

# Procedure for the management of transactions with Related Parties



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## History of versions

Version	Date of approval	Summary description of modifications
1	10/11/2016	<i>Enactment</i>
2	29/06/2018	<i>Updates pertaining to the specification of exemption cases</i>
3	09/10/2018	<i>Updates pertaining to the adaptation of the privacy information contained in Annex 1, approved by the General Manager</i>
4	21/12/2020	<i>Updates pertaining to the implementation of the 33rd Update of the Supervisory Provisions for Banks, Circular 285 of 17 December 2013 of the Bank of Italy.</i>

## 1 Introduction

The regulation of transactions with related entities aims to oversee risk potentially posed by the proximity of certain parties to the decision-making centers of the Bank and the subsidiaries concerning the objectivity and impartiality of decisions relating to the granting of loans and other transactions therewith, involving possible distortions in the resource allocation process, exposure of the bank to risks not adequately measured or monitored, or to potential damage to depositors and shareholders. In this regard, the representatives, the main shareholders and the other subjects capable of influencing the management of the Bank are identified as "related entities" as they are able to exercise control, themselves or jointly with other subjects, or have a significant influence. Instances of conflict of interest may also emerge regarding companies, especially of an industrial nature, or subsidiaries controlled by or subject to significant influence in respect of which the bank has significant exposures in the form of loans and equity interests.

A related entity and the subjects connected to it constitute the "related parties" to which the quantitative and procedural conditions of these regulations apply (Procedure for managing transactions with related parties).

The first safeguard consists of the prudential limits for the risk activities of a bank or a banking group with regard to related parties. The limits are differentiated according to the different types of related entities in proportion to the closeness of the relationships and the relevance of the resulting risks to sound and prudent management. In consideration of the greater risks inherent in conflicts of interest in banking industry relations, stricter limits are provided for risk activities associated with related entities that qualify as non-financial companies. Special deliberative "itinerari" dedicated to transactions with related parties supplement the prudential limits in order to preserve the correct allocation of resources and to adequately protect third parties from expropriation. They are applied to transactions of an economic nature other than those that generate risk assets and are therefore not covered by the quantitative limits.

Specific organizational structures and internal controls allow for the specification of the responsibilities of the bodies and of the duties of the corporate organizational structures as they relate to the objectives of prevention and management of conflicts of interest, as well as to the obligations relating to the census of related parties and overseeing the development of exposures.

### 1.1 Document objectives

The document is intended to regulate the procedure for the identification, approval and execution of transactions with related entities and connected parties to be put in place either by the Bank directly or through its subsidiaries, as provided for in:

- a) art. 4 of Consob regulation no. 17221, in implementation of art. 2391-bis (Transactions with related entities) of the Civil Code;
- b) Circular 285/13 to Part Three, Chapter 11 "risk assets and conflicts of interest in relation to related parties";
- c) Accounting Standard IAS 24 "financial statement on transactions with related entities", with specific regard to the definitions of "Related Entity" and "Connected Parties".

## 1.2 Intended audience

This procedure and the related amendments are published on the Bank's website and are intended, to the extent applicable, for all of its organizational units, subsidiaries and, in light of the provisions contained in Directive 2013/36 / EU ("CRD IV" ) and in EU Regulation no. 575/2016 ("CRR"), the parent company La Scogliera S.p.A.

## 1.3 Management of the document

The procedure has been approved by the Bank's Board of Directors, upon the proposal of the Chief Executive Officer, having been subject to favorable opinion of the Financial Reporting Manager, the Control and Risks Committee (the independent directors only) and the Board of Statutory Auditors with regard to its suitability to achievement the objectives of the current regulations in force on the subject. The opinions of the independent directors and the supervisory body are binding toward the board's decision.

Any changes to the procedure, whether necessary or appropriate by virtue of regulatory and/or organizational updates, are approved by the Board of Directors of the Bank upon proposal by the Chief Executive Officer, having been subject to favorable opinion of both the Controls and Risks Committee (the independent directors only) and the Board of Statutory Auditors.

In line with the above, the responsible parties for the phases of the document management process are defined as follows:

Parent Company						Group Companies
Editorial Board	Validation	Suitability Opinion	Approval	Disclosure	Archiving	Implementation
<u>Lead:</u> Organization  <u>Operational Support</u> Corporate Affairs Compliance Finance  <u>Circulation:</u> Managing Director	Chief Executive Officer	Control and Risks Committee (Independent directors)  Board of Statutory Auditors  Financial Reporting Manager	Board of Directors	Organization	Organization	Board of Directors

## 2 Relevant legislation

The regulatory documents considered for the procedure are:

- the Consob regulation on transactions with related entities, adopted with resolution no. 17221 of March 12, 2010 including subsequent amendments;
- Circular 285/13, Part Three, Chapter 11 "risk assets and conflicts of interest with regard to related parties";
- the IAS 24 Accounting Principle "financial statements on transactions with related entities".

In addition to these documents, the provisions of:

- a) Civil Code - arts. 2391 (in terms of directors' interests) and 2391-bis (in terms of transactions with related entities);
- b) Legislative Decree of 1 September 1993, no.385, "Consolidated Law on Banking (TUB)";
- c) Legislative Decree of 24 February 1998, no.58, "Consolidated Law on Finance (TUF)".

### 3 Definitions

For the purposes of the current procedure:

**Banking group:** Banca IFIS S.p.a. and subsidiaries of the Banking group;

**Strategic Managers:** as per the Consob Regulation, "those persons who have the power and responsibility, directly or indirectly, for the planning, management and control of the company's activities, including the directors (executive or otherwise) of the company itself". In the current organizational configuration of the Parent Company, in addition to the members of the Board of Directors, the following are considered Managers with strategic responsibilities, by way of example:

- Chief Executive Officer of the Parent Company;
- Managing Director of the Parent Company
- Heads of Central Departments (Capital Markets, Finance, Operations, Business and NPL);
- Head of the Industrial Plan Governance Department, Planning and Management Control;
- Chief Risk Officer;
- Head of Internal Audit Operations;
- Head of Compliance Operations;
- Head of the Legal and Corporate Department;
- Head of the Investor Relations Department;
- Head of Communication, Marketing and Relations Department;
- General Director of Ifis Npl Servicing.

**Corporate Representatives:** the Directors, the Statutory Auditors and the Managing Director.

**Transactions:** operations with related parties which involve the assumption of risk assets, the transfer of resources, services or obligations, regardless of the provision of a consideration, including mergers and spin-offs (but excluding strictly proportional spin-offs, as these transactions are aimed indifferently on equal terms at all shareholders). The definition of Transactions with related entities or connected parties is also further specified in chapter 5 of this procedure.

