



Composition

quantitative composition
deemed optimal of the
Board of Directors

2024

Communication to Shareholders in view of
the appointment of a member of the Board
of Directors

Document approved by the Board of Directors at its 7 March 2024 meeting

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Background

Banca Ifis S.p.A. ("**Banca Ifis**" or the "**Bank**") has always paid particular attention to the qualitative and quantitative composition of the Board of Directors, both out of compliance with regulatory provisions and because it firmly believes that the members of the Board must be endowed with, among other things, adequate professional skills to ensure sound and prudent management. In actual fact, the composition of the administrative body is of central importance for the effective performance of the tasks entrusted to it by law, the Supervisory Provisions and the Articles of Association.

The current Supervisory Provisions for banks on corporate governance (Bank of Italy Circular No. 285 of 17 December 2013, Part I, Title IV, Chapter 1, hereinafter the "**Supervisory Provisions**" or "**Provisions**") - in compliance with the rules, principles and guidelines drawn up by the sector Authorities also at an international and European level - regulate the role and functioning of the administrative and control bodies of banks as well as their relationship with the corporate structure, taking into account that the organisational and corporate governance structures, in addition to responding to the interests of the company, must ensure conditions of sound and prudent management.

Moreover, the Provisions require that the Board of Directors identifies in advance its own qualitative and quantitative composition, which is considered optimal, identifying and justifying the theoretical profile (including the characteristics of professionalism and independence, if any) of the candidates deemed appropriate for these purposes.

Art. 12 of the MEF Decree (as defined below) provides that each body - which therefore refers to both the Board of Directors and the Board of Statutory Auditors - must first identify its optimal qualitative and quantitative composition. Specifically, Art. 11 of the MEF Decree provides that the composition of the administrative and control bodies must be suitably diversified, so as to:

- foster internal confrontation and dialectic within the bodies;
- encourage the emergence of a plurality of approaches and perspectives in analysing issues and making decisions;
- effectively support the corporate processes of strategy development, business and risk management, and control over the work of senior management;
- take into account the many interests that contribute towards the sound and prudent management of the bank.

The Corporate Governance Code (as defined below) provides that the Board of Directors must express an orientation on its qualitative and quantitative composition deemed optimal, taking into account the results of the self-assessment process in the case of companies other than those with concentrated ownership. The guidance of the outgoing administrative body: (i) is published on the company's website in advance of the notice of call of the Shareholders' Meeting concerning its renewal; and (ii) identifies the managerial and professional profiles and skills deemed necessary, also in view of the company's sectoral features, taking into account the diversity criteria indicated in the Corporate Governance Code and the guidelines expressed on the maximum number of offices.

In the Bank of Italy's Guidelines on the composition and functioning of the boards of directors of LSIs, published on 29 November 2022, the Supervisory Authority shared the good practices observed or suggested by the results of a thematic

survey it had conducted in relation to the various governance profiles of less significant banks, inviting the boards of directors of banks subject to its supervision to take appropriate action, where necessary, to rapidly improve their practices, and to summarise the results of its reflections and an analytical illustration of the initiatives undertaken in the self-assessment document to be submitted to the Authority.

Finally, in the "Guidelines on the assessment of requirements and eligibility criteria for corporate officers of LSI banks, financial intermediaries, collective guarantee funds, e-money institutions, payment institutions, trust companies and depositor guarantee schemes", published on 13 November 2023, the Supervisory Authority disclosed the improvement profiles and best practices identified in the analysis carried out as part of the assessment procedures performed in application of the new regulatory framework introduced by Ministerial Decree No. 169/2020.

In this context, the Bank has promoted a series of activities that are part of a more extensive project to optimise its corporate governance structures launched in April 2019 at the initiative of the Chairman in order to, among other things, ensure the sound and prudent management of the Bank and improve its ability to identify, manage and monitor risks, favouring the adoption of strategic choices that create long-term value.

In light of the results of the self-assessment process and the reflections carried out, the Board of Directors notes that it is aligned in terms of both composition and functioning with the good practices indicated by the Bank of Italy in the Guidelines published in November 2022, also taking into account the complex process of optimising governance structures launched by the Bank in 2019, and most recently updated following the appointment of the new Chairman in November 2022, the appointment of the Honorary Chairman by the Shareholders' Meeting on 20 April 2023 and the appointment by the Board on 13 July 2023 of the Deputy Chairman, the resignation as director of the Honorary Chairman on 18 January 2024.

Nonetheless, with a view to continuous improvement, the Board of Directors intends to pursue the more extensive project of constantly updating its corporate governance practices in order to achieve the objectives of the regulations in force and meet the supervisory expectations in this regard. This is taking place, first and foremost, through the implementation of the additional governance initiatives outlined in the "Self-Assessment Document of the Board of Directors and Board Committees of Banca Ifis S.p.A. FY 2023", and by preparing a policy to govern the procedures for assessing the requirements of corporate officers as required by the Supervisory Authority in the Guidelines published in November 2023, which will be introduced in 2024.

On 8 February, Founder Sebastien Egon Fürstenberg tendered his resignation from the position of director only, instead retaining the position of Honorary Chairman assigned to him by the Shareholders' Meeting of 20 April 2023. Therefore, the activity of preparing the aforementioned qualitative-quantitative profile will be the result of a thorough and formalised examination. The results of these analyses will be brought to the attention of the shareholders in a timely manner so that the selection of the candidate to be presented can take into account the professionalism required.

For the purposes of the above, this document - called "Qualitative and quantitative composition of the Board of Directors of Banca Ifis S.p.A." - contains the guidelines that the Board of Directors of the Bank makes available to the Shareholders, with a view to facilitating the process of defining the best proposals for the quantitative and qualitative composition of the Board of Directors of the Bank.

The following is a summary of the national and European regulations applicable with reference to the requirements of corporate representatives, including the soft law, since it was considered essential that the principles contained therein be reflected in the candidate selection process:

- Articles 147-ter, 147-quater, 147-quinquies and 148 of Italian Legislative Decree no. 58 of 24 February 1998 (the "**Consolidated Law on Finance**", or TUF);
- Art. 26 of Italian Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Law on Banking**", or TUB);
- Art. 36 of Italian Decree Law No. 201 of 6 December 2011, "*Urgent provisions for growth, equity and the consolidation of public accounts*", converted, with amendments, by Law No. 214 of 22 December 2011, known as the "*Interlocking Directorship*" (the "**Salva Italia Decree**") and the "*Criteria for the application of Art. 36 of the "Salva Italia" Decree Law (the "prohibition of interlocking")*" published by the Bank of Italy, CONSOB and IVASS on 20 April 2012, as subsequently updated and supplemented;
- Decree No. 169 of the Minister of Economy and Finance of 23 November 2020, effective as of 30 December 2020, setting forth the "*Regulation on the requirements and eligibility criteria for the performance of the duties of corporate officers of banks, financial intermediaries, credit consortia, electronic money institutions, payment institutions and depositor guarantee schemes*" (the "**MEF Decree**");
- Bank of Italy Circular No. 285 of 13 December 2013 Part I, Title IV, Chapter 1, Section IV (Composition of corporate bodies), containing the "Supervisory Provisions for banks" (the "**Supervisory Provisions**");
- Corporate Governance Code for Listed Companies approved on 31 January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria (the "**Corporate Governance Code**");
- Art. 144-undecies.1 of the Regulation adopted by CONSOB with Resolution No. 11971 of 14 May 1999 and subsequent amendments (the "**Issuers' Regulation**");
- Regulation adopted by CONSOB with resolution No. 20249 of 28 December 2017, as amended ("**Market Regulation**");
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as subsequently amended and supplemented (the "**CRD**");
- Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended and supplemented (the "**CRR**");
- "*Guide to fit and proper assessments*" of the European Central Bank dated 15 May 2017 and last updated in December 2021 ("**ECB Guidelines**");
- EBA Internal Governance Guidelines of 2 July 2021;
- EBA/ESMA Guidelines means the "Guidelines on the assessment of the suitability of members of the management body and key personnel" of 2 July 2021 (the "**EBA/ESMA Guidelines**");

- Guidelines means the Guidelines on the composition and functioning of LSI boards issued by the Bank of Italy on 29 November 2022 (the "**2022 Guidelines**");
- Guidelines on the assessment of requirements and eligibility criteria for corporate officers of LSI banks, financial intermediaries, credit institutions, e-money institutions, payment institutions, trust companies and depositor guarantee schemes, issued by the Bank of Italy on 13 November 2023 (the "**2023 Guidelines**").

