

Group policy on
transactions with related
parties, associated entities
and Corporate Officers
pursuant to article 136 of
the Consolidated Law on
Banking.

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Versions' history

Version	Approval date	Summary description of changes
1	24 June 2021	<i>Issuance</i>
2	February 2022	<i>Updating</i>

1 POLICY'S TARGETS AND MANAGEMENT

1.1 Targets

Banca Ifis S.p.A. ("**Banca Ifis**" or "**Bank**" or "**Parent Company**") carries out its activities in compliance with applicable laws and regulations and is inspired by the fundamental principles of fairness and consistency in order to achieve the best economic result in accordance with the company's ethical principles, also in compliance with the provisions of Legislative Decree no. 231/2001, as amended and supplemented from time to time.

This document (the "**Policy**") outlines the approach that the Bank, also acting as Parent Company, adopts in order to ensure effective control over any risks of conflicts of interest in transactions with related parties and associated entities.

The Policy is aimed at monitoring the risk that the proximity of certain parties to the decision-making structures of the Group Companies (as defined below) might impair the objectivity and impartiality of decisions relating to transactions with such parties, with possible extraction of private benefits, distortions in the resource allocation process, Bank's exposure to risks that are not adequately measured or monitored, potential damage to depositors and shareholders, ensuring the transparency and substantive and procedural fairness of such transactions, carried out directly or through Subsidiaries (as defined below).

In this regard, the Policy contains the provisions to be complied with in the management of:

- related party transactions pursuant to CONSOB Resolution no. 17221/2010 and subsequent amendments (the "**CONSOB Regulation**");
- transactions with associated entities pursuant to Bank of Italy Circular No. 285/2013, as amended ("**Bank of Italy Provisions**");
- the obligations of bank officers pursuant to article 136 of Legislative Decree no. 385 of 1 September 1993, as amended ("**Consolidated Law on Banking**" or "**TUB**" [*Testo Unico Bancario*]); and
- the obligations of corporate officers of financial corporations pursuant to Circular No. 288 of 3 April 2015 and subsequent amendments.

More specifically, the Policy defines:

- the criteria for identifying the parties whose operations may fall within the scope of the Policy itself;
- the procedures for investigating, proposing and deciding on transactions;
- the subsequent obligations to report to Corporate Bodies;
- disclosure and transparency obligations; and
- exemptions from the application of the Policy.

In addition, the Policy contains references to the disclosure of related-party transactions pursuant to Bank of Italy Circular No. 262/2005 on "Banks Financial Statements and subsequent updates - Preparation formats and rules" and the accounting standard IAS 24.

1.2 Scope of application

This Policy applies to Banca Ifis as well as its subsidiaries (the "**Subsidiaries**" and, jointly with Banca Ifis, the "**Group**") which, as of the date of this Policy are the following:

SCOPE OF APPLICATION	
<input checked="" type="checkbox"/> Banca Ifis S.p.A.	<input checked="" type="checkbox"/> Cap.Ital.Fin. S.p.A.
<input checked="" type="checkbox"/> Farbanca S.p.A.	<input checked="" type="checkbox"/> Ifis Npl Investing S.p.A.
<input checked="" type="checkbox"/> Credifarma S.p.A.	<input checked="" type="checkbox"/> Ifis Npl Servicing S.p.A.

<input checked="" type="checkbox"/> Ifis Finance IFN SA	<input checked="" type="checkbox"/> Ifis Finance Sp Zoo
<input checked="" type="checkbox"/> Ifis Real Estate S.p.A.	<input checked="" type="checkbox"/> Ifis Rental Services S.r.l.
<input checked="" type="checkbox"/> Ifis NPL 2021-1 SPV S.r.l.	
<p>Sections 2.2.4, 2.3.4, 2.4.4, as well as any other reference to Transactions under Article 136 of the Consolidated Law on Banking are applicable only with reference to the Group's Italian banks, which at the date of this Policy are Banca Ifis S.p.A. and Farbanca S.p.A.</p> <p>Sections 2.4.1.1, 2.4.2.1, 2.4.7.1 and 2.4.5 apply only to Banca Ifis S.p.A.</p> <p>Sections 2.4.6.1, 2.4.6.3 and 2.4.7.2 apply only to non-banking Subsidiaries.</p> <p>Sections 2.4.6.2, 2.4.6.4 and 2.4.7.3 apply only to banking Subsidiaries, which at the date of this Policy is only Farbanca S.p.A.</p> <p>Section 2.5.1 applies with reference to Banca Ifis S.p.A. and the other Subsidiaries that are part of the Banking Group (therefore, Ifis Real Estate S.p.A. and Ifis Rental Services S.r.l. are excluded).</p> <p>Section 2.3.5 applies only to Financial Intermediaries under Article 106 of the Consolidated Law on Banking (Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A., Credifarma S.p.A., Cap.Ital.Fin. S.p.A.).</p>	

The Subsidiaries implement the Policy in compliance with the legal and regulatory requirements applicable by activity or place of incorporation. In the event that some of the provisions contained in the Policy are less restrictive than local law, the company concerned will adopt the most restrictive local rule in force.

This Policy is published on the Banca Ifis website and on the *Ifis4you* corporate intranet. In addition, it is transmitted to the Subsidiaries, in accordance with internal regulations (see, more specifically, the Group Operational Note - Management of the implementation of the Group's regulations). It is also envisaged that this Policy will be published in the Report on operations in accordance with Article 2391-bis of the Italian Civil Code.

1.3 Document Management

This Policy is adopted by resolution of the Board of Directors of the Bank after receiving an analytical and reasoned favourable opinion from the Audit and Risk Committee (composed only of independent directors for this purpose) and the Board of Statutory Auditors of the Parent Company on the suitability of the same to achieve the objectives of the applicable regulations in force. The opinions of the independent directors and of the control body are binding for the purposes of the Board resolution.

Any amendments to the Policy that are necessary and/or appropriate due to regulatory and/or organisational updates are approved by the Board of Directors of the Bank upon proposal of the Chief Executive Officer, subject to the favourable opinion of both the Audit and Risk Committee (composed only by the independent directors for this purpose) and the Board of Statutory Auditors. This document is in any case subject to review by the Parent Company at least every three years.

The responsibilities of the Policy management process are the following:

PARENT COMPANY						GROUP COMPANIES
DRAFTING	VALIDATION	SUITABILITY OPINION	APPROVAL	DISCLOSURE	ARCHIVING	IMPLEMENTATION
<u>In charge:</u> Regulatory (Legal Affairs)	Chief Executive Officer	Audit and Risk Committee (Independent Directors)	Board of Directors	Regulatory (Legal Affairs)	Regulatory (Legal Affairs)	Body with strategic supervisory function
<u>Operational Support:</u> Compliance Corporate Affairs		Board of Statutory Auditors				
<u>Sharing:</u> Organisation						

PARENT COMPANY						GROUP COMPANIES
DRAFTING	VALIDATION	SUITABILITY OPINION	APPROVAL	DISCLOSURE	ARCHIVING	IMPLEMENTATION
Risk Management Finance Investor Relations and Corporate Development						

This Policy was shared with the Parent Company's Compliance Department, which assessed its compliance with the applicable rules.

1.4 Definitions adopted

Keyword	Definition
Executive Directors	In accordance with the Corporate Governance Code and Bank of Italy Provisions, the following [subjects] qualify as executive directors: (i) the chairman of the company or of a subsidiary having strategic importance, when he/she is granted with powers concerning management or preparation of company strategies; (ii) the directors with management powers and/or who hold management positions in the company or in a subsidiary having strategic importance, or in the parent company when the position also concerns the company; and (iii) the directors who are members of the Executive Committee of the company and, in companies that adopt the two-tier model, the directors who are members of the body entrusted with management duties (for Italian companies that adopt the two-tier model, the members of the Management Board)
Independent Directors	Directors who meet the independence requirement envisaged by the regulations implementing Article 26 of the Consolidated Law on Banking (see Article 13 of Ministerial Decree No. 169 of 23.11.2020), where applicable, and/or the Articles of Association. With specific reference to Banca Ifis, the Articles of Association provide that directors who meet the requirements set forth in the Corporate Governance Code and in Article 148, paragraph 3, of the Consolidated Law on Finance are considered to be independent
Non-executive Directors	These are all those Directors who do not have the characteristics to be qualified as Executive Directors
Subsidiaries	Has the meaning given in section 1.2

Control and joint control	<p>In accordance with Article 23 of the Consolidated Law on Banking, the cases provided for by Article 2359, first and second paragraph of the Italian Civil Code; control by contracts or clauses in the Articles of Association whose scope or effect is the power to exercise management and coordination activities; cases of control due to dominant influence. Situations of joint control, understood as the contractually agreed shared control over an economic activity, are also deemed as control. In this case, the following are considered to be controlling parties: a) parties who are able to exercise a decisive influence on the financial and operational strategic decisions of the enterprise; b) other parties who are able to influence the management of the enterprise on the basis of the shareholdings held, agreements in any form, or clauses in the Articles of Association whose scope or effect is the possibility of exercising control. Control is also relevant when it is exercised indirectly, through subsidiaries, trust companies, third-party bodies or persons. Companies and enterprises controlled by entities that are themselves jointly controlled are not deemed as indirectly controlled.</p> <p>In accordance with CONSOB Regulations, the terms “control” and “joint control” are defined in IFRS 10 (Consolidated Financial Statements) and 11 (Arrangements for joint control) and are used with the meanings specified in those IFRSs. More specifically, as of the date of publication of this Policy, the meanings are as follows:</p> <ul style="list-style-type: none"> ➤ control: the exposure or the right to variable returns deriving from one’s relationship with an investee entity and, at the same time, the ability to influence those returns by exercising power over that entity; and ➤ joint control: the sharing, on a contractual basis, of control over an agreement, which exists only when decisions concerning significant activities require the unanimous consent of all the parties sharing control
Strategic Executives	<p>In accordance with the CONSOB Regulations, 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 (see IAS 24, section 9). At the date of this Policy, the Group also identifies as Executives with strategic responsibilities:</p> <ul style="list-style-type: none"> ➤ Chief Executive Officer of the Parent Company; ➤ General Co-Manager Chief Operating Officer ; ➤ General Co-Manager Chief Commercial Officer; ➤ Heads of Central Departments (Capital Markets, Finance, and NPL); ➤ Head of Business Plan Governance, Planning and Management Control Department; ➤ Chief Lending Officer; ➤ Chief Risk Officer; ➤ Head of Internal Audit; ➤ Head of Compliance; ➤ Head of Legal and Corporate Affairs; ➤ Head of Investor Relations Department; ➤ Head of Communication, Marketing and External Relations; ➤ General Manager Ifis Npl Servicing S.p.A.
Corporate Officers or Officers	<p>The members of the management and control bodies (Board of Directors and Board of Statutory Auditors, according to the traditional Italian system of corporate governance) and the General Manager (where appointed)</p>
Group	<p>Has the meaning given in section 1.2</p>
Banking Group	<p>The Group consists of Banca Ifis and its banking, financial and instrumental subsidiaries</p>
Significant influence	<p>According to the CONSOB Regulations, the term “significant influence” in IAS 28 (Investments in Associates and Joint Ventures) is used with the meaning specified in that standard, i.e., at the date of publication of this Policy, the power to participate in determining the financial and operating policies of the investee company without having control or joint control over it.</p> <p>In accordance with the Provisions of the Bank of Italy, the term “significant influence” identifies the power to participate in determining the financial and operating policies of an investee company, without having control over it. There is a presumption of significant influence in the event of holding of a direct or indirect participating interest equal to or greater than 20% of the corporate capital or voting rights in the ordinary shareholders’ meeting or in another equivalent body of the investee company, or 10% in the case of</p>