**Related Entities:** the subjects identified pursuant to chapter 4 of this procedure

**Non-financial Related Entity:** a related entity that, either directly or by way of subsidiaries, carries out mainly non-financial business activities as defined within the purview of the regulations on investments as held by banks and banking groups.

**Connected Parties:** the subjects identified pursuant to chapter 4 of this procedure.

**Close Family Members:** these include relatives up to the second degree and the spouse or cohabitant of a related party, as well as the children of the latter. Grandparents, parents, children and siblings are considered relatives up to the second degree. In addition, the dependents of the subject or of the cohabitant are considered close family members.

In the case of related parties to the subsidiaries of the banking group, the parent company can exclude second degree relatives from the notion of "close family", limiting itself to considering first degree relatives if there are proven difficulties in obtaining information; in this case, the parent company informs the Bank of Italy.

**Participant:** the person responsible for requesting the authorizations referred to in articles 19 and following in the TUB.

**Control:** pursuant to art. 23 of the TUB: the cases provided for in art. 2359, first and second paragraphs of the Civil Code; control is designated by contracts or by statutory clauses which include the power to exercise management and coordination as their object or effect; in these cases, control in the form of dominant influence. Also relevant as control are situations of joint control, also regarded as control, and are to be understood as the contractually established sharing of authority over an economic activity. In this case, the following are considered to be controllers: a) subjects who have the ability to exercise decisive influence over the company's strategic financial and operational decisions; b) other subjects capable of influencing the

management of the company based on the shareholdings held, on agreements stipulated in any form, or on statutory clauses, which have the possibility of exercising control as their object or effect. Control is also regarded as such when it is exercised indirectly, through subsidiaries, trust companies, bodies or intermediaries. Companies and enterprises controlled by entities in turn subject to joint control are, however, not considered indirectly controlled.

**Significant Influence:** the power to participate in the determination of the financial and operational policies of an investee company, without having control over it. Significant influence is presumed in the event of possession of a direct or indirect shareholding equal to or greater than 20% of the share capital or of the voting rights in the ordinary Shareholders' meeting or other equivalent body of the investee company, or 10% in the case of companies with shares listed on regulated markets.

In the case of holding a shareholding below the aforementioned thresholds, one or more of the following circumstances may serve to constitute an indication of significant influence:

- i. representation on the Board of Directors of the investee company; in accordance with the regulations for issuers of shares listed on regulated markets, the mere fact of representing the minority on the Board of Directors does not, in and of itself, constitute an indication of significant influence;
- ii. participation in the decision-making process, including involvement in decisions regarding dividends or other types of profit distribution;
- iii. the presence of relevant transactions between the participant and the investee;
- iv. the interchange of managerial staff;
- v. the provision of essential technical information;

Significant influence is also deemed relevant when exercised indirectly, through subsidiaries, trust companies, bodies or intermediaries. Investments in entities which are themselves subject to joint control, however, are not considered to be indirectly subject to significant influence.

**Associated Companies:** companies over which another company exercises significant influence are considered associated companies (art. 2359 c.3)

**Supervised Intermediaries:** SIMs, EU investment firms, third-country firms other than banks, managers as defined by the TUF as well as foreign managers, electronic money institutions (Imel), financial intermediaries listed in the register provided for by art. 106 of the TUB, payment institutions that are part of a banking group and have an amount of own funds at an individual level greater than 2 percent of the amount of own funds at the consolidated level of the banking group to which they belong.

**Joint Venture:** a contractual agreement wherein two or more parties undertake an economic activity subject to joint control is considered a Joint Venture.

**Executive Directors**. The following are qualified executive directors of the issuer as per Corporate Governance Code - Application criteria - 2.C.1:

- i. the managing directors of the issuer or of a subsidiary company having strategic relevance, including the company's chairman when he or she is assigned individual powers of management or when he or she has a specific role in the development of corporate strategies;
- ii. the directors who hold managerial positions in the issuing companies or in a subsidiary company of strategic relevance or in the parent company when the assignment also concerns the issuer;
- iii. the directors who are part of the issuer's executive committee (Banca IFIS has not established an executive committee) in the event that chief executive officer has not been appointed or when, taking into account the frequency of the meetings and the purpose of the related resolutions, participation in the executive committee actually entails the systematic involvement of its members in the management of the issuer.

The assignment of deputy powers to directors without management authority in singular cases of urgency does not, in and of itself, render the recipient of the deputy powers an executive director, unless such powers are, in fact, used with considerable frequency.

Consistent with the definition provided by the Corporate Governance Code as well as the Circular of the Bank of Italy no. 285/13 in Title IV, Chapter 1 the definition of executive director is as follows:



- a) directors who are members of the executive committee or are recipients of proxies or who perform, even purely de facto, functions pertaining to the management of the company;
- b) directors who perform managerial roles in the bank, i.e. those who are tasked with supervising given areas of management of the company, ensuring a constant presence in the company, acquiring information from related operating structures, sitting on managerial committees, and reporting to the collective body on the activity carried out;
- c) directors who perform the duties listed under either a) or b) in any company of the banking group.

**Non-executive Directors.** All directors who do not have the characteristics referred to in para. 2.C.1 of the Corporate Governance Code. They take part in the decisions made by the entire body and are then called upon to carry out important dialectical and monitoring functions of the choices made by executive representatives. The authority and level of professionalism of non-executive directors must be sufficient for the exercise of these functions (dialogue and monitoring of the choices made by executive officers), which are crucial for the sound and prudent management of the bank. It is therefore essential that the team of non-executive directors possesses and exhibits adequate knowledge of banking, of the dynamics of the economic and financial system, of banking and financial regulation and, above all, of risk management and control methods. This knowledge is essential to the effective performance of the tasks required of them.

The presence of an adequate number of non-executive members who have well-defined roles and tasks and who effectively perform the function of counterbalancing the weight of the bank's executives and management, fosters internal dialogue within the body to which it belongs, especially when both functions (strategic supervision and management) are assigned to a single body.

The non-executive members may provide an independent and unconditional opinion on the proposed resolutions as they are not personally involved in the operational management of the company.

**Independent Directors.** the administrator who is neither a counterparty nor a connected party nor has an interest in the transaction pursuant to art. 2391 of the Italian Civil Code, who meets the requirement for independence as provided for by the legislation implementing art. 26 of the TUB and the Articles of Association. The requirement for independence as defined by the Articles of Association of each company applies until the relevant date of application of the decree implementing art. 26 of the TUB. With particular reference to Banca IFIS, the Articles of Association provide that directors meet the requirements of the Corporate Governance Code and art. 148, para. 3 of the TUF.