1.Characteristics of the Bank

Banca Ifis S.p.A. is the Parent Company of the "Banca Ifis Banking Group" and is one of the Less Significant Institutions subject to the direct supervisory powers of the Bank of Italy.

In accordance with the Provisions and the applicable regulations, Banca Ifis meets the definition of a bank of greater size or operational complexity, taking into account the size and type of activities carried out, directly or through Group companies, as well as the fact that it is listed on a regulated market ("STAR" segment of the Italian Stock Exchange).

The Bank adheres to the Corporate Governance Code promoted by the Corporate Governance Committee set up by the Associations of Business (ABI, ANIA, Assonime, Confindustria) and Professional Investors (Assogestioni), as well as by Borsa Italiana. In accordance with the Code's definitions, it is included among "companies with concentrated ownership" but not among "large companies".

The Bank adopts the traditional system of administration and control, based on the presence of a Board of Directors and a Board of Statutory Auditors, appointed by the Shareholders' Meeting. Under the model adopted by Banca Ifis:

- strategic supervision is performed by the Board of Directors;
- the CEO is responsible for the company's operations;
- control is performed by the Board of Statutory Auditors.

Banca Ifis is a player active in speciality finance and its main business activities are Commercial and Corporate Banking and the acquisition/management of impaired loan portfolios. It operates in the territory without traditional branches, collecting deposits through on-line deposits.

In the area of NPLs, activities consist of both the purchase and the management/transformation of bad loans. The Banca Ifis Banking Group has expertise in all asset classes: unsecured and corporate & secured.

The business areas relating to Trade receivables, Leasing, Corporate and Investment Banking (through Structured Finance, Special Situations, Equity Investments and Financial Advisory) and Tax Credits as well as personal salary- and pension-backed loans and finance for pharmacies are just some of the sectors in which the Bank operates.

2.Indications of the Board of Directors

In light of the findings of its self-assessment exercise concerning the year 2023, the Board of Directors in office:

- believes that the current number of 13 members is adequate and should be kept unchanged, taking into account the growing operational complexity that now characterises the Bank and the evolution of regulations and reference markets;

- considers the ratio of non-independent (4) to independent (9) Directors to be appropriate, both in relation to the size of the Board and the needs of the parent committees, and for the proper management by the Board of any situations of conflict of interest;
- appreciates the qualitative profile of the Board and wishes to substantially maintain the current mix of skills, professionalism and experience currently represented in the Board, without prejudice to what is suggested in paragraph 3.3 below with regard to the limited further expansion of skills and diversification in the Board's composition;

3. Quantitative and qualitative composition of the Board of Directors

3.1 Quantitative composition

The quantitative composition of the Board of Directors is key to the effective performance of the tasks entrusted to it by law, the Supervisory Provisions, the Corporate Governance Code and the Articles of Association.

In actual fact, pursuant to the Supervisory Provisions, the number of members of the Board of Directors must be adequate to the size and complexity of the bank's organisational structure in order to effectively oversee the entire company's operations. The presence of an adequate number of non-executive members with well-defined roles and tasks, who effectively act as a counterbalance to the bank's executive and management, facilitates internal debate within the board.

The composition of the administrative body, however, should not be redundant. In banks of greater size or operational complexity (as Banca Ifis is), Boards of Directors with more than 15 members represent exceptional cases, which must be analytically assessed and justified.

In this regard, it should be noted that the Bank's Articles of Association envisage that the Board of Directors consists of a minimum of 5 and a maximum of 15 members, who are elected by the Shareholders' Meeting. The Directors remain in office for the period, not exceeding three financial years, established at the time of their appointment, and expire on the date of the Shareholders' Meeting called to approve the financial statements related to the last year of their office.

The Shareholders' Meeting, which met on 28 April 2022, set the number of members of the Board of Directors at 13 for FYs 2022, 2023 and 2024.

At present, as mentioned above, there are 3 sub-committees, in compliance with Supervisory Instructions and the indications contained in the Corporate Governance Code.

In the light of the above, the Board of Directors, after having examined - with the support of the Appointments Committee - the results of the self-assessment referring to FY 2023, also taking into account the current legislation on the composition

of the Board of Directors and its sub-committees, considers the current number of members equal to 13 as appropriate, in view of the size, organisational complexity and operating dynamics of the Bank.

Indeed, the Board believes that this size can both guarantee the presence of the various professional skills required to ensure the proper functioning and operativeness of the body and that it is consistent with the level of operational complexity and diversification that characterises the Bank, as well as adequate to the current structure and activities of the Advisory Committees, as also emerged from the self-assessment carried out by the Board of Directors for FY 2023.

In formulating this recommendation, the Board has also taken into consideration the various criteria and the different requirements deriving from the peculiar characteristics of Banca Ifis, seeking to achieve a balanced balance between them, including:

- the technical and organisational development and the evolution of the business envisaged in the 2022-2024 Business Plan;
- the presence of representatives with the knowledge, skills and technical experience to enable them, *inter alia*, to understand the activities and main risks to which the Bank is and will be exposed;

3.2 Roles within the Board of Directors

Different roles can be identified within the Board of Directors: Chairman, Deputy Chairman, Honorary Chairman, Chief Executive Officer, Non-Executive Directors, Independent Directors and Lead Independent Director.

The Chairman promotes the effective functioning of the corporate governance system, ensuring a balance of powers with respect to the CEO and the other executive directors; he acts as the contact point for the body in charge of control functions and the internal committees. To this end, he, in addition to possessing the characteristics required of directors, must have the specific skills necessary to carry out the duties assigned to him. To effectively carry out his function, the Chairman, as is currently the case, must have a non-executive role and not perform, even *de facto*, management functions. The Chairman guarantees the effectiveness of the Board's discussion and ensures that the resolutions it reaches are the result of adequate dialogue and the conscious and reasoned contribution of all its members. The Chairman also acts as Chairman of the Brand Committee, the Sustainability Committee and the Art Committee and participates in the management of the extra-meeting dialogue with the representatives of investors and the Bank's stakeholders on issues within the Board's competence.

The Deputy Chairman, where appointed, replaces the Chairman in the event of his absence or impediment in carrying out the duties incumbent on the Chairman and has no operational powers. On 13 July 2023, the Board of Directors appointed Prof. Simona Arduini as Deputy Chair pursuant to Article 12 of the Articles of Association. The Deputy Chair is a member of the Sustainability Committee and, among other things, supports the Bank in the development of projects in the area of sustainability in all its facets and in other areas of competence.