	<p>companies with shares listed on regulated markets. In the event of a shareholding of less than the above-referenced thresholds, the occurrence of one or more of the following circumstances constitutes an indication of significant influence:</p> <ul style="list-style-type: none"> (i) representation on the Board of Directors of the investee company; the mere fact of appointing a member of the Board of Directors as a representative of the minority shareholders, in accordance with the provisions of the regulations for issuers of shares listed on regulated markets, does not in itself indicate significant influence; (ii) participation in the enterprise's strategic decisions, including participation in decisions of the shareholders' meeting concerning the financial statements, dividends or other distribution of profits or reserves, without this constituting a situation of joint control; (iii) the existence of significant transactions between the investor and the investee company; (iv) the interchange of management personnel; (v) the provision of essential technical information; <p>Significant influence is also relevant when it is exercised indirectly, through subsidiaries, trust companies, third-party bodies or persons. Companies invested in by entities which are in turn jointly controlled are not considered to be indirectly subject to significant influence</p>
Significant Interests of other members of the Single Perimeter	<p>The Bank considers significant interests of other related parties or associated entities of the Group to be those equity investments, other than those attributable to the Group, that result in the exercise of significant influence over one of the companies involved in the transaction where the holder of the equity investment is at the same time a related party of the Group or an associated entity of the Group by virtue of the relationships maintained with the other company involved in the transaction.</p> <p>In the case of intercompany transactions carried out with and between subsidiaries in which there are significant interests of other related parties and associated entities of the Group, the body or individual holding the ordinary decision-making powers, also in the light of the provisions of the CONSOB Regulations, in the event of uncertainty of interpretation, shall submit the transaction to the decision-making procedures envisaged for transactions with associated entities. In any case, interests arising from the mere sharing of one or more directors or other Strategic Executives between the Parent Company and its subsidiaries or affiliates and/or between the subsidiaries involved in the transaction are not considered significant interests</p>
Supervised Intermediaries	<p>SIMs (<i>Società di Investimento Mobiliare</i>, securities investment firms), EU investment firms, third-country firms other than banks, asset managers, as defined in the Consolidated Law on Finance, as well as foreign asset managers, electronic money institutions (IMEL), financial intermediaries registered in the register in accordance with Article 106 of the Consolidated Law on Banking, and payment institutions, which are part of a banking group and have an amount of own funds at an individual level that exceeds 2 per cent of the amount of own funds at the consolidated level of the Banking Group to which they belong</p>
Joint Venture	<p>An agreement concerning joint control over an entity whereby the parties with joint control have rights over the net assets of the entity itself</p>
Transaction	<p>Has the meaning given in section 2.3.1</p>
Related Party in accordance with CONSOB Regulations	<p>Has the meaning given in section 2.2.1</p>
Related Party in accordance with art. 88 CRD IV	<p>Has the meaning given in section 2.2.3</p>
Non-financial Related Party	<p>A related party that mainly carries out, directly or through subsidiaries, non-financial business activities as defined within the framework of the rules governing shareholdings held by banks and banking groups</p>

Investor	The party required to apply for the authorisations referred to in Articles 19 et seq. of the Consolidated Law on Banking (TUB), as may be referred to in the regulations applicable from time to time
Single Perimeter	Has the meaning given in section 2.2
Associated companies	Companies over which another company exercises significant influence (see Article 2359, paragraph 3, of the Italian Civil Code)
Relevant parties in accordance with Article 136 of the Consolidated Law on Banking	<p>Relevant parties of the Bank and of the other banks belonging to the Group are the Corporate Officers of those banks and the other entities related to them (such as, by way of example, companies and enterprises, including those not organised as a corporation, controlled directly or indirectly by the Corporate Officer and the close relatives of the Corporate Officer).</p> <p>In any case, it is up to the Board of Directors to assess whether a transaction involves the assumption of “indirect” obligations towards the Corporate Officer. The notion of “indirect” obligation identifies a case in which the contractual relationship, even if formally referred to a subject - natural person (e.g., spouse or other family member of the Officer) or legal entity - different from the Corporate Officer, is <i>de facto</i> established with the latter.</p>
Close Relatives	<p>In accordance with the CONSOB Regulations, close relatives of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the company, including:</p> <ul style="list-style-type: none"> a) the children and spouse or partner of that person; b) the children of that person’s spouse or partner; c) the dependents of that person or of his or her spouse or partner <p>In accordance with the Provisions of the Bank of Italy, “close relatives” are defined as the relatives up to the second degree of kinship and the spouse or common-law partner of a related party, as well as the children of the latter.</p>
Associated Entity in accordance with the Provisions of the Bank of Italy	Has the meaning given in section 2.2.2
Proposing Party	The organisational unit that is the owner of the transaction and responsible for its qualification, assessment and reporting

1.5 Relevant regulations

External Regulations

- **Italian Civil Code:** with particular reference to Article 2391-bis on the matter of transactions with related parties;
- **Legislative Decree No. 385 of 1 September 1993:** Consolidated Law on Banking (already defined above as TUB), with particular reference to, among others, Articles 53 and 136;
- **Legislative Decree No. 58 of 24 February 1998:** Consolidated Law on Finance (*Testo Unico sulla Finanza*, “TUF”);
- **CONSOB Regulation on related party transactions:** Resolution No. 17221 of 12 March 2010, as subsequently amended (already referred to above as CONSOB Regulation);
- **CRD IV:** Directive (EU) 2013/36 of the European Parliament and of the Council, as subsequently amended;
- **Supervisory Provisions for Banks:** Bank of Italy Circular No. 285 of 17 December 2013, Part Three, Chapter 11, under the heading “Risk-bearing assets and conflicts of interest of banks and banking groups vis-à-vis associated entities” (already referred to above as Bank of Italy Provisions);
- **Supervisory Provisions for Financial Intermediaries:** Bank of Italy Circular No. 288 of 3 April 2015, Title III, Chapter 1, Section VII, under the heading “Organisational Principles relating to specific activities or risk profiles”;
- **Bank of Italy Circular No. 262/2005:** “Banking Financial Statements and subsequent updates - Preparing criteria and Format”;
- **Supervisory Instructions for Banks:** Bank of Italy Circular No. 229 of 21 April 1999, Title II, Chapter 3, heading “Obligations of corporate officers”;
- **Accounting Standard IAS 24:** “Related party transactions reporting” in effect from time to time;
- **Corporate Governance Code:** Corporate Governance Code prepared by the Corporate Governance Committee of listed companies, promoted by Borsa Italiana S.p.A.

Also noted is CONSOB Communication No. DEM/10078683 of 24 September 2010, setting out indications and guidelines for the application of the CONSOB Regulations.

Internal Regulations

- **Group Policy for the Management of Conflicts of Interest:** this document governs the principles adopted for the purpose of managing and mitigating or preventing actual or potential conflicts of interest arising from the various activities carried on by the supervised companies belonging to the Banking Group (including the case referred to in Article 2391 of the Italian Civil Code); the policy also requires the adoption of organisational procedures governing the process.

2 GROUP PRINCIPLES AND RULES

2.1 Organisational controls

2.1.1 Audit and Risk Committee (Parent Company)

The Board of Directors of Banca Ifis has assigned the tasks that the CONSOB Regulations and Bank of Italy Provisions assign to Independent Directors to the Audit and Risk Committee (composed only of Independent Directors for this purpose).

The independence reinforces the assurance that the Director, in the exercise of his/her functions, pursues the interest of the Bank. The independent members are identified among the members of Banca Ifis' Board of Directors who qualify as independent in accordance with Article 2 of the Corporate Governance Code, Article 148, paragraph 3 of the Consolidated Law on Finance and the legislation implementing Article 26 of the Consolidated Law on Banking¹.

The Committee is responsible for:

- the issuance of prior, reasoned as well as binding (for the purposes of the resolution of the Board of Directors of Banca Ifis) opinions on the suitability of internal regulations and subsequent updates and amendments to achieve the objectives of external regulations. This opinion shall be in addition to the similar opinion required from the control body;
- the issuance, where expressly required, of prior reasoned opinions, binding or non-binding, in case of transactions with members of the Single Perimeter (as defined below) carried out directly or indirectly by the Bank regarding its interest in carrying out such transactions, as well as on the expedience and substantial fairness of the related conditions;
- in the case of Transactions of Greater Importance (as defined below), the timely involvement - through one or more delegated members, if deemed [appropriate] by the Committee - in the negotiation and preliminary investigation phase through the receipt of a complete and up-to-date flow of information and with the right to request information from and make observations to the delegated Bodies and the persons responsible for conducting the negotiations or the preliminary investigation; as well as
- the constant monitoring, also for the purpose of adopting any corrective measures, of transactions with components of the Single Perimeter entered into directly or indirectly by Banca Ifis, other than Minor Transactions, for which the procedural exemptions described below have been applied.

2.1.2 Alternative controls (Subsidiaries)

In the event of transactions with Associated Entities of the Group carried out by Subsidiaries, the Policy provides for the involvement of the Independent Directors (if appointed) of the relevant Subsidiary.

When expressly provided for, the Independent Directors are responsible for issuing prior reasoned opinions regarding the interest in carrying out the transaction of the subsidiary involved and of the Group, as well as on the expedience and substantial fairness of the related conditions.

Alternatively, in the event of the absence of Independent Directors, it is envisaged that, for the relevant non-banking Subsidiary, an alternative control mechanism providing for the prior disclosure to the Board of Statutory Auditors of said company will be activated.

2.2 Identification of the perimeter of the subjects involved (Subjective Perimeter)

In view of the similarities between the CONSOB Regulations and the Bank of Italy Provisions, and with the aim of rationalising the operations of the Parent Company and Subsidiaries, Banca Ifis, as a listed issuer at the apex of the Banking Group, has determined a single Group perimeter to which the decision-making

¹ In line with the provisions of the Decree of the Ministry of Economy and Finance No. 169 of 23 November 2020, implementing Article 26 of the Consolidated Law on Banking, the independence requirements provided therein will apply to appointments after its entry into force (i.e., 30 December 2020). Until that date, the independence requirements are those set forth in the Articles of Association.

procedures set forth in this Policy uniformly apply, for the purposes of both the CONSOB Regulations and the Bank of Italy Provisions ("**Single Perimeter**", see [Appendix 1](#)).

The Single Perimeter consists of the aggregation of: (i) Related Parties of Banca Ifis, in accordance with CONSOB Regulations; (ii) Associated Entities of Banca Ifis, in accordance with the Bank of Italy Provisions, of the banks and Supervised Intermediaries (with assets in excess of 2% of the consolidated Own Funds) of the Banking Group (Italian and foreign), to which other cases may be added in order to take into account both the existing relationships with the Bank and/or the Group, as well as to consider - inter alia - the significance of relationships with economic groups that make use of articulated and complex corporate structures that may not ensure full transparency of corporate and organisational structures; and (iii) Related Parties within the meaning of Article 88 CRD IV, paragraph 1, subparagraphs 4 and 5 of the banks and Supervised Intermediaries (with assets in excess of 2% of the consolidated Own Funds) of the Banking Group (Italian and foreign) (except for the cases of exemption specified below). Furthermore, if the Bank identifies actual conflicts of interest concerning other entities, it includes them among the recipients of the procedures provided for in the Policy.

2.2.1 *Related parties in accordance with CONSOB Regulations*

With reference to the Parent Company (as a listed company), related parties are parties defined as such by the international accounting standards in force at the time (more specifically, IAS 24) adopted in accordance with the procedure set out in Article 6 of Regulation (EC) No. 1606/2002 ("**Related Parties in accordance with CONSOB Regulations**").