## 4 Identification of related entities and of connected parties

The Bank identifies its related entities and connected parties on the basis of the declarations provided by the Company Representatives, including those of the subsidiaries, and by the Strategic Managers as well as information obtained from other sources identified in the Technical Annexes of this Procedure. The Company Representatives and Managers with strategic responsibilities cooperate with the Bank in order to allow a correct, complete and updated census and promptly report to the Bank all the information necessary should circumstances arise that modify the status of related entities or connected parties.

The Bank maintains a list of its related entities and connected parties, which is updated on a regular basis..

The subsidiaries refer to the same parameters concerning related parties as determined by the Bank for the entire Group.

**Related Entities** of the Group include:

- a) the companies over which the Bank or subsidiaries exercise, directly or indirectly (through subsidiaries, trustees or intermediaries), control (including joint control) or significant influence;
- b) the joint ventures to which the Bank and/or the subsidiaries adhere<sup>1</sup>;
- c) the participant and any subject, other than the participant, able to appoint, on his or her own, one or more members of the Management Body or of the Strategic Supervisory Body even on the basis of any form of stipulated agreement entered into or of statutory clauses having the exercise of such

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<sup>1</sup>The accounting standard IAS 24 provides, in this regard, as follows:

An entity is related to an entity that prepares financial statements if any of the following conditions apply:

- an entity is an associate or a joint venture of the other entity (or an associate or a joint venture belonging to a group of which the other entity belongs);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- rights or powers as their object or effect;
- d) the corporate officers of the Bank and of the subsidiaries;
  - e) the Strategic Managers of the Group;
  - f) the supplementary pension fund, collective or individual, Italian or foreign, established for the employees of the Bank or any entity related to it.

Connected Parties to the aforementioned related entities include:

- g) the companies<sup>2</sup> controlled by the participant referred to in point c), by the corporate officers referred to in point d), by the Strategic Managers referred to in point e);
- h) close family members of the subjects referred to in points c), d) ed e);
- i) companies over which said close family members exercise control or significant influence.

Related Parties Related Parties are composed of a Related Entity and all parties connected to it.

## 5 Identification and classification of transactions with related parties

Transactions with related parties are operations executed either directly or indirectly by subsidiaries that involve the assumption of risk assets, the transfer of resources, services or obligations between the Bank and one or more related parties, regardless of the provision of a consideration.

In any case they shall be deemed to include:

- transactions related to mergers, and to spin-offs by incorporation or spin-offs in a strictly non-proportional sense, where executed with related entities;
- any decision relating to the allocation of remuneration and economic benefits, in any form, to the members of the administrative and control bodies and to managers with strategic responsibilities.

Examples of Transactions with related parties include but are not limited to:

- a) the provision of credit;
- b) the performance of banking services (current accounts, savings deposits, etc.);
- c) service and/or maintenance contracts;
- d) real estate sales and leasing;
- e) all acts concerning the rights to property.

Transactions with related parties are divided into:

- a) Relevant transactions;
- b) Transactions of small amount.

### 5.1 Relevant Transactions

The following are considered relevant:

- a) all Transactions which are the exclusive responsibility of the Shareholders' meeting or the Board of Directors as per law or Statute;
- b) all Transactions not qualified as small amount.

In any case, the Board of Directors has the right, on the basis of considerations of suitability, to deem relevant any Transaction carried out by the Bank or its subsidiaries.

Relevant transactions are subdivided into:

- a) Transactions of greater importance;
- b) Transactions of lesser importance.

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<sup>2</sup>And companies also established in non-corporate form.

### 5.1.1 Transactions of greater importance

The Bank considers Transactions exceeding the 5% threshold of one of the following ratios, applicable according to the particular transaction, to be of greater importance:

- a) **Value significance ratio:** this is the ratio of the value of the Transaction to own funds as determined from the most recent consolidated balance sheet published by the Bank.

If the economic conditions of the Transactions are determined, the countervalue of the Transaction is:

- i. for cash components, the amount paid to/by the contractual counterparty;
- ii. for components in the form of financial instruments, the value determined at the date of the Transaction, in accordance with the applicable accounting rules;
- iii. for Transactions of financing or the granting of guarantees, the maximum amount payable.

If the economic conditions of the Transaction depend in whole or in part on quantities not yet known, the value of the Transaction is the maximum admissible or the payable value under the agreement.

- b) **Asset significance ratio:** this the ratio of the total assets of the entity involved in the Transaction to the total assets of the Bank<sup>3</sup>. The data to be used must be taken from the most recent consolidated balance sheet published by the Bank; where possible, analogous data must be used to determine the total assets of the entity involved in the transaction.

For transactions involving the acquisition and transfer of shareholdings in companies that have an impact on the area of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital being available.

For Transactions involving the acquisition and transfer of shareholdings in companies that have no impact on the area of consolidation, the value of the numerator is:

- i. in the case of acquisitions, the countervalue of the Transaction plus any liabilities of the acquired company assumed by the acquirer;
- ii. in the case of transfers, the consideration for the assets transferred.

For Transactions involving acquisition and transfer of other assets (other than shareholdings), the value of the numerator is:

- i. in the case of acquisitions, either the consideration or the carrying value that will be attributed to the asset, whichever is greater;
- ii. in the case of transfers, the carrying value of the asset.

- c) **Liability significance ratio:** this is the ratio of the total liabilities of the acquired entity to the total assets of the Bank. The data to be used must be taken from the most recent consolidated balance sheet published by the Bank; where possible, analogous data must be used to determine the total liabilities of the company or business branch acquired.

### 5.1.2 Transactions of lesser importance

The Bank considers transactions with related parties to be of lesser importance where one of the above ratios, applicable according to the specific transaction, is lower or equal to the 5% threshold and where the value exceeds

- EUR 50.000 in the case of purchase of goods and/or services;
- EUR 250.000 in the case of granting of loans.

The amount on the basis of which to establish the relevance of the purchase of goods and services must be determined by cumulating the amount of the same with all other purchases from the connected supplier from the date of January 1st of the given year. The decision to grant or revise credit lines, on the other hand, is always made considering the overall exposure of the Bank toward the related counterparty.

### 5.1.3 Transactions concluded pursuant to art.. 136 of the TUB

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<sup>3</sup>Assets must include off-balance sheet items.

The representatives of Banca IFIS S.p.A. (directors, auditors and managing director) may not contract obligations of any nature or carry out sales or transactions, directly or indirectly, with the Bank without prior resolution of the Board of Directors taken unanimously and with the favorable vote of all members of the Board of Statutory Auditors. The unanimity required under art. 136 of the TUB is not conditional on the presence of all members, as it is sufficient that a number of members equal to that necessary for the validity of the resolutions take part and that all those present, without any abstention - except of course that of the interested party - vote in favor. As regards the approval of the Board of Statutory Auditors, when, for any reason, one of the statutory auditors does not attend the board meeting, his or her approval must be formalized in writing in a document to be kept on file and must be recorded in the minutes of the following meeting.