The Honorary Chairman may be elected by the Shareholders' Meeting, even outside the Board, and is chosen from among people who have significantly contributed to the prestige and development of the Company. The Honorary Chairman, who is not a director, may attend meetings of the Board of Directors, in an advisory capacity and without voting rights, and Shareholders' Meetings. The Honorary Chairman may be entrusted by the Board of Directors with duties of representation

of the Company, among others. As at the reporting date, the Shareholders' Meeting held on 20 April 2023 appointed the Founder Sebastien Egon Fürstenberg as Honorary Chairman by virtue of, among other things, his status as founder of the Bank and his fundamental contribution to the development, value creation, history, reputation and prestige of the Group. The appointment of Sebastien Egon Fürstenberg as Honorary Chairman allows the Bank to continue to benefit from the Founder's knowledge of its business, the markets in which it operates and its internal and external dynamics, as well as to make use of his experience gained since the Bank's foundation in 1983 for the purposes of the Group's strategic decisions, thus favouring the continuation of its growth in continuity, respect and consistency with its tradition and identity.

The Chief Executive Officer is responsible for the management of corporate operations aimed at achieving the strategic corporate policies and objectives approved by the Board of Directors.

Non-executive Directors are involved in the decisions taken by the whole Board and are called upon to play a dialectic role.

The Independent Directors supervise the corporate management with independent judgement, contributing to ensure that it is carried out in the interest of the Bank.

The Lead Independent Director has the task of representing a point of reference and coordination for the requests and contributions of the directors (non-executive and, in particular, independent directors) and of collaborating with the Chairman of the Board of Directors in order to guarantee that the directors receive complete and timely information flows. The same has the power to convene, when deemed appropriate or upon proposal of other directors, special meetings dedicated solely to independent directors to discuss issues deemed of interest with respect to the functioning of the Board of Directors or the management of the Company.

3.3 Qualitative composition

The members of the Board of Directors must be suitable for the performance of their duties, in accordance with the provisions of current legislation and the Articles of Association and, in particular, they must meet the requirements of professionalism, integrity and independence and comply with the criteria of competence, fairness and dedication of time and the specific limits on the number of offices held, as set out in current legislation.

3.3.1 Individual good standing and propriety criteria

In view of the importance of the requirements of integrity from a reputational point of view, the candidates for the office of director of the Bank must meet the requirements of integrity set out in Art. 3 of the MEF Decree, as detailed in Annex A.

Moreover, in addition to compliance with the above-mentioned requirements of integrity, the lack of which entails in itself the forfeiture of the office held, the candidates must also meet the criteria of correctness in their personal and professional conduct in the past, in accordance with the provisions of Art. 4 of the MEF Decree and better indicated in Annex A.

Any existence of the situations indicated in Art. 4 of the MEF Decree shall not automatically lead to the unsuitability of the candidate, but shall instead require an assessment - based on one or more of the parameters set out in Art. 5 of the MEF Decree - by the Board, carried out with regard to the principles of sound and prudent management as well as to the safeguard of the Bank's reputation and public trust. The criterion of correctness will not be met when one or more of the

situations indicated in Art. 4 of the MEF Decree paint a serious, precise and concordant picture of conduct that is in contrast with the objectives set out in paragraph 1 of the cited Article.

3.3.2 Individual professionalism requirements

The Board of Directors recommends that Shareholders ensure that there are individuals on the Body:

- with widespread and diversified expertise in terms of managerial skills and technical skills in the areas of banking and financial markets, law, regulation (including anti-money laundering and financing of terrorism), accounting, tax, finance, risk management and control, corporate governance, IT processes/digitisation/operations/Cybersecurity, Sustainability/ESG, business organisation and human resources;
- with significant and consolidated experience in the management, administration and control of banks and/or companies, also with an international scope;
- with an adequate degree of diversification, also in terms of age.

The theoretical knowledge and practical experience of the Directors must be appropriate with regard to the tasks inherent in the role covered by the representative and to any specific delegations or powers, including participation in Committees, as well as to the size and operational complexity of the Group. According to the applicable legislation and *inter alia* pursuant to Art. 7 of the MEF Decree, candidates for administrative and management positions must meet certain professional requirements depending on whether they hold executive or non-executive positions, which are detailed in [Annex A](#).

In particular, executive officers are chosen among people who have exercised, for at least three years, also alternatively, the following functions:

- a) administration or control activities or management duties in the credit, financial, securities or insurance industry;
- b) administration or control activities or management tasks at listed companies or companies whose size and complexity are greater than or comparable with (in terms of turnover, nature and complexity of the organisation or of the activity carried out) that of the Bank at which the office is to be held;

The non-executive directors are chosen from among people who meet the requirements set out in the previous point or who have held the position for at least three years, also alternatively:

- a) professional activities relating to the credit, financial, securities and insurance sectors, or in any event those functional to the Bank's activities; the professional activity must be characterised by adequate levels of complexity, also with reference to the recipients of the services provided, and must be carried out on an ongoing basis and be significant in the above-mentioned sectors;
- b) university teaching activities, as first or second level lecturer, in legal or economic subjects or in other subjects that are in any case functional to the Bank's activities;

- c) managerial, executive or top management functions, howsoever called, in public bodies or public administrations related to the credit, financial, securities or insurance sector, provided that the entity in which the person held such functions is of a size and complexity comparable with that of the Bank.

Moreover, the Chairman of the Board of Directors (pursuant to Art. 7, paragraph 3 of the MEF Decree) is a non-executive member who has accrued at least two years' overall experience in addition to the above requirements.

The Chief Executive Officer is chosen from among persons with specific experience in the credit, financial, securities or insurance sectors, gained through administration or control activities or managerial duties for a period of no less than five years in the credit, financial, securities or insurance sector, or in listed companies or companies of a size and complexity comparable with those of Banca Ifis.

Pursuant to Art. 7 of the MEF Decree, for the purposes of meeting the above requirements, it will be necessary to take into account the experience gained during the twenty years prior to taking office is taken into account; experience gained in several functions at the same time is counted only for the period of time during which they were carried out, without accumulating it.

At the conclusion of the annual self-assessment process, taking into consideration the skills already possessed by the current members of the Board of Directors, represented in Table 2, the Board submits to the shareholders the advisability of appointing a director who possesses at least two of the skills, experience and knowledge highlighted in Table 1.

Tab.1

"SKILLS - EXPERIENCE - KNOWLEDGE" SUGGESTED BY THE BOARD FOR THE CANDIDATE
managerial skills.
knowledge of digitisation, innovation and cyber security issues
accounting and financial reporting
Expertise and knowledge in ESG/social and environmental sustainability
International experience
Human resources

Tab.2

COMPETENCES AND EXPERIENCE DECLARED BY THE 12 DIRECTORS CURRENTLY IN OFFICE	Nr	PERCENTAGE (calculated with a 13-member base)
banking business and banking and financial activities and products	10	77%
dynamics of the economic and financial system	8	61%

COMPETENCES AND EXPERIENCE DECLARED BY THE 12 DIRECTORS CURRENTLY IN OFFICE	Nr	PERCENTAGE (calculated with a 13-member base)
sector regulation	9	69%
internal control system and risk management and control methodologies	10	77%
risk management and control methodologies	8	61%
corporate governance	8	61%
business management processes	10	77%
knowledge of organisational structure and information systems	8	61%
accounting and financial reporting	6	54%
knowledge of digitisation, innovation and cyber security issues	1	8%
Expertise and knowledge in ESG/social and environmental sustainability	4	31%
managerial skills	4	31%

The Board is aware that the diversification of competences ensures the complementarity of professional profiles and promotes the dialectic and efficient functioning of the Board.

3.3.3 Competence criteria

In addition to the above-mentioned professionalism requirements, the candidates for the office of director of the Bank must meet the competence criteria set out in Art. 10 of the MEF Decree (see [Annex A](#)), aimed at proving their suitability to take on the office, taking into account the tasks inherent to the role covered and the dimensional and operational characteristics of the Bank.