Specifically, at the date of publication of this Policy, the following are Related Parties:

- 1) an individual or close relative who:
 - a) has control or joint control of Banca Ifis;
 - b) has significant influence over Banca Ifis; or
 - c) is one of the Strategic Executives of Banca Ifis or one of its Subsidiaries;
- 2) an entity (in Italy, legal persons) that:
 - d) is part of the Group;
 - e) is an associate or joint venture of Banca Ifis (or an associate or joint venture belonging to the Group);
 - f) is a joint venture of the same third-party with which Banca Ifis is a venturer;
 - g) is a joint venture of a third-party entity associated with Banca Ifis;
 - h) is represented by a post-employment benefit plan in favour of employees of Banca Ifis or an entity related to it;
 - i) is controlled or jointly controlled by a person identified in point 1) above;
 - j) is subject to significant influence exercised by a person identified in point a) above;
 - k) includes, or any of its parent companies includes, a person identified in point a) above among Strategic Executives (see IAS 24, section 9).

In the definition of Related Parties under CONSOB Regulations, an associated company includes the subsidiaries of the associated company and a joint venture includes the subsidiaries of the joint venture. Therefore, for example, a subsidiary of an associated company and the investor that has significant influence over the associated company are associated with each other (see IAS 24, section 12).

The Related Parties of the Parent Company are components of the Single Perimeter that is valid for the entire Group.

2.2.2 *Associated entities in accordance with Bank of Italy Provisions*

The following are "**Associated Entities in accordance with Bank of Italy Provisions**":

- Related parties:
 - 1) the corporate officers of Banca Ifis, the banks and the Supervised Intermediaries of the Banking Group;

- 2) the investors of Banca Ifis, the banks and the Supervised Intermediaries of the Banking Group;
 - 3) persons, other than investors, capable of appointing on their own one or more members of Banca Ifis' management body or body with strategic supervisory functions, of the banks and of the Banking Group's Supervised Intermediaries, including on the basis of agreements entered into in any form or clauses in the Articles of Association whose scope or effect is the exercise of such rights or powers;
 - 4) companies or enterprises, including those not organised as a corporation, over which Banca Ifis, banks or Supervised Intermediaries of the Banking Group are able to exercise control or significant influence;
- Connected Entities:
 - 5) companies and enterprises, including those not organised as a corporation, controlled by a related party as identified in points 1) - 4) above;
 - 6) parties that control a related party among those indicated in points 2) and 3) or parties subject, directly or indirectly, to joint control with the same related party;
 - 7) close relatives of a related party as identified in points 1) - 4) above and companies or enterprises controlled by the latter.

2.2.3 Related Parties in accordance with art. 88 CRD IV

The following are Related Parties within the meaning of Article 88 CRD IV:

- the spouse, registered partner, child or parent of Corporate Officers²;
- a business entity in which a Corporate Officer or his/her close relative as defined in the preceding point:
 - o holds a qualifying shareholding of 10% or more of the share capital or voting rights of such entity;
 - o can exercise significant influence;

2.2.4 o occupies managerial positions or is a Corporate Officer. Other entities

The Group's Single Perimeter, in addition to Related Parties in accordance with CONSOB Regulations and Associated Entities in accordance with Bank of Italy Provisions, also includes other entities which the Parent Company has decided to include, with a view to greater protection and risk prevention.

More specifically, the reference is to:

- entities who directly or indirectly, including through subsidiaries, trustees or intermediaries, hold more than 3% of the share capital of Banca Ifis, the banks and Supervised Intermediaries of the Banking Group;
- entities who have (among themselves) entered into an agreement, in whatever form, for the joint exercise of voting rights in the Shareholders' Meetings of Banca Ifis, the banks and Supervised Intermediaries of the Banking Group to an extent greater than 3%.

However, for the purposes of the above, the Single Perimeter does not include Governments, Governmental Entities and Central Banks and all entities related to them, except those that exercise control or significant influence.

2.2.5 Corporate Officers under Article 136 of the Consolidated Law on Banking (Group banks only)

With exclusive reference to Banca Ifis and the other Italian banking components of the Group, Article 136 of the Consolidated Law on Banking also applies, which prohibits persons performing administrative, management and control functions (Directors, Statutory Auditors and the General Manager) at a bank from

² However, such persons are included in the definition of Close Relatives.

entering into obligations of any kind or engaging in sales or purchases, either directly or indirectly, with the bank that he/she administers, manages or controls, except by unanimous resolution of the Board of Directors, with the favourable vote of all the members of the Board of Directors, excluding the vote of the officer concerned, without prejudice to the obligations established in the Italian Civil Code regarding directors' interests and related-party transactions. Accordingly, the rules in section 2.4.4 are intended for Banca Ifis and the other Italian banking components of the Group.

More specifically, based on legislative provisions, the perimeter of Corporate Officers under Article 136 of the Consolidated Law on Banking includes Corporate Officers of the Parent Company, of the Group banks and individuals (e.g., spouse or other relative of the Corporate Officer) and/or legal entities, linked to one or more Corporate Officers by a relationship such that:

- said Corporate Officers shall be held personally liable without limitation with regard to the obligation of such individuals, and such hypothesis occurs, *inter alia*, when the obliged or contracting party is: (i) a partnership or general partnership of which the Corporate Officer is a partner; (ii) a limited partnership or partnership limited by shares (*società in accomandita per azioni*) of which the Corporate Officer is a general partner; (iii) a corporation of which the Corporate Officer is the sole shareholder;
- the contractual relationship, although formally referred to a person other than the Corporate Officer, is *de facto* established in the latter's name ("indirect obligations"). This hypothesis occurs, *inter alia*, in the case of obligations undertaken by companies directly and/or indirectly controlled by the banking Officer in accordance with Article 23 of the Consolidated Law on Banking.

In any case, it is up to the Board of Directors to assess whether a transaction involves the assumption of "indirect" obligations towards the Corporate Officer. The notion of "indirect" obligation identifies a case in which the contractual relationship, even if formally referred to a subject - natural person (e.g., spouse or other family member of the Officer) or legal entity - different from the Corporate Officer, is *de facto* established with the latter.

2.2.6 IAS 24

For the sake of completeness, it is important to note that the obligations concerning Related Parties and Associated Entities are supplemented by the requirements of IAS 24, the scope of which, as determined in accordance with the abovementioned accounting standard for the purpose of financial statement disclosure, includes all Related Parties, as defined in the abovementioned standard and set forth in the list maintained by Corporate Affairs.

2.2.7 Identification of the members of the Single Perimeter

The full and timely identification of the members of the Single Perimeter is a necessary condition for the proper application of the procedures for adopting resolutions provided for in this Policy and for the application of specific provisions in accordance with CONSOB Regulations on transparency obligations and Bank of Italy Provisions on supervisory reporting and monitoring of risk-bearing assets.

The Parent Company shall identify and record - through the Parent Company's Corporate Affairs department - the members of the Single Perimeter on the basis of: (i) the information obtained from the Shareholders' Ledgers, communications made by relevant persons in accordance with Article 152-octies of the Regulations adopted by CONSOB with Resolution No. 11971 of 14 May 1999 (as subsequently amended, the "**Issuers' Regulations**"), or from parent companies, from the consolidated annual financial report or from the consolidated half-yearly report of the Group; (ii) the information gathered from Corporate Officers and Strategic Executives, submitting to them for this purpose the declaration under Annex 1 to this Policy and requesting its compilation; and (iii) the information received from the organisational units which originate the acquisition of the shareholdings, when these determine at least the exercise of significant influence over the investee company. In addition, for the purposes of FINREP and COREP requirements, Corporate Affairs department shall record the associated entities relating to La Scogliera S.p.A., collecting the relevant information in Annex 2, for as long as La Scogliera S.p.A. is included in the scope of prudential consolidation.

The Parent Company shall record as close relatives of a related party also relatives up to the second degree of kinship and shall keep this information available for any requests by the Supervisory Authorities.

Minor children of related parties, although included in self-declarations in some cases, are not included in the Bank's list of connected entities.

The members of the Single Perimeter shall promptly provide the information necessary to allow their precise identification and that of the subjects connected to them and shall promptly report any subsequent change of the same.

On a quarterly basis, Supervisory Reporting shall report to Corporate Affairs and Compliance the Group's Supervised Intermediaries whose individual Own Funds exceed 2% of consolidated Own Funds.

The Parent Company shall prepare and maintain a list of the members of the Single Perimeter and shall update it periodically. The Subsidiaries refer to the same Single Perimeter defined by the Bank for the entire Group. The list of said members is updated by Corporate Affairs.

The list must contain the following information:

- reporting date;
- cessation date;
- institute / company;
- name;
- tax code;
- body (BoD, BoA, Strategic Executive, Key Personnel);
- type of role;
- Single Perimeter member classification;
- indication of whether the person is related within the 2nd degree.

For each change, Corporate Affairs shall transmit - promptly and with a progressively numbered communication - the updated list (with evidence of the changes) to:

- Registry;
- Procurement;
- Business Intelligence & Data Governance;
- Accounting and Financial Statements and Supervisory Reporting; and
- Compliance, Risk Management and Internal Audit.

The list is made available through the corporate registry files, the Group Registry and the Supplier Registry, updated by Registry and Procurement, on the basis of information received from Corporate Affairs. More specifically, Registry provides for the insertion/update of the Members of the Single Perimeter in Daisy, where the relationships of the parties with the officers are also specified (providing for the opening of the registry entry in Registry if the party is not already recorded). At the end of these activities, the RSC - Registro Soggetti Collegati (Register of Associated Entities) form is automatically updated with the relationships specified in the Daisy application. Through this form, it is always possible - by searching the registry for a name - to determine whether the party belongs to the Single Perimeter or not.

In order to keep the Group's files constantly up-to-date, Corporate Affairs shall send a summary statement (produced on the basis of the data extracted from the Daisy application) every six months to Corporate Officers and Strategic Executives of what has been declared through the compilation of the appropriate forms, Annexes 1 and 2, with the request for timely notification of any intervening changes.

Any organisational unit of the Group, each with reference to its own operations, which proposes or examines a new Transaction or the renewal or modification of an existing Transaction, is in any case responsible for reporting to Corporate Affairs, which may request the advisory support of Compliance, the counterparties for which it presumes that there are connection relationships suitable to determine their belonging to the Single Perimeter and/or their relevance for the purposes of Article 136 of the Consolidated Law on Banking and/or for the purposes of the Supervisory Provisions for Financial Intermediaries (Bank of Italy Circular No. 288 of 2015).

2.3 Transactions with members of the Single Perimeter (Objective Perimeter)

2.3.1 Identification of Transactions

Transactions with members of the Single Perimeter are transactions that the Parent Company and Subsidiaries carry out with members of the Single Perimeter involving taking on risk-bearing assets, the transfer of resources, services or obligations, regardless of whether a fee has been agreed ("**Transactions**").

Except in the cases of exemption described below, the following are included:

- mergers and demergers by incorporation or demergers in the strict non-proportional sense, where carried out with members of the Single Perimeter;
- capital increase transactions with the exclusion of option rights in favour of members of the Single Perimeter.

By way of example and without limitation, except in the cases of exemption described below, the following are also included:

- provision of banking services;
- provision of both core and ancillary investment services;
- distribution of financial and insurance products;
- entering into service and/or plant maintenance contracts;
- buying, selling and leasing of real estate; as well as
- entering into contractual agreements of any kind involving assets, other than those indicated in the previous points.

2.3.2 Qualification of Transactions

Transactions are qualified based on: (i) relevant size; (ii) ordinary or non-ordinary nature; and (iii) conditions applied. With reference to the Parent Company and the other Group banks, transactions under Article 136 of the Consolidated Law on Banking are also significant.

