

## Report on corporate governance and ownership structures

# 2019

**Document approved by the Board of  
Directors on 12 March 2020**

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

Banca IFIS S.p.A. - Registered office in Via  
Terraglio 63, 30174 Mestre, Venice -  
Registration number in the Companies  
Registered of Venice and Tax Code  
02505630109 - VAT number 04570150278 -  
REA (Administrative Economic Index)  
number: VE - 0247118 - Fully paid-up share  
capital Euro 53.811.095 - Registry of Banks  
no. 5508 - Parent Company of the Banca IFIS  
Banking Group S.p.A., enrolled in the registry  
Banking Groups - Member of the Interbank  
Deposit Protection Fund, of the Italian  
Banking Association, of the Italian Factoring  
Association, of Factors Chain International.  
Member of the National Compensation Fund.



## Summary

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## Glossary

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**Code/Corporate Governance Code:** the “Corporate Governance Code for Listed Companies”, version applicable as of July 2018, approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI [Italian Banking Association], ANIA [Italian National Association of Insurance Companies], Assogestioni [National Association of Asset Management Companies], Assonime [Association for Italian Public Limited Companies] and Confindustria [Italian Manufacturing Companies Association].

**Civil Code/C.C.:** the (It.) Civil Code.

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

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

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

**CONSOB Issuer Regulation:** the Regulation issued by CONSOB [Italian Securities and Exchange Commission] with decision no. 11971 of 1999 (as subsequently amended) on issuers.

**CONSOB Market Regulation:** the Regulation issued by CONSOB with decision no. 20249 of 2017 on markets.

**CONSOB Related Parties Regulation:** the Regulation issued by CONSOB with decision no. 17221 of 12th March 2010 (as subsequently amended) on transactions with related parties.

**Report:** the report on corporate governance and company shareholding structure that companies are obliged to prepare pursuant to Article 123-bis of the Consolidated Law on Finance.

**Consolidated Law on Finance (TUF):** (It.) Legislative Decree of 24th February 1998, no. 58, as subsequently amended.

**Consolidated Law on Banking (TUB):** (It.) Legislative Decree of 1st September 1993, no. 385, as subsequently amended.

# 1. Profile of the Issuer

Banca IFIS is subject to the provisions contained in the Supervisory Provisions issued by the Bank of Italy (Circular no. 285/2013) and, in particular, with regard to the matter of corporate governance pursuant to the provisions contained in the aforementioned Circular in Part I, Heading IV, Chapter 1. It is qualified as a bank of larger size or operational complexity, as it is listed and included in the Less Significant Institutions that are supervised directly by the Bank of Italy. Banca IFIS does not fall under the definition of SME, pursuant to Article 1, paragraph 1, letter w-quarter. 1) of the TUF and Article 2-ter of the CONSOB Issuer Regulation.

Since 2001, the company has adopted the Corporate Governance Code, of which the current “applicable” version is that of July 2018. The Code is accessible to the public on the website of the Corporate Governance Committee (<http://www.borsaitaliana.it/comitatocorporate-governance/codice/2018clean.pdf>).

The Code indicates the corporate governance standards and best practices recommended to Italian listed companies by the Corporate Governance Committee, to be applied in accordance with the “comply or explain” principle, which requires companies to explain in their corporate governance report the reasons for a possible failure to comply with one or more recommendations contained in the principles or the application criteria.

The Committee drafts, annually, a Report on the Code’s application, accompanied by a letter by the President of the Corporate Governance Committee, which indicates the possible areas of improvement with regard to the governance of listed companies.

The principal areas identified in 2019, which become “Recommendations of the Committee for 2020” are:

sustainability, understood as general and strategic profile for business activity;

the quality of the information provided to the Board of Directors;

the quality of the independence assessments, understood as a fundamental element for the efficient operation of the corporate governance system outlined by the Code;

the suitability of the remuneration of Non Executive Directors and of the members of the Supervisory Board, also in light of a comparative analysis.

The letter of the President of the Committee and the annual report formed the subject of a specific information notice by the Vice-President of the Board of Directors (meeting of 13th January 2020).

Banca IFIS drafts, once a year, the Report on Corporate Governance and Shareholding Structure; this document was approved by the Board of Directors in the meeting of 12th March 2020 and was published, at the same time as the Management Report, on the company’s website.

Unless otherwise specified, the information contained in the Report refers to the date of its approval.

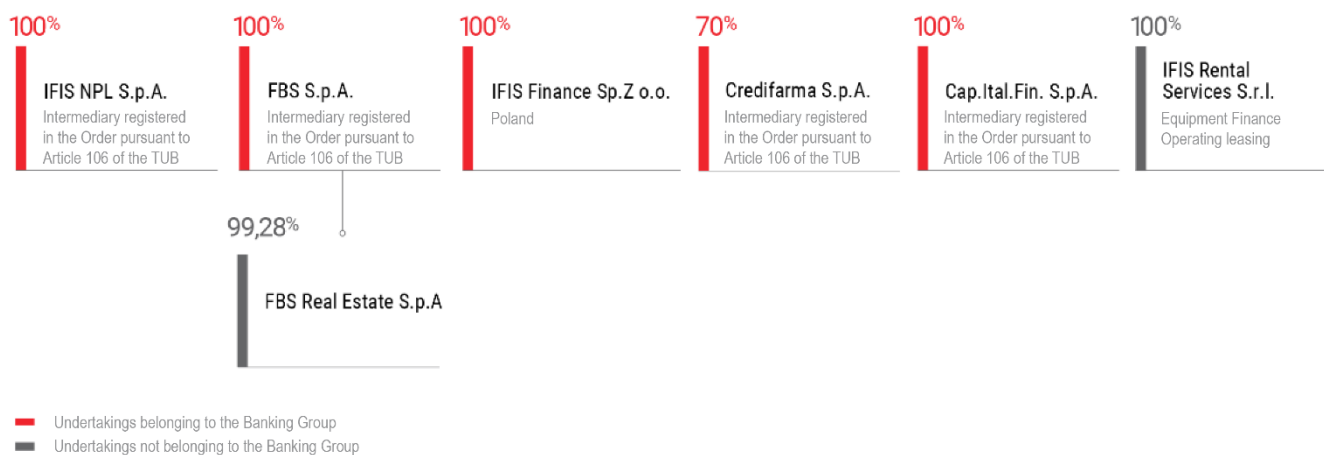
## Profile and structure

Banca IFIS is the parent company of Banca IFIS Banking Group, an active player in specialty finance. Its core businesses are the offer of lending services and solutions to undertakings, and acquiring/servicing non-performing loan portfolios.

The increasing ability to provide financial support to small and medium enterprises and to transform insolvent individuals into solvent debtors and potential receivers of new credit, as well as the continuous increase of the number of its employees, complete the Group's ability to meet the expectations of its stakeholders.

Banca IFIS is a company that, since 2003, has been listed in the Milan Stock Exchange (STAR segment); aside from banking, it manages and coordinates the financial and related companies that belong to Banca IFIS Group and are controlled, directly and indirectly, by the bank.

## BANCA IFIS



As at 31/12/2019, the following companies are also members of the Banking Group:

- **IFIS Finance Sp. z o.o.**, a financial company governed by Polish law, specialising in factoring (import/export) services in the Polish market;
- **IFIS NPL S.p.A.**, a financial intermediary registered in the single Register pursuant to Article 106 of the TUB of Banca IFIS, dedicated to the acquisition/divestment of non-performing credit portfolios, both with regard to own and third-party assets;
- **Cap.Ital.Fin S.p.A.**, a financial intermediary registered in the single Register pursuant to Article 106 of the TUB, specialising in repayable financing through salary-backed loans and salary deductions for pensioners, private, public and state employees, operating in Italy;
- **Credifarma S.p.A.**, a financial intermediary registered in the single Register pursuant to Article 106 of the TUB of reference for pharmacies, to which it offers advance payments on billing notices and other financing instruments to help them meet the needs of their activity and develop their business;
- **FBS S.p.A.**, a company operating in the NPL segment as a servicing specialist (including both master and special services), manager of secured and unsecured NPL portfolios, due diligence advisor, and investor authorised to conduct NPL transactions. FBS S.p.A. controls FBS Real Estate S.p.A., a company specialising in the surveying and evaluation of real estate, and active in the sector of banking disputes and in all activities that make for better evaluation of property as a guarantee for managed credits. The acquisition of FBS S.p.A. was concluded during 2019: 90% of the share capital was acquired on 7th January 2019, while the remaining 10% was acquired on 30/10/2019.

Furthermore, Banca IFIS S.p.A. controls **IFIS Rental Services S.r.l.**, an unregulated company specialising in the operating lease segment, not included in the Banking Group. In this context, please note that, on 26th June 2019, the entire



investment in the company **Two Solar Park 2008 S.r.l.**, which operates in the sector of energy generation from renewable sources, was sold to third parties.

## Shareholders

As at 31st December 2019, the share capital of Banca IFIS is represented by 53,811,095 ordinary shares of a par value of €1, issued in book-entry form, indivisible and freely transferable.

## Corporate governance model

Banca IFIS adopts the traditional model of administration and control, believing it to be the most suitable for its business to ensure efficient administration and effective control.

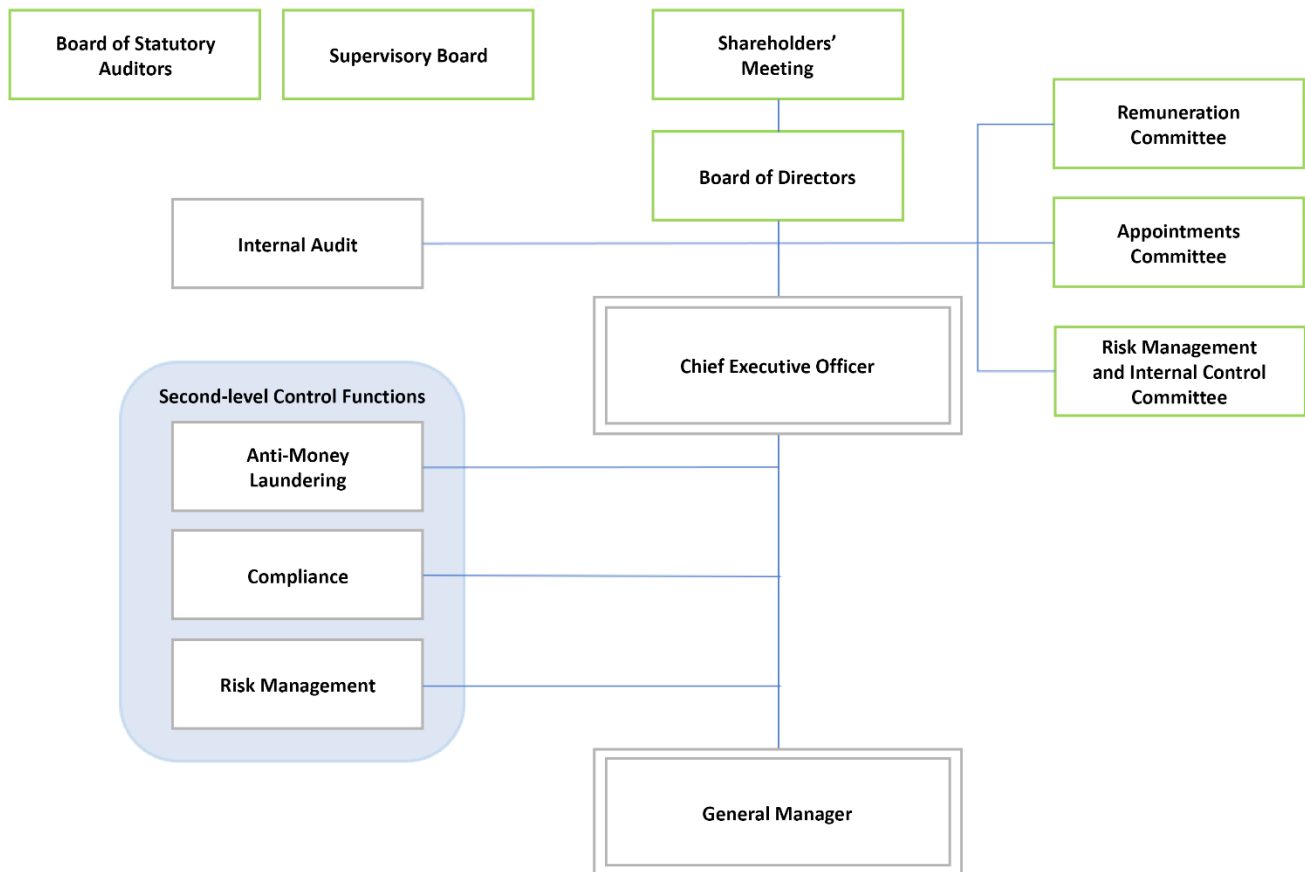
For Banca IFIS, the traditional model of administration and control has so far yielded good results in terms of creating value for shareholders, strengthening capital and ensuring financial balance. The stability of the Bank and the Group, which is also evident from the comprehensive and fruitful dialogue with the Supervisory Authorities, has, in turn, confirmed the choice of the traditional model.

The traditional model appears, including from a future viewpoint, to be the most suitable to secure a harmonious and orderly development for the Group, in that it places strategic supervision, administration and control skills within a structure that has so far proved to be effective and efficient, facilitating a clear definition of responsibilities, a streamlined decision-making process and effective dialogue between the bodies themselves.

Under the model adopted by Banca IFIS:

- **strategic supervision is performed by the Board of Directors;**
- **management is carried out by the Chief Executive Officer. The General Manager assists in this management function;**
- **control is performed by the Board of Statutory Auditors.**





## Shareholders' Meeting

The Shareholders' Meeting is a decision-making collective body composed of the shareholders of the Bank and/or their representatives; its decisions, adopted in accordance with the Law and the Articles of Association, are binding for all shareholders, even if they are absent or of a different opinion. The Shareholders' Meeting is ordinary and extraordinary pursuant to the Law and may be convoked also outside the company's registered office, as long as it is held in the country.

The ordinary Shareholders' Meeting is convoked at least once a year, within 120 days from the end of the financial year, to deliberate on the matters under its purview, as per the regulatory framework in force and the Bank's Articles of Association.

In particular, the ordinary Shareholders' Meeting:

- approves the financial statements;
- appoints (using the list vote mechanism) and removes members of the Board of Directors, establishing their remuneration;
- appoints (using the list vote mechanism) the members and the President of the Board of Statutory Auditors, establishing their remuneration;
- may appoint, also not from among the members of the Board of Directors, an Honorary President, chosen from among the people who have significantly contributed to the Company's reputation and development;
- approves the remuneration and incentive policies concerning the Board of Directors, the Chief Executive Officer, the Board of Statutory Auditors, the General Manager and the rest of the personnel;
- approves any remuneration plans based on financial instruments;
- approves the criteria to determine the remuneration to be paid in the case of an early termination of an employment relationship or early termination of an office, including the maximum limits set for this remuneration in terms of annual fixed amount and the maximum amount deriving from their application;
- has the right to decide the ratio between the variable and the fixed component of individual remuneration of personnel that exceeds 100%, but which, in any way, may not exceed the limits set forth by the

applicable legal and regulatory provisions pro tempore (currently equal to 200%, a ratio of 2:1). The proposal may be deemed to have been approved validly with the majority envisaged by the regulatory framework that applies at any given time.

The extraordinary Shareholders' Meeting deliberates on amendments to the Articles of Association and on other matters under its purview in accordance with the Articles of Association or the law.

The Shareholders' Meeting is, usually, chaired by the President of the Board of Directors; the Shareholders' Meeting may hear shareholders with voting rights who have sent to the Company, by the end of the third business day before that fixed for the first-call Shareholders' Meeting, the communication of the authorised intermediary, attesting their legitimation.

**For more information on the Shareholders' Meeting, please see Section 16**

## Board of Directors

The Company is managed by a Board of Directors made up of five to fifteen members, elected by the Shareholders' Meeting. On 12th March 2020, the number of directors elected by the Shareholders' Meeting of 19th April 2019 stood at 12; their mandate will expire on the date of the Shareholders' Meeting convoked for the approval of the 2021 financial statements.

The appointment of the members is based on lists presented by the shareholders; candidates are listed in sequential order and their number must not exceed the maximum number of Members established by the Articles of Association. Only shareholders who, alone or together with others, own at least 1% of ordinary shares at the time of submission have the right to submit lists.

The Articles of Association set forth that: at least one quarter of the members must fulfil the requirements of independence and such members must be placed, on the list, among the first four posts of the sequential order; at least one third of candidates must belong to the least represented gender, an exception being made for lists that present fewer than three candidates; one director must be taken from the second list by number of votes.

The Board elects a President and may elect a Vice-President; in addition, it appoints a Chief Executive Officer, tasked with performing the company's operations with the aim of following the lead and achieving the strategic corporate objectives decided by the Board of Directors, and establishes their management powers.

**For more information on the Board of Directors please see Section 4**

## Board committees

Also in compliance with the provision of the Corporate Governance Code, three committees have been established within the Board of Directors; these committees, which have powers of investigation, consultation and proposal, allow the body tasked with strategic supervision to adopt its decisions with a better knowledge of the facts:

- Risk Management and Internal Control Committee;
- Appointments Committee;
- Remuneration Committee.

The composition, operation and powers of the Board Committees are regulated by the Regulation of each individual Committee and the General Regulation.

For more information on the Board Committees please see Section 6

### Board of Statutory Auditors

The Board of Statutory Auditors is composed of three standing and two alternate auditors. They are appointed based on lists presented by the shareholders, in which the candidates are listed in sequential order; their number may not exceed that of the members of the body to be elected. Each list is made up of two sections, one for candidates for the standing auditor post and one for candidates for the alternate auditor post. The mandate of the Statutory Auditors will expire on the date of the Shareholders' Meeting convoked to approve the 2021 financial statements.

The Articles of Association envisage that two standing auditors and one alternate will be elected from the list that obtained the majority of votes; one standing auditor and one alternate will be elected from the second list in number of votes. The standing auditor elected from the minority list shall be declared President of the Board of Statutory Auditors.

The means of operation and the powers of the Board of Statutory Auditors are regulated by the Articles of Association and the General Regulation.

For more information on the Board of Statutory Auditors please see Sections 13 and 14

## 2. Information on ownership interests as at 31st December 2019

### 2.1 Structure of the share capital

On 31st December 2019, the capital subscribed and paid up amounted to €53,811,095.00, subdivided in 53,811,095 ordinary shares of a par value of €1, as shown in Table 1 below:

Table 1

STRUCTURE OF THE SHARE CAPITAL				
	Number of shares	% with regard to the share capital	Listed (market) / unlisted	Rights and obligations
Ordinary shares	53,811,095	100%	Listed (MTA)	Each ordinary share grants the right to one vote

As at 31st December 2019, no other financial instruments that attribute the right to subscribe newly-issued shares had been issued.

For own shares to be attributed as variable remuneration to the Chief Executive Officer and the General Manager and, possibly, to other employees on the list of "Key Personnel", please see the Report on remuneration, drafted pursuant to Article 123-ter of the TUF, and the Document of information on compensation plans based on financial instruments drafted pursuant to Article 114 bis of the TUF and 84 bis of the CONSOB Issuer Regulation; the documents are available on the website [www.bancaifis.it](http://www.bancaifis.it) under "Shareholders' Meeting" and "Remuneration" and implement the amendments decided by the extraordinary Shareholders' Meeting of 19/12/2019.

### 2.2 Restrictions on the transfer of titles

There are no restrictions on the transfer of shares, save the retention periods foreseen for the shares to be allocated as variable pay to the C.E.O., to the General Manager and to any other employees considered "Key Personnel". For details on the shares to be assigned to such company personnel, please see the Report on remuneration drafted pursuant to Article 123-ter of the TUF.

### 2.3 Relevant equity investments

Based on the communications made pursuant to article 120 of the TUF, and on the communications made by Key Personnel pursuant to Article 152-octies of the CONSOB Issuer Regulation, Table 2 below shows the persons who, as at 31st December 2019, directly or indirectly own shares with voting rights exceeding 3% of the share capital.

Table 2

Declarant	Direct shareholder	Share % on ordinary capital	Share % on voting capital
FÜRSTENBERG SEBASTIEN EGON	La Scogliera S.p.A.	50,400%	50,400%
	Fürstenberg Sebastien Egon	0,009%	0,009%

We believe that it is worth pointing out that:

- La Scogliera aims to ensure the compactness and continuity of the management of its controlling investment on Banca IFIS S.p.A., pursuant to Article 2359 of the (It.) Civil Code;
- Even though it is the majority shareholder, La Scogliera S.p.A. does not perform any management and administration activity regarding Banca IFIS S.p.A.;
- The corporate object of La Scogliera S.p.A. expressly excludes the activities of management and administration of the financial companies and banks in which it participates.