Furthermore, as applicable, the general guidelines provided in the Supervisory Instructions for Banks (Title II, Chapter 3) also apply for the evaluation of issues concerning the obligations of the representatives of the Banca IFIS Banking Group.

For transactions with related entities that must be approved according to the formalities provided for by art. 136 of Legislative Decree 385/1993 (TUB), in light of para. 5 of art. 13 of Consob Regulation 17221 on the subject of transactions with related entities, the prior opinion of the Control and Risks Committee is not necessary.

## 6 Cases and allowance of exemption<sup>4</sup>

The regulations on transactions with related entities and related parties feature a regime of full or partial exemptions described in the following sections.

### Cases of general exemption<sup>56</sup>

Without prejudice to accounting disclosure obligations to the market, the following are among the cases of general exemption:

- transactions carried out with/between the Group companies where there exists a total control relationship<sup>6</sup>;
- transactions regarding the transfer of funds or of "collateral" established within the framework of a consolidated liquidity risk management system;
- transactions relating to the remuneration of corporate executives and strategic directors carried out in compliance with the applicable legislation on incentive and remuneration systems;
- transactions to be carried out according to instructions issued by the European Central Bank or Bank of Italy for purposes of stability, or according to provisions issued by the Parent Company for the execution of instructions issued by the European Central Bank or by the Bank of Italy in the interest of the stability of the group.

### Cases of partial exemption

Without prejudice to accounting disclosure obligations to the market, the following are among the cases of procedural exemption (preliminary investigation, deliberation, statement to Consob and to the market):

- transactions of small amount<sup>7</sup>;
- ordinary transactions concluded with/between Subsidiaries<sup>8</sup> where the total number of shares is not held;
- ordinary transactions concluded with related entities or related parties not belonging to the Group<sup>90</sup>;

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<sup>4</sup> All transactions with related entities, regardless of any exemption regime applied, are subject to periodic reporting to the Board of Directors of Banca IFIS, as regulated in par. 12 of this procedure.

<sup>5</sup> The provisions on limits on the assumption of risk assets or reporting obligations do not apply to these transactions.

<sup>6</sup> See Bank of Italy Circular no. 285 of 17 December 2013 and the Regulations for Transactions with related entities adopted with CONSOB resolution no. 17221 of 12 March 2010.

<sup>7</sup> Transactions of a small amount are exempt from: accounting disclosure to the market, investigation procedure by the Control and Risk Committee, "strengthened" decision-making process, information to Consob and the market.

<sup>8</sup> Ordinary transactions concluded with/between subsidiaries in the event of a non-total ownership relationship are exempt from: the investigation process of the Control and Risks Committee, "strengthened" decision-making process, information to Consob and information to the market. The exemption relating to the process deliberativo rafforzato viene meno in caso vi siano interessi significativi di altre related entities o related parties di Gruppo.

<sup>9</sup> Ordinary transactions concluded with related entities or related parties not belonging to the Group are exempt from: preliminary

- transactions of lesser importance, other than ordinary transactions, with or between subsidiaries (where the total number of shares is not held)<sup>10</sup>.

For ordinary transactions and for those with/between subsidiaries, as per the provisions referred to in section 12, an information flow is arranged in advance which is suitable to allow for adequate monitoring of this type of transaction, also by independent directors, for any necessary corrective interventions.

For this category of transactions, all the other obligations pertaining to related parties remain valid: compliance with individual and consolidated limits, the establishment of adequate information flows suitable for allowing the monitoring of transactions, and supervisory reports.

### **Concept of "significant interest"**

The Bank considers **significant interests of other related entities** or **related parties of the Group** to be capital shareholdings, other than those attributable to the Group, which imply the exercise of significant influence over one of the companies involved in the transaction in the event that the holder of the shares is at the same time a Related Party of the Group or Related Entity of the Group by virtue of relationships entertained with the other company involved in the transaction.

Significant interests are not considered, however, to be those arising from the mere sharing of one or more directors or other executives with strategic responsibilities between the Parent Company and the subsidiaries or associates and/or between the subsidiaries involved in the transaction.

In cases of intragroup transactions carried out with and between subsidiaries in which there are significant interests of other related entities and related parties of the Group, the Body or the person holding the ordinary deliberative power submits the transaction, in the event of interpretative uncertainty, to the decision-making procedures provided for transactions with related parties, as per the provisions of the Consob Regulation on the matter of transactions with related entities, adopted with resolution no. 17221 of March 12, 2010 and subsequent amendments.

## **6.1 TRANSACTIONS RELATING TO THE REMUNERATION OF CORPORATE EXECUTIVES AND STRATEGIC DIRECTORS**

This regards:

- a) remuneration due to the members of the Board of Directors and the Board of Statutory Auditors within the limits established by the Shareholders' meeting pursuant to articles 2389 (paragraphs 1 and 3) and 2402 of the Civil Code, in compliance with the supervisory provisions pertaining to the applicable incentive and remuneration systems;
- b) remuneration of Directors vested with special offices and of Strategic Managers, consistent with the remuneration policy adopted by the Bank, in accordance with the provisions of art. 13 para. 3, letter b) of Consob Regulation 17221 and compliant with the supervisory provisions pertaining to the applicable incentive and remuneration systems.

## **6.2 Transactions of small amount**

These are Transactions with a value less than or equal to:

- a) EUR 50.000<sup>11</sup> in the case of purchase of goods and/or services;
- b) 250.000 euro in the case of granting of loans.

For the resolution of the Transactions of small amount referred to in point a), please refer to the provisions set out in the document "Delegated faculties on the purchase and disposal of goods and services" ("*Facoltà delegate in materia di acquisto e dismissione di beni e servizi*").

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investigation by the Control and Risks Committee, information to Consob and information to the market.

<sup>10</sup> Transactions, other than ordinary ones, with or between subsidiaries (in cases where the total number of shares is not held) are exempt from: information to Consob and information to the market. The exemption ceases when there are significant interests of other related entities or related parties of the Group in the transaction or in the subsidiaries counterparties to the transaction.

<sup>11</sup> This limit does not apply in the case of outsourcing of an Important Operating Function. In fact, in this case, the resolution of the assignment to the outsourcer must always be taken by the Board of Directors, with the opinion of the Control and Risk Committee. In the event that the outsourced function is qualified as unimportant, the decision-making competence lies with the Chief Executive Officer.