2.3.2.1 Relevant size

Based on relevant size, Transactions are divided into:

- **Transactions of Greater Importance** - these are Transactions in which at least one of the following significance indices ("**Significance Indices**"), applicable depending on the specific Transaction, exceeds the threshold of 5% of the consolidated Own Funds taken from the most recent consolidated balance sheet of Banca Ifis:
 - value-based significance index: this is the ratio between the value of the transaction and the Own Funds taken from the most recent consolidated balance sheet published by the Parent Company. If the economic terms of the Transaction:
 - i. are determined, the value is:
 - for cash components, the amount paid to/by the contractual counterparty;
 - for components consisting of financial instruments, the fair value thereof, determined, at the date of the Transaction, in accordance with the applicable accounting rules;
 - for loan and guarantees Transactions, the maximum amount that can be disbursed.
 - ii. depend in whole or in part on figures not yet known, the value is the maximum amount receivable or payable under the agreement;
 - asset-based significance index: this is the ratio between the total assets of the entity involved in the Transaction and the total assets of the Parent Company (which includes "off-balance sheet" items). The figures to be used must be taken from the most recent consolidated balance sheet published by Banca Ifis; where possible, similar data must be used to determine the total assets of the entity involved in the Transaction. More specifically, with reference to Transactions for the acquisition and disposal of:
 - i. equity investments in companies that affect the consolidation area, the value of the numerator is the total assets of the investee company, regardless of the

- percentage of capital involved;
- ii. equity investments in companies that do not affect the consolidation area, the value of the numerator is:
 - in the case of acquisitions, the value of the Transaction plus any liabilities of the acquired company assumed by the purchaser;
 - in the case of disposals, the consideration received for the divested asset;
 - iii. other assets (other than equity interests), the value of the numerator is:
 - in the case of acquisitions, the greater of the consideration due under the transaction and the book value that will be attributed to the asset;
 - in the case of disposals, the book value of the asset in question;
- liabilities significance index: is the ratio between the total liabilities of the acquired entity and the total assets of the Parent Company. The figures to be used must be taken from the most recent consolidated balance sheet published by Banca Ifis; where possible, similar data must be used to determine the total liabilities of the company or business unit acquired.

For acquisition, merger and demerger Transactions, the threshold, again 5%, shall be calculated by referring to the asset-based significance index.

- **Transactions of Lesser Importance** - these are the transactions, other than Minor Transactions (as defined below), in which the Significance Indices, applicable depending on the specific Transaction, are less than or equal to the 5% threshold;
- **Minor Transactions** - are those Transactions whose value is less than or equal to:
 - EUR 50,000, in the case of purchase of goods and/or services from suppliers;
 - EUR 250,000, in the case of loans to customers.

The significance of the amount of the Transaction for the purchase of goods and services is to be determined by adding the amount of the same to all other purchases already made from the same related supplier from 1 January of each year. On the other hand, the decision to grant or review credit facilities is always taken by considering the overall exposure to the associated counterparty.

2.3.2.2 Ordinariness

Ordinary Transactions are Transactions of Lesser Importance: (i) related to operating activities or, alternatively, related financial activities; and (ii) falling within the ordinary course of operating activities or related financial activities. More specifically:

- operating activities are defined as the main revenue-generating activities and other business activities that cannot be classified as investment or financial activities;
- the reference to financial activities connected to operating activities refers to transactions which, although they could be abstractly qualified as financial, are mainly ancillary to carrying out operating activities³.

The following main indicators should be considered when assessing whether a Transaction falls within the normal course of operating activities or related financial activity:

- the nature of the counterparty;
- the scope of the Transaction;
- the frequency of the type of Transaction;
- the size;
- the contractual terms and conditions of the Transaction (also with regard to the features of the consideration).

³ In accordance with CONSOB Communication DEM/10078683 of 24/9/2010, capital increases with the exclusion of option rights do not (normally) fall within the ordinary course of financial activities related to operating activities.

In the case of a Transaction carried out by Subsidiaries, ordinariness must be assessed with reference to the activities carried out by the latter.

2.3.2.3 Conditions

In principle, Transactions are carried out at **market or standard terms and conditions** when such conditions are:

- similar to those applied to counterparties that are not members of the Single Perimeter with reference to transactions of a similar size, nature, type, risk, etc.;
- inferred from price lists, price scales, product tables, framework agreements, etc., or applied on the basis of conditions defined and imposed by law; and/or
- applied in similar transactions by competitors, where available.

The reasons for any differences in the economic-contractual conditions applied to the Transaction compared to standard or market conditions must be adequately justified by the opportunity and economic expediency of carrying out the Transaction itself.

The ordinariness and cost-effectiveness of the Transaction must be shown by the documentation accompanying the decision taken in accordance with the management processes envisaged from time to time, and supported by a suitable assessment by the technical and control functions responsible for the specific subject matter (Risk Management, Compliance, assessment structures), each responsible for its own area of competence, with regard to the verification of the consistency of the information on the conditions and economic profitability of the Transaction.

The results of this preliminary phase are submitted to the Corporate Bodies involved in the decision-making process and more specifically to the Audit and Risk Committee for the latter's opinion on the Transaction.

In order to allow the Audit and Risk Committee, the Board of Statutory Auditors, Corporate Affairs and both the 2nd (Risk Management and Compliance) and 3rd level Control Functions to monitor the Ordinary Transactions that have been executed, Organisation, on a quarterly basis, as part of the Management Report described in section 2.8 below, shall make available to the to these bodies a list of the Ordinary Transactions executed in the reference period, together with the related economic conditions applied. Accordingly, the aforementioned parties can:

- verify that the conditions for exemption are correctly applied;
- identify any operational anomalies that have occurred; and
- address the relevant corrective actions.

2.3.3 *General exemptions*

Without prejudice to the obligations to disclose accounting information to the market, where applicable, the following are transactions for which the provisions of the CONSOB Regulations, the Bank of Italy Provisions, and the procedures set out in this Policy do not apply:

- transactions resolved by the companies and addressed to all shareholders on equal terms, including:
 - capital increases offered in option, including those servicing convertible bonds, and free of charge capital increases as provided for in Article 2442 of the Italian Civil Code;
 - demergers in the strict sense, whether total or partial, with proportional share allocation criteria;
 - reductions in share capital by means of reimbursement to shareholders in accordance with Article 2445 of the Italian Civil Code and purchases of treasury shares in accordance with Article 132 of the Consolidated Law on Finance;
- transactions carried out with/among Subsidiaries where there is a relationship of full or joint control, on condition that the transaction or the counterparty do not involve any significant interests of other members of the Single Perimeter;
- intercompany transfer of funds or collateral carried out as part of the liquidity risk management system at consolidated level;
- transactions relating to the remuneration of Corporate Officers and Strategic Executives carried out

in compliance with applicable regulations on incentive and remuneration systems and, more specifically:

- the fees due to the members of the Board of Directors and Board of Statutory Auditors, within the limits established by the Shareholders' Meeting in accordance with Articles 2389, paragraphs 1 and 3, and 2402 of the Italian Civil Code;
- the fees of Directors holding special offices and Strategic Executives, provided that the requirements of Article 13, paragraph 3, letter b) of the CONSOB Regulations are met;
- transactions to be carried out on the basis of instructions issued by the European Central Bank or the Bank of Italy for stability purposes, or on the basis of instructions issued by the Parent Company in the for the purpose of the Group's stability;
- securities-based remuneration plans approved by the Shareholders' Meeting in accordance with Article 114-*bis* of the Consolidated Law on Finance and the related implementing transactions;
- transactions carried out in implementation of framework resolutions adopted in accordance with section 2.4.5 below.

2.3.4 *Transactions in accordance with Article 136 of the Consolidated Law on Banking (Group banks only)*

The application of Article 136 of the Consolidated Law on Banking concerns obligations of any nature and deeds of sale and purchase, respectively, contracted/completed directly or indirectly by the Corporate Officers of Banca Ifis and other Group banks.

Examples of the scope of application under consideration include:

- deeds of sale and purchase;
- obligations of any kind (financial or otherwise), including professional engagements entrusted - on a continuous or occasional basis - to Corporate Officers or professional partnerships of which Corporate Officers are members;
- the exchange transactions of bank cheques "for cash";
- sale/purchase transactions of currency and securities that do not comply with the conditions set out below.

On the basis of the Bank of Italy's indications, the following do not fall within the scope of application of Article 136 of the Consolidated Law on Banking, since they derive from contractual relationships in which the subjective quality of the counterparty is not relevant and the possibility of conflicts of interest that the rule intends to avoid does not exist, not even theoretically:

- services that do not involve offering credit, including the opening of deposits, also in the form of current accounts corresponding to standardised terms and conditions for the use of customers or employees;
- obligations connected with transactions involving the purchase and sale of currency and securities, including State or State-backed securities, listed on the electronic market when all the following conditions are met: implementation on regulated markets; application of the standardised terms and conditions established for customers; advance payment of the price in the event of purchase; prior delivery of the securities in the event of sale.

The notion of indirect obligation identifies a case in which the obligatory relationship, even if formally referred to a subject, be it a natural person or a legal entity, different from the Corporate Officer, is *de facto* established in the latter's name. In such cases the Board of Directors, which the person concerned must inform of their particular situation, is responsible to assess whether or not the proposed transaction involves an obligation indirectly contracted by the Officer. The assessment is conducted with the Officer allegedly involved abstaining [from the vote].

In the case of obligations undertaken by companies, Article 136 of the Consolidated Law on Banking applies where the Corporate Officer has a controlling position in accordance with Article 23 of the Consolidated Law on Banking in the contracting company. In the case of loans to non-subsidiary companies in which Officers hold the position of director or statutory auditor, it is considered that the mere interlocking of roles, or the mere holding by said officers of a minority shareholding in the financed company, does not, in itself, give rise to the application of Article 136 of the Consolidated Law on Banking.

In the event that Corporate Officers of the parent company hold positions within other companies of the group, the contractual relationships established between group companies do not *per se* determine hypotheses of conflicts of interest subject to the regulations provided for by Article 136 of the Consolidated Law on Banking.

Article 136 of the Consolidated Law on Banking also applies when the obliged or contracting party is linked to one or more Corporate Officers by a relationship such that the said officer(s) is (are) personally liable without limitation of such person's obligations. This is the case when the obliged or contracting party is: (i) a partnership or general partnership of which the Officer is a partner; (ii) a limited partnership or partnership limited by shares of which the Officer is a general partner; (iii) a corporation of which the Officer is the sole shareholder; (iv) a spouse under community of property regime.

2.3.5 Granting of loans to directors (only financial intermediaries in accordance with Article 106 of the Consolidated Law on Banking)

Any direct or indirect loan transactions in favour of Corporate Officers and enterprises or companies controlled by them or over which they are able to exercise a significant influence, must be resolved upon by the body with strategic supervisory functions - informed of this circumstance by the same officer - with a decision taken unanimously and with the officer concerned abstaining from the vote.

2.4 Management of Transactions with members of the Single Perimeter

The process of managing a Transaction with members of the Single Perimeter begins when the organisational unit that is the owner of the transaction, whether of the Parent Company or the Subsidiaries, begins negotiations, followed by the investigation phase, and ends with the resolution regarding the Transaction, which may take place in different ways, depending on the type of Transaction.

The owner organisational unit responsible for investigating the transaction verifies whether the counterparty is a member of the Single Perimeter. If so, it shall ascertain whether the transaction falls within the cases of exemption described above, possibly availing itself of the support of the Corporate Affairs organisational unit and of the Compliance Function. If the transaction's conditions are defined as equivalent to market or standard terms and conditions, the documentation prepared shall contain objective evidence showing this.

It is also reiterated that, in principle, the responsibility for verifying whether or not the party with whom the proposed transaction is to be carried out is an associated entity lies first of all with the organisational unit that originated the transaction. Depending on the process in question, the Bank also adopts additional controls, including IT controls, which make it possible to verify whether or not the counterparty to the transaction is a member of the Single Perimeter. The various management systems adopted for the specific businesses in which the Group operates provide dedicated functions for the recognition of the members of the Single Perimeter (see [Annex 3](#)).