Theoretical knowledge - acquired through studies and training - and practical experience, gained in the course of previous or current work activities, are taken into account for these purposes. In particular, pursuant to Art. 10, paragraph 2 of the MEF Decree:

- due consideration will be given to theoretical knowledge and practical experience possessed in more than one of the following areas:
 1. financial markets;
 2. regulation in the banking and finance industry;
 3. strategic planning and guidelines;

-
4. organisational and corporate governance structures;
 5. risk management (identifying, assessing, monitoring, controlling and mitigating a bank's major types of risk, including the candidate's responsibilities in these processes);
 6. internal control systems and other operating mechanisms;
 7. banking and financial activities and products;
 8. accounting and financial reporting;
 9. information technology;
- it will be analysed whether the theoretical knowledge and practical experience listed under point a) is appropriate with respect to:
 1. the tasks inherent to the role covered by the representative and any specific delegations or powers, including participation in Committees;
 2. the characteristics of the Bank and of the Banking Group, in terms of, *inter alia*, size, complexity, type of activities carried out and related risks, reference markets, countries in which it operates.

Pursuant to Art. 10, paragraph 5 of the MEF Decree, the competence criterion is not met when the information acquired regarding theoretical knowledge and practical experience paint a serious, precise and concordant picture of the candidate's unsuitability for the position. In the event of specific, limited shortcomings, the Board of Directors may take steps to address them.

3.3.4 Personal characteristics

In addition to the above-mentioned professional requirements, the Board recommends that the selection of candidates should also take into due consideration the aptitude characteristics of candidates (termed "soft skills"). In this regard, in addition to the personal characteristics as indicated in the EBA/ESMA Guidelines, following specific reflections carried out during the course of its self-assessment in relation to soft skills and with a view to outlining the expected profile of the future director of Banca Ifis, the Board decided to give relevance and centrality to the characteristics indicated below:

- Authenticity and independence of thought;
- Ability to interact with Top Management;
- Collaboration skills;
- Ability to manage conflict constructively;
- Decision-making aptitude;
- Suitable availability of time and energy;

- Ability to integrate sustainability issues into strategic and business vision.

3.3.5 Diversification and gender quotas

The Board is aware that an adequate degree of diversification in terms of age, gender, length of tenure and geographical origin favours a plurality of approaches and perspectives in the analysis of problems and in the taking of decisions, avoiding the risk of behaviours of mere alignment to prevailing positions, whether internal or external to the Bank.

In this context, the Board of Directors, in the light of the results of the 2023 self-assessment, particularly emphasises the importance of promoting diversification in terms of skills and professionalism, training and experience, including managerial experience, within the Bank's Board.

With particular regard to gender diversity, the Board of Directors is currently made up of 5 male and 7 female directors. In this regard, the opportunity to appoint a representative of the gender that is presently least represented.

3.3.6 Independence requirements

The Board - having reminded that the Articles of Association provide for the presence of at least 1/4 of Directors qualified as independent, recalls the current presence of 9 independent directors and declares that the current number (higher than the minimum required by the Articles of Association and regulations) should be considered as optimal in order to ensure a high level of internal dialectic within the Board and its sub-committees and a significant contribution to the decision-making process of the bodies.

With regard to the criteria for assessing independence, please refer to the detailed description given in [Annex A](#).

3.3.6.1 Independence of judgement

All candidates for the position of director are required to act, *inter alia*, pursuant to Art. 15 of the MEF Decree, with full independence of judgement and awareness of the duties and rights inherent in the position, in the interests of the sound and prudent management of the Bank and in compliance with the applicable *pro tempore* regulations in force, and shall be required to provide the information requested pursuant to Art. 15, paragraph 2, of the MEF Decree and the reasons why any relevant cases pursuant to this provision do not materially affect their autonomy of judgement. The cases relevant to the assessment of independence of judgement are indicated in [Annex A](#).

3.3.7 Availability of time and limits on accumulation of duties

Banca Ifis has updated its "Regulation on the accumulation of offices held by company representatives", incorporating the regulatory changes made following the publication of the MEF Decree and the issuing of the 35th update of the Supervisory Provisions.

This Regulation rules, *inter alia*, that the candidate accepts the position and retains the exercise of it to the extent that he believes he can devote the necessary time to the diligent performance of the relevant duties. The time required is estimated on the basis of qualitative-quantitative parameters such as, in particular:

- the number and type of offices held on the administrative and supervisory bodies of other companies, businesses or bodies;
- the commitment - in terms of time and complexity - required by the professional activities performed; and
- the commitment - in terms of time and complexity - required by the association positions held.

Time availability

The Directors are required to dedicate adequate time to carrying out their duties, in compliance with the provisions of Art. 16 of the MEF Decree (see [Annex A](#)).

The adequate availability of time to devote to the performance of the office, in view of its nature, quality and complexity, is a fundamental requirement that candidate directors must ensure, also with regard to the activities deriving from their participation in the works of the Advisory Committees, if they are members of them. Consideration must also be given to the effort required to prepare for meetings, given the multiplicity of topics to be examined and the volume of supporting documentation. In addition, the commitment required to attend dedicated induction meetings, recurring training organised for the benefit of the Board as well as any off-site meetings must be kept in mind.

Clearly, in addition to having the necessary time, it is also necessary to take into account other assignments, commitments and work activities, without prejudice to the constraints provided for by the regulations on the limits to the accumulation of assignments.

In order to allow the Shareholders to assess the availability of time, to be requested from the candidate member of the Board of Directors and, to the latter, to be able to assess whether he/she is able to ensure preparation and participation in the meetings, the Board of Directors indicates below the number and the average duration of the meetings held during FY 2023:

Body	Number of meetings	Average meeting duration
Board of Directors	18	2 hours, 40 minutes
Control and Risks Committee	23	2 hours, 05 minutes
Appointments Committee	10	33 minutes
Remuneration Committee	9	52 minutes

Moreover, the Board of Directors - with the aim of ensuring the proper functioning of the Board and the contribution of each member to the internal dialectic of the Body - made an estimate - to be intended as a reference for the assessment of the minimum time necessary for an effective participation in the meetings - summarised in the following table:

Office	Estimated time required for the effective performance of the assignment at Banca Ifis
Chairman of the Board of Directors	80 days per year
Deputy Chairman of the Board of Directors	30 days per year
Chief Executive Officer	full-time
Non-executive member of the Board of Directors	30 days per year
Chairman of a Board Committee	50% more than the members
Member of the Appointments Committee	10 days per year
Member of the Remuneration Committee	10 days per year
Member of the Control and Risk Committee	30 days per year

Limits to the accumulation of offices

In line with the provisions of Art. 17 of the MEF Decree (see [Annex A](#)), candidates for the position of director in Banca Ifis, a large bank or bank of operational complexity, may not hold a number of positions in banks or other commercial companies (i.e. companies whose purpose is one of the activities envisaged by Art. 2195 paragraph 1 of the Italian Civil Code) exceeding one of the following alternative combinations:

- 1 executive assignment and 2 non-executive assignments; or
- 4 non-executive assignments.

For the purposes of the above calculation, it should be noted that:

- the position held at the Bank must be included;
- exempt assignments and at small companies are not relevant;

"Exempt assignment" means:

- pursuant to the Issuers' Regulation: (a) appointments as liquidator taken on in the proceedings referred to in Book V, Title V, Chapter VIII of the Civil Code; and (b) appointments taken on following appointment by the legal or administrative authorities in the proceedings referred to in Article 2409, paragraph 4, of the Civil Code and in the

respective procedures provided for by Royal Decree No. 267 of 16 March 1942 and by special laws, including those concerning public interest companies; and

- pursuant to the MEF Decree, assignments: (a) at companies or entities whose sole purpose is to manage the private interests of a Representative or a spouse who is not legally separated, a person bound by a civil union or *de facto* cohabitation, a relative or a relative-in-law up to the fourth degree and which do not require any kind of day-to-day management by the Representative; (b) as a professional at professional partnerships; and (c) as an alternate auditor.