## 2.4 Titles that confer special rights

No titles that confer special controlling rights have been issued.

## 2.5 Employee ownership scheme: a mechanism for the exercise of voting rights

Any employees holding shares of the Company exercise their shareholder rights in the same way as other shareholders.

## 2.6 Restrictions to voting rights

On the approval date of the Report, the company did not have restrictions to voting rights.

## 2.7 Agreements between shareholders

No agreements between the company's shareholders exist at the Board of Directors of Banca IFIS S.p.A., pursuant to Article 122 of the TUF. Conversely, the Bank has stipulated, on acquisition, shareholder agreements with the minority shareholders of Credifarma.

## 2.8 Change of control clauses and takeover-related provisions of the Articles of Association

Banca IFIS knows of no significant agreements between its shareholders that take effect, are modified or cease in the event of a change in control of its contracting company.

However, with reference to restrictions on the transfer of shares, please note that the agreements stipulated between Banca IFIS and Federfarma on acquisition of control of Credifarma S.p.A. by the Bank set forth that the two shareholders may not transfer, in whole or in part, the Credifarma shares they hold at any given time until expiry of the 5th year following the date on which the agreement was stipulated; one of the Parties may transfer shares to companies it controls.

The Articles of Association of Banca IFIS S.p.A. do not contain derogations from the provisions on the passivity rule of Article 104 paragraphs 1 and 1-bis of the TUF, nor do they envisage the application of the neutralisation rules set forth by Article 104-bis, paragraphs 2 and 3 of the TUF.

## 2.9 Proxies for increase of the share capital and authorisations for the acquisition of treasury shares

As at 31st December 2019, no proxies for the increase of the share capital pursuant to Article 2443 of the (It.) Civil Code or for the issue of equity financial instruments had been conferred to the Board.

The Shareholders' Meeting did not authorise the acquisition of treasury shares, pursuant to Articles 2357 et seq. of the (It.) Civil Code and Article 132 of (It.) Legislative Decree 58/98.

## 2.10 Management and administration activities

La Scogliera S.p.A., despite being a majority shareholder, does not manage and coordinate Banca IFIS S.p.A. In this regard, as mentioned above, please note that the corporate object of La Scogliera S.p.A. expressly excludes the activities of management and administration of the financial companies and banks in which it participates.

Please note that:

- the information required by Article 123-bis, paragraph 1, letter i) (“agreements between the Company and its Directors [...] which set out indemnities in the event of resignation or dismissal without just cause or if the employment contract ceases following a takeover bid”), can be found in the Remuneration Report published pursuant to Article 123-ter of the TUF;
- the information required by Article 123-bis, paragraph 1, letter l) (“rules applicable to the appointment and replacement of Directors [...] as well as any amendment of the Articles of Association, apart from supplementations resulting from additional legislative and regulatory provisions”), is illustrated in the section of this Report dedicated to the Board of Directors (Section 4.1).

Banca IFIS is the Parent Company of the Banking Group and controls, other than the companies that belong to said group, also other companies that form part of the so-called Economic Group.

Pursuant to the TUB, it manages and coordinates the companies that belong to the Banking Group and issues them with the directives necessary for the transposition of the decisions of the Parent Company in the controlled companies.

In addition and pursuant to Articles 2497 et seq. of the (It.) Civil Code, it manages and coordinates the companies that belong to the Economic Group.

## 3. Compliance

Banca IFIS S.p.A. has adopted the Corporate Governance Code for Listed Companies, as indicated under point 1.0, Issuer Profile.

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

IFIS Finance Sp. z o.o., a factoring company 100% owned by the Issuer, is a Polish legal entity and is therefore subject to Polish legislation. However, this in no way affects Banca IFIS S.p.A.’s Corporate Governance structure because of the subsidiary’s limited size in relation to the Parent Company.

## 4. Board of Directors

Strategic supervision is performed by the Board of Directors, which, pursuant to the Provisions, is called upon to decide on the strategic guidance of the bank and to continuously check that it is implemented.

### 4.1 Appointment and replacement

The Articles of Association envisage that the Directors are appointed based on the mechanism of voting lists by the Shareholders’ Meeting, in compliance with the applicable legal and regulatory provisions (professionalism and authoritativeness) and in compliance with the composition criteria that relate to the presence of minority and independent directors, with respect for gender balance.

In order to encourage that the best candidates are put forward for the renewal of the Administrative Body, in support of the Shareholders and in compliance with the Vigilance Provisions for banks in matters of Corporate Governance, the Board of Directors identifies preventively what is deemed its optimal qualitative-quantitative composition, identified and justifying the theoretical profile of candidates. The analyses performed are reported in the document “Optimal qualitative-quantitative composition of the Board of Directors of Banca IFIS”, approved by the Board of Directors on 11th February 2019 and published on the bank’s website, together with the documentation concerning the Shareholders’ Meeting of 8th March 2019, so that the assessments made by the outgoing BoD could reach the Shareholders, leaving them time to present the lists.

The bank's organisational and governance structures must guarantee conditions of healthy and prudent management, the objective of the regulation, of the supervisory bodies and of all stakeholders; therefore, the composition of the administrative body is of paramount importance for the efficient performance of the tasks entrusted thereto by law, by the supervision provisions and by the Articles of Association.

The candidates are listed in sequential order and their number may not, in any case, exceed the maximum number of members set forth by the Articles of Association (fifteen). The right to present a list is only granted to shareholders who, at the time of delivery of the list, own, alone or jointly, a stake of at least 1% of ordinary shares or other minimum ownership threshold that - pursuant to the applicable regulatory framework - must be indicated in the notice of convocation of the Shareholders' Meeting which is called upon to deliberate on the appointment of the members of the Board of Directors.

A shareholder may not present or vote more than one lists, even through a third party or a trust company. Shareholders belonging to the same group and shareholders who have stipulated a shareholder agreement related to shares of the Company may not present or vote more than one lists, even through a third party or a trust company. A candidate may only be present on one list, on pain of ineligibility.

The lists are deposited at the registered office of the Company by the twenty-fifth day before the date of the first-call Shareholders' Meeting and are made available to the public at the registered office of the company, on the Company's website and by the other means set forth by the applicable regulatory framework, at least twenty days before the date of the first-call Shareholders' Meeting.

In order to prove the ownership of the number of shares necessary to present the lists, the shareholders may produce the related certificate even after the deposit, on the condition that this is done within the deadline foreseen for the publication of the lists by the Company.

The lists must be accompanied:

- by information relating to the identity of shareholders who submitted lists, stating the overall percentage of shares held;
- a declaration of the shareholders other than those who hold, including jointly, a controlling or relative majority shareholding, certifying the absence of relationships with the latter, as indicated in Article 147-ter of the TUF, and Article 144-quinquies of the CONSOB Issuer Regulation;
- by exhaustive information on candidates' personal and professional characteristics, as well as a declaration by the candidates themselves certifying possession of the requirements established by law and their acceptance of candidacy.

Candidates who do not meet the requirements of integrity, professionalism and independence established by Article 26 of (It.) Legislative Decree no. 385/1993 cannot be included on lists. It should be noted that the legislation implementing Article 26 of the Italian Consolidated Banking Act (TUB) – for which definitive approval is awaited – is also based on the contents of the ECB's Fit and Proper Assessment Guidelines, proposing the introduction of new parameters for the suitability of corporate officers, including: the criteria of fairness, experience, independence of mind and independence from members of management bodies, as well as integrity and professionalism.

Each list must also indicate:

- at least a quarter of the members (if this ratio is not an integer, round it down to the next lowest whole number if the first decimal is less than or equal to 5; otherwise round it up to the next highest whole number) that meet the independence obligations provided for both by the Corporate Governance Code for Listed Companies required by Borsa Italiana S.p.A. and Article 148, paragraph 3 of (It.) Legislative Decree no. 58/1998. These candidates must be the first four names on the list in sequential order;
- at least a third of the list must be made up of candidates representing the least represented gender, except for lists containing fewer than three candidates.

Members of the Board of Directors are elected as follows:



1. all Directors except one are elected from the list obtaining the highest number of votes at the Shareholders' Meeting, according to the sequential order with which they are indicated on the list;
2. one Director is elected from the list obtaining the highest number of votes at the Shareholders' Meeting and who, pursuant to Article 147-ter, paragraph 3 of the TUF, is in no way connected, not even indirectly, with the shareholders who submitted or voted for the list that came first in terms of the number of votes obtained.

Should this selection criteria fail to ensure proper gender balance to the extent established on a case by case basis by Italian Law, a sliding mechanism is applied to the selection from the list which obtained, during the Shareholders' Meeting, the highest number of votes based on the sequential order in which the candidates are indicated. This mechanism excludes the candidate or candidates of the most represented gender and selects the candidate or candidates of the unrepresented gender.

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

If, during the year, less than a quarter of the Directors are found to meet such requirements, the Board will resolve to terminate the role of one or two of its Members who have ceased to meet such requirements, based on a criterion of shorter tenure, or, in the case of equal tenure, lower age, and will co-opt one or two independent members.

The laws in force, without the involvement of list voting, shall govern any replacement of Directors, except in the event that all Directors cease their roles.

To guarantee the presence of the director selected from the list that did not obtain the majority vote, in case they cease their role, the Board will first check the continued availability of the candidates included on the list, according to the its sequential order, and will co-opt members based on this criterion of preference.

If a Director belonging to the least represented gender ceases, the co-opted Director shall be of the same gender.

## Succession plans

The Appointments Committee has launched the drafting of an organic succession plan for top management following the presentation of the 2020-2022 Industrial Plan. To delineate the succession plans, the Board has deemed it useful to perform an internal reorganisation, identifying the activity sectors and the business areas that are believed to be strategic interest to the Group's future.

## 4.2 Composition

In accordance with the Company's Articles of Association, the Board of Directors is composed of a minimum of five up to a maximum of fifteen members, elected by the Shareholders' Meeting.

The ordinary Shareholders' Meeting of the Shareholders of 19th April 2019 set the composition of the Board of Directors to 12 and fixed the duration of the mandate to three financial years (2019-2021); the mandate will expire on the date of the Shareholders' Meeting convoked for the approval of the financial statements for the financial year 2021.

Four lists were deposited and published within the deadlines and in the manner laid down by the applicable provisions and by the Articles of Association for the election of the Board of Directors at the Shareholders' Meeting of 19th April 2019:

- List 1 (LA SCOGLIERA S.P.A.);
- List 2 (Bossi, Maderna, Alchimia S.p.A.);
- List 3 (Assogestioni) on behalf of the following group of investors:
  - i) Arca S.G.R., Arca Economia Reale Equity Italia, Arca Economia Reale Bilanciato Italia 30 fund manager;

- ii) Eurizon Capital S.G.R. S.p.A., Eurizon Pir Italia 30, Eurizon Progetto Italia 20, Eurizon Progetto Italia 70, Eurizon Azioni PMI Italia, Eurizon PIR Italia Azioni and Eurizon Progetto Italia 40 fund manager;
  - iii) Eurizon Capital SA, Eurizon Fund-Equity Small Mid Cap Italy fund manager;
  - iv) Fideuram Asset Management (Ireland), Fonditalia Equity Italy fund manager.
  - v) Fideuram Investimenti SGR S.p.A., Fideuram Italia, PIR Piano Azioni Italia, PIR Piano Bilanciato Italia 50 and PIR Piano Bilanciato Italia 30 fund manager;
  - vi) Interfund Sicav – InterfundEquity Italy;
  - vii) Generali Investments Luxembourg S.A., GSmart PIR Evoluzione Italia, GSmart PIR Valore Italia and Gis European Eqty Recov fund manager;
  - viii) Mediolanum Gestione Fondi SGR S.p.A., Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia fund manager.
- List 4 (Preve Costruzioni S.p.A.).

As well as the lists, the following documents were also deposited and published:

- Certification attesting the ownership of shares in number sufficient for the presentation of a list and possible absence of the relationship of Article 147-ter of the TUF and 144-quinquies of the Issuer Regulation;
- Declaration with which each candidate: accepts their candidacy, attests that they meet the requirements of professionalism, integrity and independence envisaged by the applicable regulatory framework and the absence of causes of ineligibility and/or incompatibility; CV and list of offices held

Table 4 shows the list of candidates, the list of those elected and the percentage of votes obtained compared to the voting capital:

Table 4

LIST	LIST OF CANDIDATES	LIST OF CANDIDATES ELECTED	PERCENTAGE OF VOTES OBTAINED
1	Simona Arduini Antonella Malinconico Beatrice Colleoni Monica Billio Sebastien Egon Fürstenberg Ernesto Fürstenberg Fassio Luciano Colombini Alessandro Csillaghy de Pacser Luca Lo Giudice Daniele Umberto Santosuosso Divo Gronchi Ferruccio Di Lenardo	Simona Arduini Antonella Malinconico Beatrice Colleoni Monica Billio Sebastien Egon Fürstenberg Ernesto Fürstenberg Fassio Luciano Colombini Alessandro Csillaghy de Pacser Luca Lo Giudice Daniele Umberto Santosuosso Divo Gronchi	69,55%
2	Giuseppe Benini Renato Giovannini		10,83%
3	Roberto Diacetti Alessandra Giuseppina Barzaghi	Roberto Diacetti	16,25%
4	Riccardo Preve Giovanni Angioni		3,18%

The composition of the Board was found to agree with the composition identified in advance as optimal in the document "Optimal qualitative-quantitative composition of the Board of Directors of Banca IFIS"; the declarations provided on the requirements of professionalism, integrity and independence, and on the limit of accumulation of offices were found to have been complied with.

All directors declared their ability to dedicate sufficient time to the proper performance of their mandate and all the areas of competence identified in the self-assessment process of 2018 were found to be well represented in the Board (Banking Business and activities and banking and financial products (7); Dynamics of the economic/financial system (5); Industry regulations (5); Internal control systems and systems for the methodology of risk management and control (9); Risk management and control methodology (6); Corporate governance (8); Corporate management processes (8); Knowledge of the organisational structure and IT systems (2); Accounting and financial information statement (9)).

Below please see how the members of the Board of Directors are distributed in terms of gender and age groups, as at 31st December 2019:

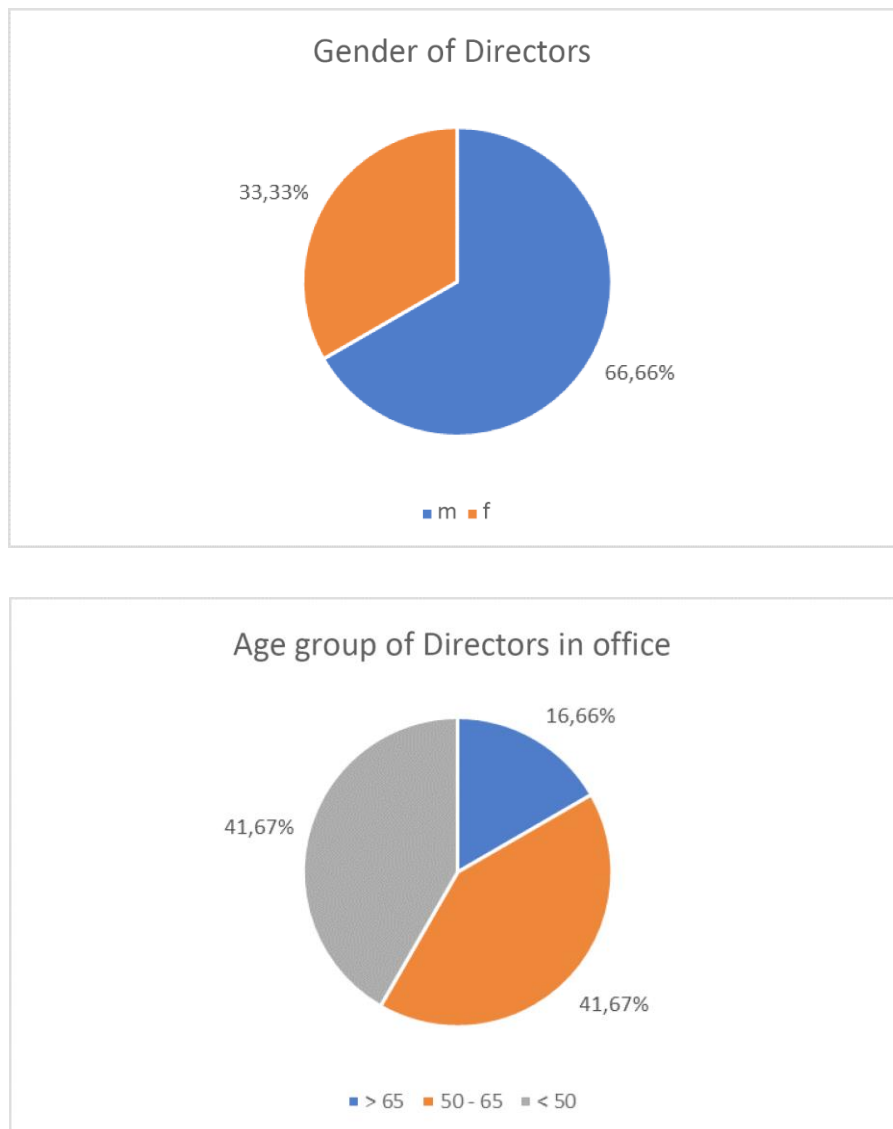


Table 5 provides information relating to the Board of Directors for the financial year 2019.

Table 5

Role	Components	In office		First appointment date	List (M/m)*	Exec.	Non Exec.	Indep. Code	Indep. TUF	% particip. BoD meetings**
		from	to							
President	Sebastien Egon Fürstenberg	19/04/2019	Approval of 2021 financial statements	1983	M		X			75
Vice-President	Ernesto Fürstenberg Fassio	19/04/2019	Approval of 2021 financial statements	2019	M		X			100
Chief Executive Officer	Luciano Colombini	19/04/2019	Approval of 2021 financial statements	2019	M	X				100
Director	Alessandro Csillaghy de Pacser	19/04/2019	Approval of 2021 financial statements	1995	M		X			95
Director	Daniele Umberto Santosuosso	19/04/2019	Approval of 2021 financial statements	2013	M		X	X	X	100
Director (LID)	Simona Arduini	19/04/2019	Approval of 2021 financial statements	2019	M		X	X	X	100
Director	Monica Billio	19/04/2019	Approval of 2021 financial statements	2019	M		X	X	X	93.33
Director	Antonella Malinconico	19/04/2019	Approval of 2021 financial statements	2016	M		X	X	X	100
Director	Roberto Diacetti	19/04/2019	Approval of 2021 financial statements	2019	m		X	X	X	100
Director	Divo Gronchi	19/04/2019	Approval of 2021 financial statements	2019	M		X	X	X	100
Director	Beatrice Colleoni	19/04/2019	Approval of 2021 financial statements	2019	M		X	X	X	93.33
Director	Luca Lo Giudice	19/04/2019	Approval of 2021 financial statements	2019	M		X			100
<b>Directors who have ceased to hold office during the Financial Year 2019</b>										
Chief Executive Officer	Giovanni Bossi	2016	Approval of 2018 financial statements	1995	M	X				100
Director (LID)	Giuseppe Benini	2016	Approval of 2018 financial statements	2013	M		X	X	X	100
Director	Marina Salamon	2016	Approval of 2018 financial statements	2005	M		X			100
Director	Francesca Maderna	2016	Approval of 2018 financial statements	2010	M		X	X	X	100
Director	Riccardo Preve	2016	Approval of 2018 financial statements	2005	M		X			100
<b>Quorum required for the presentation of the lists by minorities for the election of one or more members (ex Article 147-ter of the TUF): 1%</b>										
<b>No. of meetings held during the financial year of reference: 20</b>										
Notes:										
* This column indicates the list from which each director was selected ("M": majority list; "m": minority list).										
** No. of presences/no. of meetings held during the effective time in office of the subject during the Financial Year.										

Information relating to the personal and professional characteristics of each director in office on the date of approval of this report may be found below:

### *President of the Board of Directors - Sebastien Egon Fürstenberg*

Sebastien Egon Furstenberg has operated in the factoring sector for more than 30 years; in 1983 he founded the company I.Fi.S. S.p.A. – Istituto di Finanziamento e Sconto (now Banca IFIS S.p.A.).

He is currently the Chief Executive Officer and the Chairman of the Board of Directors of La Scogliera S.p.A., a company whose objective is the acquisition, management and divestment of participations in banks and financial companies, and which holds the majority of the capital of Banca IFIS S.p.A.

### *Vice-President - Ernesto Fürstenberg Fassio*

He graduated in Law from the University of Padua; he is currently studying towards the MA in Accounting and Control at Bocconi University. In 2009, he joined the Board of Directors of La Scogliera S.p.A., the financial holding company that controls Banca IFIS, where he has been Chief Executive Officer since 2018. He is in charge of the implementation of the company's operational and management and control processes, as well as the promotion of its image.