The appendix provides a schematic summary of the decision-making and information-gathering processes (see [Appendix 2](#)) as well as a diagram to assist in the decision-making process (see [Appendix 3](#)).

2.4.1 Transactions of Lesser Importance (non-ordinary)

If the cases of exemption do not apply, the organisational unit responsible for the investigation:

- asks Supervisory Reporting, regarding credit transactions, to verify - prior to executing the Transaction - compliance with individual and consolidated limits for the proposed Transaction;

and, only if the above limits are complied with:

- sends to the Audit and Risk Committee (composed only by Independent Directors for this purpose), by means of Corporate Affairs, the information relating to the Transaction.

Relevant items, more specifically, include the nature of the relationship, the way in which the transaction is implemented and the Bank's interest (economic, commercial, strategic, etc.) in carrying it out, the terms and conditions, including economic conditions, under which it is carried out, the assessment process followed and any risk factors for the Bank.

The information must be received by the Audit and Risk Committee (composed only by Independent Directors for this purpose) normally within three business days prior to the date on which the Committee is called upon to express its opinion.

On the basis of the information received, the Audit and Risk Committee (composed only by Independent

Directors for this purpose) assesses the Bank's interest in carrying out the Transaction as well as the expedience and substantial fairness of the related terms and conditions and expresses a reasoned, non-binding opinion to the resolving party before the latter takes a decision.

The Audit and Risk Committee (composed only by Independent Directors for this purpose) has the power to request additional information to that in its possession and to seek assistance from one or more independent experts of its choice, subject to verification of their independence in accordance with the CONSOB Regulations, as well as to delegate the management of investigative activities for which it is responsible to one or more of its members. The opinion is annexed to the minutes of the Audit and Risk Committee meeting.

The resolutions are the responsibility of the Board of Directors, unless the law or the Articles of Association attribute such responsibility to the Shareholders' Meeting.

Without prejudice to the provisions of Article 53 of the Consolidated Law on Banking, if there is an interest in the Transaction, both in their own interests or those of third parties, that conflicts with that of the company of:

- a director who is not a member of the Audit and Risk Committee or, more generally, a non-independent director of the Bank, the director concerned must promptly inform the other directors and statutory auditors of the nature, terms, origin and extent of his/her interest. He/she must also abstain from voting on the resolution of the Transaction at the Board meeting;
- an independent director of the Audit and Risk Committee, the director concerned must promptly inform the other directors and statutory auditors of the nature, terms, origin and extent of his/her interest. Furthermore, he/she must abstain both from voting on the resolution at the Board meeting and from participating in the issuance of the opinion at the Audit and Risk Committee;
- a statutory auditor or an entity associated through him or her, the relevant statutory auditor shall promptly inform the directors and statutory auditors of the nature, terms, origin and extent of his/her interest. If the proposed transaction is to be carried out between the Bank and the statutory auditor, the latter must abstain from voting on the transaction at the Board of Statutory Auditors' meeting (in all cases in which the Board is called upon to express an opinion on such transaction).

The obligation to abstain applies only to voting and not to participation in meetings. Officers required to abstain will still be counted for the purposes of rendering the meeting quorate but not for the purposes of the quorum for resolutions (since this is a statutory obligation).

If, in relation to a Transaction, there are not at least three unrelated Independent Directors on the Audit and Risk Committee, the following additional equivalent alternative safeguards shall apply, in the following order: (i) prior opinion of two Independent Directors; (ii) prior opinion of the sole Independent Director.

Resolutions relating to the approval of Transactions must contain adequate justification of the interest in carrying out the Transaction, the expedience of the same and the substantial fairness of the relevant terms and conditions as well as adequate justification of the reasons for any deviations, in terms of economic-contractual conditions and other characteristic profiles of the Transaction, compared to standard or market ones; suitable elements to support this justification must be found in the documentation accompanying the resolution.

In the event of a negative opinion on the Transaction expressed by the Audit and Risk Committee (composed only by Independent Directors for this purpose), the Board of Directors or the Shareholders' Meeting (for matters falling within its purview) may approve it, formally stating the reasons for the decision taken and specifying the reasons why it did not share the opinion.

All transactions resolved in the presence of a contrary or conditional opinion of the Audit and Risk Committee (composed only by Independent Directors for this purpose) are individually communicated, as soon as they are resolved, to the Board of Statutory Auditors if at least one member of the Board of Statutory Auditors did not attend the meeting of the Audit and Risk Committee. The latter will then inform the members of the Board.

2.4.1.1 Public Disclosure of Transactions of Lesser Importance (Parent Company only)

Without prejudice to the provisions of Article 17 of Regulation (EU) No. 596/2014, a document indicating the counterparty, the subject-matter and the consideration of the transactions approved in the reference quarter in the presence of a negative opinion expressed by the Committee, as well as the reasons why the competent resolving bodies of Banca Ifis decided not to share this opinion, is made available to the public within fifteen days of the end of each quarter of the financial year, at the registered office and in the manner indicated in Part III, Title II, Chapter I of the Issuers' Regulation. Within the same period, the negative opinion of the Committee must be made available to the public in an appendix to the above-mentioned document or on Banca Ifis' website.

2.4.2 Transactions of Greater Importance

For Transactions of Greater Importance, in addition to what has already been specified above, the procedural rules specified below also apply.

The Audit and Risk Committee (composed only by Independent Directors for this purpose) is involved in a timely manner in the negotiation and preliminary investigation phases by receiving a complete and up-to-date flow of information and has the right to request information from and make comments to the delegated bodies and the persons responsible for the negotiations and preliminary investigation.

The described information flow, forwarded by the organisational unit responsible for the preliminary investigation of the Transaction through Corporate Affairs, contains information about:

- the nature of the Transaction and the correlation;
- the Transaction's terms and conditions, including economic terms, and implementation methods;
- the assessment procedure followed;
- the interest and underlying reasons;
- any risk factors for the Bank.

The reasoned opinion expressed by the Audit and Risk Committee (composed only by Independent Directors for this purpose) is to be considered binding and must be issued in time for the meeting of the Board of Directors called for the adoption of the related resolution.

In the event of a negative or conditional opinion by the Audit and Risk Committee (composed only by Independent Directors for this purpose), a prior opinion is also required from the Board of Statutory Auditors, which must be provided with adequate information - in terms of timing and content - on the Transaction. The opinion must contain reasons on the Bank's interest in carrying out the Transaction as well as on the expedience and substantial fairness of the related conditions. Transactions on which the Independent Directors or the Board of Statutory Auditors have issued negative opinions or made remarks are brought to the attention of the Shareholders' Meeting at least once a year.

If there is an interest in the Transaction on of a director or statutory auditor, both in their own interests or those of third parties, that conflicts with the interest of the company, the provisions described above with reference to Transactions of Lesser Importance (non-ordinary) as per section 2.4.1 shall apply.

When a Transaction of Greater Importance falls within the purview of the Shareholders' Meeting, in the event of a negative opinion of the Audit and Risk Committee (composed only by Independent Directors for this purpose), the Transaction cannot be carried out if the majority of the unrelated voting shareholders (who must represent at least ten percent of the voting share capital) vote against it.

2.4.2.1 Public Disclosure of Transactions of Greater Importance (Parent Company only)

On the occasion of Transactions of Greater Importance, the Parent Company alone (as a listed company) shall prepare, in accordance with Article 114, paragraph 5 of the Consolidated Law on Finance, a disclosure document containing the information required by the regulations in force, indicated in Annex 4 of the CONSOB Regulations and reported below for ease of reference:

- evidence, in summary form, of the risks related to potential conflicts of interest arising from the transaction in question;
- a description of the contents of the transaction. More specifically:
 - a description of the features, terms and conditions of the transaction;
 - an indication of the related parties with which the transaction was carried out, the nature of the relationship and the extent of those parties' interests in the transaction;
 - an indication of the transaction's economic reasons and the expedience for the Bank (or its Subsidiaries);
 - a description of how the consideration for the transaction was determined and the assessments of its fairness in relation to market values for similar transactions;
 - an illustration of the economic and financial effects of the transaction, providing at least the applicable significance indices;

- whether the amount of the fees of the Bank's directors or the members of the Board of Directors of the Subsidiaries will change as a result of the transaction, giving a description of the related changes. If no changes are envisaged, a statement to that effect shall nonetheless be added;
- in the case of Transactions where the related parties involved are Corporate Officers or Strategic Executives, information relating to the financial instruments of the issuer held by such persons and their interests in extraordinary transactions, as provided for by sections 14.2 and 17.2 of Annex I of Regulation 809/2004/EC;
- an indication of the directors who conducted or participated in the negotiations and/or prepared and/or approved the transaction, specifying their respective roles, with particular regard to the independent directors. With reference to the resolutions approving the transaction, a specification of the names of those who voted for or against the transaction, or abstained from voting, specifying in detail the reasons for any dissent or abstention. In accordance with Article 5 of the Issuers' Regulations, the opinion of the independent directors shall be annexed to the disclosure document or published on the Bank's website.

Without prejudice to the provisions of Article 114, paragraph 1, of the Consolidated Law on Finance, the disclosure document shall be made available to the public at the registered office of Banca Ifis and shall be sent to Investor Relations and Corporate Development for publication (including the relevant annexes) on the Parent Company's website and, with the other methods provided for by applicable regulations, within seven days of approval of the transaction by the Board of Directors or, if the Board of Directors resolves to submit a contractual proposal, from the time when the contract, including a preliminary contract, is entered into, in accordance with applicable regulations. In cases where the resolution of the transaction falls within the purview of the Shareholders' Meeting, the disclosure document shall be made available within seven days of the Board's approval of the proposal to be submitted to the Shareholders' Meeting.

At the same time as the public dissemination, the Parent Company shall also transmit the above documents and opinions to CONSOB through a connection with the storage mechanism authorised in accordance with Article 65-septies, paragraph 3 of the Issuers' Regulations.

Banca Ifis shall also prepare the disclosure document if, during the course of the financial year, it enters into Transactions with the same member of the Single Perimeter that are homogeneous or undertaken in implementation of a single plan which, while not qualifying individually as transactions of greater importance, exceed, when considered cumulatively, the Significance Indices⁴. In this case, the disclosure document shall be made available to the public within 15 days following the approval of the Transaction, or of the execution of the contract that causes the Significance Index to be exceeded, and shall contain information on all the Transactions considered for the purposes of cumulation, also on an aggregate basis for homogeneous transactions.

The disclosure document must be accompanied by the binding opinion of the Audit and Risk Committee (composed only by Independent Directors for this purpose) and, if applicable, any additional opinion it may have requested from an independent expert concerning the fairness of the terms and conditions of the transaction compared with the market value of similar transactions and the opinion issued by the independent expert that was possibly retained by the Board of Directors⁵.

Corporate Affairs shall prepare said disclosure document, with the operational support of the responsible organisational unit, depending on the type of transaction, of the related investigation and assessment process. More specifically, Corporate Affairs, with the support of Compliance, in compliance with the timeframes specified above and following the approval of the Transaction by the Board of Directors (or, if the Board of Directors resolves to submit a contractual proposal, following the time at which the contract, including a preliminary contract, is executed in accordance with the applicable regulations or, in cases where the transaction falls within the purview of the Shareholders' Meeting, after the Board of Directors has approved

⁴ For these purposes, the transactions carried out by the Subsidiaries are also relevant and any transactions subject to the general Exemption and the following transactions subject to the partial Exemption are not considered: (i) Minor Transactions; (ii) Transactions executed in accordance with Article 136 of the Consolidated Law on Banking; (iii) Ordinary Transactions executed with Associated Entities not belonging to the Group; (iv) Transactions executed with or between Subsidiaries in case of a participating interest other than a 100% stake or with associated companies and/or companies subject to significant influence, if there are no significant interests in the subsidiaries or associated companies that are the counterparties to the Transaction; and (v) transactions of lesser importance, other than ordinary transactions, with Subsidiaries in case of a participating interest other than a 100% stake and with associated companies and/or companies subject to significant influence, if there are no significant interests in the subsidiaries or associates that are counterparties to the transaction.