Pursuant to the Issuers' Regulation, the term "small company" means a joint-stock company, a limited partnership with a share capital or a limited liability company, other than issuers and public interest companies, which, also alternatively:

- employs an average of fewer than 250 staff during the year and does not exceed two of the limits set by Article 2435-*bis* of the Civil Code;
- carries out loan securitisation activities pursuant to Law No. 130 of 30 April 1999;
- is newly formed and has not yet approved its first annual financial statements;
- is subject to the dissolution and liquidation proceedings provided for in Book V, Title V, Chapter VIII of the Civil Code or to the judicial administration proceedings provided for in Art. 2409, paragraph 4, of the Civil Code or to the procedures provided for by Royal Decree No. 267 of 16 March 1942 and by special laws.

For the purposes of determining the number of positions held, the aggregation methods set out in Art. 18 of the MEF Decree are taken into account. The set of assignments counted as one is considered an executive assignment if at least one of the assignments held is executive; in other cases it is considered a non-executive assignment.

A candidate for election as a director shall provide the Board of Directors with an updated status of the administrative, managerial and supervisory positions held. The updated status of the above assignments includes timely references to:

- type of assignment;
- summary of activities required for the purpose of the assignment;
- the company, enterprise and/or body at which the assignment is carried out;
- time availability required/declared for the purpose of the assignment;
- duration of assignment;
- any possibility/commitment to renew the assignment.

3.3.8 Incompatibilities

Without prejudice to the above-mentioned limits, in addition to the causes of incompatibility, ineligibility and disqualification pursuant to the law, which may affect the candidature and/or the assumption/maintenance of the office - such as, for example, those set out in Art. 2382 of the Civil Code - the director candidates must also comply with the so-called prohibition of interlocking as provided for by Art. 36 of the Salva Italia Decree, also taking into account the "Criteria

for the application of Art. 36 of the "Salva Italia" Decree Law (the "prohibition of interlocking") published by the Bank of Italy, CONSOB and IVASS on 20 April 2012, as subsequently updated and supplemented.

The Board therefore recommends to the Shareholders to indicate candidates for whom the absence of causes of incompatibility provided for by the said regulation has been previously verified.

Annex A

Individual requisites of integrity and correctness criteria (articles 3, 4 and 5 of the MEF Decree)

Positions may not be held by those who:

- a. have been legally disqualified or find themselves in any other of the situations envisaged by Article 2382 of the Civil Code;
- b. have been convicted in a final judgement:
 - (i) a prison sentence for a crime envisaged by the provisions on corporate and bankruptcy matters, banking, finance, insurance, payment services, anti-money laundering, intermediaries authorised to provide investment services and collective savings management, markets and centralised management of financial instruments, public savings appeals, issuers, as well as for one of the crimes envisaged by articles 270-*bis*, 270-*ter*, 270-*quater*, 270-*quater*.1, 270-*quinquies*, 270-*quinquies*.1, 270-*quinquies*.2, 270-*sexies*, 416, 416-*bis*, 416-*ter*, 418, 640 of the Italian Criminal Code;
 - (ii) to imprisonment for a term of not less than one year for a crime against the public administration, against public faith, against property, or in tax matters;
 - (iii) to imprisonment for a term of not less than two years for any non-negligent crime;
- c. have been subjected to preventive measures ordered by the legal authorities pursuant to Legislative Decree No. 159 of 6 September 2011, as subsequently amended and supplemented;
- d. at the time of taking office, are temporarily barred from holding management positions in legal entities and companies, or temporarily or permanently barred from carrying out administration, management and control functions pursuant to Article 144-*ter*, paragraph 3, of the Consolidated Law on Banking and Article 190-*bis*, paragraphs 3 and 3-*bis*, of the Consolidated Law on Finance, or in one of the situations referred to in Article 187-*quater* of the Consolidated Law on Finance.

Offices cannot be held by those who have been given a final sentence at the request of the parties or following an abbreviated judgement, any of the penalties envisaged:

- a. by paragraph 1, letter b), point 1 except in the case of extinction of the crime pursuant to Article 445, paragraph 2, of the Italian Code of Criminal Procedure;
- b. by paragraph 1, letter b), points 2 and 3, for the duration specified therein, except in the case of the extinction of the crime pursuant to Article 445, paragraph 2, of the Code of Criminal Procedure.

With reference to cases governed in whole or in part by foreign legislation, verification of the non-existence of the conditions provided for in paragraphs 1 and 2 is carried out on the basis of an assessment of substantial equivalence.

With reference to paragraph 1, letters b) and c) and paragraph 2, the effects of rehabilitation and revocation of the sentence for abolition of the crime pursuant to Article 673, paragraph 1, of the Code of Criminal Procedure are not affected.

In addition to the requirements of integrity, the representatives meet criteria of fairness in past personal and professional conduct. The following are considered to this end:

- a. criminal convictions imposed with sentences (even if not final), sentences (even if not final) that apply the penalty upon request of the parties or following an abridged judgement, criminal decrees of conviction, even if not irrevocable, and personal precautionary measures related to a crime envisaged by the provisions on corporate and bankruptcy affairs, banking, finance insurance, payment services, usury, anti-money laundering, taxation, intermediaries authorised to provide investment services and collective savings management, markets and centralised management of financial instruments, public savings appeals, issuers, as well as for one of the crimes envisaged by articles *270-bis*, *270-ter*, *270-quater*, *270-quater.1*, *270-quinquies*, *270-quinquies.1*, *270-quinquies.2*, *270-sexies*, 416, *416-bis*, *416-ter*, 418, 640 of the Criminal Code;
- b. criminal convictions imposed with sentences, including non-final ones, sentences, including non-final, that result from plea bargaining or following an abbreviated judgement, criminal decrees of conviction, even if they have not become irrevocable, and personal precautionary measures relating to crimes other than those referred to in letter a); application, including on a provisional basis, of one of the prevention measures ordered by the legal authorities pursuant to Legislative Decree No. 159 of 6 September 2011;
- c. final rulings sentencing to compensation for damages for acts carried out in the performance of duties in subjects operating in the banking, financial, markets and securities, insurance and payment services sectors; final rulings sentencing to compensation for damages due to administrative-accounting responsibilities;
- d. administrative sanctions imposed on the candidate for violations of corporate, banking, financial, securities, insurance, anti-money laundering and market and payment instrument regulations;
- e. disqualification or interim measures ordered by the supervisory authorities or at their request; removal measures ordered pursuant to Articles 53-bis, paragraph 1, letter e), *67-ter*, paragraph 1, letter e), 108, paragraph 3, letter *d-bis*), *114-quinquies*, paragraph 3, letter *d-bis*), *114-quaterdecies*, paragraph 3, letter *d-bis*), of the Consolidated Law on Banking, and Articles 7, paragraph *2-bis*, and 12, paragraph *5-ter*, of the Consolidated Law on Finance;
- f. carrying out duties in subjects operating in the banking, financial, securities markets, insurance and payment services sectors which have been subject to an administrative sanction, or a sanction pursuant to Legislative Decree No. 231 of 8 June 2001;
- g. performance of duties in companies that have been subject to extraordinary administration, resolution, bankruptcy or compulsory administrative liquidation procedures, collective removal of members of management and control bodies, withdrawal of authorisation pursuant to Article *113-ter* of the Consolidated Law on Banking, cancellation pursuant to Article *112-bis*, paragraph 4, letter b) of the Consolidated Law on Banking or similar procedures;

- h. suspension or expulsion from professional bodies, cancellation (as a disciplinary measure) from professional lists and orders imposed by the competent authorities on the professional bodies themselves; measures of revocation for just cause from offices held in management, administration and control bodies; similar measures adopted by bodies entrusted by law with the management of lists and directories;
- i. a negative assessment by an administrative authority regarding the suitability of the candidate within the framework of authorisation procedures provided for by the provisions on corporate, banking, finance, securities, insurance and the rules on markets and payment services;
- j. l) ongoing investigations and criminal proceedings relating to the offences referred to in letters a) and b);
- k. negative information on the candidate contained in the Central Risk Register set up pursuant to Article 53 of the Consolidated Law on Banking; negative information means information relating to the candidate, even when not acting as a consumer, which is relevant for the purposes of fulfilling the obligations laid down in Article 125, paragraph 3, of the Consolidated Law.