#### *Chief Executive Officer - Luciano Colombini*

He graduated in Law and started his professional career at the Banco di Roma; in 1984, he joined Banca Popolare di Vicenza where for twenty years he took on positions of increasing responsibility culminating in his appointment as General Manager in 2005. In October 2007, he left the Banca Popolare di Vicenza and, in subsequent years, was General Manager for various banks (Banca Popolare di Verona San Geminiano and San Prospero - Banca Popolare Group, Unipol Banca - Unipol Group, and Banca Desio e Brianza Group); in July 2016 he was appointed Chief Executive Officer of Banca Finint Group.

Since April 2019 he has been Chief Executive Officer of Banca IFIS S.p.A.; within the Group he holds the positions of Chief Executive Officer of IFIS NPL S.p.A. and FBS S.p.A.

#### *Director - Alessandro Csillaghy de Pacser*

Alessandro Csillaghy de Pacser has been active in the factoring sector for over 30 years; from 1996 until April 2019 he held the post of Vice President of the Bank. He contributes to the development of the Bank's presence abroad, through contacts with local Institutions and with foreign entrepreneurs, the purpose of which is to facilitate the activity of Banca IFIS abroad.

In particular, he has established representative offices in Central Europe, specifically in Romania and Hungary, and, for a while, worked at the Bank's office in Paris, France. Since 2011, he has been responsible for organising and developing the activities of

the subsidiary company IFIS Finance Sp. z o.o., a Polish factoring company, as part of his role as President of the Board of Directors. He is currently responsible for the delegation in Bucharest.

#### *Director - Daniele Santosuosso*

Having graduated in Commercial Law, he pursued an academic path as honorary fellow and visiting fellow in various foreign universities, and then researcher, associate professor of Commercial Law at the University "La Sapienza" of Rome and, lastly, professor pro tempore and then full professor at the department of Commercial Law at the same university. He has authored numerous notes, articles, essays and books; he has also contributed to certain scientific journals and collaborates with Il Sole 24 Ore, as well as being the founder and director responsible for the "Rivista di diritto societario" [Journal of Corporate Law]. He has been enrolled in the Italian Register of Lawyers since 1992, has his own law firm and has held various institutional and corporate management posts (including as a Member of the Government Commission for the reform of company law in 2003 and the Government Commission for the reform of the law on distressed businesses – the so-called "Rordorf Reform") and corporate management offices.

#### *Director - Simona Arduini*

She is a professor in the scientific disciplinary sector of Corporate Economy at the Department of the same name of the Roma Tre University. In 2016-2019 she was the Chair of the School of Economy and Corporate Studies. She teaches Financial Statements, and Business Valuation. She is a member of the Board of Statutory Auditors of Rentokil Initial Italia S.p.A. and of Officine NPL S.p.A.; in 2019, she was appointed by Mibac [Ministry of Cultural Heritage and Activities and Tourism] to the Board of Auditors of Rome's Special Superintendency for Archaeology, the Arts and the Landscape, and she has been a member of the Supervisory Committee of Veneto Banca S.p.A. in L.C.A. since April 2018. She was a member of the Board of Statutory Auditors of Nuova Cassa di Risparmio di Ferrara S.p.A. and of Poste Vita S.p.A. She was a member of the supervisory committee of various administrative liquidation and extraordinary administration procedures of banks and

financial entities. She has performed expert assessment of the economic capital for leading Italian companies. She has been a consultant at the Civil Court of Rome since 1999.

#### ***Director - Monica Billio***

She graduated in Economy and Commerce from the Università Ca' Foscari Venezia and was awarded a PhD in Applied Mathematics from the Université Paris IX Dauphine (France).

Since 2006, she has been full professor of Econometrics at the Università Ca' Foscari and is currently Director of the Department of Economy and member of the Academic Senate. She has published numerous articles in internationally recognised econometrics and finance journals, with applications to the measurement and management of financial risks, the analysis of the financial system's and the financial cycle's stability.

She participates in numerous research projects financed by the European Commission, Eurostat and the Italian Ministry of Universities and Research. She is currently a member of the Board of Directors of the European Financial Management Association (EFMA) and a member of the scientific committee of the Associazione Italiana Financial Industry Risk Managers (AIFIRM).

She was an independent member of the Board of Directors of Banco delle Tre Venezie S.p.A. and member of the Board of Directors of Contarina S.p.A.

#### ***Director - Antonella Malinconico***

She graduated in Economy and Commerce from the Università Federico II of Naples and was awarded, from the same university, a PhD in Financial Science for Companies. She is currently full professor of the Economy of financial intermediaries at the Università degli Studi del Sannio. She has authored numerous studies and publications on subjects such as Risk Management in banks, Management of Non Performing Loans, Prudential Vigilance, Relationship between Banks and Undertakings.

She has been a licensed Accountant since 1995 and is a consultant on financial matters for numerous banking institutions, where she also provides training. Over the years she has held various professional posts, among which the post of member of the Board of the Bank of Italy (Naples branch) from 2009 until she was co-opted in the Board of Directors of Banca Antonio Capasso S.p.A., of which she was a member from 2014 to 2016.

Since 2016, she has been a member of the Board of Directors of Banca IFIS S.p.A., as non executive independent director, as well as a member of the Risk Management and Internal Control Committee.

Since 2018, she has been a member of the Board of Directors of IFIS NPL S.p.A.

#### ***Director - Roberto Diacetti***

He graduated in Law from the Università LUISS-Guido Carli of Rome. He has accumulated significant managerial experience in the public and private sector. Over the years he has been Chief Executive Officer of Resources for Roma Spa and ATAC Spa, President of EUR Spa and Roma Convention Group Spa. He was also Director of Banca Centro Lazio and a member of the Supervisory Board of Igea Banca. He was Vice-President of World Food Programme Italia and Visiting Lecturer in Planning and Control at the Università degli Studi di Cassino for over ten years. He is currently General Manager of Fondazione Enpaia.

#### ***Director - Divo Gronchi***

He graduated in Economy and Commerce and started his banking career in 1958 at Banca Toscana, the Parent Company of Monte dei Paschi di Siena, where he was appointed General Manager from 1996 until June 2000 and, thereafter, director: he resigned in December 2000. He was then appointed General Director of the Banca Popolare di Vicenza; later, he was appointed General Manager and then Chief Executive Officer of the Banca Popolare Italiana, until its merger with the Banco

Popolare, where he held the office of President of the Management Board. He resigned in December 2007 to take up the office of General Manager and then Chief Executive Officer at the Banca Popolare di Vicenza until October 2011. He is the General Manager, Chief Executive Officer and President of the Cassa di Risparmio di S. Miniato until its incorporation into Credit Agricole in June 2018. Throughout his banking career he has held numerous posts with various roles in banking and other companies.

He has been awarded the honorific titles of Cavaliere di Gran Croce and Maestro del Lavoro.

#### *Director - Beatrice Colleoni*

She graduated in Economy and Commerce from the Università Cattolica del Sacro Cuore of Milan; since 2020 she has been an accountant, mainly busy with corporate, administrative and strategic consultancy, national and international taxation, drafting of financial statements, extraordinary operations, organisation of labour.

During her career, she collaborated with the firms IBI Consulting Srl and Andersen Legal and, since 2002, she has been working for Gruppo Colleoni, also holding the post of member of the Boards of Directors of certain companies.

#### *Director - Luca Lo Giudice*

He graduated in Law from the Università Cattolica del Sacro Cuore of Milan in 1996; he has been practising law since 1999 and has been a Supreme Court attorney since 2011.

A legal consultant with over 20 years of experience in corporate, banking and insurance issues regarding corporations, insurance companies, banks and investment funds both on a permanent basis and in the context of operations of corporate reorganisation, securitisation and restructuring of financial debt. In certain outstanding cases, he held the office of director, on the instruction of the main national credit institutions.

## **Diversity criteria and policies**

The Board of Directors, when its mandate was renewed, invited Shareholders to consider, for the purposes of submitting lists of candidates, the Board's needs in terms of professionalism and skills (including managerial skills) deemed to be necessary to ensure that the composition of the Strategic Supervisory Body is optimal, as shown in the report on "Optimal Qualitative and Quantitative Composition of Banca IFIS's Board of Directors" approved by the Board of Directors on 11th February 2019 and made available at the company's registered office, "Borsa Italiana S.p.A." and the authorised storage mechanism [www.emarketstorage.com](http://www.emarketstorage.com), as well as the Company's website. This document will be updated annually to support the self-assessment carried out by the Directors.

The process of selecting Board members ensures that the Board is diverse, guaranteeing that the Body has an adequate degree of diversification in terms of abilities, which must be extensive and diversified from both a managerial and technical perspective (in terms of legal, accounting, tax, financial, risk management and control, corporate governance, IT process, business organisation and human resources knowledge).

In order to guarantee a fruitful internal dialogue and to contribute to the adoption of decisions that align with the Bank's interests, the Board of Directors must ensure that its members have significant and consolidated experience in the management, administration, control activities of banks and/or undertakings.

As a matter of fact, performance of the functions assigned to the strategic supervision body requires the presence of persons who:

- are fully aware of the powers and obligations inherent to the roles they are each called upon to carry out (executive and non-executive duties, independent members, etc.);



- have a level of professional skill that is appropriate for the role, including with regard to the Board's internal committees, and adjusted to the operating characteristics and size of the bank;
- have skills that are different from yet complementary to those of the other members, in order to ensure that each member contributes, with the other members, within committees they are a part of and in collective decisions, to identify and pursue suitable strategies and to assure effective risk management in all areas of the Bank;
- dedicate the necessary time and resources to their office - limits to the number of positions possible to hold remaining firm;
- focus their actions on pursuing the overall interests of the bank, regardless of the corporate structure that voted for them or the list from which they are taken;
- guarantee compliance with operation and judgement independence.

These skills are monitored annually through the self-assessment process, which requires each Director to judge their own level of technical-regulatory competences in relation to the Bank's business and any other subjects deemed necessary considering the Bank's activities.

The Bank is also aware that an appropriate degree of diversification in terms of age, gender and geographic origin gives a plurality of approaches and perspectives in analysing problems and taking decisions, avoiding the risk of behaviour that aligns with a dominant position, within or outside the Bank. Objectives regarding diversity in the composition of the Board must be pursued considering the skills and professionalism requirements which all directors must possess.

To this end, the adopted Board member selection process protects and promotes their diversity right from the nomination phase, as the list vote mechanism governed by the Articles of Association ensures that at least one Director is chosen from minority shareholdings and that the regulatory provisions on the number of candidates belonging to the least represented gender are complied with; As already mentioned, at least a third of the Board of Directors must be made up of the least represented gender.

As a result, the Bank does not consider it necessary to adopt additional specific diversity policies relating to the composition of the strategic supervisory body.

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Banca IFIS has also adopted measures to promote equal opportunity and treatment of gender within the entire business organisation. The Group firmly condemns any discrimination against employees or applicants based on gender, age, religious or political beliefs and trade union affiliation, as well any form of nepotism and preferential treatment.

As the Code of Ethics—the Group's main reference for standards of conduct and ethics—clearly states, all Group employees shall maintain the highest standard of conduct, respecting the dignity and moral personality of everyone. These rules apply also to Collaborators.

It is possible to report any conduct contrary to these principles, with the guarantee that the personal data of the complainant and the alleged offender will remain confidential, through the Whistleblowing mechanism, which is available to employees as well as collaborators and independent contractors working with the Group on a regular basis. No incidents of discrimination were reported in 2019.

As for the composition of staff, we can see that, as at 31st December 2019, 52.13% of the employees of Banca IFIS are women; specifically, approximately 40.35% of management personnel (Senior and Middle Managers) are women.

The differences in base remuneration between men and women range from 0.78% to 12.33% in favour of men, in accordance with grade.

## Maximum number of posts held in other companies

The "Regulation on the maximum number of posts held in other companies by company officers" was approved by the Shareholders' Meeting of 30th June 2009.

This Regulation first of all establishes that:

“The Officers of Banca IFIS S.p.A. accept their post and hold it insofar as they believe themselves able to dedicate the necessary time to the diligent performance of their tasks, taking into account both the number and the quality of posts held in the administration and control bodies of other companies and the commitment required of them by their other professional activities and by associated posts held”.

To calculate the limits on the maximum number of posts in other companies as governed by the “Regulation”, the following are considered significant:

- a) companies with shares listed in Italian or foreign regulated markets;
- b) Italian or foreign companies with shares not listed in regulated markets and that operate in the insurance and banking sectors and in the financial sector in general. As regards the latter sector, the only financial companies considered significant are those subject to prudential supervision by the Bank of Italy and registered on the list of financial intermediaries as set out in Article 106 of (It.) Legislative Decree no. 385/1993. An equivalent assessment is made for foreign companies;
- c) “companies of significant size” (that is, those that have individual net equity of at least €100m based on the last approved financial statement).

Offices held within the Banca IFIS Group or in companies other than those listed above, are not considered significant.

In the Regulation, the term “executive posts” refers to the following posts:

- Chief Executive Officer
- General Manager
- Member of the Management Board
- Member of the Executive Committee.

The terms “Non-executive Director or controlling posts” refer to the following posts:

- Member of the Board of Directors without powers
- Standing Auditor on the Board of Statutory Auditors
- Member of the Supervisory Board.

In addition to the post held at the Bank, an Executive Director:

- may not hold other executive posts in the companies identified, in terms of type or size, as significant per the Regulation;
- may hold up to a maximum of five posts as Non-executive Director or Statutory Auditor in these companies.

In addition to the office held at the Bank, a Non-executive Director cannot hold more than ten posts as Director or Statutory Auditor in other companies identified, in terms of type or size, as significant per the Regulation, of which not more than two can be Executive posts.

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

Following their appointment, the Company’s Directors and Statutory Auditors must promptly notify the Banca IFIS S.p.A.’s Corporate Affairs Department of any changes regarding the posts held by them in the administration and control bodies of other companies.

Banca IFIS S.p.A.’s Board of Directors has the authority to grant exceptions, including temporary ones, to the maximum limit set out in the Regulation. As of the date of this Report, no such exceptions have been granted.

When appointment lists were submitted by the Shareholders' Meeting on 19th April 2019, all candidates declared – when accepting their candidacy and possible appointment – to have read the “Regulation” and to have declared that they do not hold a number of posts in other companies that exceed the prescribed limits.

Table 6 below shows the number and type of posts held by the Directors of Banca IFIS on the date this Report was drafted, based on information provided thereby. In addition, in order to comply with the requirements of Bank of Italy Circular no. 285/2013 (Section VII, Chapter 1, Heading IV, Part One), evidence was also provided of the posts held in the companies that are not considered significant for the purposes of the “Regulation on the maximum number of posts held in other companies by company officers”.

Table 6

POSTS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS IN OTHER COMPANIES											
	POSTS IN THE BANKING GROUP		COMPANY POSTS RELEVANT FOR THE PURPOSES OF THE REGULATION ON LIMITS ON THE NUMBER OF POSTS HELD BY THE DIRECTORS						COMPANY POSTS NOT RELEVANT FOR THE PURPOSES OF THE REGULATION ON LIMITS ON THE NUMBER OF POSTS HELD BY THE DIRECTORS		TOTAL
			Companies listed in regulated markets, also abroad		Financial, banking, insurance corporations		Companies of relevant size				
	E.	N.E.	E.	N.E.	E.	N.E.	E.	N.E.	E.	N.E.	
Sebastien Egon Fürstenberg									1	2	3
Ernesto Fürstenberg Fassio		1							1		2
Luciano Colombini	2										2
Alessandro Csillaghy de Pacser	1										1
Daniele Umberto Santosuosso							1			1	2
Simona Arduini										7	7
Monica Billio											0
Antonella Malinconico		1									1
Roberto Diacetti		1									1
Divo Gronchi		1									1
Beatrice Colleoni									1	1	2
Luca Lo Giudice		1								5	6

Table 7 shows details of the offices held by the Directors in other companies.

Table 7

	List of posts	Undertakings belonging to the Banca IFIS Group		
		NO	Banking Group	Non-banking Group
Sebastien Egon Fürstenberg President	President of the Board of Directors of La Scogliera S.p.A.	X		
	Chief Executive Officer of La Scogliera S.p.A.	X		
	Limited partner in AB.CO. S.a.s. di Rivolta Gianmario e c.	X		
Ernesto Fürstenberg Fassio Vice-President	Chief Executive Officer of La Scogliera S.p.A.	X		
	President of the Board of Directors of FBS S.p.A.		X	
Luciano Colombini Chief Executive Officer	Chief Executive Officer of IFIS IMPLS.p.A.		X	
	Chief Executive Officer of FBS S.p.A.		X	
Alessandro Csilaghy de Pacser Director	President of the Board of Directors of IFIS Finance Sp. Z.o.o.		X	
Daniele Umberto Santosuosso Director	Director of Lottomatica Holding	X		
	Legal liquidator of Santa Passera II S.r.l.	X		
Simona Arduini Director (LID)	Member of the Supervisory Committee of Veneto Banca S.p.A. in l.c.a.	X		
	Member of the Supervisory Committee of Orconsult Capital Management Italia S.p.A. in l.c.a.	X		
	Member of the Supervisory Committee of Europeenne de Gestion Privee S.A.-filiale italiana in l.c.a.	X		
	Member of the Supervisory Committee of Province Calabre s.c.p.a. in l.c.a.	X		
	Member of the Board of Statutory Auditors of Officine INIPL S.p.A.	X		
	Member of the Board of Statutory Auditors of Rentokil Initial Italia S.p.A.	X		
Monica Billio Director				
Antonella Malinconico Director	Director of IFIS IMPLS.p.A.		X	
Roberto Diacetti Director	Vice-President of the Board of Directors of FBS S.p.A.		X	

	List of posts	Undertakings belonging to the Banca IFIS Group		
		NO	Banking Group	Non-banking Group
Divo Gronchi Director	Director of IFIS NPLS.p.A.		X	
Beatrice Colleoni Director	Sole Administrator of C. Holding S.p.A.	X		
	Director of T2D S.r.l.	X		
Luca Lo Giudice Director	President of the Board of Directors of CISFI S.p.A.	X		
	Director of INTERPORTO CAMPANO S.P.A.	X		
	Director of FRECCIA ROSSA S.P.A.	X		
	Director of CALVI HOLDING S.p.A.	X		
	Director of FBS S.p.A.		X	
	President of the Board of Directors of FBS RE S.p.A.			X

The Directors must also take into account the provisions of Article 36 of (It.) Legislative Decree 201/2011 ("prohibition of interlocking"), converted with amendments by (It.) Law 214/2011, which forbids persons holding posts in the management, supervisory and control bodies and the executives of undertakings or groups of undertakings operating in the credit, insurance and financial markets from assuming or exercising similar posts in competing undertakings or groups of undertakings.

## Induction Programme

Given the renewal of the structure of Directors elected by the Shareholders' Meeting of 19th April 2019, the company considered carrying out the assessment process shortly before the expiry of the first year of the mandate; however, as the skills and professionalism of the candidates were made known and assessed on the occasion of their nomination, the company decided to allow an adequate period of time to the directors so that they become familiar with the particularities of the company.

On assuming their office, the Directors received a wide range of documentation aiming to facilitate the integration of the new members.

As no gaps in the skills of the Board were identified, it was decided to provide its members with access to the Advanced Training for the Board of Directors of the Italian Banking Association (ABI), while an articulated and balanced Training Plan was being formulated.

### 4.3 Role of the Board of Directors

The Board of Directors defines the strategic guidelines and continuously checks their implementation, guaranteeing healthy and prudent management. Its composition, manner of operation, the powers and duties assigned to the Board of Directors are set forth by the law and the Bank's Articles of Association.

#### Meetings and operation

A total of 20 meetings, 5 of which were of the outgoing Board of Directors and 15 of the Board elected by the Shareholders' Meeting of 19th April 2019, were held in 2019; the average duration of the meetings was 4 hours and 52 minutes. The presence percentages are shown in Table 5, on page 15.

Since the start of 2020 and until the date of approval of this document, the Board has held 4 meetings, including the one during the "Report" was approved. We foresee that the number of Board of Directors meetings in 2020 will be in line with that of the previous financial year.

To meet the obligations established for listed issuers by Article 2.6.2 of the Market Regulations of Borsa Italiana S.p.A., the Board of Directors annually approves the Corporate Events Calendar, to be notified to Borsa Italiana for disclosure to the public, within 30 days of the end of the previous financial year.