⁵ With reference to the opinions of independent experts, only the elements indicated in Annex 4 of the CONSOB Regulations may be published, giving reasons for this choice.

the proposed resolution), shall gather the information needed to prepare the disclosure document, shall draft it, shall submit it to the Audit and Risk Committee (composed only by Independent Directors for this purpose) for approval and, together with the annexes (the opinion of the Audit and Risk Committee and any opinions of independent experts), shall publish it and shall send it to CONSOB.

With reference to ordinary Transactions of Greater Importance concluded at conditions equivalent to those of the market or standard terms and conditions, whose decision-making process does not differ from that envisaged for other Transactions of Greater Importance, this Policy provides for a streamlining of disclosure obligations.

More specifically, as an exception to the obligations relating to the publication of the disclosure document, the following communications must be made for such transactions, in addition to those to be made in accordance with Article 154-ter of the Consolidated Law on Finance:

- a communication to CONSOB and to the Audit and Risk Committee (composed only by Independent Directors for this purpose), within the deadline for making the disclosure document available, regarding the counterparty, the subject-matter and the consideration of the transaction that benefited from the exclusion as well as the reasons why the transaction is considered ordinary and concluded at conditions equivalent to those of the market or standard terms and conditions, providing objective elements of confirmation;
- a specific disclosure on these transactions in the interim management report and in the annual management report;
- a specific disclosure in the Report on Operations regarding the counterparty, the subject-matter and the consideration of such transactions.

2.4.3 Transactions giving rise to losses, reclassification to non-performing loans, judicial or out-of-court settlement agreements

Write-offs, analytical value adjustments and settlement agreements (both judicial and out-of-court) made in relation to exposures assumed by members of the Single Perimeter are resolved upon, regardless of the amount, by the Board of Directors.

More specifically, Non-Performing Loans makes an assessment in this regard and, after discussion with the Chief Lending Officer, submits the results to the Audit and Risk Committee (composed only by Independent Directors for this purpose) to which, through Corporate Affairs, they send a dedicated report.

The Audit and Risk Committee (composed only by Independent Directors for this purpose) shall analyse the above information and provide a reasoned, non-binding opinion to the Board of Directors before the latter passes a resolution on the matter.

More specifically, the subject-matter of the opinion concerns:

- write-offs and analytical value adjustments, the appropriateness of the related estimate;
- settlement agreements, both the interest in executing them and the expedience and substantial fairness of the related conditions.

The person identified on the basis of the system of delegated powers adopted by the Bank and its Subsidiaries is responsible for deciding on the classification of non-performing loans.

2.4.4 Transactions executed in accordance with Article 136 of the Consolidated Law on Banking (Group banks only)

The Corporate Officers of Banca Ifis and the other banks of the Group may not enter into obligations of any kind or engage in sales and purchases, directly or indirectly, with the Bank without a unanimous resolution of the Board of Directors and the favourable vote of all the members of the Board of Statutory Auditors. The unanimity required by Article 136 of the Consolidated Law on Banking is not conditional on the presence of all the members, since it is sufficient that a number of members equal to that required for the validity of the resolutions are present and that all those present, without any abstention - except that of the person concerned - vote in favour.

Instead, with regard to the approval of the Board of Statutory Auditors, when for any reason one of the standing auditors is not present at the Board meeting, his/her approval must be formalised in a written document to be kept on file and must be recorded in the minutes of the next meeting.

The preliminary investigation of transactions falling within the scope of application of Article 136 of the Consolidated Law on Banking and the related resolutions must satisfy the requirements of formal and substantial fairness that are the prerequisite thereof.

Until completion of the resolution procedure described above, it is not possible to proceed with the transaction.

Transactions executed in accordance with Article 136 of the Consolidated Law on Banking are subject to the provisions of this Policy and of the relevant regulations with regard to:

- compliance with prudential thresholds;
- pre-resolution phase, with particular reference to the prior disclosure that must be provided to the Audit and Risk Committee, composed solely of independent directors for this purpose, and in the case of transactions of greater importance, to the involvement of this committee in the negotiations. On the other hand, the prior opinion of the Audit and Risk Committee is not required, in compliance with Bank of Italy Provisions and Article 13, paragraph 5 of the Consob Regulations;
- disclosure to CONSOB and the market in the case of Transactions of Greater Importance concluded during the reference period;
- periodic accounting disclosures concerning Transactions of Greater Importance, other Transactions that have materially affected the financial position or results during the reporting period and changes or developments in described transactions that have materially affected the financial position or results during the reporting period.

2.4.5 Framework Resolutions (Parent Company only)

Banca Ifis may use framework resolutions relating to series of homogeneous Transactions with certain parties or categories of parties in the Single Perimeter for specific categories of Transactions. More specifically, it is provided that:

- the approval of framework resolutions is subject to the procedures envisaged for Transactions of Greater Importance or Transactions of Lesser Importance on the basis of the maximum amount envisaged for the Transactions that require a resolution (considered cumulatively);
- the framework resolutions have a duration of one year, refer to sufficiently determined Transactions and report the foreseeable maximum amount of the Transactions to be carried out in the reference period and all the foreseeable disclosure elements of the Transactions to which they refer. In addition, the framework resolution defines the person responsible for verifying that the transactions subsequently approved fall within the identified homogeneous category and do not exceed the maximum approved amount, who will then also become responsible for quarterly reporting to the Board of Directors on the implementation of the framework resolution;
- the implementation of framework resolutions must be communicated by the proposing structures at least quarterly to the Board of Directors;
- Banca Ifis publishes a disclosure document, in accordance with this Policy, if the foreseeable maximum amount of the Transactions subject to the framework resolution, considered as a whole, exceeds one of the Significance Indices. The procedures envisaged for Transactions of Greater Importance or Transactions of Lesser Importance do not apply to individual Transactions executed in implementation of the framework resolution. Transactions executed in implementation of a framework resolution subject to a disclosure document are not counted as cumulative transactions for the purposes of section 2.4.2.1.

2.4.6 Specifics with reference to Transactions carried out by Subsidiaries

Without prejudice to the provisions of the following sections, the Transactions that the Subsidiaries intend to carry out with the members of the Single Perimeter must be approved by their own:

- Management Body (Chief Executive Officer, General Manager, Managing Director), if the amount is lower than EUR 50,000 for the purchase of goods and services or EUR 250,000 for the granting of loans;
- Body with strategic supervisory functions (Board of Directors in the traditional Italian system of corporate governance) if, on the contrary, depending on the area, the amount is equal to or greater than the sums referred to in the previous point;
- Shareholders' Meeting, if the transactions are within its purview according to the law or the Articles of Association.

In the last two cases, the Management Body of the Subsidiaries provides the investigation file to the relevant Body with strategic supervisory functions which, having analysed the contents of the Transaction, adopts its decision.

2.4.6.1 Transactions of Lesser Importance (Non-Banking Subsidiaries)

If a non-banking Subsidiary intends to carry out a Transaction of Lesser Importance, the Independent Directors of the Subsidiary (possibly meeting in a committee if there are more than three) shall be given a preliminary disclosure about the Transaction. If the Subsidiary has no Independent Directors, the responsible organisational unit shall provide this disclosure to the Board of Statutory Auditors of the Subsidiary.

In the event of a favourable resolution by the Subsidiary's Body with strategic supervisory functions, the Transaction of Lesser Importance must be submitted:

- to the Parent Company's Audit and Risk Committee (composed only by Independent Directors for this purpose), which expresses a non-binding opinion on the Transaction's expedience for the Group as well as on the substantial fairness of the related terms and conditions; and
- to the Board of Directors of the Parent Company which, taking into account the opinion of the Audit and Risk Committee, expresses its approval or refusal.

2.4.6.2 Transactions of Lesser Importance (Banking Subsidiaries)

- If a Banking Subsidiary intends to undertake a Transaction of Lesser Importance, in accordance with the Supervisory Provisions and consistent with the choices adopted by the Parent Company and governed by this Policy:
- the provisions relating to the procedural and decision-making processes referred to above in sections 2.4 et seq., which shall be implemented by the competent bodies and functions of the Subsidiary (including, by way of example but not limited to, those relating to the issue of the non-binding, reasoned opinion by the Independent Directors (of the Subsidiary), possibly meeting as a Committee), shall apply; and
- In the event of a favourable resolution by the Subsidiary's Body with strategic supervisory functions, the Transaction of Lesser Importance must be submitted:
 - to the Audit and Risk Committee of the Parent Company (composed only by Independent Directors for this purpose), which expresses a non-binding, reasoned opinion on the Transaction's expedience for the Group as well as on the substantial fairness of the relevant terms and conditions, also availing itself of the opinion expressed by the Independent Directors of the Subsidiary; and
 - to the Board of Directors of the Parent Company which, taking into account the opinion of the Audit and Risk Committee, expresses its approval or refusal.

2.4.6.3 Transactions of Greater Importance (non-banking Subsidiaries)

If a non-banking Subsidiary intends to undertake a Transaction of Greater Importance, a preliminary disclosure about the Transaction shall be provided not only to the Parent Company's Audit and Risk Committee (composed only by the parent Company's Independent Directors for this purpose), but also to the Independent Directors of the Subsidiary itself (which may meet in a committee if there are more than three). If the Subsidiary has no Independent Directors, the responsible organisational unit shall provide this disclosure, in advance, to the Board of Statutory Auditors of the Subsidiary.

The Subsidiary's Body with strategic supervisory functions has the right to request the Independent Directors of the Subsidiary, or in their absence an independent third party, to express a reasoned, non-binding, prior opinion. The opinion so expressed is transmitted to the Subsidiary's Body with strategic supervisory functions and to the Audit and Risk Committee of the Parent Company (composed only by Independent Directors for this purpose).

In the event that the Subsidiary's Body with strategic supervisory function has resolved on the Transaction despite the negative or conditional opinion of the Independent Directors, if appointed, such Body shall specify the reasons why it has decided not to share the opinion.

In the event of a favourable resolution by the Subsidiary's Body with strategic supervisory functions, the Transaction of Greater Importance must be submitted:

- to the Audit and Risk Committee of the Parent Company (composed only by Independent Directors

for this purpose), which shall express a binding opinion on the interest for the Group to undertake the Transaction as well as on the expedience and substantial fairness of the related terms and conditions, also availing itself of the opinion expressed by the Subsidiary's Independent Directors, if appointed;

- to the Board of Directors of the Parent Company which, taking into account the opinion of the Audit and Risk Committee, expresses its approval or refusal.

2.4.6.4 Transactions of Greater Importance (Banking Subsidiaries)

- If a Banking Subsidiary intends to undertake a Transaction of Greater Importance, in accordance with the Supervisory Provisions and consistent with the choices adopted by the Parent Company and governed by this Policy:
 - the provisions relating to the procedural and decision-making processes referred to above in sections 2.4 et seq., which shall be implemented by the competent bodies and functions of the Subsidiary (including, by way of example but not limited to, those relating to the issue of the binding, reasoned opinion by the Independent Directors (of the Subsidiary), possibly meeting as a Committee), shall apply; and
 - In the event of a favourable resolution by the Subsidiary's Body with strategic supervisory functions, the Transaction of Greater Importance must be submitted:
 - to the Audit and Risk Committee of the Parent Company (composed only by Independent Directors for this purpose), which, after having received the disclosure, shall express a reasoned binding opinion on the interest for the Group to undertake the Transaction as well as on the expedience and substantial fairness of the related terms and conditions, also availing itself of the opinion expressed by the Subsidiary's Independent Directors;
 - to the Board of Directors of the Parent Company which, taking into account the opinion of the Audit and Risk Committee, expresses its approval or refusal.