With reference to cases governed in whole or in part by foreign laws, the verification of the existence of the situations described above is carried out on the basis of an assessment of substantial equivalence.

The occurrence of one or more of the situations indicated above does not automatically lead to the unsuitability of the candidate, but does require an assessment by the competent body. The assessment is conducted with regard to the principles of sound and prudent management as well as the safeguarding of the bank's reputation and public trust.

The assessment is conducted based on one or more of the following parameters, where relevant:

- a. objective seriousness of the facts committed or contested, with particular regard to the extent of the damage caused to the protected legal asset, the damaging potential of the conduct or omission, the duration of the violation, any systemic consequences of the violation;
- b. frequency of behaviour, with particular regard to the repetition of behaviour of the same nature and the time lapse between them;
- c. stage of the administrative penalty appeal process;
- d. stage and degree of the criminal proceedings;
- e. type and amount of the sanction imposed, assessed according to criteria of proportionality, which take into account, among other things, the graduation of the sanction also on the basis of the bank's financial capacity;
- f. period of time between the occurrence of the relevant fact or conduct and the resolution of appointment. As a rule, events that occurred or conduct that took place no more than ten years before the appointment are taken into account; if the relevant fact or conduct took place more than ten years earlier, it should only be taken into account if particularly serious or, in any case, if there are particularly qualified reasons why the sound and prudent management of the bank could be affected;
- g. level of cooperation with the relevant body and the supervisory authority;

- h. any remedial action taken by the party concerned to mitigate or eliminate the effects of the violation, even after the adoption of the conviction, penalty or otherwise of one of the measures referred to in Article 4, paragraph 2, of the MEF Decree;
- i. degree of responsibility of the subject in the violation, with particular regard to the effective power structure within the bank, company or entity at which the position is held, the conduct actually carried out, the duration of the position held;
- j. reasons for the measure taken by administrative bodies or authorities;
- k. relevance and connection of conduct, behaviour or facts to the banking, financial, securities, insurance, payment services sectors, as well as anti-money laundering and terrorist financing.

In the case referred to in Article 4, paragraph 2, letter f), of the MEF Decree, the sanction imposed is only taken into consideration if there are objective elements capable of proving the individual and specific contribution made by the subject in the commission of the sanctioned facts. In any case, penalties equal to the minimum amount are not taken into consideration.

The case provided for in Article 4, paragraph 2, letter g), of the MEF Decree, is relevant only if there are objective elements that can prove the individual and specific contribution made by the person to the facts that have determined the crisis of the company, taking into account, among other things, the duration of the period of performance of the functions of the person concerned at the company itself and the period of time that elapsed between the performance of the functions and the adoption of the measures mentioned in Article 4, paragraph 2, letter g), of the MEF Decree.

The criterion of fairness is not met when one or more of the situations indicated in Article 4 of the MEF Decree paint a serious, precise and concordant picture of conduct that conflicts with the objectives indicated in paragraph 1 of the same Article.

Individual requirements of professionalism (Art. 7 of the MEF Decree)

Executive officers are chosen among people who have exercised, for at least three years, also alternatively, the following functions:

- a. administration or control activities or management duties in the credit, financial, securities or insurance industry;
- b. administration or control activities or management tasks at listed companies or companies whose size and complexity are greater than or comparable with (in terms of turnover, nature and complexity of the organisation or of the activity carried out) that of the Bank at which the office is to be held.

The non-executive directors are chosen from among people who meet the requirements set out above or who have held the position for at least three years, also alternatively:

- a. professional activities relating to the credit, financial, securities and insurance sectors, or in any event those functional to the bank's activities; the professional activity must be characterised by adequate levels of complexity, also with reference to the recipients of the services provided, and must be carried out on an ongoing basis and be significant in the above-mentioned sectors;

- b. university teaching activities, as first or second level lecturer, in legal or economic subjects or in other subjects however functional to the activity of the credit, financial, securities or insurance sector;
- c. managerial, executive or top management functions, howsoever called, in public bodies or public administrations related to the credit, financial, securities or insurance sector, provided that the entity in which the person held such functions is of a size and complexity comparable with that of the bank at which the appointment is to be held.

The Chairman of the Board of Directors shall be a non-executive officer who has at least two years more total experience than the requirements now stated.

The Chief Executive Officer and the General Manager shall be chosen from among persons with specific experience in the field of credit, finance, securities or insurance, gained through administrative or supervisory activities or managerial duties for a period of no less than five years in the credit, finance, securities or insurance sector, or in listed companies or companies whose size and complexity are greater than or comparable with (in terms of turnover, nature and complexity of the organisation or activity carried out) to that of the bank at which the office is to be held. Similar requirements are necessary for positions involving the exercise of functions equivalent to that of general manager.

For the purposes of meeting the requirements set out in the preceding paragraphs, the experience gained during the twenty years prior to taking up the position is taken into account; experience gained at the same time in more than one function is counted only for the period of time in which they were carried out, without accumulating them.

Competence criteria (Art. 10 of the MEF Decree)

In addition to the requirements of professionalism, the candidates shall meet competence criteria aimed at proving their suitability to take on the role, taking into account the tasks inherent to the role covered and the size and operational characteristics of the bank. Theoretical knowledge - acquired through studies and training - and practical experience, gained in the course of previous or current work activities, are taken into account for these purposes.

The criterion is evaluated by the appropriate body, which:

- a. considers theoretical knowledge and practical experience possessed in more than one of the following areas:
 - (i) financial markets;
 - (ii) regulation in the banking and finance industry;
 - (iii) strategic planning and guidelines;
 - (iv) organisational and corporate governance structures;
 - (v) risk management (identifying, assessing, monitoring, controlling and mitigating a bank's major types of risk, including the candidate's responsibilities in these processes);
 - (vi) internal control systems and other operating mechanisms;
 - (vii) banking and financial activities and products;

- (viii) accounting and financial reporting;
 - (ix) information technology;
- b. analyses whether the theoretical knowledge and practical experience listed under point a) is appropriate with respect to:
- (i) the tasks inherent to the role covered by the representative and any specific delegations or powers, including participation in committees;
 - (ii) the characteristics of the bank and of the banking group to which it may belong, in terms of, *inter alia*, size, complexity, type of activities carried out and related risks, reference markets, countries in which it operates.

For the position of Chairman of the Board of Directors, the experience gained in the coordination, direction or management of human resources is also assessed, in order to ensure an effective performance of the functions of coordination and direction of the works of the Board, of promotion of its proper functioning, also in terms of circulation of information, effectiveness of the comparison and stimulus to internal dialectics, as well as adequate overall composition of the body.