The Transparency Directive II (2013/50/EU), implemented in Italy by Italian Legislative Decree no. 25 of 15th February 2016, removed the obligation to publish interim management reports but retains the right to reintroduce periodic information in addition to financial and six-monthly reports, albeit only under certain conditions and subject to regulatory impact analysis and to cost/benefit analysis. This provision has been integrated into the CONSOB Issuer Regulations through the inclusion of the new Article 82-ter, in view of which Banca IFIS has announced its choice to continue preparing and publishing quarterly information, in accordance with previous practice, in accordance with the Borsa Italiana regulations for the STAR segment and in order to ensure continuity and regularity of information made available to the financial community.

Therefore, the dates fixed for the Shareholders' Meeting to consider the financial statement and the Board of Directors meetings to approve the draft financial statement and the quarterly/half-yearly financial reports have been included on the Calendar.

The "Regulation on the convoking and functioning of Board of Directors Meetings", last updated on 18th October 2018, states that:

- the documentation supporting discussion of agenda items is made available to each Director and Statutory Auditor, using suitable means, by the end of the third working day prior to the date fixed for the meeting, except in urgent cases when documentation is made available by the end of the day before the meeting and in any case as soon as possible;
- this documentation is to be sent or made available, at the President's request, by the Bank's Corporate Affairs Department;
- where the President deems it advisable in relation to the topics in question and related resolution, and in order to avoid the risk of disclosing confidential information, which may be possible given the means of communication used and regardless of the intentions of those concerned, the information documentation can be provided directly at the meeting, advising Directors and Statutory Auditors of this prior to the deadline indicated above so that, if they deem it appropriate, they can access the information at the Company's registered office by the end of the day before the meeting and in any case as soon as it is available.

The methods and time limits for sending the documentation to the Board as described above were normally complied with during the financial year 2019. The situation whereby the President deemed it appropriate to provide documents directly during a meeting almost never arose. This occurred in negligible percentage terms compared with the total number of issues addressed by the Board, mainly to provide more accurate versions of communications on periodic financial notices, and as regards negotiations concerning potential extraordinary transactions discussed within Banca IFIS during the year.

In accordance with the Articles of Association, Board meetings are attended by the General Manager in a consulting role. The Board in office until the April Shareholders' Meeting chose the Corporate Affairs as the corporate structure tasked with performing the tasks that the Articles of Association entrust to the Secretary for minute keeping; in July, pursuant to Article 12 of the Articles of Association, the Head of the Legal Department was appointed as Secretary of the Board of Directors and the Head of Corporate Affairs was nominated as his alternate. In addition, pursuant to the aforementioned "Regulation", the President and/or the Chief Executive Officer may invite to the meetings of the Board of Directors managers or other Company employees or other subjects or external consultants, whose presence is deemed useful with regard to the subject to be discussed.

During 2019, the Head of the Legal Department and some Corporate Affairs organisational unit staff attended the meetings.

Participants also included:

- the Financial Reporting Officer, the Accounts Manager and the Investor Relations Officer, the Head of Accounting and Budget, the Investor Relator and the Head of Communication, Marketing and External Relations, especially where financial reporting documents and the related press releases were presented;
- numerous managers of the Bank, among whom the Head of Central Operations Directorate, the Head of Doubtful Credits, the Head of Corporate Finance, the Head of the Capital Markets Division, the Head of Transactions of IFIS NPL, the Head of Planning, Control and Annual Business Plan Development, the Head of Large Risks and Monitoring, the Head of Operations Assessment and other heads of department on the occasion of the examination of subjects relating to their activities and responsibilities.

The Head of Internal Audit, the Chief Risk Officer and the Heads of Compliance and Anti-Money Laundering explain directly to the directors their reports and their policies in compliance with the applicable vigilance regulatory framework issued by the Bank of Italy.

Lastly, since April 2019, Giuseppe Rumi, attorney-at-law with the Bonelli Erede Legal Firm has participated in his capacity of external legal consultant of the Bank.

## Tasks

Pursuant to Article 14 of the Articles of Association, besides the duties that cannot be delegated by law, the matters deemed to be the exclusive prerogative of the Board of Directors include:

- the business model, the strategic lines and operations, as well as business and financial plans;
- the internal control system guidelines, ensuring that the system is in line with established strategic and risk appetite measures as well as being able to stay up to date with the company's risks as they evolve and the interaction between them;
- the criteria for identifying large transactions to be submitted for prior approval by the risk control department;
- ensuring that the Articles of Association comply with legislation and regulatory provisions;
- the merger by incorporation of companies in the cases set forth by Articles 2505 and 2505 bis of the (It.) Civil Code;
- reducing the share capital in the event of withdrawal;
- an indication of which directors, in addition to those indicated in the Articles of Association, are the company's representatives;
- the formation of internal committees within the Board of Directors;

- the Risk Appetite Framework and the risk management policies as well as, after having heard the opinion of the Board of Statutory Auditors, assessing the completeness, suitability, functionality and reliability of the risk management and internal control system as well as the suitability of the organisational, administrative and accounting structure;
- determining the Bank's general organisational structure and the subsequent internal regulations;
- opening and organising, including for the purposes of setting out the right of signature, of Subsidiary Offices, Branches, Agencies, Information Points, Contact Addresses, Representative Offices, in Italy and abroad, as well as closing them;
- transferring the company's registered office within national territory;
- acquiring and disposing of shareholdings, businesses and/or business divisions leading to changes in the group, or investments or disinvestments exceeding 1% (one percent) of the shareholders' net equity reported in the Company's latest approved financial statements;
- determining the criteria for carrying out the Bank of Italy's instructions;
- appointing, dismissing and remunerating the General Manager;
- remuneration and incentive policies to be submitted to Shareholders' Meeting, reviewing these policies, at least annually, and being responsible for their correct implementation, with the task of ensuring that the remuneration policy is adequately documented and accessible within the corporate structure;
- the formation of the company control bodies, their tasks and responsibilities, the methods of administration and collaboration, information flows between these departments and between them and management;
- the appointment of the heads of control departments, after having heard the opinion of the Board of Statutory Auditors;
- the risk management process and assessing its compatibility with the strategic guidelines and risk management policies;
- the policies and the processes for assessing company activities, and, particularly, financial instruments, ensuring that they are always suitable and also establishing the Bank's maximum exposure limits to financial instruments or products that are uncertain or difficult to value;
- the process to develop and validate the internal systems to measure risks not used for regulatory purposes and periodically assessing that they function correctly;
- the process for approving new products and services, starting new operations, and entering new markets;
- the corporate policy on the outsourcing of corporate functions;
- the code of ethics which management personnel and employees are obliged to comply with to mitigate the Bank's operating and reputational risks and to promote a culture of internal audit.

Based on the Board of Directors' strategic indications, as well as size objectives and additional qualitative-quantitative elements set out in the Strategic Plan, the Risk Appetite Framework, the ICAAP and ILAAP Reports are drawn up and approved annually by the Board of Directors. In accordance with the requirements of the Supervisory Provisions for banks, as defined by Bank of Italy Circular no. 285, the ICT Strategic Plan is also approved.

As in previous years, in 2019, the Board of Directors approved some documents that are part of the review process of organisational and informational structures.

The Board will assess the general management performance when analysing the Financial Report required by Article 154-ter of the TUF, the comparison between the plan objectives and the results achieved (this analysis is forecast to occur after the half-yearly report is approved), and other documents required by the strategic planning process.

The Board also continually assesses, as part of its responsibilities, the suitability of the Bank's general organisational, administration and accounting structure.

The suitability of the organisational, administration and general accounting structure of the Bank's subsidiaries is assessed by the Board of Directors by using corporate governance and control tools, identified in the Group Regulations which define the roles of the Parent Company and its Subsidiary Companies, as well as the management/administration activities as part of strategic management and technical-operational control activities.



When negotiating regarding the acquisition of new companies, the Bank's Board of Directors has all the tools required to assess the future subsidiary's structures and whether they are in line with the system adopted by the Bank. These reflections lead the Board to issue a special directive, following acquisition, to adapt the new subsidiary's structures and internal control systems to those of the Banking Group.

A description of the organisational model characteristics of the Group's internal control system and of the activities carried out by the Group's control units (that is, as part of the Parent Company's management and administration activities over its Subsidiary Companies) is contained in the "Group internal control system guidelines" and in the regulations governing control organisational units.

In accordance with the provisions of the Articles of Association highlighted earlier, the Board has the power to review and give prior approval for the Issuer's transactions and those of its Subsidiary Companies, when these transactions are of significant strategic, economic, capital or financial importance. In this case, the Board of Directors will be convoked by the President at the start of negotiations with the selling counterparty and/or liaison with the Supervisory Authority, thus being able to guide negotiations until they are concluded, until necessary authorisations are obtained and until closing.

The Board has not established general criteria to identify transactions of significant strategic, economic, capital or financial importance for the Bank, since these operations can only be approved by the Board itself, as part of the planning process or, as has occurred so far, as part of the key points that modify the strategic objectives and risk appetite that have already been approved.

In contrast, the general criteria to identify transactions with associated persons that have a significant impact on the Bank's strategic, economic, capital or financial positions are set out in the "Procedures for transactions with associated persons" which has been updated, together with the Policies to control risk assets and conflicts of interest in relation to associated persons, at its meeting of 29th June 2018, following the favourable opinion of the Financial Reporting Officer, the Board of Statutory Auditors and the Risk Management and of the independent directors of the Risk Management and Internal Control Committee. A small update to the Procedures was approved by the General Manager on 9th October 2018.

Under these Procedures, the following are considered to be significant:

- a) all Transactions dealt with exclusively by the Shareholders' Meeting or the Board of Directors by law or under the Articles of Association;
- b) all transactions not classed as minor transactions.

In any case, the Board of Directors, based on appropriate considerations, has the right to classify which transactions carried out by the Bank or its Subsidiary Companies are significant.

Significant Transactions are divided into:

- a) transactions of greater importance, that is, those that exceed the threshold of 5% of either equivalence value significance index, asset significance index or liabilities significance index;
- b) transactions of lesser significance, those transactions where one of the indices mentioned above, to be applied depending on the specific transaction, is less than or equal to the 5% threshold and whose equivalence value exceeds:
  - o €50,000 for the purchase of goods and/or services;
  - o €250,000 for granting loans.

## Self-assessment

As previously stated, the Board of Directors, at its meeting of 18th January 2019, and also in light of the provisions and instructions provided by the Bank of Italy, concluded its annual assessment of the functioning of the Board and its committees as well as on their size and composition. This assessment was carried out by means of distributing a questionnaire, in the weeks prior, which varied according to the role of the person due to complete it (e.g. the President of the Board of Directors, Members of Internal Committees, etc.).

This assessment was carried out taking into account the usual elements, such as Board members' professional characteristics and experience, both managerial and general, as well as their seniority in office, including with a view to preparing the opinions to be expressed to shareholders on those people whose presence on the Board is deemed to be appropriate.

With regards to the assessment methods used, first of all the President chose the Bank's internal staff to take part in the self-assessment process, taking into account the criteria set by the Bank in its Self-Assessment Process Regulations. During the self-assessment process, the designated individual (Head of Corporate Affairs) was assisted by an external professional, Ferdinando Parente, from the company Parente & Partners S.r.l., who formerly carried out technical assistance and consultancy roles to ensure that the Bank complies with its obligations. This consultancy was terminated on approval by the Board of the results of the self-assessment.

The means of performance adopted for the self-assessment, the main positive outcomes and the points on which attention should be paid or which should be improved may be found in the Report drafted for the year 2018.

Please note that the activity described in the previous Report related to the Board in office until the Shareholders' Meeting of 19th April 2019 and that the current Board launched, in February 2020, almost one year after its installation, its own self-assessment; it will be carried out in accordance with the procedure of the previous year, except from the fact that, for this financial year, the Board has decided not to use the services of an external consultant.

The Shareholders' Meeting did not authorise derogations from the prohibition of competition set forth by Article 2390 of the (It.) Civil Code.

## 4.4. Delegated bodies

### Chief Executive Officers

In the model adopted by Banca IFIS:

- strategic supervision is carried out by the Board of Directors;
- the management function has been assigned to the Chief Executive Officer. The General Manager also performs management functions.

Management powers cover the following main areas:

- staff management;
- granting and use of credit;
- treasury;
- acquisition and disposal of goods and services;
- management of shareholdings in non-financial businesses and indirect equity investments.

Management powers are distributed at a decreasing rate in accordance with the management level, from the Board of Directors down to operating units.

The most significant limits, in terms of value and subject, applied to the Chief Executive Officer's powers are summarised below, notwithstanding the fact that systematic information flows are required concerning the exercise of powers at any given time, and related quantitative limits must be observed:

ASSUMPTION OF THE CREDIT RISK				Limits of the power
Trade Credits	Granting overdrafts on factoring operations			Up to 30m per overdraft, with and without recourse

	Financing of risk category 1 operations (Opening credit in current account; Amortising/bullet loans; Loans on signature; Direct reimbursement of non-notification factoring with non-channelled payment; Minibonds)	Up to 10m
	Financing of risk category 2 operations (Medium/long-term loans assisted by a guarantee fund; Advance on Contract with assignment; Non-notification factoring with channelled payment; Infra-group factoring; Advances on future receivables under maturation; Leasing - Equipment Finance; High-risk non-notification tax receivables)	Up to 20m
	Financing of risk category 3 operations (Notified factoring of ordinary loans; Leasing - Transportation; Tax receivables at high risk with notification; Tax credits at low risk non-notification)	Up to 40m
	Financing of risk category 4 operations (PA recognised and/or certified factoring; Tax receivables at low risk with notification)	Up to 60m
	Structured finance transactions	Up to 20m
	Acquisition and disposal of shareholdings	up to €5m per acquisition/disposal of non-qualified shareholdings and €7.5m for qualified shareholdings as part of the business managed by the Equity Investment BU
	Special Situation	Up to 5m
	Problem Loans	Up to 20m
<p>As part of risk positions falling within the scope of or assumed by the Board of Directors, the Chief Executive Officer is also granted the following powers:</p> <ul style="list-style-type: none"> <li>to suspend, revoke and resume operations;</li> <li>to change the amount of risk, convert its technical form and change its operational characteristics without worsening the overall risk position;</li> <li>to distribute risk in terms of "joint overdrafts", loan duration, credit maximum (for individual or group debtors) and multiple group overdraft.</li> </ul>		
MANAGEMENT OF THE CREDIT RISK		Limits of the power
Trade receivables	Negative balances and/or temporary unplanned overdrafts (Euros)	Max 20% of the overdraft
	Waiving of credit for principal, interest and/or fees	Up to 500 thousand
	Suspension/restoration of credit lines, unloading management, management of blocked positions and reassignment and/or release of debtors	

	Repositioning maturity dates and/or defining repayment plans (with obligation to report to the direct manager) up to 4m and for a maximum term of 12 months		
	Large Public Administration clients	Repositioning maturity dates and/or defining repayment plans (with obligation to report to the direct manager)	Up to 10m
		Waiving of credit for principal resulting from out-of-court activity	up to 100% of the nominal value of the credit provided that it is within the carrying amount estimated on a case by case basis
		Waiving of credit for default interest and/or extension calculated using the rate set out in (It.) Legislative Decree 231/2002	up to 100%
Pharma	Waiving of credit for default interest resulting from out-of-court activity, and waiving of credit for default interest for which legal action has begun as part of the business financing operations managed by the Pharma BU		no limit
Corporate Finance	Waiving of credit		Up to 500,000
Tax receivables	Transactions with no predefined limits and, in any case, with a maximum loss (in relation to the greater between the amortised cost and the price paid) of €500,000		
Problem credits	Waiving of credit for principal, interest and/or fees:		Up to 500,000
	Repositioning maturity dates and/or defining repayment plans (with obligation to report to the direct manager)		Maximum amount 4,000,000 Maximum term 60 months with single signature Unlimited minimum extension rate
	Temporary concession of credit on loans granted as part of the business financing operations to undertakings managed by the Problem Credits BU		Up to a maximum of 20% of the overdraft granted
	Suspension of/abstention from legal action		Up to 10m
	Acceptance of a creditors arrangement, filing proof of claim		Up to 4m
	Standstill (with reference to Special Situation Transactions and Structured Finance)		Up to 10m
	Suspension/restoration of credit lines, unloading management, management of blocked positions and reassignment and/or release of debtors		

	Financing granted to employees, in derogation from the Regulations governing the concession of loans to Banca IFIS Group employees, requires the joint signature of the Head of Human Resources and the Chief Executive Officer	
CAPITAL MARKETS		
<b>PROPERTY PORTFOLIO:</b> Increase up to €2.5bn of the maximum investable Liquidity <b>POSITIONS IN FOREIGN CURRENCIES:</b> Exceeding the individual imbalance limit up to a maximum of 2% of the Total Own Funds at consolidated level		
STAFF MANAGEMENT		
Decisions concerning the start, management and cessation of managers' employment contracts, subject to the authority maintained by the Board for the contracts of key managers and/or those who are on staff on the Board and notwithstanding the fact that the Board retains prerogatives regarding managers of control functions established by the supervisory provisions for Banks.		
DELEGATED POWERS REGARDING THE PURCHASE AND SALE OF GOODS AND SERVICES		
Authorisation of all types of expenditure up to €1,000,000 (only for suppliers who are not associated persons) Decisions regarding lease assets and liabilities, whose annual fee is up to €200,000 Disposal of goods whose original cost is up to €150,000 Appointing external auditors for activities whose costs are lower than €50,000		
INVESTMENTS IN SHAREHOLDINGS		
	NON-QUALIFIED	QUALIFIED
Performing non-financial businesses	≤ 5 ml €	≤ 7.5 ml €
Intermediary organisations	≤ 5 ml €	≤ 7.5 ml €

## President of the Board of Directors

The President of the Board, majority shareholder of the issuer, was not granted managerial powers and does not play a specific role in the preparation of corporate strategies.

## Information to the Board

The Chief Executive Officer, pursuant to Article 15 of the Articles of Association, in emergencies may adopt decisions regarding any business or transaction that does not fall under the exclusive purview of the Board of Directors, immediately notifying the President of such decisions and announcing them to the Board at the first subsequent meeting.

In all remaining cases, the Chief Executive Officer reports to the Board on their activity with the frequency summarised below:

Report on liquidity status	monthly
Composition of investment securities portfolio	monthly
Credit-granting activity	monthly
Report on use of spending powers	quarterly
Report on use of Human Resources management powers	half-yearly
Incentive system (report on criteria adopted by Senior Management)	annual

#### 4.5. Other Executive Directors

There are no other directors considered to be Executive Directors because they hold:

- the post of Chief Executive Officer or President of a strategically significant Subsidiary Company;
- management posts within the Bank or in a strategically significant Subsidiary Company or in the controlling company.

#### 4.6. Independent Directors

The Board carries out its own assessments of the requirements established by the Corporate Governance Code for directors classified as independent at the first meeting after appointment by the Shareholders' Meeting. It also periodically assesses the directors' level of independence. On 19th April 2019, following its appointment, the Board ascertained that seven of its members (Simona Arduini, Antonella Malinconico, Beatrice Colleoni, Monica Bilio, Daniele Umberto Santosuosso, Divo Gronchi and Roberto Diacetti) met the independence requirements as set out in the Corporate Governance Code for Listed Companies, and paragraph 3 of Article 148 of the TUF.

The independence requirements were checked taking into consideration, inter alia, the information concerning the existence of relationships (credit, commercial/professional and employment, as well as relevant offices held) directly or indirectly between the Directors and (i) the Bank, (ii) the Parent Company and/or group company, and (iii) the President of the Board of Directors, the Executive Directors and the Managers with strategic responsibilities of the companies under points (i) and (ii) above.

The Company deemed it appropriate to adopt specific criteria for checking the independence requirements, since such check requires a more extensive assessment that takes into account subjective and objective factors.

The criteria identified for this purpose and established also taking into account best practice included: (i) the nature and characteristics of the relationship; (ii) the amount, in absolute and relative terms, of the transactions; and (iii) the subjective profile of the relationship.

In particular, in assessing the importance of the relationship, the following information was taken into account, if available: 1) for credit relationships, the amount in absolute value of the credit granted, its percentage weight compared to the total value of the borrower's debt and, where appropriate, the economic/financial situation of the latter; 2) for professional/commercial relationships, the characteristics of the transaction/relationship, the amount of the consideration and, where appropriate, the economic/financial situation of the counterparty; 3) for employment relationships, the terms and characteristics of the related relationship and the remuneration envisaged; 4) for posts held at group companies and/or at the parent company, the total amount of the related remuneration and its percentage weight compared to the total economic/assets situation of the director concerned; as well as any other payment and/or remuneration received on any grounds, in the last three financial years, from (i) Banca IFIS, (ii) the parent company and/or the group companies, including any additional remuneration (compared to the "fixed" emoluments of non-executive director and the fee for participation in the committees), also in the form of participation in incentive plans linked to corporate performance, also in the form of shares.

