minority (m).

\*\* These columns show the directors' percentage of attendance in Board of Directors and Committee meetings, respectively (no. of meetings attended/no. of meetings held during the actual period of office of the interested party).

\*\*\* This column shows the number of directorships or offices as statutory auditor held by the person concerned in other companies listed on regulated Italian and foreign markets, in financial, banking and insurance companies, or companies of significant size. The second paragraph of Section 4 lists these companies with reference to each director. None of the directors holds offices in the sole subsidiary of Banca IFIS S.p.A..

\*\*\*\* In this column 'X' indicates that the B.o.D member belongs to the Committee.

1. Appointed by the Shareholders' Meeting held on 30<sup>th</sup> April 2013. The attendance percentage in meetings is in relation to the actual number of meetings held during the term of office.

2. Until 30<sup>th</sup> April 2013, also a member of the Appointment and Remuneration Committee. The attendance percentage in meetings is in relation to the actual number of meetings held during the term of office.

3. Member of the Control and Risks Committee until 30<sup>th</sup> April 2013. The attendance percentage in meetings is in relation to the actual number of meetings held during the term of office.

4. In office until the Shareholders' Meeting held on 30<sup>th</sup> April 2013.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Board of Statutory Auditors							
Office	Members	In office since	In office until	List (M/m)*	Independence as per Code	** (%)	Number of other offices ***
Chairman	Giacomo Bugna <sup>1</sup>	2013	2015	m	X	100,00%	-
Standing auditor	Mauro Rovida <sup>2</sup>	2013	2015	M	X	87,50%	13
Standing auditor	Giovanna Ciriotto <sup>1</sup>	2013	2015	M	X	81,25%	-
Standing auditor	Giacometti Luca <sup>3</sup>	2013	2015	M	X	-	
Standing auditor	Sonia Ferrero <sup>1</sup>	2013	2015	m	X	-	
-----AUDITORS TERMINATED DURING THE 2013 PERIOD-----							
Standing auditor	Erasmus Santesso <sup>4</sup>	2010	2012	M	X	75,00%	
Standing auditor	Stevanato Dario <sup>4</sup>	2010	2012	M	X	87,50%	
Substitute auditor	Rapetti Francesca <sup>4</sup>	2010	2012	M	X	-	
Quorum required for the presentation of lists on occasion of last appointment: 1%							
Number of meetings held during the reference Financial Year: 24 meetings							

**NOTES**

\* In this column, as per the Borsa Italiana format, 'M/m' indicates whether the member was elected from the list voted by the majority (M) or by a minority (m). The current composition of the Board of Statutory Auditors was determined through a resolution adopted during the Ordinary Shareholders' Meeting held on 30<sup>th</sup> April 2013 for the 2013/2015 three-year period, using the list-vote mechanism.

\*\* This column shows statutory auditors' percentage attendance at B.S.A. meetings (no. of meetings attended /no. of meetings held during the actual term of office of the person in question).

\*\*\* This column shows the number of directorships or offices as statutory auditor – relevant for the purposes of Article 148-bis of the CFA - held by the person in question. The full list of offices is published by CONSOB on its website, pursuant to Article 144-*quinquiesdecies* of the CONSOB Issuers' Regulations. Those who cover the office of member of the control body of a single Issuer are exempt from such information obligation.

1. Appointed by the Shareholders' Meeting held on 30<sup>th</sup> April 2013. The attendance percentage in meetings is in relation to the actual number of meetings held during the term of office.

2. In office during the 2010/2012 three-year period as Chairman of the Board of Statutory Auditors. Appointed standing auditor by the Shareholders' Meeting held on 30<sup>th</sup> April 2013 for the three-year period 2013/2015.

3. Substitute auditor also in the previous 2010-2012 three-year period.

4. In office until the Shareholders Meeting held on 30<sup>th</sup> April 2013. The attendance percentage in meetings is in relation to the actual number of meetings held during the term of office.

## Glossary

**Code/Corporate Governance Code:** the Corporate Governance Code of listed companies approved in December 2011 by the *Corporate Governance* Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Civil Code / C. C.:** the Italian Civil Code.

**Board:** the Issuer's Board of Directors.

**Issuer:** the issuer of securities to which the Report refers.

**Financial Year/FY:** the corporate financial year to which the Report refers.

**Consob Issuers' Regulation:** the Regulation concerning issuers implemented with Consob (Italian securities & exchange commission) resolution no. 11971 of 1999 (as subsequently amended).

**Consob Market Regulation:** the Regulation concerning markets implemented with Consob resolution no. 16191 of 2007 (as subsequently amended).

**Regulations containing provisions relating to transactions with related parties:** the Regulation concerning related-party transactions implemented with Consob resolution no. 17221 of 12 March 2010 (as subsequently amended).

**Report:** the report on corporate governance and company structure that companies are required to prepare pursuant to Article 123-*bis* of the CFA.

**CFA/Consolidated Finance Act:** Legislative Decree no. 58 of 24 February 1998 (known in Italian as '*Testo Unico della Finanza*' – TUF).