The assessment provided for in this Article may be omitted for candidates in possession of the professionalism requirements, when they have accrued for a period at least equal to that provided for in the annex to the MEF Decree.

The competence criterion is not met when the information acquired regarding theoretical knowledge and practical experience paint a serious, precise and concordant picture of the candidate's unsuitability for the position. In the event of specific, limited shortcomings, the appropriate body may take steps to address them.

Independence requirements

Art. 13 of the MEF Decree

When the presence on the Board of Directors of representatives who meet the independence requirements is required by law or regulations, a non-executive director who does not meet any of the following situations is considered independent:

- a. is the spouse (unless legally separated), person bound in a civil union or *de facto* cohabitation, a relative or relative-in-law up to the fourth degree:
 - (i) of the Chairman of the Board of Directors, the Management Board or the Supervisory Board, and executive officers of the bank;
 - (ii) of the heads of the bank's main business functions;
 - (iii) of persons in the conditions set forth in paragraphs b) to i);
- b. is a participant in the bank;
- c. holds, or has held in the last two years at a participant in the bank or its subsidiaries, the position of Chairman of the Board of Directors, the Management Board or the Supervisory Board, or has held, for more than nine years

in the last twelve years, the position of member of the Board of Directors, the Supervisory Board or the Management Board, as well as the executive position at a participant in the bank or its subsidiaries;

- d. has served as an executive officer in the bank for the past two years;
- e. holds the position of independent director in another bank belonging to the same banking group, except in the case of banks that are directly or indirectly wholly controlled by the same bank;
- f. has held positions as a member of the Board of Directors, the Supervisory Board, the Board of Management or the Management Board for more than nine of the last twelve years at the bank;
- g. is an executive officer in a company in which an executive officer of the bank holds the position of director or management;
- h. directly or indirectly entertains, or has entertained in the two years prior to taking office, self-employment or salaried work relationships or other relationships of a financial, asset or professional nature, even if not continuous, with the bank or its executive officers or its chairman, with companies controlled by the bank or its executive officers or their chairmen, or with a participant in the bank or its executive officers or its chairman, such as to compromise independence;
- i. holds or has held within the past two years one or more of the following positions:
 - (i) member of national and European Parliament, Government or European Commission;
 - (ii) regional, provincial or municipal councillor or adviser, chairman of a regional council, chairman of a province, mayor, chairman or member of a district council, chairman or member of the board of directors of consortia of local authorities, chairman or member of the boards or councils of unions of municipalities, board member or chairman of special companies or institutions pursuant to Article 114 of Legislative Decree No. 267 of 18 August 2000, mayor or councillor of metropolitan cities, chairman or member of the organs of mountain or island communities, when the overlapping or contiguity between the territorial area of reference of the body for which the posts are held and the territorial area of reference of the body for which the posts are held and the territorial structure of the bank or banking group to which it belongs is such as to compromise its independence.

With regard to offices held in non-corporate bodies, the provisions of the previous paragraphs shall apply to subjects who perform equivalent functions in the body to those indicated in the same paragraphs.

Failure to meet the requirements set out in this article shall entail forfeiture of the office of independent director. If, following the lapse of office, the remaining number of independent directors on the body is sufficient to ensure compliance with the corporate governance provisions for banks implementing the TUB or with other provisions of the law that establish a minimum number of independent directors, the director who does not meet the requirements set out in this article shall remain a non-independent director, unless otherwise provided for in the Articles of Association.

Art. 148, paragraph 3 of the TUF and CONSOB Communication No. DEM/10046789 of 20 May 2010

Auditors may not be elected and, if elected, shall forfeit their office:

- a. those who find themselves in the conditions provided for by Article 2382 of the Civil Code;
- b. the spouse, relatives and in-laws up to the fourth degree of kinship of the directors of the company, the directors, spouse, relatives and in-laws up to the fourth degree of kinship of the directors of the companies controlled by it, of the companies controlling it and of those under common control;
- c. those who are linked to the company or to its subsidiaries or to the companies controlling it or to those subject to joint control, or to the company's directors and to the subjects described in letter b) by independent or subordinate contracts of employment or other financial or professional relationships that compromise their independence.

Considering that an independent director is characterised by his independence of judgement with respect to executive directors and by the absence of involvement in the management of the company, in applying to directors the requirements set out for auditors in letter b) of Art. 148, paragraph 3 of the TUF, CONSOB considers that the directors referred to in the said provision should be considered as executive directors.

More precisely, the Authority considers, in the light of the rationale of the regulations, that a person who holds the office of executive director in one of the companies of the group of the listed company (parent company, subsidiaries or companies under common control) cannot be qualified as an independent director of the listed company. By contrast, the fact that the independent director of the listed company acts as an independent director in other companies of the group would not compromise independence.

Recommendation No. 7 of the Corporate Governance Code and Q.Rec.7(1), (2) and (3) of the "Functional Q&A for the Application of the Corporate Governance Code - 2020 Edition"

Circumstances that compromise, or appear to compromise, a director's independence include at least the following:

- a. if a significant shareholder of the company;
- b. if he is, or has been in the previous three financial years, an executive director or employee:
 - (i) of the company, a strategically important subsidiary of the company or a company under common control;
 - (ii) of a significant shareholder of the company;
- c. if, directly or indirectly (for example, through subsidiaries or companies of which he is an executive director, or as a partner in a professional firm or consultancy), he has, or has had in the preceding three financial years, a significant commercial, financial or professional relationship:
 - (i) with the company or its subsidiaries, or its executive directors or top management;
 - (ii) with a party who, also together with others through a shareholders' agreement, controls the company;
 - (iii) or, if the parent company is a corporation or institution, with its executive officers or top management;
- d. if he receives, or has received in the previous three financial years, from the company, one of its subsidiaries or the parent company, significant additional remuneration compared to the fixed remuneration for the office and

the remuneration for participation in the committees recommended by the Code or provided for by the regulations in force;

- e. if he has been a director of the company for more than nine financial years, including non-consecutive ones, in the last twelve financial years;
- f. if serving as an executive director of another company in which an executive director of the company serves as a director;
- g. if a partner or director of a company or an entity belonging to the network of the company entrusted with the statutory audit of the company;
- h. if a close family member of a person who is in one of the situations referred to in the previous points.

The administrative body shall predefine, at least at the beginning of its term of office, the quantitative and qualitative criteria for assessing the significance referred to in points c) and d) above. In the case of a director who is also a partner in a professional firm or consulting firm, the board assesses the significance of any professional relationships that may affect his position and role in the firm or consulting firm, or that otherwise relate to significant transactions of the firm and its group, even if independent of quantitative parameters.

The chairman of the administrative body may be assessed as independent where none of the above circumstances apply. If the chairman assessed as independent participates in committees recommended by the Corporate Governance Code, a majority of the committee members shall be other independent directors. The Chairman who is assessed as independent does not chair the Remuneration Committee or the Control and Risk Committee.

The Corporate Governance Code expressly excludes from the amount of "significant additional remuneration" that could impair an individual director's independence the "fixed compensation for office" and "compensation for participation in committees recommended by the Code."

"Fixed compensation for office" means:

- a. remuneration determined by the shareholders' meeting for all directors or determined by the board of directors for all non-executive directors within the total amount approved by the shareholders' meeting for the entire board of directors;
- b. any remuneration attributed by reason of the particular office held by the individual non-executive director within the Board of Directors (Chairman, Deputy Chairman, LID), defined according to the best practices provided for by Recommendation 25 (i.e. taking into account the remuneration practices widespread in the reference sectors and for companies of similar size, also considering comparable foreign experiences).