In addition, the Board of Statutory Auditors, in accordance with the application criterion 3.C.5 of the Corporate Governance Code checked, on the same date, the application of the ascertainment criteria and procedures adopted by the Board of Directors to assess the independence of its members, deeming it compliant with the instructions provided by the Corporate Governance Code.

The outcome of the assessments performed was announced by means of a communication to the market issued on the same date, i.e. on 19th April 2019.

In addition, the Board of Directors checks, on an annual basis, that the independent directors still meet the independence requirements laid down by the Corporate Governance Code and by Article 148, paragraph 3 of the TUF. The next check will be carried out during the Board meeting of 26th March 2020.

In compliance with the *application criterion* 3.C.6 of the Code, on 19th December 2019 the independent directors met in the absence of the other directors; the self-assessment process and the discussion of subjects pertaining to corporate governance took place during said meeting.

#### 4.7. Lead Independent Director

In line with the guidelines established by the Corporate Governance Code for Listed Companies (application criterion 2.C.4), as the President of the Board of Directors is also the majority shareholder of La Scogliera S.p.A. and thus controls Banca IFIS, the Board of Directors has designated an independent director as Lead Independent Director.

The Lead Independent Director is the point of reference and coordination for (non-executive and, particularly, independent) Directors' requests and contributions and for cooperation with the President of the Board of Directors towards ensuring that information flows between directors are constant and effective.

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

On 19th April 2019, the Board of Directors appointed Professor Simona Arduini as Lead Independent Director for the three years 2019/2021.

## 5. Processing corporate information

The Bank has adopted the "Policy for Managing Inside Information", last updated in September 2019 to reflect a reorganisation of certain stages of the process, pursuant to application criterion 1.C.1., letter j of the Corporate Governance Code.

The Policy governs in detail the identification, internal management and external communication of inside information. In addition, it establishes the duties and responsibilities of the Bank's representatives in the context of the meetings with the financial community.

The policy requires the creation of an inside information register (RIL) with the aim of mapping in advance the types of inside information which may affect the Bank or its Subsidiary Companies in order to make subsequent continuous identification easier. For each type of significant information, the map indicates the organisational roles who ordinarily have access to it for the purposes of facilitating the compilation of the register of persons who have access to inside information.

In future, information regarding Banca IFIS or a Subsidiary Company will be checked to see if it is significant information and, if so, if it can be classed as inside information.

## 6. Internal Board Committees



Three committees have been established within the Board of Directors; these committees, which have powers of investigation, consultation and proposal, allow the body tasked with strategic supervision to adopt its decisions with a better knowledge of the facts:

- Risk Management and Internal Control Committee;
- Appointments Committee;
- Remuneration Committee.

The composition, operation and powers of the Board Committees are governed by the Regulation of each individual Committee and by the General Regulation; the information is reported in the various reporting meetings held by each Committee.

No function has been distributed other than per the recommendations of the Code or reserved for the entire Board.

In line with the provisions of the Corporate Governance Code, on the occasion of the extraordinary Shareholders' Meeting held on 19th December 2019, the new Article 12-bis was introduced, which governs, at Articles of Association level, the Board committees.

Table 8 shows information on the composition of the Committees and the actual participation in meetings of each member.

Table 8

Components	Exec.	Non Exec.	Indep. Code	Indep. TUF	Risk Management and Internal Control Committee		Appointments Committee		Remuneration Committee	
					Post held	% particip. meetings **	Post held	% particip. meetings **	Post held	% particip. meetings **
Sebastien Egon Fürstenberg		X								
Ernesto Fürstenberg Fassio		X								
Luciano Colombini	X									
Alessandro Csillaghy de Pacser		X								
Daniele Umberto Santosuosso		X	X	X	P	100%	p *	100%	M*	100%
Simona Arduini		X	X	X	M	100%			P	100%
Monica Billio		X	X	X	M	88.23%				
Antonella Malinconico		X	X	X	M	87.50%				
Roberto Diacetti		X	X	X	M**	75%	M	66.66%		
Divo Gronchi		X	X	X			P	100%		
Beatrice Colleoni		X	X	X			M	66.66%	M	90.91%
Luca Lo Giudice		X							M	100%
<b>Members who ceased to hold office during the Financial Year 2019</b>										
Giovanni Bossi	X									
Giuseppe Benini		X	X	X	P	100%	M	100%		
Marina Salamon		X								
Francesca Maderna		X	X	X	M	100%			P	100%
Riccardo Preve		X					M	100%	M	100%

P = President; M = Member  
P \* = President in office until 19th April 2019; M\* = Member in office until 19th April 2019  
M\*\*= appointed on 19/09/2019  
\*\* Percentage of participations in meetings (no. of presences/no. of meetings held during the effective time in office of the subject during the Financial Year)

## 7. Appointments Committee

## Composition and role of the Appointments Committee

The Regulation of the Appointments Committee sets forth that it is composed of at least 3 members chosen from among the non-executive members of the Board of Directors, the majority of whom must be independent; the members must possess skills useful for the performance of their tasks. The Committee's President must be chosen from among the independent directors.

The Committee currently in office is composed of the independent directors Divo Gronchi, as President, Roberto Diacetti and Beatrice Colleoni.

The Regulation envisages that the President of the Board of Statutory Auditors, or another Standing Auditor delegated by them on a case by case basis, may attend Committee meetings. The Committee's meetings may also be attended by the other members of the Board of Statutory Directors. The Chief Executive Officer and the General Manager may also attend, where no matters that concern them are discussed.

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

- external consultants, who may also be chosen from among the members of the Board of Directors, provided that these experts do not, at the same time, provide the Parent Company and/or other Group companies with services of such significance as to compromise the consultants' independent judgement;
- any corporate officer or employee of the Parent Company or of another Group company.

Summary minutes of the Committee's meetings are kept, to be signed by the members, which are notified to the Board by the President of the Committee at the first available meeting.

During the financial year 2019, the Appointments Committee met 5 times, of which two were joint meetings with the other Committees and, on the occasion of one of these meetings, also jointly with the Board of Statutory Auditors. The meetings lasted 47 minutes on average.

The two meetings held before the April Shareholders' Meeting were attended, on the invitation of the Committee and for single items on the agenda, by Ferdinando Parente and an associate of the consultancy firm Parente & Partner srl; the meetings are usually attended by Corporate Affairs staff to assist the Committee in drafting minutes, and, since last April, by the Bank's external legal advisor.

On the date of approval of this Report, the Appointments Committee met once to launch the process of self-assessment of the Board of Directors and of the Committees and the process for checking the requirements of professionalism, integrity and independence. Four meetings have been planned for the financial year 2020.

## Duties of the Appointments Committee

The Committee assists the Board of Directors and other corporate bodies in the following processes:

- appointing or co-opting directors: the Committee gives advice during the advance identification phase regarding the optimal size and qualitative-quantitative composition of the Board of Directors, including in terms of professionals whose presence on the Board is deemed to be appropriate and in light of current legislation and regulatory provisions. The Committee also gives advice after the appointment process has taken place, checking that the optimal qualitative-quantitative composition of the Board identified prior to this process have been met by the appointment process. In the event that independent directors are to be replaced through co-option, the Committee proposes candidates to the Board;
- the self-assessment of company bodies: specifically, the Committee submits proposals to the President of the Board of Directors regarding the staff tasked with the self-assessment process of company bodies with strategic supervision and management functions;
- verifying that those individuals with accounting, management and control roles possess the requisites of professionalism, integrity and independence, in accordance with Article 26 of (It.) Legislative Decree no. 385/1993 (TUB);

- defining succession plans for senior management positions (Chief Executive Officer and General Manager) due to expiry of mandates or for any other reason, in order to ensure business continuity and to avoid economic and reputational damage.

Furthermore, the Committee:

- assists the Risk Management and Internal Control Committee in finding and proposing suitable candidates to the Board of Directors to be appointed as heads of company control bodies;
- gives its opinion to the Board of Directors on limits to the total number of posts that Directors and Statutory Auditors can hold and on any derogations from the non-competition clause pursuant to Article 2390 of the (It.) Civil Code.

During 2019, the Committee discussed matters related to the self-assessment of corporate executives, to the description of the optimal qualitative-quantitative composition of the Board of Directors, the determination of the criteria for verifying the requirements of corporate executives, verifying the requirements, verifying of the correspondence between the optimal qualitative-quantitative composition and that resulting from the appointment process. The appointment of the Head of Internal Audit and of the Head of Risk Management were discussed in joint meetings.

The Committee may access all company information deemed relevant for the performance of its tasks and may have autonomous use of a set of financial resources to the limit of €60,000 per year established by the Board by virtue of decision dated 3rd February 2015 and with the requirement of reporting on the use of funds, at least once a year, usually during the review of the Report on Corporate Governance and Shareholding Structures.

## 8. Remuneration Committee

Please refer to the relevant parts of the Remuneration Report published pursuant to Article 123-ter of the TUF.

## 9. Directors' Remuneration

Please refer to the relevant parts of the Remuneration Report published pursuant to Article 123-ter of the TUF.

## 10. Risk Management and Internal Control Committee

The Risk Management and Internal Control Committee is responsible for supporting the Board of Directors in making assessments and decisions concerning the internal control and risk management system and concerning the approval of the periodic financial reports based on preliminary analyses.

It is composed of members of the Board of Directors chosen from among the non-executive directors, the majority of whom must be independent, in possession of knowledge, skills and experience such as to allow them to fully comprehend and monitor the bank's risk-related strategies and guidelines.

At least one member of the Committee must possess sufficient experience in accounting and financial matters or in risk management, to be assessed by the Board of Directors on their appointment. The President of the Committee is chosen from among the independent directors and must possess sufficient experience in accounting and financial matters or in risk management.

## Composition

On the date of publication of this Report, and in compliance with Principle 7.P.4., the Committee is composed of 5 Independent and Non-Executive Directors: Daniele Umberto Santosuosso (holding the office of President), Simona Arduini, Monica Billio, Antonella Malinconico and Roberto Diacetti (appointed on 19th September 2019).

The work of the Committee is coordinated by the President; minutes of the meetings are kept regularly and the President of the Committee is responsible for informing the Board at the first available meeting.

During 2019, the Committee met 24 times, six of which were joint meetings with the Board of Statutory Auditors, one was a joint meeting with the Appointments Committee, the Remuneration Committee and the Board of Statutory Auditors, and one a joint meeting with just the Appointments Committee and the Remuneration Committee, with meetings lasting an average of two hour and thirty-seven minutes.

Since the start of the year 2020 and up to the date of approval of this document, the Committee has met six times, of which two were joint meetings with the Board of Statutory Auditors; 21 meetings have been planned for 2020, 6 of which have already been held as of the time of writing this Report.

The President of the Board of Statutory Auditors - or another auditor designated by the President on a case-by-case basis - assists the work of the Committee. Whenever deemed appropriate with regard to the matters to be discussed, the Risk Management and Internal Control Committee and the Board of Statutory Auditors hold joint meetings.

In addition to holding joint meetings with the control body, during its meetings, the Committee also interacted, to address individual subjects, with the Chief Executive Officer, the General Manager, the Financial Reporting Officer (and the Chief Financial Officer), the Heads of Compliance and Anti-Money Laundering, the external auditing firm and the Chief Risk Officer. It systematically interacted with the Head of Internal Audit, who normally attends the Committee's meetings with a view to achieving synergy between the various stakeholders in the internal control system. The Committee also met, to analyse the Board's work, with the Head of Problem Credits, the Head of Accounting, the Head of Monitoring and Control of Financial Information and the Head of Regulatory Reporting, the Head of Operations, the Head of Privacy and Security Management, the Head of Complaints, and the Head of Validation.

The Head and/or other employees of Corporate Affairs are normally invited to Committee meetings.

## Duties of the Risk Management and Internal Control Committee

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

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

The Risk Management and Internal Control Committee is required to provide its favourable opinion (which is binding) regarding the appointment and dismissal of the Head of the Internal Audit and the allocation of adequate resources by the Board so that the Head of Internal Audit can carry out his or her duties.

When assisting the Board of Directors, the Risk Management and Internal Control Committee:

- assesses, together with the Financial Reporting Officer, and having heard the opinion of the external auditor and the Board of Statutory Auditors, the correct application of accounting standards and their uniformity for the purpose of preparing the financial statements and the consolidated financial statements;
- expresses opinions on specific aspects regarding the identification of the main business risks;

- examines the periodical reports covering the evaluation of the internal audit and risk management system, and those of particular significance prepared by Internal Audit;
- monitors the autonomy, suitability, effectiveness and efficiency of Internal Audit;
- may ask Internal Audit to carry out checks on specific operational areas, notifying the President of the Board of Statutory Auditors at the same time;
- examines the annual plans of the control functions and the reports on their implementation;
- identifies and proposes, with the contribution of the Appointments Committee, the heads of the company control functions to be appointed;
- contributes, through assessments and opinions, to defining the company's policy on any outsourcing of company control functions;
- ensures that all company control functions correctly in accordance with the indications and guidelines approved by the Board of Directors and assists the latter in developing the coordination document for the control functions and for the company/group internal audit and risk management system in general.

With particular reference to the tasks relating to managing and controlling risks, the Committee acts as support to the body with strategic supervisory function:

- in defining and approving strategic risk management guidelines and policies. As part of the RAF [Risk Appetite Framework], the Committee carries out assessments and makes proposals so that the Board of Directors can define and approve the risk objectives and the tolerance threshold;
- in verifying the correct implementation of strategies, risk management policies and the RAF;
- in defining the evaluation policies of business activities, including verifying that the price and terms of transactions with customers are in line with the business model and risk strategies.

Without prejudice to the powers of the Remuneration Committee, the Risk Management and Internal Control Committee certifies that the incentives underlying the Bank's remuneration and incentive system are in line with the RAF.

The President of the Risk Management and Internal Control Committee reports to the Board of Directors at its next available meeting, on the activities carried out, whether it used any of the finances allocated to it, as well as on the suitability of the internal audit and risk management system. The President of the Committee, where necessary, assesses whether further forms of reporting are appropriate.

On the subject of transactions with related parties and/or associated persons, the Risk Management and Internal Control Committee also performs the roles assigned to it by the Board of Directors, as governed by the current "Procedures".

During 2019, the Committee's activity concerned the following key guidelines:

- update of the list of "related parties" and receipt of the quarterly report on the state of positions.
- discussions with the Heads of Internal Audit, Risk Management, Anti-Money Laundering and Compliance on the respective plans and annual reports, on the quarterly Dashboards which are then sent to the Bank of Italy, and, in particular, discussions with the Chief Risk Officer regarding the ICAAP/ILAAP report, the RAF, the Recovery Plan and the Contingency Funding Plan;
- investigation on the work of the Board of Directors for matters concerning:
  - quarterly assessments of receivables and other financial statement items, in view of the periodic financial reports;
  - half-yearly complaint management assessments;
  - dialogue, together with the Board of Statutory Auditors, with the Financial Reporting Officer and with the external auditor;
  - dialogue with the Head of the Business Continuity Plan and with the executives responsible for ICT governance (strategic plan, reports, disaster recovery and business continuity tests and plans);
  - dialogue with contacts from the Outsourced Important Operating Functions;
  - annual assessment of the control functions;

- internal regulation (regulations, policies, organisational processes and procedures, methodological manuals, responsibilities);
- management trends and forecasts.

The Committee has also actively participated in the process which led the Board of Directors to express a positive assessment on the fact that the internal control system and the business organisation are aligned with the principles laid down in Part I, Heading IV, Chapter 3 of Bank of Italy circular no. 285/2013 as amended and that company control functions meet the requirements and comply with the provisions of Section III of the above Supervisory Regulations.

The Committee may access all company information deemed relevant for the performance of its tasks and may have autonomous use of a set of financial resources to the limit of €60,000 per year established by the Board and with the requirement of reporting on the use of funds.

## 11. Risk management and internal control system

The internal control system plays a central role in the organisation of Banca IFIS, represents a fundamental element for monitoring corporate risks and their inter-relations; in addition, it encourages the dissemination of a proper culture of risks, lawfulness and corporate values.

The Banca IFIS Group's internal control system consists of rules, procedures and organisational structures aimed at ensuring, among other things, monitoring of the strategic risk, the effectiveness and efficiency of processes, and compliance of operations with the law, supervisory regulations, and the policies, procedures and codes of conduct adopted by the Group.

All business operations are subject to audits: by the functions or business Areas that own the various processes and operations (line controls or first line of defence), second line of defence functions (Risk Management, Compliance and Anti-Money Laundering), and third line of defence functions (Internal Audit).

In defining the strategic plan, the Board of Directors has defined the nature and level of risk compatible with the Bank's strategic objectives, including in its assessments all risks that may have an impact on medium/long-term sustainability.

In the document "Group guidelines on the Internal Control system", last updated in September 2018, the Board of Directors defined the guidelines at Group level:

- a) the principles underlying the internal control system;
- b) the internal control system's development process, with comprehensive division of tasks between the governing bodies regarding the following phases:
  - I. design of the internal control system;
  - II. implementation of the internal control system;
  - III. evaluation of the internal control system;
  - IV. external communication concerning the internal control system;
- c) the elements that characterise risk governance;
- d) the organisational control model;
- e) the control roles and tasks assigned to the organisational units that carry out the company control functions;

- f) the liaison methods between organisational units that carry out the company control functions;
- g) the information flows between the organisational units that carry out the company control functions and between the organisational units and management;
- h) the coordination of the Group's internal controls.

Risk Management is required to identify the risks the Parent and the Group companies are exposed to and measures and monitors them on a regular basis through specific risk indicators, planning potential actions to mitigate material risks. The goal is to provide a holistic and comprehensive view of the risks the Group is exposed to, ensuring an adequate reporting to governance bodies. Risk Management regularly reports to corporate bodies on its operations through the Dashboard-as well as, if required, to the Bank of Italy and CONSOB.

The Group's overall risk governance and management structure is governed by the Risk Appetite Framework and the relevant documents, which are constantly updated based on the evolution of the Group's strategic framework. Concerning the changes in the Group's scope, Banca IFIS promptly aligns and integrates risk governance and management methods while taking into account the peculiarities of each business.

Specifically, Banca IFIS has prepared a Taxonomy of Risks describing how it identifies the existing and/or potential risks the Group could be exposed to in pursuing its strategic goals as well as the tools for preventing and mitigating each type of risk.

The Parent carries out an initial identification of risks based on the list of the minimum risks laid down by supervisory regulations, adding any additional material risks emerged during the analysis of the business model and reference markets in which the Group's companies operate, the strategic outlook, operational methods, and the characteristics of loans and funding sources.

Identifying risks and regularly updating the relevant taxonomy is the result of the joint work of second line of defence functions (Risk Management, Compliance, Anti-Money Laundering) and third line of defence functions (Internal Audit), which meet once a year to discuss whether to introduce new risk events and/or review the assessment of potential risks based on the risk management outcomes of the previous year.

The Supervisory Board is tasked with suitably identifying and monitoring the risks as per (It.) Legislative Decree 231/2001 that are or may be assumed with regard to actual corporate processes, constantly updating the Organisational Model by mapping risk areas and "sensitive processes".

The Risk Management and Internal Control Committee is responsible for supporting the Board of Directors in making assessments and decisions concerning the internal control and risk management system.

The audit work performed by Compliance (systematic audits and inspections) is based on the plans approved by the Board of Directors and seeks to evaluate the effectiveness of the required, proposed or implemented organisational measures intended to manage the risk of non-compliance. The audits' outcomes are formalised in reports that are shared with the competent corporate functions, which are requested to provide feedback on the remedial actions identified and on the schedule of their implementation. These obligations are subject to the monitoring of the department and to periodic reporting to the corporate bodies, through the Dashboard and, where envisaged, to the Bank of Italy and CONSOB.

Concerning the regulations for which there is specialised supervision (e.g.: occupational safety or personal data processing), the responsibilities of Compliance can be adjusted, for instance by making the organisational unit responsible for coordinating methods, so that it can provide the Corporate Bodies with a comprehensive view of the exposure to the risk of non-compliance. In any case, Compliance, at a minimum and together with the relevant specialised structures, is responsible for defining non-compliance risk assessment methods, identifying the relevant procedures, and reviewing whether these are adequate.

Compliance operates using two types of approaches:



- before the event (ex ante): advice in support of business, both planned in advance, in regulatory contexts identified and updated with a risk-based approach and in line with the Group's Strategic Plan, and "on call" for specific needs (e.g. new products or activities);
- after the fact (ex post): compliance audits in accordance with the Annual Compliance Plan as well as systematic inspections, whose findings are shared with the functions concerned, reported to the Board of Directors through the Dashboard, and notified to the Bank of Italy.

It continuously monitors the evolution of the regulatory framework and performs impact assessments, provides advice and support to business on new projects and on the correct management of the risk, carries out compliance checks on processes and products, monitors the effectiveness of internal processes.