For the resolution of the Transactions of small amount referred to in point b), please refer to the provisions set out in the document "System of Group proxies for the assumption of credit risk" ("*Sistema delle deleghe di Gruppo per l'assunzione del rischio di credito*").

### **6.3 Transactions to be carried out on the basis of instructions for purposes issued by the Supervisory Authority**

Without prejudice to the provisions regarding "Public information on transactions with related entities" (art. 5 of Consob Regulation 17221), the provisions of this procedure do not apply to transactions to be carried out on the basis of instructions for stability purposes as issued by the Bank European Central Bank or Bank of Italy, or on the basis of provisions issued by the Parent Company for the execution of instructions given by the European Central Bank or Bank of Italy in the interest of the stability of the group.

### **6.4 Ordinary transactions**

Ordinariness is determined when the following two criteria are met: i) the transaction is relevant to the operational activity or, alternatively, to the connected financial activity; ii) the transaction falls within the ordinary exercise of the company's operational activity or related financial activity. In particular:

- by operational activity we mean the set of principal revenue-generating activities of the company and other management activities that cannot be classified as investment or financial;
- the reference to the financial activity related to the operational activity concerns the operations which, although abstractly qualifiable as financial, are mainly ancillary to the performance of the operational activity<sup>12</sup>.

In order to determine whether a transaction falls within the ordinary exercise of the operating activity or financial activity connected to it, the following main indicators must be evaluated: counterparty, subject of the transaction, recurrence of the type within the activities of the bank/company, size, contractual terms and conditions of the transaction (also as regards the characteristics of the consideration). In the case of a transaction carried out by a subsidiary, the ordinariness must be assessed with reference to the activity carried out by the latter.

#### **Criteria for determining the conditions applied**

Market conditions/principal standards are achieved when:

- comparable to those applied to counterparties that are not related entities or related parties of the Group regarding transactions with similar characteristics in terms of size, nature, type, risk, etc.<sup>13</sup>;
- deducible from manuals, tariffs, product lists, framework agreements, etc. or applied on the basis of conditions defined and imposed by law;
- carried out in analogous transactions by "comparables" where available.

The reasons for any deviations in the economic-contractual conditions applied to the transaction from the standard or market conditions must be adequately justified by the advisability and economic convenience of carrying out the transaction.

The ordinariness of the transaction must be evident from documentation accompanying the decision made according to the management processes expected from time to time, and supported by an appropriate assessment by the technical and control functions qualified on the specific matter (Finance, Risk Management, Compliance, assessment structures), each responsible for their area of competence, with regard to the verification of the adequacy of the information related to the conditions and economic profitability of the transaction.

The results of the aforementioned preliminary phase are submitted to the Bodies involved in the resolution process and in particular to the Control and Risks Committee for the release of its opinion as to whether there is adequate and complete information on the actual profitability of the transaction and as to the overall relationship with the related party/connected party (having also acquired information on the economic returns of other existing relationships).

<sup>12</sup>Pursuant to CONSOB Communication DEM / 10078683 of 24/9/2010, the capital increases with the exclusion of the option right do not (as a rule) fall within the ordinary exercise of financial activity related to the operational activity.

<sup>13</sup> Based on this criterion, those concluded in the context of retail funding are considered ordinary transactions.

In order to allow the Control and Risks Committee, the Board of Statutory Auditors and the Organizational Control Units (both 2nd and 3rd level) to monitor concluded "ordinary transactions", the organizational unit in charge produces and makes available to the latter on a quarterly basis a report in which all ordinary transactions concluded within the reference period as well as the relative economic conditions applied may be summarized. In this way, the aforementioned actors can:

- identify any operational anomalies that have occurred;
- direct the related corrective actions.

## **7 Organizational safeguards, judged equivalent to the Control and Risks Committee (the component of independent directors) for use in the event that the committee itself cannot function**

In the event that the Control and Risks Committee (the component of independent directors) cannot function for the assessment of relevant Transactions, the Bank reserves the right to:

- a) call upon the Independent Director of the Control and Risks Committee where present and not affiliated;
- b) have recourse to the Board of Statutory Auditors or, in the event that the latter is not possible, to an external independent expert.

## **8 Independence requirements for Directors**

Independence reinforces the guarantee that the Director, in the performance of his or her functions, pursues the interest of the Bank.

The Director is deemed independent if he or she is neither a counterparty nor a connected party, if he or she does not have interests in the transaction pursuant to art. 2391 of the Italian Civil Code and if he or she possesses the independence requirements provided for by the legislation implementing art. 26 of the TUB, or, up to the relevant date of application of the decree implementing art. 26 of the TUB, he or she satisfies the independence requirements as defined by the Articles of Association<sup>14</sup>.

## **9 Training and deliberation methods for Transactions with related parties**

### **9.1 Transactions of lesser importance**

The organizational unit in charge of the investigation of the transaction verifies whether the counterparty is a Related Entity or a party connected to it.

In an affirmative case, it then ascertains whether the Transaction qualifies for an exemption allowance referred to in Chapter 6, possibly availing itself of the support of Corporate Affairs. If the conditions of the transaction are found to be equivalent to those of the market or standard, the documentation prepared contains objective evidence.

If the allowances for exemption provided for by this procedure and, more generally, by the relevant legislation, do not apply, the organizational unit in charge of the investigation:

- refers to Supervisory Reports for credit transactions to verify ex ante compliance with individual and consolidated limits for the proposed transaction

and, only in case of compliance with the aforementioned limits:

- sends the information relating to the transaction through Corporate Affairs to the Control and Risks Committee.

In particular they note the nature of the correlation, the methods of execution of the transaction as well as the interest of the Bank in its completion (economic, commercial, strategic, etc.), the conditions, including economic, for its being carried out, the evaluation procedure followed, and any risk factors for the Bank.

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<sup>14</sup> With particular reference to Banca IFIS, the Articles of Association provide that directors in possession of the requirements of the Corporate Governance Code and art. 148, para. 3 of the TUF.

Normally, the information must reach the Control and Risks Committee within three working days of the date on which the committee is called upon to express its opinion.

On the basis of the information received, the Control and Risks Committee (the component of independent directors), assesses the Bank's interest in completing the transaction as well as the suitability and substantial correctness of the relevant conditions and expresses a reasoned non-binding opinion to the decision-making party before the latter pronounces a decision.

The Control and Risks Committee (the component of independent directors) has the right to request additional information other than that in its possession and to be assisted, if necessary, by one or more independent experts of its choosing. Furthermore, it has the right to delegate the management of the investigative activities for which it is responsible to one or more of its members.

Resolutions regarding transactions with related parties not covered by the allowances for exemption are the responsibility, depending on the case, of either the Board of Directors or the Shareholders' Meeting.