2.4.7 *Procedural exemptions (partial)*

Availing itself of the option provided by the CONSOB Regulations and the Provisions of the Bank of Italy, the Group shall also provide for the cases of procedural exemption referred to in this Section.

For the categories of Transactions identified below, all the established obligations not expressly exempted shall remain in effect, with reference, *inter alia*, to: (i) compliance with individual and consolidated limits (see Section 2.5); (ii) supervisory reporting (see Section 2.7); and (iii) the preparation of adequate information flows to allow monitoring of the Transactions (see Section 2.8).

2.4.7.1 Procedural exemptions (partial) (Parent Company)

The following procedural exemptions shall apply to the Parent Company:

- Minor Transactions, exempt from: (i) the preliminary investigation process of the Audit and Risk Committee (composed only of Independent Directors for such purpose); (ii) the "reinforced" resolution process envisaged in the preceding sections (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; (iv) disclosure to the market; and (v) accounting disclosure to the market;
- Ordinary Transactions executed with or between Subsidiaries in the case of a participating interest other than 100% or with associated companies and/or companies subject to significant influence, exempt from: (i) the investigation process of the Audit and Risk Committee (composed only of Independent Directors for such purpose); (ii) the "reinforced" resolution process envisaged in the preceding sections (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; (iv) disclosure to the market; The exemption relating to the reinforced resolution process shall cease to apply if there are significant interests of other members of the Single Perimeter;
- Ordinary Transactions executed with related parties or associated entities not belonging to the Group, exempt from: (i) the investigation process of the Audit and Risk Committee (composed only of Independent Directors for such purpose); (ii) disclosure to CONSOB; and (iii) disclosure to the market;
- Transactions of Lesser Importance, other than ordinary transactions, with or between Subsidiaries in the case of a participating interest other than 100%, exempt from: (i) disclosure to CONSOB; and (ii) disclosure to the market. The exemption shall cease to apply when there are Significant Interests of

other members of the Single Perimeter in the transaction or in the Subsidiaries that are counterparties to the transaction;

- Transactions falling within the scope of Article 136 of the Consolidated Law on Banking, shall be exempt from the prior opinion of the Audit and Risk Committee (composed only of Independent Directors for such purpose);
- Transactions carried out with Related Parties pursuant to Article 88 CRD IV, unless they fall within other categories of the Single Perimeter, exempt from: (i) the preliminary investigation process of the Audit and Risk Committee (by the Independent Directors component); (ii) the “reinforced” resolution process envisaged in the preceding sections (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; (iv) disclosure to the market; and (v) and accounting disclosure to the market.

2.4.7.2 Procedural exemptions (partial) (non-banking Subsidiaries)

The following procedural exemptions shall apply to non-banking Subsidiaries:

- Minor Transactions, exempt from: (i) the preliminary investigation process of the Subsidiary’s Independent Directors, the Audit and Risk Committee of the Parent Company (by the Independent Directors component) and the Subsidiary’s Board of Statutory Auditors; (ii) the “reinforced” resolution process envisaged in the preceding sections, including the prior opinion of the Subsidiary’s Independent Directors, the prior opinion of the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose), the prior opinion of the Board of Statutory Auditors of the Parent Company and the approval of the Board of Directors of the Parent Company (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; (iv) disclosure to the market; and (v) accounting disclosure to the market;
- Ordinary Transactions executed with or between Subsidiaries in the case of a participating interest other than 100% or with associated companies and/or companies subject to significant influence, exempt from: (i) the preliminary investigation process of the Subsidiary’s Independent Directors, the Audit and Risk Committee of the Parent Company (by the Independent Directors component) and the Subsidiary’s Board of Statutory Auditors; (ii) the “reinforced” resolution process envisaged in the preceding sections, including the prior opinion of the Subsidiary’s Independent Directors, the prior opinion of the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose), the prior opinion of the Board of Statutory Auditors of the Parent Company and the approval of the Board of Directors of the Parent Company (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; and (iv) disclosure to the market; The exemption relating to the reinforced resolution process is lost if there are significant interests of other members of the Single Perimeter;
- Ordinary Transactions executed with related parties or associated entities not belonging to the Group, exempt from: (i) the investigation process of the Subsidiary’s Independent Directors, the Audit and Risk Committee of the Parent Company (by the Independent Directors component) and the Subsidiary’s Board of Statutory Auditors; (ii) the prior opinion of the Board of Statutory Auditors of the Parent Company; (iii) disclosure to CONSOB; and (iv) disclosure to the market;
- Transactions of Lesser Importance, other than ordinary transactions, with or between Subsidiaries in the case of a participating interest other than 100%, exempt from: (i) involvement in the negotiations of the Parent Company’s Audit and Risk Committee (composed only of Independent Directors for such purpose) and disclosure to the Subsidiary’s Board of Statutory Auditors; (ii) disclosure to CONSOB; and (iii) disclosure to the market. The exemptions referred to in points (ii) and (iii) shall cease to apply when there are Significant Interests of other members of the Single Perimeter in the transaction or in the Subsidiaries that are counterparties to the transaction;

- Transactions carried out with Related Parties pursuant to Article 88 CRD IV, unless they fall within other categories of the Single Perimeter, exempt from: (i) the preliminary investigation process of the Subsidiary's Independent Directors, the Audit and Risk Committee of the Parent Company (by the Independent Directors component) and the Subsidiary's Board of Statutory Auditors; (ii) the "reinforced" resolution process envisaged in the preceding sections, including the prior opinion of the Subsidiary's Independent Directors, the prior opinion of the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose), the prior opinion of the Board of Statutory Auditors of the Parent Company and the approval of the Board of Directors of the Parent Company (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; (iv) disclosure to the market; and (v) accounting disclosure to the market.

2.4.7.3 Procedural exemptions (partial) (banking subsidiaries)

The following procedural exemptions shall apply to Banking Subsidiaries:

- Minor Transactions, exempt from: (i) the investigation process of the Subsidiary's Independent Directors, the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose); (ii) the "reinforced" resolution process envisaged in the preceding sections, including the prior opinion of the Subsidiary's Independent Directors, the prior opinion of the Subsidiary's Board of Statutory Auditors, the prior opinion of the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose), the prior opinion of the Board of Statutory Auditors of the Parent Company and the approval of the Board of Directors of the Parent Company (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; (iv) disclosure to the market; and (v) and accounting disclosure to the market;
- Ordinary Transactions executed with or between Subsidiaries in the case of a participating interest other than 100% or with associated companies and/or companies subject to significant influence, exempt from: (i) the investigation process of the Subsidiary's Independent Directors, the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose); (ii) the "reinforced" resolution process envisaged in the preceding sections, including the prior opinion of the Subsidiary's Independent Directors, the prior opinion of the Subsidiary's Board of Statutory Auditors, the prior opinion of the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose), the prior opinion of the Board of Statutory Auditors of the Parent Company and the approval of the Board of Directors of the Parent Company (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; and (iv) disclosure to the market; The exemption relating to the reinforced resolution process is lost if there are significant interests of other members of the Single Perimeter;
- Ordinary Transactions executed with related parties or associated entities not belonging to the Group, exempt from: (i) the investigation process of the Subsidiary's Independent Directors, the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose); (ii) the prior opinion of the Subsidiary's Board of Statutory Auditors and the prior opinion of the Board of Statutory Auditors of the Parent Company; (iii) disclosure to CONSOB; and (iv) disclosure to the market;
- Transactions of Lesser Importance, other than ordinary transactions, with or between Subsidiaries in the case of a participating interest other than 100%, exempt from: (i) the investigation process of the Subsidiary's Independent Directors, the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose); (ii) the prior opinion of the Subsidiary's Board of Statutory Auditors and the prior opinion of the Board of Statutory Auditors of the Parent Company; (iii) disclosure to CONSOB; and (iv) disclosure to the market; The exemptions referred to in points (ii) and (iii) shall cease to apply when there are Significant Interests of other members of the Single Perimeter in the transaction or in the Subsidiaries that are counterparties to the transaction;
- Transactions falling within the scope of Article 136 of the Consolidated Law on Banking, with reference only to Group banks, exempt from: (i) the investigation process of the Subsidiary's Independent Directors and the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose); (ii) the prior opinion of the Subsidiary's Independent Directors, the prior opinion of the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose), the prior opinion of the Board of Statutory Auditors of the Parent Company and the approval of the Board of Directors of the Parent Company; (iii) disclosure to CONSOB; and (iv) disclosure to the market;
- Transactions carried out with Related Parties pursuant to Article 88 CRD IV, unless they fall within other categories of the Single Perimeter, exempt from: (i) the preliminary investigation process of the

Subsidiary's Independent Directors, the Audit and Risk Committee of the Parent Company (by the Independent Directors component); (ii) the "reinforced" resolution process envisaged in the preceding sections, including the prior opinion of the Subsidiary's Independent Directors, the prior opinion of the Board of Statutory Auditors of the Subsidiary, the prior opinion of the Audit and Risk Committee of the Parent Company (composed only of Independent Directors for such purpose), the prior opinion of the Board of Statutory Auditors of the Parent Company and the approval of the Board of Directors of the Parent Company (therefore applying the resolution procedures envisaged on the basis of the delegation of powers); (iii) disclosure to CONSOB; (iv) disclosure to the market; and (v) accounting disclosure to the market.

2.5 Limits

2.5.1 Prudential limits

The assumption of risk-bearing assets in relation to associated entities must be contained within the limits indicated below, referring to consolidated and individual own funds, as identified in Bank of Italy Circular No. 285 of 17 December 2013, Part Three, Chapter 11.

For the purposes of calculating consolidated and individual limits, risk-bearing assets are weighted according to factors that consider the risk associated with the nature of the counterparty and any forms of credit protection, in compliance with the regulations applicable from time to time.

The risk weighting factors and admissibility conditions for risk mitigation techniques established under the framework for large exposures in Part 4 of Regulation (EU) No. 575/2013 ("Capital Requirements Regulation" "CRR") shall apply. Equity investments and other assets deducted from own funds are not included in risk-bearing assets. Exposures referred to in Article 390, paragraph 6, letters a), b), c) and d) of the Capital Requirements Regulation shall not be included in the limits.

If there are several relationships between the Bank or the Banking Group and a related party that entail the application of different prudential limits, the lower limit shall apply.

Also excluded from the above limits are:

- risk-bearing assets associated with transactions between companies belonging to the Banking Group;
- equity investments held in an insurance company, reinsurance company or insurance holding company in which the Bank or the Banking Group has a significant investment, where it has the authorisation referred to in Article 49, paragraph 1 of the Capital Requirements Regulation; and
- equity investments held in an insurance company, reinsurance company or insurance holding company, for which the Bank (or the Banking Group) does not deduct equity investments held in these companies in accordance with Article 471 of the Capital Requirements Regulation.

2.5.1.1 Consolidated limits

At the level of the Banking Group, the assumption of risk-bearing assets in relation to associated entities must be contained within the limits indicated below, with reference to the consolidated own funds:

	Corporate Officers	Investors with control or the ability to exercise significant influence	Other investors and parties other than investors	Parties subject to control or significant influence
Consolidated limits	5%	Non-financial related parties		
		5%	7.50%	15%
		Other related parties		
		7.50%	10%	20%

2.5.1.2 Individual limits

These shall apply to both the Bank and the Banking Subsidiaries of the Group. In compliance with the consolidated limits, the Bank and the Banking Group's Subsidiaries may assume risk-bearing assets in relation to the same set of associated entities - regardless of the financial or non-financial nature of the related party - within the limit of 20% of the individual own funds. For the purpose of calculating the individual limit, the Bank and the Banking Group's Subsidiaries shall consider their own risk-bearing assets in relation to all of the associated entities identified at group level.