In addition, when starting a major project (such as acquisitions or the launch of new products or operations), the Compliance function actively participates by providing operational and other recommendations on how to properly manage the risk of non-compliance, for instance in terms of precautions and controls to be implemented, regulations impacted, and monitoring actions to be taken.

To promote a culture of respect for the law at all organisational levels, in 2019 the Group provided refresher courses and training programmes to employees to make sure they acquire and develop the knowledge necessary to comply with the law, internal rules, and industry regulations. Compliance informs the structures concerned of any regulatory changes deemed significant, and either provides training or encourages more comprehensive training initiatives by involving Human Resources.

Anti-Money Laundering performs systematic second line of defence audits concerning the risk of money-laundering and financing of terrorism to ensure the relevant procedures are properly applied to operational processes, and develops Key Risk Indicators representing the most significant risk factors to be monitored. The function shares the audit findings and the action plan with the relevant Management. These audits and indicators are also displayed in the Dashboard on a quarterly basis and reported to the Board of Directors as well as, if required, to the Bank of Italy. Anti-Money Laundering also monitors the evolution of the regulatory framework on matters under its purview, notifying the structures affected and taking action for the necessary adjustments. To guarantee the effective application of the anti-money laundering regulatory framework, the function also ensures the implementation of staff training programmes that guarantee full awareness of the corporate purposes, principles, obligations and responsibilities in matters of the fight against money laundering.

The audit work performed by Internal Audit concerns all processes and consists in regularly monitoring the application of all the Bank's operational policies, procedures and practices to identify potential areas of improvement of the corporate processes, violations of internal and external rules as well as evaluate the effectiveness of the internal control system as a whole.

Internal Audit operates based on the plans approved by the Board of Directors, which, for 2019, were discussed in the meeting of 18th July 2019, and conducts unplanned audits if required. Audit findings are shared with the relevant organisational unit as well as second line of defence functions, which are involved because of either their expertise or their responsibilities on a case-by-case basis, and submitted to the Board of Statutory Auditors and shared with the Risk Management and Internal Control Committee during quarterly reporting. Internal Audit reports to the Corporate Bodies, specifically by presenting specific reports (Annual reports and Quarterly Dashboards) that, if required, are also submitted to the Bank of Italy or CONSOB.

The overall risk management and internal control system was the subject of a positive evaluation by the Board of Directors and by the Board of Statutory Auditors at the meeting held on 28th March 2019.

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

### **a.1. Introduction**

In relation to the financial reporting process, the risk management and internal control system are components of the same overall "System", which is designed, among other things, to ensure the credibility, accuracy, reliability and timeliness of financial reporting.

To ensure appropriate safeguards and correct mitigation against the risk of inaccurate financial reporting, Banca IFIS has a specific analysis framework that crosses the various business processes and aims to identify and control the main risks that the Company is exposed to in carrying out significant transactions that generate the information contained in the financial statements and any other report of a financial nature.

The application of the framework is designed to ensure accuracy, reliability and timeliness of financial reporting, working towards integration with the overall risk management and internal control system.

The provisions in the Articles of Association concerning the Financial Reporting Officer, the appointment of the current Financial Reporting Officer, the Group's Risk Management Policy Regarding Inaccurate Financial Reporting, the updated "Financial Reporting Officer's Scope of Activity" and the "Financial Reporting Officer's Regulations and the Monitoring and Control of Financial Reporting", approved by the Board of Directors, comprise, together with the overall set of administrative and accounting procedures, the collection of measures adopted by the Bank to cover the risk of inaccurate financial reporting.

The framework is made up of several levels of analysis that, together, define adequate Group administrative and accounting procedures. It is inspired by the principles and guidelines defined by the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (known as CoSO) and by the Control Objectives for Information and related Technology (known as CobiT), considered as reference models accepted internationally.

The framework analysis levels are as follows:

- **Process-level controls:** these are checks carried out at the process level. Their implementation provides evidence that adequate administrative and accounting procedures are applied in order to ensure effective internal control over financial reporting;
- **IT General Controls or "ITGC":** these are checks that operate at the company level and are specifically related to the Information Technology management processes that support the execution of business processes. They relate, for example, to software acquisition and maintenance, physical and data security management, application development and maintenance.

## a.2. Description of key characteristics of the current risk management and internal control systems in relation to the financial reporting process (the "System")

The process of managing the risk of inaccurate financial reporting and the methods of collaboration and coordination between the Monitoring and Control of Financial Reporting department, the Accounting and Financial Statement department and the Bank's other departments and bodies are defined within the Group Policy to manage the risk of inaccurate financial reporting, approved by the Board of Directors. The Accounting and Financial Statement department is required to perform administrative and accounting tasks, as well as producing financial reports with the contribution of the Financial Reporting Officer and certified by the latter pursuant to Article 154-bis of the TUF.

### a.2.1 Phases of the risk management process regarding inaccurate financial reporting

The operational approach that characterises the overall process of risk management of inaccurate financial reporting is divided, in line with the Bank's risk management process phases, into the following sub-processes:

- **Identification:** the Monitoring and Control of Financial Reporting department, with operational support from the Accounting and Financial Statement section, identifies entities to be included in the scope of verification activities. The significance of Subsidiary Companies is assessed annually on the basis of the criteria adopted.

- **Risk Assessment:** the risks identified are assessed in terms of potential, considering the relative frequency and severity of impact. Subsequently, the Monitoring and Control of Financial Reporting department evaluates the adequacy of the defined organisational safeguards in terms of preventing the risk of inaccurate financial reporting and ensuring compliance with current external legislation, in addition to principal best practice (control design assessment).
- **Monitoring:** The Monitoring and Control of Financial Reporting department, considering the suitability expressed regarding the administrative and accounting procedures, checks that the identified controls are actually put into practice in the manner and frequency prescribed and are tracked by filing the relevant evidence (verifying the effective application of control).
- As part of the management and administration actions exercised by the Parent Company over Group companies, the Parent Company's Financial Reporting Officer, by means of the Monitoring and Control of Financial Reporting department, analyses the documentation produced by the contacts at each Subsidiary Company's Financial Office (where considered significant during annual planning) and assesses the results of checks carried out by them for the purposes of accurate consolidated financial reporting. Any problems emerging will be summarised in a report prepared every six months by the Parent Company's Financial Reporting Officer, submitting it for the attention of the Board of Directors.
- **Mitigation:** suitability assessment and checks on effective application can highlight potential deficiencies in organisational safeguards set out to reduce the risk of inaccurate financial reporting. On receipt of the results of Assessment and Monitoring activities, the Organisational Office will define, with the support of the Monitoring and Control of Financial Reporting and Accounting and Financial Statement departments, the necessary corrective action and/or actions to strengthen the existing safeguards.
- **Reporting:** the Monitoring and Control of Financial Reporting department prepares a report every six months which it shares with the Chief Executive Officer and subsequently submits to the Board of Directors, the Risk Management and Internal Control Committee, and the Board of Statutory Auditors. The report shows the checks carried out, their results and any problems encountered. The Financial Reporting Officer uses the suitability and effective application assessments on the administration and accounting procedures to provide the certification required pursuant to Article 154-bis, paragraph 5 of (It.) Legislative Decree no. 58/98.

### a.2.2 Roles and Departments involved

In light of the significant responsibilities entrusted to them, the Financial Reporting Officer is attributed appropriate powers and resources to perform their duties, as detailed in the last paragraph, number 11.5. The Financial Reporting Officer receives all cooperation necessary from all of the Bank's organisational units to carry out the activities of the role, having guaranteed free access to all areas, information, accounting records and documents relating to the role's activities. In addition, if necessary, they may require information or documents held by external suppliers, through the relevant contact point for the outsourced activity. Lastly, the Financial Reporting Officer may agree with each organisational unit involved in the process on the procedures for transmitting the information flows necessary to carry out their duties.

The Financial Reporting Officer, in performing their activities, has access to the Monitoring and Control of Financial Reporting organisational unit. This OU assesses the completeness, suitability, functionality and reliability of the internal control system, focusing on producing financial reports and managing the risk of their potential inaccuracy.

The Monitoring and Control of Financial Reporting section works closely with the Finance, Organisation and Operations organisational units, each in relation to its own activities.

Internal Audit assesses the completeness, suitability, functionality and reliability of the process to manage the risk of inaccurate financial reporting.

As part of the management and administration activities exercised by the Parent Company over Group Companies, the Parent Company's Finance Department issues administrative and accounting guidance by which the organisational units of the Group Companies must abide when carrying out the activities under their responsibility.

In view of the fact that the Group's configuration includes entities considered as significant in defining the scope of the Financial Reporting Officer's activities (the so-called identification phase), Banca IFIS, as part of the management and administration activities it exercises over Subsidiary Companies, requires the following to be carried out, via the Parent Company's Financial Reporting Officer:

- The quarterly issue of an appropriate control checklist to the Finance contacts at these entities, so that the Parent Company's Financial Reporting Officer can assess the suitability and effective application of the administrative and accounting procedures for the preparation of financial reports, based on these checks. The evidence produced by the Finance contacts at the subsidiaries, together with the declaration they issue regarding the effective performance of the required checks and application of the Group's accounting policies, is obtained, assessed and stored by the Monitoring and Control of Financial Reporting department. The checklists are reviewed quarterly, when the need arises.
- The Monitoring and Control of Financial Reporting department is to carry out assessments at these entities, in accordance with what is set out in annual plans that are ratified by Banca IFIS's Board of Directors.

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

The Board of Directors, appointed by the shareholders at the Shareholders' Meeting of 19th April 2019, has confirmed that the Chief Executive Officer is the director in charge of overseeing the functionality of the risk management and internal control system.

In his managing role, he constantly reported back to the Board of Directors on all aspects of business management, including verification of the overall suitability, effectiveness and efficiency of the risk management and internal control system.

The Chief Executive Officer also:

- monitored, through the competent operational units, the need to update the Group Policies for the control and management of the main business risks;
- implemented the guidelines, defined by the Board on a case-by-case basis, concerning the risk management and internal control system, constantly checking their suitability and effectiveness;
- coordinated the work in preparation of the appointment of the Heads of Internal Control and Risk Management;
- oversaw the adaptation of the corporate and group internal control system to changes in operating conditions due to the legislative and regulatory frameworks governing them.

### 11.2. Head of the Internal Audit Department

Since 1st June 2019, Angelo Ferracchiati has replaced Ruggero Miceli, accountant, who went on pension, as Head of Internal Audit.

Ferracchiati was appointed on proposal of the director tasked with overseeing the functionality of the risk management and internal control system, in the Board meeting of 30th May 2019, with the favourable opinion of the Risk Management and Internal Control Committee and after consulting with the Board of Statutory Auditors.

On his appointment, the Board, on proposal formulated by the Remuneration Committee, requested the Chief Executive Officer, the General Manager and the Head of Human Resources to define his remuneration.

The unit is a staff department of the Board of Directors and it is not responsible for any operational area; from time to time it is provided with resources that are adequate to carry out its own activities.

The positioning of the Internal Audit in the organisational chart as a staff department of the Board of Directors, in addition to assuring its independence – in line with the Bank of Italy's guidance and with sector best practice – facilitates the appropriate exchange of information with the Risk Management and Internal Control Committee, with the Board of Statutory Auditors and, in general, with company bodies and management.

The mission assigned to the Internal Audit by the related regulation, approved by the Board of Directors, includes verifying that the risk management and internal control system is complete, suitable, functional and reliable.

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The Group's Internal Auditing Regulations require the Parent Company's Internal Audit department to define a plan of activities that is based on a structured process of analysis and prioritisation of the main risks and takes into account the different levels of risk involved in the various activities and structures of the Parent Company and its Subsidiary Companies. Specifically with regard to the companies of the Banca IFIS Group, a contact point of the Internal Audit Department was appointed, that each Subsidiary has outsourced to the Bank; the contact point reports hierarchically to the Head of the Bank's Auditing Department, but functionally to the Subsidiaries' Administrative and Control Bodies.

The Audit Plan lists the controls planned for a three-year period (multi-year plan) and contains a separate and detailed presentation of the activities planned for the first 18 months. A specific section of the Audit Plan is dedicated to ICT auditing.

Subject to the administration of and cooperation with other control functions, taking into account the importance of the activities programmed by second-level control functions, the Audit Plan is not usually submitted until the Parent Company's Risk Management, Compliance and Anti-Money Laundering control units have submitted their own activity programmes to management.

The Audit Plan is forwarded simultaneously to the Board of Statutory Auditors, to the Risk Management and Internal Control Committee, to the President of the Board of Directors, to the director in charge of the risk management and internal control system (who is also the Chief Executive Officer) as well as to the Parent Company's General Manager for subsequent review by the Board of Directors. The Audit Plan is updated as and when it is deemed necessary, upon request from management and/or when proposed by the Head of Internal Audit.

During the financial year 2019, the Board, with the favourable opinion of the Risk Management and Internal Control Committee, approved a new "Audit Plan for 2019-2021". The activities foreseen for 2019 were developed mainly in two directions: a planning direction, for the development of the Department, and one aiming to guarantee continuity in the internal audit of the Group's main processes.

During 2019, the Head of Internal Audit inter alia:

- had direct access to all information useful to perform their role;
- liaised constantly with the Risk Management and Internal Control Committee, the Board of Statutory Auditors and the Supervisory Board pursuant to (It.) Legislative Decree no. 231/2001 (of which they are a member), reporting on their own work among other things;
- submitted reports of all activities to the Board of Statutory Auditors, the President of the Board of Directors and the director in charge of the risk management and internal control system (who is also the Chief Executive Officer), as well as the General Manager;
- discussed with the Risk Management and Internal Control Committee and with the Board of Statutory Auditors the quarterly Dashboard, providing, on such occasion, evidence of the main results of the activities carried out in the quarter;
- reported on their own work to management providing, in relation to the processes and/or areas subject to audit, adequate information on the activity carried out, as well as assessments of the residual risk and internal control system, including through guidelines on compliance with the plans defined to mitigate risks. The quarterly reports (Dashboard), the Annual Report and any other reports and documents on specific significant topics fall within this scope;
- carried out specific activities concerning the reliability of IT and accounting systems.

The main activities carried out by the Head of Internal Audit during 2019 were based on the above Audit Plan and concerned, to varying degrees in accordance with the level of risk, the Parent Company (Banca IFIS S.p.A.) and its Subsidiary Companies.

Audit activities regarding the Polish subsidiary, IFIS Finance, were conducted by Internal Audit, either directly or with the cooperation of BDO Sp. z o.o.

The auditing of Group companies mainly referred to the NPL segment with particular attention paid to the main processes of the two Group companies that operated in the sector (IFIS NPL and FBS), the Bank's commercial segment and, specifically: the leasing and factoring business units, the pharmacy segment, important outsourced operating functions, and management of business liquidity. Audit activities were also carried out on the IT system, the second-level control units and certain transversal corporate processes not directly and uniquely related to specific business areas, in particular, with reference to the process of management of operational continuity, to the compliance of remuneration practices with the regulatory framework.

Alongside the quarterly reports (Dashboard) and the Annual Report on the work carried out, in compliance with the supervisory bodies' provisions, the Head of Internal Audit also prepared specific reports concerning:

- assessments on Subsidiary Companies;
- remuneration policies;
- the ICAAP process;
- the government and management of liquidity risk;
- outsourced important operating functions;
- investment services;
- operation of the internal whistleblowing systems.

lastly, Internal Audit liaised with second-level control units regarding the areas of risk they cover, constantly promoting coordination and sharing meetings.

### 11.3. Organisational Model ex-(It.) Legislative Decree no. 231/2001

Banca IFIS Group, sensitive to the need to ensure conditions of transparency and fairness in conducting its business, in order to safeguard the image of the individual companies that belong to the Group, the expectations of shareholders and of those who work for and with the Group's companies, has deemed it consistent with its corporate policies to implement the Organisational and Management Model provided for by (It.) Legislative Decree 231/2001.

This initiative was also launched in the belief that applying the Organisational Model is a sound means of informing those who work for the Bank, spurring them to act fairly and consistently when carrying out their activities, in order to limit the risk of the crimes set out in (It.) Legislative Decree no. 231/2001 being committed.

The Banca IFIS Group condemns behaviour that is contrary to current legislation and the ethics principles set out in the Bank's Code of Ethics. In this context, the application and effective implementation of the Model improve the Bank's Corporate Governance, limiting the risk of the crimes set out in (It.) Legislative Decree no. 231/2001 being committed.

On 26th October 2004, the Board of Directors appointed a Supervisory Board with the autonomous powers of initiative and control as per (It.) Legislative Decree 231/2001; in the meeting of 19th April 2019, it confirmed the decision, already adopted by the previous directors, not to entrust the tasks of the Supervisory Board to the Board of Statutory Auditors. The Supervisory Board is composed of an Auditor, by the Heads of the Internal Audit and Compliance Departments, and by two independent directors, one of whom holds the office of President.

In preparing its Organisational Model, updated on 11th February 2019, Banca IFIS used the ABI's (Italian Banking Association) "Guidelines for the adoption of organisational models regarding a bank's administrative liability". These provide guidance on the interpretation and analysis of the legal and organisational implications resulting from the introduction of (It.) Legislative Decree no. 231/2001.

In preparing its Model, Banca IFIS considered its existing and widely implemented procedures and control systems, in that they are suitable as measures to prevent crimes and to control processes. The Model is part of a broader control system that consists mainly of the Internal Control Systems required by the Bank of Italy and by the Corporate Governance rules that apply to the company.



In addition, viewing its organisational and management model as a key company policy tool, Banca IFIS extends the organisational instruments that form part of the Organisational Model adopted by the Bank to its subsidiaries as applicable.

The “Banca IFIS Organisational Model” is currently made up of the following organisational tools:

- Internal Control System;
- Company procedures;
- Group Regulations;
- Banca IFIS’s General Regulations;
- Banca IFIS’s Organisational Unit Regulations;
- Code of Ethics;
- Supervisory Board;
- Disciplinary System;
- Corporate Governance Code for Listed Companies;
- Group Policy for managing violation reports (whistleblowing);
- The Policy on transactions carried out by Key Personnel and by people closely associated with them regarding shares, negotiable instruments and financial instruments issued by Banca IFIS;
- Internal policy regarding control of risk assets and conflicts of interest in relation to related parties;
- Procedure for managing transactions with related parties;
- Group policy for managing inside information;
- Policy for managing the list of people who have access to inside information;
- Policy for managing conflicts of interest in the provision of investment services;
- Policy regarding Personal Transactions;
- Group policy for governing and managing the risk of non-compliance;
- Group policies for managing risk of money laundering and financing of terrorism and the Anti-Money Laundering Manual;
- Group policy for the outsourcing of corporate functions;
- Organisational procedures regarding the outsourcing of corporate functions;
- Group policy for managing IT Security;
- Remuneration and incentive policies;
- Group policy for managing the purchasing cycle;
- Policy for approving new products and services, starting new operations, and entering new markets;
- Group Internal Control System guidelines;
- Group IT System guidelines;
- Group policy for managing the Risk of Inaccurate Financial Reporting;
- Group Accounting Manual and Financial Reporting Procedures;
- System of Responsibilities;
- Risk Management and Internal Control Committee;
- Appointments Committee;
- Remuneration Committee;
- Internal Communications;
- Privacy guidelines;
- Occupation Health and Safety Risk Assessment Document and Integrated Safety and Environment Manual.

The Supervisory Board’s Regulations are available on the Bank’s website, in the section “Corporate Governance – The Value of Ethics”.

At present, the rules in question refer to the following types of crime:

- crimes in dealings with Public Administration;
- computer crimes and unlawful processing of data;



- organised crime;
- counterfeiting of coins, legal tender, government stamps and instruments or signs of recognition;
  
- crimes against industry and trade;
- some types of corporate crimes;
- crimes with terrorist intent or aiming to subvert the democratic order;
- female genital mutilation;
- crimes against the person;
- market abuses;
- crimes (manslaughter and serious or grievous bodily harm) committed as a result of violations of occupational health and safety regulations;
  
- receiving stolen goods, money laundering and use of money, assets or other benefits of unlawful provenance, as well as self-laundering;
  
- copyright violations;
- convincing people to be silent or to make false statements to law enforcement agencies;
- environmental crimes;
- employing illegal foreign workers;
- corruption between private individuals;
- racism and xenophobia.

The Supervisory Board's mandate is for three years; it meets at least quarterly. Regular minutes are kept at the meetings, recorded in the Minutes Book. The President of the Supervisory Board, or other member as designated on a case by case basis by the President, reports to the Board of Directors, at its first available meeting, on the activities already carried out and, where this is the case, the activities being carried out and/or planned and whether any of its autonomous budget has been used.

The Board has autonomous powers of initiative and control, pursuant to (It.) Legislative Decree no. 231/2001 "Governance of administrative liability of legal persons, companies and associations including without legal status".