Where there is a correlation<sup>15</sup>:

- with an advisor who is not part of the Control and Risks Committee or, more generally, with a non-independent advisor to the Bank or a party connected to it, the advisor concerned must promptly inform the other advisors and statutory auditors of the nature, terms, origin and extent of his or her interest. He or she must also refrain from voting on the resolution of the transaction on the council<sup>16</sup>;
- with an independent advisor of the Control and Risks Committee or with a party connected through him or her, the advisor concerned must promptly inform the other advisors and statutory auditors about the nature, terms, origin and extent of his or her interest. Furthermore, he or she must refrain from both voting the resolution on the council and from participating in the formulation of the opinion (in the Control and Risks Committee);
- with a statutory auditor or a person connected through him or her, the statutory auditor concerned must promptly inform the other advisors and statutory auditors about the nature, terms, origin and extent of his or her interest. In the event that the proposed transaction is to be carried out between the Bank and the auditor, then the latter must refrain from expressing his or her vote on the transaction in the Board of Statutory Auditors.

Resolutions pertaining to transactions with related parties must carry adequate justification of the reasons and suitability of the transaction for the Bank as well as adequate justification regarding the reasons for any deviations, in terms of economic-contractual conditions and other characteristic profiles of the transaction as compared to those standard or market; elements that can serve as support for this justification must be evident from the documentation accompanying the resolution.

In the event that the Control and Risks Committee (the component of independent directors) expresses an unfavourable opinion on the transaction, unless the transaction falls under the responsibility of the Shareholders' meeting, the Board of Directors may approve it, formalizing the appropriate justification for the decision and specifying the reasons why it chose not to share the opinion of the Control and Risks Committee (the component of independent directors).

In the event that one or more members of the Board of Statutory Auditors does not attend the meeting of the Control and Risks Committee, all transactions for which the Control and Risks Committee (the component of independent directors) has expressed a contrary or conditional opinion, are singly communicated, as soon as they have been determined, to the Board of Statutory Auditors. The latter then informs the other members of the Board.

## **9.2 Transactions of greater importance**

For Transactions of greater importance, the procedural rules referred to in section 9.1 (Transactions of lesser importance) apply, in addition to those specified below.

Regarding Transactions of greater importance, the Control and Risks Committee (the component of independent directors) takes part in the negotiation and investigation phases by receiving a prompt and comprehensive flow of information and in having the right to request information from and make comments to the delegated bodies and to the persons in charge of the negotiation and the investigation.

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<sup>15</sup> On the occasion of resolutions on proposals for the distribution of profits, non-independent directors who hold interests in the Bank's capital in excess of the minimum threshold required for communications to Consob of significant shareholdings pursuant to art. 120 of the TUF.

<sup>16</sup> These are transactions with a company representative falling within the case referred to in art. 136 TUB.



Said information flow, forwarded through Corporate Affairs by the organizational unit responsible for the investigation of the transaction, contains information on the following:

- a) the conditions and methods of execution of the transaction;
- b) the evaluation procedure followed.

For Transactions of greater importance, the opinion expressed by the Control and Risks Committee (the component of independent directors) is to be considered binding and must be issued in time for the Board of Directors meeting called to address the resolution in question.

In the event of a negative or conditional opinion on the part of the independent directors, a prior opinion is also required from the Board of Statutory Auditors, who must be provided with adequate information - in terms of timing and content - on the transaction.<sup>17</sup> The opinion must state the reasons for the Bank's interest in carrying out the transaction and the appropriateness and substantive correctness of the conditions attached to it.

When these transactions occur, the bank is to prepare, pursuant to art. 114 para. 5 of the TUF, a dedicated disclosure document which, prior to publication, is to be submitted to the Control and Risks Committee for its circulation. For the related details, see section 9.4

## **9.3 Transactions under the responsibility of the Shareholders' meeting**

### **9.3.1 Transactions of lesser importance**

When a transaction with related parties is of lesser importance and is the responsibility of the Shareholders' meeting, in the preliminary phase and in the phase of approval of the proposed resolution to be submitted to the Shareholders' meeting, the provisions of section 9.1 apply.

In the event of a negative opinion on the part of the Control and Risks Committee (the component of independent directors), these transactions can still be approved by the Shareholder's meeting which convenes and votes in compliance with its ordinary rules of operation.

### **9.3.2 Transactions of greater importance**

When an operation with related parties is of greater importance is the responsibility of the Shareholders' meeting, for the negotiation phase, the preliminary phase and the approval phase of the proposed resolution to be submitted to the Shareholders' meeting, the provisions of section 9.2 apply.

In the event of a negative opinion on the part of the Control and Risks Committee (the component of independent directors), the transaction cannot be approved by the Shareholders' meeting if the majority of non-related voting shareholders (which must represent at least ten percent of the shareholders with voting rights) vote against.

## **9.4 Public information on transactions of greater importance with related parties**

On occasions of Transactions of greater importance<sup>18</sup>, the Bank prepares, pursuant to art. 114 c.5 of the TUF<sup>19</sup>, a disclosure document drawn up in accordance with what is described in section 9.4.1 "Minimum content to be included in the disclosure document relating to transactions of greater importance with related parties".

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<sup>17</sup> The transactions on which the independent directors have expressed a contrary or conditional opinion are individually communicated to the Board of Statutory Auditors by the deliberating body as soon as they are approved. The transactions carried out on which the independent directors or the Board of Statutory Auditors have given negative opinions or formulated findings are brought to the attention of the Shareholders' meeting at least annually.

<sup>18</sup> With the exception of transactions with subsidiaries, when there are no significant interests of other related entities or related parties of the Group in the subsidiary involved in the transaction.

<sup>19</sup> Consob may, also in general terms, require issuers, subjects that control them, listed issuers with Italy as their home Member State, members of the administrative and control bodies and managers, as well as subjects who hold a significant shareholding pursuant to art. 120 or participating in an agreement envisaged by art. 122 which are made public, in the manner established by it, information and documents necessary for informing the public. In the event of non-compliance, Consob provides directly at the expense of the defaulting party.

Without prejudice to the provisions of art. 114 para.1 of the TUF<sup>20</sup>, the aforementioned disclosure document is made available to the public at the bank's registered office and is published (along with the related annexes) on the bank's website within seven days of the approval of the transaction by the Board of Directors. In cases where the resolution of the transaction is the responsibility of the Shareholders' meeting, the disclosure document is made available within seven days of the Board's approval of the proposal to be submitted to the Shareholders' meeting.

The Bank, contemporaneously with disclosure to the public, also transmits to Consob the above documents and opinions through connection with the storage mechanism authorized pursuant to art. 65 - septies para. 3 of the issuers' regulation.