On the contrary, the remuneration received by the director of the company adhering to the Code for duties in the parent company or in the subsidiary is considered as "additional remuneration" and is therefore assessed in its "significance" for the purposes of recommendation 7, letter d).

"Compensation for participation in committees recommended by the Code" means the compensation that an individual director receives by reason of his participation in endowed committees having functional responsibilities for the implementation of the Code, including any committee established pursuant to Recommendation 1, letter a), provided that

it is not an executive committee. As expressly envisaged by the Code, remuneration for participation in the committees (or bodies) envisaged by current legislation, excluding the Executive Committee if any, is also assimilated to "committees recommended by the Code".

The Corporate Governance Code does not define the scope of individuals who are considered "close family members" for purposes of assessing an individual director's independence. For the purposes of assessing independence, their identification is therefore left to the appreciation of the Board of Directors.

Based on a mere illustrative and non-exhaustive list, "close family members" are commonly understood to include parents, children, spouses who are not legally separated, and domestic partners.

The quantitative and qualitative criteria have a general and abstract scope and are promptly defined by the Board of Directors before their actual application and, therefore, before the actual assessment of the independence of each individual director.

Requirements of independence of judgement (Art. 15 of the MEF Decree)

All officers shall act with full independence of judgement and awareness of the duties and rights inherent in their office, in the interest of sound and prudent management of the bank and in compliance with the law and any other applicable regulations.

All candidates shall inform the competent body of the situations referred to in Article 13, paragraph 1, letters a), b), c), h) and i), of the MEF Decree and the reasons why, in their opinion, those situations do not materially affect their independence of judgement.

The competent body shall assess the independence of judgement of the candidate in the light of the information and reasons provided by the latter and shall verify whether the safeguards envisaged by legal and regulatory provisions, as well as any additional organisational or procedural measures adopted by the bank or by the candidate, are effective in counteracting the risk that the situations referred to in paragraph 2 may affect the independence of judgement of the candidate or the decisions of the body. The following Articles are particularly relevant: 2391 and 2391-bis of the Civil Code and related implementing provisions; Chapter IX of Title V of Book V of the Civil Code; 53, paragraphs 4 and 4-*quater*, and 136 of the TUB and related implementing provisions; 6, paragraph 2-*novies*, of the TUF; 36 of the Salva Italia Decree.

If existing safeguards are not deemed sufficient, the appropriate body may:

- a. identify additional, more effective ones;
- b. modify the specific tasks and roles assigned to the representative, including any delegated powers, in a manner consistent with the objective indicated in paragraph 1.

If the measures indicated in this paragraph are not adopted or are insufficient to eliminate the shortcomings found, the competent body shall declare the candidate's disqualification pursuant to Article 23 of the Corporate Governance Code.

The competent body shall verify the effectiveness of the controls and measures adopted to preserve the independence of judgement of the representative, also in the light of the conduct actually adopted by the latter in the performance of his duties.

Availability of time to carry out assignments (Art. 16 of the MEF Decree)

Each officer shall devote adequate time to the performance of the assignment. At the time of appointment and promptly in the event of facts occurring, he shall inform the competent body of the positions held in other companies, enterprises or bodies, the other work and professional activities carried out and the other situations or facts pertaining to the professional sphere capable of affecting his time availability, specifying the time that these positions, activities, facts or situations require.

The bank ensures that the candidate is aware of the time it has estimated as necessary for the effective performance of the assignment.

On the basis of the information obtained, the competent body assesses whether the time that each candidate can devote is suitable for the effective performance of the assignment.

If the candidate declares in writing that he can devote at least as much time to the assignment as the bank estimates necessary, the assessment may be omitted provided that all of the following conditions are met:

- a. the offices held by the representative do not exceed the limits set out in Article 17 of the MEF Decree;
- b. condition a) is met without benefiting from the provisions set out in Articles 18 and 19 of the MEF Decree;
- c. the candidate does not hold the position of CEO or General Manager nor is he chairman of a body or committee.

The competent body verifies the appropriateness of the time actually dedicated by the representatives, also in the light of their presence at the meetings of the bodies or committees.

If the availability of time is insufficient, the competent body shall ask the candidate to renounce one or more assignments or activities or to make specific commitments suitable for increasing his availability of time, or shall take measures including the revocation of proxies or specific tasks or the exclusion of the candidate from committees. Compliance with the candidate's commitments is verified. The assessment relating to the availability of time does not have independent importance for the purposes of pronouncing the candidate's disqualification, but contributes to the assessment of the candidate's suitability pursuant to Article 23 of the MEF Decree.

Limits to the accumulation of assignments (Articles 17, 18 and 19 of the MEF Decree)

Except as provided in Article 19 of the MEF Decree, each member of large banks or banks of operational complexity may not hold a total number of positions in banks or other commercial companies that exceeds one of the following alternative combinations:

- a. 1 executive assignment and 2 non-executive assignments;
- b. 4 non-executive assignments.

When calculating limits, the position held at the bank is included.

The competent body pronounces the forfeiture in case it ascertains that the limit to the accumulation of assignments has been exceeded and the representative concerned does not renounce the office or the offices that determine the exceeding of the limit in due time with respect to the deadline indicated in Art. 23, paragraph 7 of the MEF Decree.

The limits on the accumulation of offices do not apply to members who hold offices in the bank representing the State or other public bodies.

For the purposes of calculating the limits on the accumulation of offices, the offices held by the candidate are not taken into account:

- a. at companies or entities whose sole purpose is to manage the private interests of a candidate or a spouse who is not legally separated, a person bound by a civil union or *de facto* cohabitation, a relative or a relative-in-law up to the fourth degree and which do not require any kind of day-to-day management by the candidate;
- b. as a professional in a professional company;
- c. as alternate auditor.

For purposes of calculating the limits on the accumulation of offices, all offices held in each of the following cases shall be considered as a single office:

- a. within the same group;
- b. in banks belonging to the same institutional protection system;
- c. in non-group companies in which the bank has a qualifying holding as defined in Article 4(1), point 36, CRR.

If more than one of the cases set out in Art. 18, paragraph 3, letters a), b) and c) of the MEF Decree occur at the same time, the positions are added together.

The set of appointments counted as a single appointment is considered as an executive appointment if at least one of the appointments held in the situations set out in Art. 18, paragraph 3, letters a), b) and c) of the MEF Decree is executive; in the other cases it is considered as a non-executive appointment.

The assumption of an additional non-executive position, compared to the limits indicated in Art. 17 of the MEF Decree and also determined on the basis of the provisions of Art. 18 of the MEF Decree, is permitted on condition that it does not prejudice the possibility for the candidate to devote adequate time to the position at the bank in order to carry out his functions effectively.

The appropriate body shall consider, among other things:

- a. the fact that the person holds an executive position in the bank or is a member of an executive committee;
- b. the size, business, and complexity of the bank or other trading company where the additional assignment would be made;
- c. the duration of the additional assignment;
- d. the level of expertise gained by the individual in carrying out the position in the bank and any synergies between the different positions.

The additional non-executive position referred to in this Article shall not be permitted to the candidate who:

- a. holds the position of CEO, General Manager or Chairman of the Board of Directors, Board of Statutory Auditors, Management Board, Supervisory Body, Management Control Committee or other committee within the bank;

- b. benefits, for the other appointments, from the application of the aggregation mechanism provided for by Art. 18, paragraph 3, of the MEF Decree.

The additional non-executive assignment referred to in this Article cannot benefit from the application of the aggregation mechanism provided for in Art. 18, paragraph 3, of the MEF Decree.

The provisions of Art. 17, paragraph 3, of the MEF Decree are applied to the cases referred to in this Article.