#### 11.4. External Auditor

The Shareholders' Meeting of 17th April 2014 appointed EY S.p.A. to audit the Company's annual financial statement and the Group's consolidated financial statement as well as the limited auditing of Banca IFIS's half-yearly interim report, for each of the nine financial years with closing dates from 31st December 2014 until 31st December 2022.

EY S.p.A. have also been tasked, by means of separate formalised agreements, with auditing the controlling company's financial statement and those of Banca IFIS's Subsidiary Companies.

#### 11.5. Financial Reporting Officer responsible for preparing company accounts and other roles and company functions

On 12th April 2016, the Board of Directors appointed Mariacristina Taormina as Financial Reporting Officer with effect from 18th April 2016.

Pursuant to Article 19 of the Articles of Association:

- the Board of Directors, pursuant to Article 154-bis of (It.) Legislative Decree no. 58/1998, after having received the mandatory opinion of the Board of Statutory Auditors, appoints the Financial Reporting Officer;
- the Financial Reporting Officer must be in possession of the integrity requirements set out for election to the role of Statutory Auditor by Article 2 of (It.) Ministerial Decree no. 162 of 30th March 2000 and the professionalism requirements set out for election to the Board of Directors of banks incorporated in the form of a limited company by Article 1, paragraph 1 of (It.) Ministerial Decree no. 161 of 18th March 1998.

The Board of Directors gives the Financial Reporting Officer autonomous spending powers, in accordance with the programmed plan of activities they intend to implement. The Financial Reporting Officer must report periodically to the Board of Directors on the exercise of their spending powers.

The Financial Reporting Officer also has the right to:

- acquire from within the Bank information relating to events, risk indicators or proposals for technical or organisational adjustments relating to administrative and accounting procedures;
- propose modifications to the system of internal controls when deemed appropriate;
- participate in Board of Directors and Board of Statutory Auditors meetings and access the minutes of those meetings where the agenda includes the examination and/or the approval of the economic and financial data of the Bank and the Group.

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The names of the Heads of the other company functions who have been assigned specific tasks on risk management and internal control are shown below:

- the role of head of Risk Management (Chief Risk Officer) for 2019 was assigned to Kristian Tomasini. Since 7th January 2020, this role has been assigned to Walter Vecchiato. For 2019, Risk Management was given a budget of €665,000 for the use of external consultants, which can be used independently;
- the role of Head of Compliance has been assigned to Francesco Peluso. Compliance is given an annual budget of €75,000 for the use of external consultants and training, which can be used independently;
- the role of Head of the Anti-Money Laundering Unit has been assigned to Giovanna Bazzaro. The Anti-Money Laundering Unit is given an annual budget of €120,000 for the use of external consultants and for training, which can be used independently.

The Heads of Internal Audit, Risk Management, Compliance and of the Anti-Money Laundering Unit:

- must possess suitable professional expertise;
- are appointed and removed by the Board of Directors, after consulting with the Board of Statutory Auditors;
- have no direct responsibility for operational areas subject to audit.

The duties and responsibilities of the above second- and third-level control functions are in line with the supervisory provisions on internal control systems.

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

As part of the Group's internal control system, the Parent Company is responsible for creating a unitary system at Group level that enables the effective control of both the Group's strategic choices as a whole and the balanced management of its individual components.

The correct functioning of the internal control system is based on successful interaction whilst carrying out of tasks (guidance, implementation, verification, assessment) between management, any committees formed within management bodies, external auditors and control functions.

For this reason, in line with what is required by the Corporate Governance Code, the Board of Directors, appointed by the Ordinary Shareholders' Meeting of 19th April 2019, has confirmed that the Chief Executive Officer is the director in charge of overseeing the functionality of the risk management and internal control system.

In addition, fruitful interaction and coordination between the top management involved in the risk management and internal control system is facilitated by cross-membership mechanisms and by a balanced composition of committees and bodies; in particular, the Risk Management and Internal Control System Committee and the Board of Statutory Auditors interact frequently during their meetings, and, whenever necessary, with the Chief Executive Officer, with the Financial Reporting Officer responsible for preparing company accounts, with the External Auditor, with the Chief Risk Officer, with the Head of Compliance and the Head of Anti-Money Laundering. They also systematically interact with the Head of Internal Audit who, usually, attends the meetings of both bodies.

The Supervisory Board ex (It.) Legislative Decree 231/2001 benefits of the same cross-membership mechanisms and similar systematic interaction with the other staff of the risk management and internal control system.

The Heads of the control organisational units liaise with each other, coordinating and collaborating, to avoid overlapping, to develop synergies and to optimise partnership.

At least quarterly, normally initiated by the Head of Internal Audit, the Heads of organisational units who manage the Parent Company's control functions<sup>1</sup> take part in the control functions' coordination meetings convoked at certain times to discuss and exchange views on the following issues:

- to agree the plans of their respective principal audit/control activities (including for Subsidiary Companies);
- to analyse the main findings from audit activities and remedial actions either under way or requested;
- to check the current status of various risk exposure levels;
- to agree the risk map, also divided per risk-taking organisational unit, and the potential significance of identified risks;
- to agree reporting systems, methodologies and terminology;
- and, in a more general sense, to successfully exchange information and analyse possible ways of collaboration.

Meetings are subject to appropriate tracking and, in relation to the specific matters to be discussed, representatives of other organisational units may be invited to participate.

Meeting minutes and other documentation of common interest are:

- stored in an appropriate dedicated network folder to which all control organisational units have access;
- subsequently reported to Management, on specific requests and when the "Annual Report on Activities", prepared by second- and third-level control organisational units, are submitted.

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<sup>1</sup> Invitations to these meetings may be extended to contacts or Heads of Group Company control functions, where established, if deemed to be appropriate by the Parent Company.

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

In June 2018, the Board of Directors approved – following favourable opinion from the Board of Statutory Auditors, the Risk Management and Internal Control Committee (composed of only independent directors) and the Financial Reporting Officer – an update to the “Policy to control risk assets and conflicts of interest in dealings with associated persons” and the “Procedure to manage related-party transactions” (a definition which includes, in accordance with the Bank of Italy's supervisory provisions, “related parties” and persons “associated” with them). A minor update to the Procedure was approved by the General Manager on 9th October 2018.

The Policy, which outlines the Bank's approach to achieve effective management of risks associated with conflicts of interest in transactions with related parties and associated persons, and the Procedure, which describes, among other things, the criteria for identifying transactions that must be approved by the Board after receiving opinion from (or involving) the Risk Management and Internal Control Committee, is available on the website [www.bancaifis.it](http://www.bancaifis.it) (under “Corporate Governance – Corporate Documents – Related Parties and Associated Persons”).

The Board has adopted further appropriate operational solutions to identify and adequately manage situations in which a director holds an interest in their own name or on behalf of a third-party. These are the Policy on Personal Transactions (last updated in July 2019) and the Policy on transactions carried out by Key Personnel and by people closely associated with them regarding shares, negotiable instruments and associated financial instruments issued by Banca IFIS (last updated in October 2018).

The **Policy on Personal Transactions** governs the obligations related to the identification of Key Personnel and to the information that the Bank must provide thereto; the rules with which Key Personnel must comply to report to the Bank Personal Transactions Subject to Notification made on Financial Instruments; the means of maintaining the Key Personnel Register, of the Third Issuer Register, and of the Personal Transactions.

In fact, the Policy on Personal Transactions governs trading in a financial instrument carried out by or on behalf of a key member of personnel (including the members of the Board of Directors), provided at least one of the following conditions is met:

- a) the Key Personnel member is acting outside the scope of the activities they carry out as a Key Personnel member;
- b) the transaction is carried out on behalf of any of the following people:
  - o the Key Personnel member;
  - o a person related to the Key Personnel member (spouse or living together more uxorio, offspring, any other relative of the Key Personnel member who has cohabited for at least one year with the Key Personnel member as of the date of the Personal Transaction) or closely related to the Key Personnel member;
  - o a person whose relationship with the Key Personnel member is such that the Key Personnel member has a significant direct or indirect interest in the outcome of the transaction, other than a fee or commission for executing the transaction.

Conversely, the **Policy on transactions carried out by Key Personnel and by people closely associated with them regarding shares, negotiable instruments and associated financial instruments issued by Banca IFIS** governs matters regarding:

- a) the identification of Key Personnel (including members of the Board of Directors) and “closely associated” persons;
- b) the management of information regarding transactions above the Minimum Amount Threshold on shares, negotiable instruments or Associated Instruments issued by Banca IFIS, directly or indirectly executed by a Key Personnel member or by a “Closely Associated Person” and subject to notification requirements. They include:

- transactions covered by Article 19, paragraph 7 of EU Regulation 596/2014
  - transactions set out in Article 10 of EU Delegated Regulation 522/2016.
- c) The Policy also governs management of the “closure period”, that is, those periods in which Key Personnel must abstain from executing transactions in shares and other negotiable instruments issued by Banca IFIS, as well as on financial instruments associated with them.

This document is available on our website [www.bancaifis.it](http://www.bancaifis.it) (under the “Corporate Governance - Internal Dealing”).

## 13. Appointment of Statutory Auditors

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

A list can be presented by the shareholder or shareholders who, at the time of submission, own an equity interest equal to at least 1% of ordinary shares, or to another lower ownership threshold that – pursuant to current legislation and regulatory provisions – must be indicated in the notice convoking the Shareholders’ Meeting called to pass a resolution to appoint Statutory Auditors.

A shareholder may not present or vote more than one lists, even through a third party or a trust company. Shareholders belonging to the same group and shareholders who have stipulated a shareholder agreement related to shares of the Company may not present or vote more than one lists, even through a third party or a trust company. A candidate may only be present on one list, on pain of ineligibility.

Two Standing Auditors and one Alternate Auditor are elected from the list that obtained the highest number of votes, based on the sequential order in which they appear on the list. The candidate who is in first position of the relevant section of the list that obtained the highest number of votes among the lists submitted and voted upon by shareholders who are not associated with the reference shareholders pursuant to Article 148, paragraph 2 of (It.) Legislative Decree no. 58/1998, is elected as Standing Auditor. The candidate who is in first position of the relevant section of that same list is elected as Alternate Auditor.

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

If the selection criteria do not ensure election of at least one Standing Auditor and one Alternate Auditor belonging to the least represented gender, a sliding mechanism is applied to the selection from the list obtaining, during the Shareholders’ Meeting, the highest number of votes based on the sequential order in which the candidates are indicated. This mechanism excludes the candidate or candidates of the most represented gender and selects the candidate or candidates of the missing gender.

The Standing Auditor elected from the minority list mentioned above is appointed as President of the Board of Statutory Auditors.

Outgoing Statutory Auditors can be re-elected, for no more than three mandates, in compliance with the regulatory provisions and the Corporate Governance Code.

If, despite the provisions of the Articles of Association and what is set out above, only one list is presented or only one list receives votes, three Standing and two Alternate Auditors will be elected – on condition that the list in question receives the majority of the votes represented at the Shareholders’ Meeting – in the order in which they are indicated on that list for the respective post. The Standing Auditor candidate indicated in first place on the list will be appointed President of the Board of Statutory Auditors.

If a Standing Auditor is to be replaced, their post will go to the Alternate Auditor belonging to the same list as the Auditor who has ceased to hold office.

If it is necessary to appoint Standing and/or Alternate Auditors to supplement the Board of Statutory Auditors following early termination of the auditors in office, the Shareholders' Meeting will act as follows: if auditors elected from the majority list must be replaced, the auditor(s) are appointed by majority vote, without list constraints. If, however, it is necessary to replace a Statutory Auditor designated from the minority list, the Shareholders' Meeting will replace them by relative majority vote, choosing the candidate from among the candidates on the list from which the auditor to be replaced was elected. These candidates will have confirmed their candidacy at least 25 days before the date set for the first-call Shareholders' Meeting, together with statements confirming that no reasons for ineligibility or incompatibility exist, and that they possess the requirements needed to hold the post.

Lists must be submitted to the Company's registered office at least twenty-five days prior to the date set for the first-call Shareholders' Meeting, and are made available to the public at the registered office, on the Company's website and through the other methods provided for by current legislation and regulatory provisions at least twenty-one days prior to the date of the first-call Shareholders' Meeting.

Ownership of the minimum number of shares needed to submit a list is determined by taking into account the shares recorded in the name of the individual shareholder or multiple joint-shareholders on the day lists are submitted to the Company. In order to prove the ownership of the number of shares necessary to present the lists, the shareholders may produce the related certificate even after the deposit, on the condition that this is done within the deadline foreseen for the publication of the lists by the Company.

The lists must be accompanied:

- by information relating to the identity of shareholders who submitted the lists, stating the overall percentage of shares held;
- a statement from the shareholders other than those who hold, separately or jointly, controlling or relative majority shareholdings, certifying the absence of connections with them as set out in Article 144-quinquies of the "Implementing regulations of (It.) Legislative Decree no. 58/1998 concerning the regulation of issuers", or any other significant relationships;
- exhaustive information on candidates' personal and professional characteristics, as well as a declaration by the candidates themselves confirming certifying possession of the requirements established by law and their acceptance of candidacy.

Candidates who already hold the post of auditor in five other listed companies or who do not possess the integrity, professionalism and independence requirements as set out in applicable regulations or that fall within the cases referred to in Article 148, para. 3 of (It.) Legislative Decree no. 58/1998, may not be included in candidate lists. It should be noted that (It.) Legislative Decree no. 72/2015 initiated a comprehensive reform to the requirements of corporate officers, aimed at integrating the objective requirements of integrity and professionalism with skills and correctness criteria that will be incorporated in secondary legislation to be issued by the Ministry of Economy and Finance. As of the date of this Report, the new legislation has not been defined by the Ministry.

Each list must contain at least one candidate for the post of Standing Auditor and at least one candidate for the post of Alternate Auditor belonging to the least represented gender. This requirement does not apply to lists with fewer than three candidates.

## 14. Composition and role of the Board of Statutory Auditors

The composition of the Board of Statutory Auditors in post as at the close of the 2019 financial year is as follows:

- **President: Giacomo Bugna,**
- **Standing Auditor: Franco Olivetti,**
- **Standing Auditor: Marinella Monterumisi,**
- **Alternate Auditor: Giuseppina Manzo,**
- **Alternate Auditor: Alessandro Carducci Artensio.**

The present Board of Statutory Auditors was elected at the Ordinary Shareholders' Meeting of 19th March 2019 for the 2019, 2020 and 2021 financial years and its mandate will expire on the date on which the Shareholders' Meeting is convoked to approve the 2021 Annual Financial Statements.

Three lists of candidates were presented, deposited and published within the deadlines and in the manner laid down by the applicable provisions and by the Articles of Association for the election of the Board of Statutory Auditors at the Shareholders' Meeting of 19th April 2019; specifically:

- **List 1 (LA SCOGLIERA S.p.A.);**
- **List 2 (Assogestioni) on behalf of the following group of investors:**
  - i. Arca S.G.R., Arca Economia Reale Equity Italia, Arca Economia Reale Bilanciato Italia 30 fund manager;
  - ii. Eurizon Capital S.G.R. S.p.A., Eurizon Pir Italia 30, Eurizon Progetto Italia 20, Eurizon Progetto Italia 70, Eurizon Azioni PMI Italia, Eurizon PIR Italia Azioni and Eurizon Progetto Italia 40 fund manager;
  - iii. Eurizon Capital SA, Eurizon Fund-Equity Small Mid Cap Italy fund manager;
  - iv. Fideuram Asset Management (Ireland), Fonditalia Equity Italy fund manager.
  - v. Fideuram Investimenti SGR S.p.A., Fideuram Italia, PIR Piano Azioni Italia, PIR Piano Bilanciato Italia 50 and PIR Piano Bilanciato Italia 30 fund manager;
  - vi. Interfund Sicav – InterfundEquity Italy;
  - vii. Generali Investments Luxembourg S.A., GSmart PIR Evoluzione Italia, GSmart PIR Valore Italia and Gis European Eqty Recov fund manager;
  - viii. Mediolanum Gestione Fondi SGR S.p.A., Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia fund manager.
- **List 3 (Preve Costruzioni S.p.A.).**

As well as the lists, the following documents were also deposited and published:

- **Certification attesting the ownership of shares in number sufficient for the presentation of a list and possible absence of the relationship of Article 147-ter of the TUF and 144-quinquies of the Issuer Regulation;**
- **Declaration with which each candidate: accepts their candidacy for Standing or Alternate Auditor, attests that they meet the requirements of professionalism, integrity and independence envisaged by the applicable regulatory framework and the absence of causes of ineligibility and/or incompatibility; CV and list of offices held.**

Table 9 shows the list of candidates, the list of those elected and the percentage of votes obtained with regard to voting capital, while Table 10 provides various information on the Board of Statutory Auditors for the financial year 2019.



Table 9

LIST	LIST OF CANDIDATES	LIST OF CANDIDATES ELECTED	PERCENTAGE OF VOTES OBTAINED
1	<b>Standing Auditors:</b> Franco Olivetti Marinella Monterumisi <b>Alternate Auditors:</b> Anna Maria Salvador Alessandro Carducci Artenisio	<b>Standing Auditors:</b> Franco Olivetti Marinella Monterumisi <b>Alternate Auditors:</b> Alessandro Carducci Artenisio	67.04%
2	<b>Standing Auditors:</b> Giacomo Bugna <b>Alternate Auditors:</b> Giuseppina Manzo	<b>President:</b> Giacomo Bugna <b>Alternate Auditors:</b> Giuseppina Manzo	22.58%
3	<b>Standing Auditors:</b> Paolo Bifulco <b>Alternate Auditors:</b> Giorgio Stefano Marcolongo		5.70%

Table 10

Role	Components	In office		First appointment date	List (M/m)*	Indep. Code	% particip. BSA meetings**
		from	to				
President	Giacomo Bugna	19/04/2019	Approval of 2021 financial statements	2013	m	X	100
Standing Auditor	Franco Olivetti	19/04/2019	Approval of 2021 financial statements	2019	M	X	100
Standing Auditor	Marinella Monterumisi	19/04/2019	Approval of 2021 financial statements	2019	M	X	100
Alternate Auditor	Giuseppina Manzo	19/04/2019	Approval of 2021 financial statements	2019	m	X	
Alternate Auditor	Alessandro Carducci Artenisio	19/04/2019	Approval of 2021 financial statements	2019	M	X	
<b>Auditors who ceased to hold office during the Financial Year 2019</b>							
Standing Auditor	Massimo Miani	2016	Approval of 2018 financial statements	2016	M	X	87.5
Standing Auditor	Giovanna Ciriotta	2016	Approval of 2018 financial statements	2013	M	X	87.5
Alternate Auditor	Valentina Martina	2016	Approval of 2018 financial statements	2016	M	X	
Alternate Auditor	Guido Gasparini Berlingieri	2016	Approval of 2018 financial statements	2016	M	X	
<b>Quorum required for the presentation of the lists by minorities for the election of one or more members (ex Article 147-ter of the TUF): 1%</b>							
<b>No. of meetings held during the financial year of reference: 28</b>							
<b>Notes:</b>							
* This column indicates the list from which each auditor was selected ("M": majority list; "m": minority list).							
** No. of presences/no. of meetings held during the effective time in office of the subject during the Financial Year.							

The members of the Board of Statutory Auditors were found to meet the requirements set forth by the applicable regulations, the requirements of integrity, fairness, professionalism and skill, independence and interlocking restriction were checked, on the occasion of the renewal of the body, with notification to the Board of Directors on 9th May 2019.

Other than what is laid down by Article 148, paragraph 3 of the TUF and the Code, the assessment of the requirements of all corporate executive includes the verification of the requirements based on the Applicable Regulatory Framework in relation to Requirements of Article 26 of the TUB, also checking the absence of any critical elements related to the criteria set forth by

the Draft Decree on the requirements of integrity, fairness, professionalism, skill, independence and independence of judgement.

The personal and professional characteristics of each auditor (pursuant to Article 144-decies of the CONSOB Issuer Regulation), based on the statements provided by each of them and attached to the lists, and on any subsequent updates notified by those concerned, are summarised below.

#### ***President of the Board of Statutory Auditors – Giacomo Bugna***

He acquired his experience at a leading auditing firm, providing both auditing and advisory services for financial institutions.

In 1997-1998, he was responsible for introducing the certification of financial statements at the Bank of Italy. From 2011, and until April 2014, he was a Member of the Board of the “Fédération des Experts-comptables Européens” (Federation of European Expert Accountants), which groups together the professional associations of the 27 EU Member States.

#### ***Standing Auditor - Franco Olivetti***

Born in Venice on 6th May 1974, Qualified Auditor and Public Accountant, a member of the Order of Chartered Accountants and Expert Accountants of Venice since 2006, he is the proprietor of the Professional Firm Lex-Tax, with registered office in Treviso. A member of the Board of Directors, Auditor and Standing Statutory Auditors in corporations, financial companies and IPAB [Public Welfare Institutions], he performs his professional activities by providing consultancy on corporate and taxation matters, with skills and experience in the economic/financial restructuring and reorganisation of companies and in assignments for admissions to collective procedures.