The Bank prepares the aforementioned disclosure document even if, during the year, it concludes transactions with the same related party that are homogeneous or carried out in implementation of a unitary plan, which, although not individually qualifiable as Transactions of greater importance, exceed, when cumulatively considered, the thresholds of greater importance. In this case, the disclosure document is made available to the public within 15 days of the approval of the transaction that marks the exceedance of the threshold of greater importance and contains information on all the transactions considered in the accumulation.

The Bank attaches to the disclosure document the binding opinion of the Control and Risks Committee (the component of independent directors) and, where appropriate, the further opinion requested by the latter from an independent expert as to whether the terms of the transaction are consistent with the market values of similar transactions.

Corporate Affairs prepares the aforementioned disclosure document availing itself of the operational support of the organizational unit in charge, depending on the type of operation and relevant process of investigation and evaluation. Specifically, Corporate Affairs, in compliance with the timing specified above and subsequent to the resolution of the transaction by the Board of Directors (or, in cases where the operation is the responsibility of the Shareholders' meeting, after the approval by the Board of Directors of the relevant proposal for a resolution), collects the information necessary for the preparation of the disclosure document, provides for its drafting and, together with the attachments (opinion of the Control and Risks Committee and any opinion of an independent expert):

- deposits it at the registered office of the Bank;
- transmits it to Communications and Investor Relations for publication on the Bank's website;
- sends it, using the regulatory tools provided, to Consob.

#### ***9.4.1 Minimum content to be included in the disclosure document relating to transactions of greater importance with related parties***

In cases where the Bank carries out Transactions of greater importance with related parties, the disclosure document prepared by Corporate Affairs must contain at least the following information:

- evidence, in summary, of the risks associated with potential conflicts of interest arising from the transaction in question;
- description of the circumstances of the transaction. In particular:
  - Description of characteristics, formalities, terms and conditions of the transaction;
  - indication of the related entities with which the transaction was carried out, the nature of the connection, and the extent of the interests in the transaction of these parties;
  - indication of the economic rationale and the suitability of the transaction for the Bank (or subsidiaries);
  - description of the methods for determining the consideration for the transaction and for the assessments as to its adequacy with respect to the market values of similar transactions. For further detailed information to be provided in the event of recourse to independent expert opinions, refer to the provisions in Annex 4 of Consob Regulation 17221;

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<sup>20</sup> Without prejudice to the disclosure obligations envisaged by specific legal provisions, listed issuers communicate to the public, without delay, the privileged information referred to in art. 181 that directly concerns said issuers and subsidiaries. Consob establishes by regulation the methods and terms for communicating information, without prejudice to the need for publication through the media in national daily newspapers, said provisions to coordinate the functions assigned to the market management company with its own and can identify tasks to entrust them for the correct performance of the functions provided for by art. 64, para. 1, letter b).

- illustration of the transaction's economic and financial effects, providing at least the applicable relevance ratios;
- when the amount of the remuneration of the Bank's advisors or of the members of the Board of the subsidiaries is expected to vary as a result of the transaction, a description of the related changes. If no variation is expected, a statement to that effect;
- in the case of transactions where the related entities involved are corporate officers or Strategic Managers, information concerning the financial instruments of the same issuer held by these parties and concerning the interest of the latter in extraordinary transactions, provided for in paragraphs 14.2 and 17.2 of Annex I to Regulation no. 809/2004 / EC;
- indication of the directors who conducted or participated in the negotiations and/or instructed and/or approved the transaction, specifying their respective roles, with particular regard to independent directors. With reference to the resolutions approving the transaction, the names of those who voted in favor of and against the transaction, and of those who abstained, specifying the reasons for any dissent or abstention. Indicate that, pursuant to art. 5 of the issuers' regulation, the opinion of the independent directors is attached to the disclosure document or published on the Bank's website.

## **9.5 Transactions giving rise to loss, migration to non-performance, judicial or extrajudicial settlement agreements**

Loss provisions, analytical value adjustments and settlement agreements (both judicial and extrajudicial) made against the exposures that the Bank has incurred on behalf of related parties are approved, regardless of the amount, by the Board of Directors.

In particular, Problem Loans performs an assessment in this regard and, after a discussion with the Managing Director, submits the results in a dedicated report through Corporate Affairs to the Control and Risks Committee (the component of independent directors).

The Control and Risks Committee (the component of independent directors) analyzes the above information and gives a reasoned non-binding opinion to the Board of Directors before the Board of Directors makes a decision.

in particular, the subject of the opinion is:

- with regard to loss provisions and analytical value adjustments, the adequacy of the given estimate;
- with regard to settlement agreements, both the interest of the Bank in their fulfilment and the suitability and substantive correctness of the relevant conditions.

The decision as to the classification of a loan as non-performing is the responsibility of the person identified on the basis of the system of delegated powers adopted by the Bank and by the companies belonging to the Group.

## **10 Consolidated and individual limits**

The Bank is bound by limits<sup>21</sup>, on both an individual and on a consolidated basis, pertaining to the assumption of risk assets in relation to related parties<sup>22</sup>.

Compliance with these limits must be ensured on an ongoing basis. If one or more limit thresholds are exceeded, the risk assets must be brought back within the limits in as little time as possible. To this end, the Bank prepares, within 45 days of exceeding the limit, a repayment plan, approved by the Board of Directors on the proposal of the Chief Executive Officer, after he or she has consulted the Board of Statutory Auditors. The repayment plan is sent to the Bank of Italy within 20 days of approval, together with the minutes containing the resolutions of the corporate bodies.

Until the risk assets are brought back within the limits, the surplus contributes to the calculation of the overall capital requirement.

<sup>21</sup> Bank of Italy - Circular no. 285 of 17 December 2013 of the Bank of Italy, Part Three, Chapter 11, entitled "risk assets and conflicts of interest in relation to related parties - Section II - "Limits to risk assets".

<sup>22</sup> For the purposes of calculating the consolidated and individual limits, the risk assets are weighted according to factors that take into account the risk associated with the nature of the counterparty and any forms of credit protection, in compliance with the provisions of the applicable regulations from time to time, as illustrated in detail in the Policy on controls on risk assets and on conflicts of interest in relation to related parties.

If the exceedance concerns a related entity by virtue of investments held in the Bank, the administrative rights associated with the investments are suspended.

For a more detailed description, please refer to the provisions of the Policy regarding controls on risk assets and conflicts of interest with regard to related parties.

## 10.1 Roles and duties of subsidiaries

In order to enable the Bank to ensure constant compliance with the consolidated limit to risk assets, subsidiaries arrange for an adequate flow of information to the Parent Company's Risk Management on transactions carried out with related parties.