	<i>Corporate Officers</i>	<i>Investors with control or the ability to exercise significant influence</i>	<i>Other investors and parties other than investors</i>	<i>Parties subject to control or significant influence</i>
Individual limits	20%			

2.5.1.3 Cases exceeding the limits

Compliance with prudential limits on risk-bearing assets in relation to associated entities must be ensured on an ongoing basis. If, for reasons beyond the control or fault of the Group banks in the case of individual limits, or the Parent Company in the case of consolidated limits (e.g., the related party became a related party after the relationship began), one or more limits are exceeded, the risk-bearing assets must be brought back within the limits as soon as possible. To that end, within 45 days of exceeding the limit, Banca Ifis shall prepare a recovery plan, to be approved by the Board of Directors at the proposal of the Chief Executive Officer, after consultation with the Board of Statutory Auditors. The recovery plan shall be sent to the Bank of Italy within 20 days of its approval, together with the minutes containing the resolutions of the corporate bodies. If the limits are exceeded with respect to a related party by virtue of the equity investment held in the bank or in a company of the Banking Group, the administrative rights associated with the equity investment shall be suspended. Banca Ifis shall assess the risks associated with transactions with associated entities (of a legal, reputational or conflict of interest nature), if relevant to the company's operations, as part of its internal capital adequacy assessment process (ICAAP), in accordance with the provisions of Title III, Chapter 1 of the Bank of Italy's Provisions; more specifically, in cases where prudential limits are exceeded for the reasons indicated above, in addition to the initiatives envisaged in the recovery plan, the excess shall be taken into account in the process of determining total internal capital.

2.5.2 *Risk appetite levels*

Banca Ifis shall establish risk appetite levels consistent with its strategic profile and its and the Group's organisational characteristics. The risk appetite shall also be defined in terms of the maximum extent of risk-bearing assets in relation to associated entities that is considered acceptable in relation to own funds, with reference to the totality of the exposures in relation to all the members of the Single Perimeter.

More specifically, the indicators and related thresholds for monitoring transactions with related parties and associated entities, as well as the escalation process in the event that these thresholds are exceeded, shall be defined by Risk Management as part of the Risk Appetite Framework.

2.6 **Financial statement disclosure on Transactions**

The Group structures shall ensure coordination between the provisions of this Policy and the administrative-accounting procedures.

The purpose of "Related Party Disclosures" (IAS 24) is to ensure that Banca Ifis' financial statements contain the disclosures necessary to highlight the possibility that its financial position and results of operations may have been influenced by the existence of members of the Single Perimeter and by transactions and balances with such parties, including commitments.

More specifically, Banca Ifis must provide information on the remuneration of Corporate Officers⁶ and Strategic Executives⁷, both in total and broken down by each of the following categories:

- short-term employee benefits;

⁶ This information shall be retrieved by Finance, with the support of Human Resources, for its appropriate registration.

⁷ This information shall be provided by Human Resources and forwarded to Finance for its appropriate registration.

- post-employment benefits;
- other long-term benefits;
- employee termination benefits; and
- share-based payments.

If Banca Ifis has undertaken transactions with members of the Single Perimeter during the reporting period, in order to be able to understand the potential economic and financial effects, it must indicate the nature of the relationship and provide information on the Transactions executed as well as the outstanding balances. More specifically, such information shall 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 provided at settlement; and
 - details of any guarantee provided or received;
- provisions for bad debts related to the amount of outstanding balances; and
- the loss recognised during the year on uncollectable or bad debts due from related parties.

Such supplemental disclosures shall be made separately for each of the following categories:

- the parent company;
- entities that jointly control or exercise significant influence over the entity itself;
- subsidiaries
- associated companies;
- joint ventures in which the entity is a venturer;
- corporate officers;
- strategic executives;
- other associated entities.

In addition, in accordance with the provisions of Article 5 of the CONSOB Regulations, Banca Ifis, as an Italian issuer of listed shares, shall provide information in its interim management report and annual management report:

- on individual Transactions of Greater Importance concluded during the reporting period;
- on any other individual Related Party Transactions executed during the reporting period that have had a significant impact on the Bank's financial position or results;
- on any changes or developments in the Related Party Transactions described in the last annual report that have had a material effect on the Bank's financial position or results during the reporting period.

Within the disclosure on the financial statements, the Bank also provides information on Transactions executed during the reporting period that fall within the exemption regime.

2.7 Supervisory reporting

The Bank of Italy Provisions require the periodic reporting to the Bank of Italy of both the risk-bearing assets in place with Associated Entities and the transactions carried out by the latter, with the frequency and level of detail described by the related prudential reporting rules. The report is made at the consolidated level by the Parent Company and at the individual level by the individual Italian banks. The reporting requirements are governed by Bank of Italy Circulars No. 285/2013 and No. 286 of 2013 and subsequent updates.

In accordance with the legislation applicable from time to time, loan transactions concluded with Related Parties pursuant to Article 88 CRD IV, as amended and/or implemented at national level from time to time,

shall be adequately documented and made available to the Supervisory Authority at its request⁸.

2.8 Management report

On a quarterly basis, in order to ensure a complete picture of all the Transactions undertaken, as well as their volumes and characteristics, in line with the provisions of Article 150 of the Consolidated Law on Finance, the CONSOB Regulations and the Provisions of the Bank of Italy, Organisation shall prepare a report that is made available at a consolidated level to the Board of Directors, the Board of Statutory Auditors of the Parent Company, Finance and Audit Functions both at 2nd level (Risk Management and Compliance) and at 3rd level, and at an individual level to the Board of Directors and the Board of Statutory Auditors of the other Group banks. Transactions executed under the exemption regime are also indicated.

To that end:

- for each approval of a transaction with Associated Entities, the Proposing Party shall provide the following information to Organisation:
 - Group companies involved;
 - the Proposing Party;
 - the NDG of the contracting member of the Single Perimeter;
 - the name of the contracting member of the Single Perimeter;
 - the type of transaction (relationship opening, relationship closing, takeover, contract for the provision of services, transfers to losses, etc.);
 - the nature of the transaction (lesser/greater importance, concluded in accordance with Article 136 of the Consolidated Law on Banking, exempt - indicating in this case the reason for exemption);
 - the amount of the transaction;
 - the body competent for adopting the resolution with specification of any further steps (e.g. disclosure/involvement of independent directors and/or Board of Statutory Auditors);
 - the approval date; and
 - a short description;
- at the end of the quarter, Business Intelligence & Data Governance shall make available to Organisation the Qlick report containing the relationships whose contracting parties are members of the Single Perimeter opened in the management system of the Bank and the foreign Subsidiaries;
- at the end of the quarter, having received from the Organisation a list of the members of the Single Perimeter in a single excel file, the Subsidiaries not included in the Qlick report shall verify whether there are any relationships in their management systems that were opened during the quarter whose contracting parties are members of the Single Perimeter and communicate the occurrences to Organisation.

2.9 Press Release

With reference to the Parent Company and any other listed companies that may become part of the Group, if a Related Party Transaction constitutes inside information for which there is an obligation to issue a press release in accordance with Article 17 of Regulation (EU) No. 596/2014, such release shall contain, in addition to the other information to be published in accordance with the aforementioned regulation, at least the following information:

- the description of the Transaction;
- an indication that the counterparty of the Transaction is a Related Party and a description of the nature of the relationship;
- the company name or the name of the counterparty of the Transaction;

⁸ See minimum disclosure required by EBA Guidelines on Internal Governance.

- whether the Transaction qualifies as a Transaction of Greater Importance, and an indication whether a possible disclosure document will be published at a later date;
- the procedure that has been or will be followed for the approval of the Transaction and, more specifically, whether the company has availed itself of a case of exemption;
- the possible approval of the Transaction despite the contrary opinion of the Audit and Risk Committee (composed only of Independent Directors for such purpose).

2.10 Controls on operations with members of the Single Perimeter

2.10.1 Risk Management

The Parent Company's Risk Management unit is responsible for assessing the risks underlying relationships with associated entities, verifying compliance with the limits assigned to the Group's various Organisational Units, and checking the consistency of the operations of each of them with the relative risk appetite levels defined in the *Risk Appetite Framework*. More specifically, the control process consists, among other things, of the following activities:

- Risk identification: Risk Management identifies the main risks potentially connected with transactions with associated entities;
- Measurement of identified risks: Risk Management measures and assesses identified risks;
- Monitoring: Risk Management verifies compliance with both risk appetite as well as prudential supervisory limits, as defined in the Risk Policies;
- Mitigation: in cases where the risk appetite and/or prudential supervisory limits are exceeded, Risk Management acts in compliance with the provisions of the Risk Policies;
- Reporting: the Tableau de Bord includes a section dedicated to transactions with related parties and associated entities, through which Risk Management reports the results of its monitoring activities to the corporate Bodies.

2.10.2 Compliance

Parent Company Compliance verifies the existence and reliability of procedures and systems that are suitable for ensuring compliance with all legal obligations and those established by internal regulations, as annually defined in the Activities Plan. More specifically, the control process consists of the following activities:

- Identification and impact assessment: the control of non-compliance risk is undertaken from a preventive viewpoint, primarily by ensuring that external regulations are constantly monitored and adequately translated into internal policies, processes and procedures. Regulatory alignment is ensured through the following activities: (i) the continuous identification of applicable external regulations; (ii) the assessment of the impact of applicable regulations on corporate processes and procedures and the consequent proposal of organisational and procedural changes aimed at ensuring adequate control of non-compliance risks;
- Compliance verifications: these represent the results of a second-level control process that may involve an assessment of the completeness, adequacy, functionality and reliability of internal controls;
- Continuous controls: these allow for the continuous monitoring of the functionality and reliability of the processes. They are implemented following the verification activities carried out or during the revision of internal regulations. Continuous controls allow for the production of representative data of potential non-uniform behaviour and a concise and immediate verification of internal procedures. In this context Compliance shall monitor the correct identification of the members of the Single Perimeter and their correct recording on the basis of the input received in accordance with section 2.2.6 and information obtainable from external databases.

2.10.3 Internal Audit

The Parent Company's Internal Audit department verifies compliance with internal policies, reports any anomalies promptly to the Board of Statutory Auditors and the Board of Directors of the Parent Company, periodically reports to the corporate bodies regarding the Bank's and the Group's overall exposure to risks

deriving from transactions with associated entities and from other conflicts of interest and, if necessary, suggests revisions to internal policies and organisational and control structures considered to be appropriate to reinforce the control of such risks.

2.10.4 Independent Directors

The Independent Directors of the Parent Company perform a role of assessment, support and proposal regarding the organisation and performance of internal controls on the overall activity of assuming and managing risks in relation to Associated Entities, as well as for the general verification of the consistency of the assets with strategic and management policies.

With regard to transactions with Associated Entities, the Parent Company's Audit and Risk Committee, consisting solely of Independent Directors, performs the functions assigned to it by the Board of Directors, as provided for in the "Rules Regulating the Proceedings of Meetings of Board of Directors and Internal Committees and the Supervisory Body", as governed within the framework of this Policy.

2.10.5 Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Articles of Association, compliance with the principles of correct management and more specifically the adequacy of the organisational structure. It also performs the control tasks assigned to it by law and the Articles of Association, verifying the accuracy of accounting procedures and assessing the degree of efficiency and adequacy of the of Internal Control System.

In this context, the Board of Statutory Auditors of the Parent Company shall express a prior opinion on this Policy and subsequent updates, shall oversee compliance with the same and shall report on it in the Statutory Auditors' Report to the Parent Company Shareholders' Meeting in accordance with Article 153 of the Consolidated Law on Finance.

3 APPENDIX

In order to support the reading of this Policy, the following is provided below:

- the list of members of the Single Perimeter;
- an outline of the resolution and disclosure processes; and
- a support diagram showing the decision-making process.