#### ***Standing Auditor - Marinella Monterumisi***

Qualified Auditor and Public Accountant in Rimini, she has been a member of the Order of Chartered Accountants and Expert Accountants of the province of Rimini since 1978.

Since that date, she has performing her professional activities through her own firm, providing consultancy on corporate and taxation matters, with specific skills in the industrial and manufacturing sector. She acts as Independent Technical Consultant and Party-Appointed Expert in arbitration procedures. She is a member of the Board of Directors of companies listed in the STAR segment, S.G. of Credit Institutions and corporations. Auditor and Standing Statutory Auditor in corporations, AIM listed companies, Public Bodies - Municipalities - Municipal Undertakings and Credit Institutions, she audits and controls the approach to taxation with regard to direct and indirect taxes, audit of accounts and financial statements in accordance with the instructions of the Italian Board of Professional Accountants and Auditors.

#### ***Alternate Auditor - Giuseppina Manzo***

She graduated summa cum laude with a degree in Economy from the Università Bocconi and then went on to obtain the Executive Master in Corporate Finance & Banking from SDA Bocconi. Since 2006, she has worked for Partners S.p.A. where she consolidated her experience in professional consultancy on matters of financial statements and extraordinary finance, in particular handling audits of companies and shareholdings, providing her opinion on the financial statements and the application of accounting standards (OIC and IAS/IFRS), extraordinary transactions, technical consultancy. She is a Qualified Auditor and Public Accountant. Currently she holds the office of statutory auditor in companies of the industrial and service sectors.

#### ***Alternate Auditor - Alessandro Carducci Artenisio***

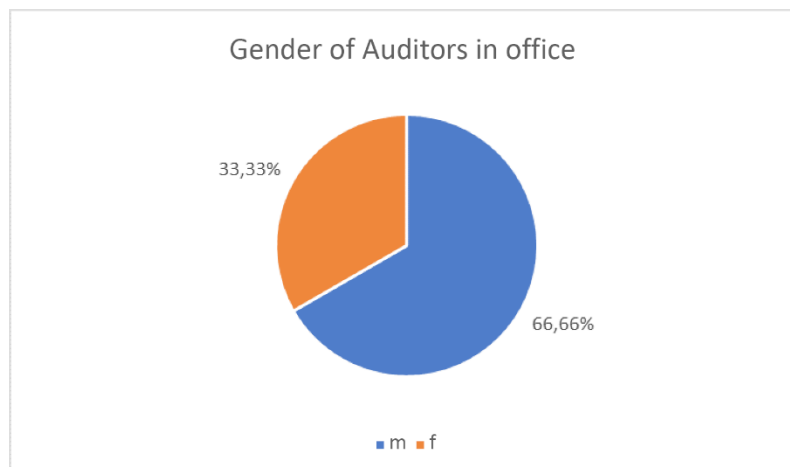
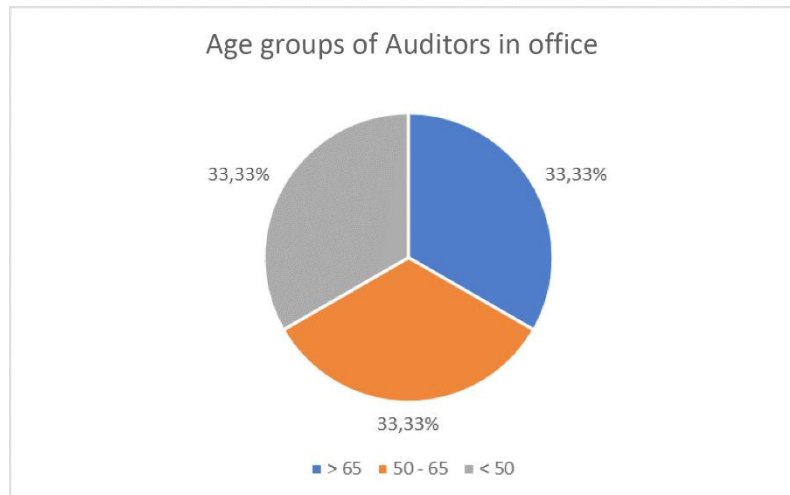
An accountant in Milan, he specialises in extraordinary finance and crisis solutions. He is an associate professor at the LIUC University of Castellanza, giving courses on private Equity in cooperation with the AIFI [Italian Private Equity Venture Capital

Association]. He was the founding partner of Teca Consulting, a Milan-based company that has been active for over twenty years.

He often holds office in bodies active in the financial sector on behalf of the Bank of Italy.

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Below please find the division of the current members of the Board of Statutory Auditors by age group and gender.



During the financial year 2019, the Board of Statutory Auditors met 28 times (6 of which were joint meetings with the Risk Management and Internal Control Committee and 2 joint meetings with all three Board Committees); the meetings lasted for 2 hours and 40 minutes on average. On the date of approval of this Report 7 meetings had been held, of which 2 were joint meetings with the Risk Management and Internal Control Committee, out of 22 meetings planned for 2020.

### Diversity criteria and policies

The aims of the self-assessment process that the Board of Auditors undergoes on the assignment of its duties include that of checking the correct and effective functioning of the Body and its suitability in terms of composition, skills and professionalism.

The qualitative composition for average age and gender is good, including with regard to the statutory provision which states that at least one standing auditor and one alternate must belong to the least represented gender.

The self-assessment process also highlighted the suitability of professional skills and characteristics, as well as noting that the spread and diversification of skills are in line with the Bank's complexity and its activities.

The diversification of skills and professionalism enables Auditors to make an appropriate contribution to the activities of the Board of Statutory Auditors and promotes multiple approaches and perspectives to analysing problems and making decisions on which actions to carry out.

In this sense, the diversification of Board members' skills was believed to be mostly appropriate in relation to their main activities, which include:

- **the internal control system;**
- **the organisational and accounting structures;**
- **the regulation of conflicts of interest;**
- **the systems and procedures for the Bank's activities and operations.**

During checks on whether the Auditors possess the professionalism, integrity and independence required of Directors and Auditors, differentiation of expertise was noted; it should also be noted that the independence requirement is subject to the obligation for individuals who perform control functions to be entered in the Register of Auditors (Article 3 of (It.) Ministerial Decree no. 161/98).

In any case, the Bank, aware of the need for members of administration and control bodies to have the technical skills to enable them to properly fulfil their roles, invited members of the Board of Auditors to take part in the course "Advanced training for the Board of Directors" of the Italian Banking Association, as well as in additional courses indicated by the auditors.

Taking all this into account, the Bank is not considering the adoption of additional and specific policies in relation to the diversity of the composition of the supervision body.

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The criteria adopted correspond to the independence requirements set forth by the Corporate Governance Code and Article 148, paragraph 3 of the TUF; the positive results were notified to the Board of Directors, which informed the public by means of a communication to the market disseminated on the same date, i.e. on 19th April 2019.

The check of the continued presence of the independence requirements took place on 11th March 2020; the results of the check were notified to the Board on 12th March 2020 and, aside from the criteria mentioned above, all the criteria set forth by the Code with reference to directors' independence were applied.

The members of the Board of Statutory Auditors must meet the requirements of integrity and professionalism laid down by the Regulation adopted by decree of the (It.) Minister of Justice no. 162 of 30th March 2000, as well as the independence requirements set forth by (It.) Legislative Decree 58/1998 (TUF) and the Corporate Governance Code (Article 8).

In addition, the Board periodically checks the ability of its members to perform the functions of control body with professionalism, availability of time, and independence, as well as the Board's suitability in terms of powers, roles and composition, taking into account the size and complexity of the activities of Banca IFIS.

The remuneration of the Statutory Auditors is in line with the effort requested of them, with the importance of their role and with the company's size and structure.

In line with the provisions of the Corporate Governance Code and also pursuant to the provisions of Article 136, paragraph 1 of the TUB ("Obligations of banking officers"), if a Statutory Auditor, either directly or on behalf of a third party, has an interest in a particular transaction of the Issuer, they must inform the other Statutory Auditors and the President of the Board of Directors promptly and exhaustively about the nature, terms, origin and extent of their interest. The Statutory Auditors also fall within the scope of the "Procedure to manage related-party transactions" outlined in Section 12.

To coordinate with the other stakeholders of the risk management and internal control system, the Board of Statutory Auditors liaised mostly, as set out by the Corporate Governance Code, with Internal Audit, whose Head normally attends the Board of Statutory Auditors meetings, as well as with the Appointments Committee – whose meetings are normally attended by the President of the Board of Statutory Auditors – and the Risk Management and Internal Control Committee and the Remuneration Committee.

In compliance with the requirements of Circular no. 285/2013 of the Bank of Italy (Section VII, Chapter 1, Heading IV, Part One), Table 11 shows the number and type of the assignments of the standing members of the Board of Statutory Auditors of Banca IFIS on the date this Report was presented, based on the information provided by them.

Table 11

POSTS HELD BY THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS IN OTHER COMPANIES							
	Management and control posts in the companies of Book V, Heading V, Chapters V, VI and VII of the (It.) Civil Code				Other posts		TOTAL
	BANKING GROUP		Others		E.	N.E.	
	E.	N.E.	E.	N.E.			
Giacomo Bugna		3		2*			5
Franco Olivetti				3**		1	4
Marinella Monterumisi				8	1	4	13

E.: executive N.E.: non-executive  
\* Post of President of the Board of Statutory Auditors of IFIS Rental Services s.r.l. and Member of the Board of Statutory Auditors of FBS Real Estate S.p.A. belonging to the Banca IFIS (non-banking) group  
\*\*Post of Standing Auditor of FBS Real Estate S.p.A. belonging to the Banca IFIS (non-banking) group

Table 12 shows details of the offices held by the Auditors in other companies.

Table 12

	List of posts	Undertakings belonging to the Banca IFIS Group		
		NO	Banking Group	Non-banking Group
Giacomo Bugna President of the Board	President of the Board of Statutory Auditors of IFIS NPLS.p.A.		X	
	President of the Board of Statutory Auditors of Capitalfin S.p.A.		X	
	President of the Board of Statutory Auditors of IFIS Rental Services s.r.l.			X
	Auditor of FBS S.p.A.		X	
	Auditor of FBS Real Estate S.p.A.			X
Franco Olivetti Standing Auditor	Auditor of La Scogliera S.p.A.	X		
	Auditor of FBS Real Estate S.p.A.			X
	Auditor of Istituti di soggiorno per anziani San Gregorio (IPAB)	X		
	Sole member of the BSA/auditor of Atesina San Marco srl	X		
Marinella Monterumisi Standing Auditor	Director of MARR S.p.A.	X		
	President of the Board of Statutory Auditors of NEODECORTECH S.p.A.	X		
	Liquidator of Costruzioni ed Impianti S.p.A.	X		
	President of the Board of Statutory Auditors of Finanziaria Valentini S.p.a.	X		
	President of the Board of Statutory Auditors of Industrie Valentini S.p.A.	X		
	President of the Board of Statutory Auditors of Promozione Alberghiera Soc. Coop.	X		
	Sole auditor of Rimini welcome - destination management company società consortile a r.l.	X		
	Liquidator of Immobiliare Appia S.a.s. di Bernhard Daniel	X		
	Auditor of Società Agricola Le Cicogne S.r.l.	X		
	Auditor of Lugo Immobiliare S.r.l. - In liquidation	X		
	Co-liquidator of Gestioni Cinematografiche - GE.CI di De Sarno Pignano Renato, Succo Massimo, Berti Ferruccio, Berti Flavio - S.n.c. (inactive company)	X		
	Auditor of Rimini Reservation S.r.l.	X		
Partner of Team Work di Miria e Marinella Monterumisi S.n.c.	X			

## 15. Relations with shareholders

The Bank has created some easily identifiable and accessible sections on its website, which make important information available to shareholders, in order to enable them to exercise their rights in an informed manner. In particular, it is possible to find the related material under Corporate Governance and Investor Relations.

On 29th November 2018, the Board of Directors ratified the appointment of Andrea Martino Da Rio as Head of Bank IFIS's Investor Relations department.

Since 2010, for the annual financial statements Banca IFIS has also created an interactive website, to make it possible for the public to use the economic/financial documentation. The sharing of financial subjects also foresees the sharing of the main performance indexes on the publication of the results of the financial year and of the quarterly results on the social network pages and profiles of Banca IFIS.

## 16. Shareholders' Meetings

The "Shareholders' Meeting Regulations", the current version of which was approved by the Shareholders' Meeting on 30th April 2013, governs the manner in which meetings are called and held.

The "Regulations", which specify the maximum duration of individual contributions by attendees, their order, the voting procedure, the contributions of Directors and Statutory Auditors, and also the powers to settle and prevent the occurrence of conflicts of interest during Shareholders' Meetings, is available on the website [www.bancaifis.it](http://www.bancaifis.it) (in the section "Shareholders' Meetings").

The Shareholders' Meeting is, usually, chaired by the President of the Board of Directors; the Shareholders' Meeting may hear shareholders with voting rights who have sent to the Company, by the end of the third business day before that fixed by the first-call Shareholders' Meeting, the communication of the authorised intermediary, attesting their legitimation. The communication is made based on the evidence at the end of the seventh accounting day of open trading before the day set for the first-call Shareholders' Meeting.

This is subject to legitimate attendance and the exercising of the right to vote if such communication is received by the Company after the established deadline, providing this is before the start of the first-call Shareholders' Meeting works.

Anyone entitled to vote may be represented at the Shareholders' Meeting, pursuant to the law, by means of written proxy or proxy granted by electronic means.

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

For each Shareholders' Meeting, as indicated in the convocation notice, the Company designates one or more individuals to whom the holders of voting rights can grant, following the methods established by applicable legislation and regulatory provisions, a proxy with voting instructions on all or some of the subjects on the agenda. The proxy is valid only with regard to the subjects for which voting instructions have been provided.

Majorities for the validity of resolutions and the drafting of the minutes are those established by legislation, applicable regulations, the Articles of Association and the Shareholders' Meeting Regulations.

All those who attend have the right to speak on each of the topics discussed. Those with rights may ask questions on the items on the agenda before the Shareholders' Meeting takes place, within the terms set out by current legislation and regulatory provisions and indicated in the convocation notice. Questions received before the deadline indicated in the notice will be answered, at the latest, during the Meeting. A single answer may be given to questions with the same content. Those who intend to speak must ask the President, by written request containing an indication of the topic to which the question refers, after the President has read out the agenda items and until the moment the President declares discussion of the related topic closed. As a rule, the President gives permission to speak according to the chronological order in which requests are submitted. If two or more requests are submitted simultaneously, the President gives permission to speak according to

the alphabetical order of the requesters' surnames. The President can authorise the submission of requests to speak by a show of hands. In this case, the President gives permission to speak according to the alphabetical order of requesters' surnames. Members of the Board of Directors, the Board of Statutory Auditors and the Bank's general management, or that of other Group companies, as well as the representatives from the External Auditors and Company and Group personnel may all ask to join the discussion when the President deems it useful in connection with the topic to be discussed.

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During the Ordinary Shareholders' Meeting held on 19th April 2019, all members of the Board of Directors were present. All members of the Board of Statutory Auditors were also present.

During the ordinary and extraordinary Shareholders' Meeting held on 19th December 2019, eight members of the Board of Directors and all members of the Board of Statutory Auditors were present.

During the Shareholders' Meetings, the Chief Executive Officer, on behalf of the Board of Directors, makes himself available to report on the activity performed and planned by the Board, while observing the rules on inside information. The Board, including through reports made available to shareholders under the terms established by the TUF and through ongoing fine-tuning of the organisation of institutional communication via the website, is committed to ensuring that shareholders receive sufficient information on agenda items to enable them to take informed decisions on the resolutions proposed at Shareholders' Meetings.

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During the Shareholders' Meetings held on 19th April and 19th December 2019, the shareholders received information on the means by which the Committee performs its functions in the context of the Report on remuneration.

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No changes to the control structure of Banca IFIS S.p.A. were made during the financial year.

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

Date	share price	no. of shares making up the share capital	capitalisation
Friday 28th December 2018	15.44	53,811,095	830,843,306.8
Monday 30th December 2019	14.00	53,811,095	753,355,330.0

The effects on capitalisation reflect the trends observed regarding Banca IFIS shares. There were no resulting assessments on the prerogatives intended to protect minority shareholders, who can designate the President of the Board of Statutory Auditors and one director and exercise company rights based on the large amount of information made available to investors and market operators.

## 17. Further corporate governance practices

No further committees have been appointed other than those described in the previous sections. Adoption of the Organisational Model pursuant to (It.) Legislative Decree no. 231/2001 is described in the third paragraph of Section 11.

In order to promote a corporate culture of lawfulness, characterised by correct behaviours founded on dignity and respect, the Bank has an internal system whereby employees can report any irregularities or infringements of relevant legislation and



regulatory provisions and internal procedures (whistleblowing systems), which guarantees a specific and confidential information channel and the anonymity of the person making the report.

The analysis and processing by the competent corporate structures protect confidentiality to prevent reprisals and the discrimination of the person making the report.

In compliance with the provisions of the regulations on personal data protection, the person responsible for the internal reporting systems drafts an annual report on the correct operation of the internal reporting systems, which contains aggregated information on the results of the activities performed subsequently to the reports received, which is approved by the corporate bodies and made available to the Bank's personnel. This system is also accessible from the "Corporate Governance" "The Value of Ethics" section of the Banca IFIS website.

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

On the date of approval of this Report, there have been no changes in the corporate governance structure.

## 19. Considerations on the letter dated 19th December 2019 from the President of the Corporate Governance Committee

The President's letter and the annual Report on the application of the Corporate Governance Code were brought to the attention of the Board of Directors and of the Board of Statutory Auditors on 20th December 2019.

The subjects was discussed subsequently to the meeting of the Board of 13th January 2020, so that it may be duly taken into account in the preparation of the Report on Corporate Governance and Shareholding Structure.

The recommendations formulated in the letter were duly taken into account also in the preparation of the document pertaining to self-assessment and will be examined in a future meeting of just the independent directors.

Table 13 below summarises the contents on the main improvement areas identified in 2019.

Table 13

Areas for improvement identified in 2019	Considerations
The Committee invites the Boards of Directors to assess the sustainability of business activities in the definition of strategies and remuneration policies, also based on an analysis of the importance of factors that may impact the generation of value in the long term.	The Board endorsed the integration of business activity sustainability in the definition of strategies (industrial plan 2020-2022) and in the remuneration policies (Shareholders' Meeting of 19/12/19) with a view to generating value in the long term.
The Committee recommends that the company ensure, also in a possible regulation of the Board's work, an adequate management of the information flows to the Board of Directors, guaranteeing that the confidentiality requirements are protected without compromising the completeness, usability and promptness of the information.	The "Regulation on the means of convocation and operation of the Board of Directors", last updated on 18th October 2018, takes into consideration the instructions regarding the management of information flows.

Areas for improvement identified in 2019	Considerations
<p>The Committee invites the administrative bodies to apply the independence criteria defined by the Code with greater rigour, and the control bodies to oversee the correct application of these criteria. The Committee underlines that any non-application of these criteria must be exceptional and justified on a case-by-case basis, especially, be the subject of deeper assessment at individual level, with reference to the situations in which individual directors find themselves, and invites the issuers to pay more attention to the assessment of the importance of the relationships being assessed. For this purpose, the Committee invites the administrative bodies to define in advance the quantitative and/or qualitative criteria for the assessment of the importance of the relationships being examined. These criteria should pertain to the total position, not limited to solely economic benefits, of the director whose independence is assessed, and be suitably and transparently communicated to the market in the report on corporate governance.</p>	<p>The administrative bodies of Banca IFIS applied these criteria on 19th April 2019 during the assessment of independence in taking up their office. In addition, a more in-depth review was carried out while checking the requirements of integrity, professionalism and skill at the meeting of 9th March 2019. The definition and formalisation in advance of such criteria will be the subject of assessment during the first revision of the internal documents.</p>
<p>Also in light of the comparative analysis, the Committee recommends that the administrative bodies - and the committees competent on matters of remuneration - verify that the remuneration paid to the non-executive directors and to the members of the control body be suited to the skills, professionalism and effort required by their tasks. For this purpose, reference to the remuneration practices in the sectors of reference and for companies of similar size could be of help, possibly also taking into account comparable experiences abroad.</p>	<p>The remuneration of directors and auditors was subjected to thorough analysis and re-evaluation in previous years, and the remuneration was commensurate with the skill, professionalism and effort required by the tasks. The suggestion to compare the remuneration practices in the sectors of companies of similar size will be evaluated.</p>