The aforementioned flow is traceable at least:

- a) to the identity of the related parties, with an indication of the nature of the relationship between the related entity and the subsidiaries, as well as the links between the related entity and the connected parties;
- b) to the nominal and weighted amount of the risk assets in the face of the related parties;
- c) to the conditions applied.

## 11 financial statement on transactions with related parties

The purpose of the "financial statement on transactions with related parties" (IAS 24 Principle) is to ensure that the Bank's financial statements contain the information necessary to point out the possibility that its financial position and its economic result may have been influenced by the existence of related parties and by outstanding transactions and balances, including commitments, with these parties.

In particular, the Bank must provide information on the remuneration of corporate officers<sup>23</sup> and executives with strategic responsibilities<sup>24</sup>, in total and broken down into each of the following categories:

- short-term employee benefits;
- post-employment benefits;
- other long-term benefits;
- benefits due to employees for the termination of the employment relationship; and
- share-based payments.

If the Bank has carried out transactions with related parties during the reporting period, in order to understand the potential economic and financial effects, it must indicate the nature of the relationship and provide information on the transactions concluded as well as on the outstanding balances. In particular, such information must at least include:

- the amount of the transactions;
- the amount of outstanding balances, including commitments, and:
  - their contractual terms and conditions, including any existing guarantees and the nature of the consideration to be paid at the time of settlement; and
  - details of any guarantees given or received;
- provisions for doubtful loans relating to the amount of outstanding balances; and
- loss recognised during the period as related to bad or doubtful debts due from related parties.

Such supplementary information must be disclosed separately for each of the following categories:

- the parent company;
- entities that jointly control or exercise a significant influence on the entity;
- the subsidiaries;

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<sup>23</sup> This information is independently retrieved by Finance for the appropriate registrations.

<sup>24</sup> This information is provided by Human Resources and transmitted to Finance for appropriate registration.

- the affiliates;
- joint ventures in which the entity is a participating company;
- corporate officers;
- Strategic Managers;
- other related parties.

Furthermore, consistent with the provisions of art. 5 of Consob Regulation 17221, the Bank, as an Italian issuer of listed shares, provides information in the interim management report and in the annual management report:

- on individual Transactions of greater importance concluded within the reference period;
- on any other individual transactions with related parties concluded within the reference period that have significantly influenced the financial position or the results of the company;
- on any modifications or developments of transactions with related parties described in the previous annual report that have had a significant effect on the financial position or results of the Bank within the reference period.

Within the financial statement information, the Bank also provides information concluded in the reference period and covered by the exemption regime.

In order to produce the financial statement:

- well in advance of the dates scheduled for the preparation of the aforementioned reports, the organizational unit in charge performs the extraction of the information listed above from the management systems concerned and submits the results of the processing carried out to Accounting;
- the latter verifies their consistency by comparing the outstanding amounts present in the accounting system summary with those of detail on the databases used, availing itself of the support of the organizational units that work directly with said databases. In the event of a favorable finding, it uses this information to prepare the aforementioned reports, as well as the financial statements. In the event of a negative finding, however, it works with the organizational unit in charge to define the most appropriate actions to be taken to identify and correct the anomalous data.

## **12 Management Report**

On a quarterly basis, in line with the provisions of art. 150 of the TUF, the Consob Regulation and the Bank of Italy Provision, the organizational unit in charge produces and makes available to the Control and Risks Committee, the Board of Statutory Auditors, Corporate Affairs and the Organizational Control Units a report in which all of the transactions carried out with related parties are summarized in order to ensure a complete picture of the set of transactions carried out, as well as of the volumes and characteristics of the main delegated transactions. In particular, the transactions concluded under the exemption regime are indicated, specifying the reference cases in line with the provisions of section 6 of the Policy regarding the inspection of risk assets and conflicts of interest in the face of related parties.

## **13 Transactions with related parties carried out by subsidiaries**

Transactions that the subsidiaries intend to carry out with related parties of the Group must be approved by their own:

- Chief Executive Officer / Managing Director if less than 50 thousand euros for the purchase of goods and services or 250 thousand euros for the granting of loans;
- Board/Board of Directors if, on the other hand, depending on the scope, greater than or equal to these amounts;
- Shareholders' meeting if the transactions referred to in the previous point are its responsibility in accordance with the provisions of the law.

In the latter two cases, the Chief Executive Officer/the Managing Director/the Managing Director of the subsidiaries provides the preliminary investigation file to the relevant Board/Board of Directors which, having analyzed the contents of the transaction, makes a decision.

In case of a favorable resolution<sup>25</sup>, the transaction of lesser importance must be submitted:

- to the Control and Risks Committee of the Parent Company (the component of independent directors), which expresses a non-binding opinion as to the suitability for the Group to carry out the transaction as well as on the substantive correctness of the relevant conditions<sup>26</sup>;
- to the Board of Directors of the Parent Company which, taking into account the opinion referred to in the previous point, expresses its consent or refusal.

For Transactions of greater importance, the opinion of the Control and Risks Committee (the component of independent directors) is binding and, moreover, the Chief Executive Officer/the Managing Director/the Managing Director of the subsidiary impacts it by arranging specific information flows in the preliminary and negotiation phases.

## **14 Census of related parties**

The Bank, through Corporate Affairs, takes a census of the related entities and, within the limits of ordinary diligence, identifies the Connected Parties. To this end, it submits attachments 1, 2 and 3 to corporate officers and Strategic Managers and requests their appropriate filing. In addition, in the interest of meeting FINREP and COREP obligations, Corporate Affairs registers the related parties to La Scogliera S.p.A., collecting the pertinent information through attachments 5 and 6.

The Bank also takes a census of the close family members, including relatives up to the second degree, of related parties although these are not considered related parties within the meaning of these regulations, and keeps this information available for any requests from the Bank of Italy.

The parties that qualify as related entities pursuant to this regulation cooperate with the Bank in order to allow the latter to carry out a correct and complete census, in particular with regard to the identification of connected parties. It is the duty of the related entities to promptly communicate circumstances that have arisen of which they are aware that may lead to changes in the parameters of the related parties. The Bank identifies and puts in place suitable solutions to acquire the necessary information, to inform customers of their duties and to inform them of possible profiles of responsibility (eg pursuant to art. 137 of the TUB).

For the more strictly operational aspects, please refer to attachment number 4.

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<sup>25</sup> In the case of transactions pursuant to Art. 136 TUB, a unanimous vote is required.

<sup>26</sup> In the case of transactions pursuant to Art. 136 TUB, it is the Board of Statutory Auditors to express a binding preliminary assessment.