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Oggetto : Consob's request - Director's resignation

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| <i>Testo del comunicato</i> |
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Vedi allegato.

## PRESS RELEASE

### CONSOB'S REQUEST – DIRECTOR'S RESIGNATION

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*Verona, 14 January 2021.* In addition to what has already been reported in the press release published on 9 January 2021, at the request of CONSOB pursuant to art. 114, Legislative Decree no. 58/1998 ("TUF"), Cattolica Assicurazioni provides the following additional information.

Downstream of the inspection activity carried out, the Supervisory Authority reported - obviously without prejudice to the Company's counterarguments within the deadline set by the relevant legislation - the findings described below:

- (i) IVASS found deficiencies, referable to situations relating above all to the years 2018/19 and before, and to the first months of 2020, in the corporate governance and risk management system. According to the Authority, Cattolica's Board of Directors did not act with caution and prudence in relation to the existing risks, causing a consequent potential damage to the Group's solvency and the necessity to strengthen its own means. More specifically, the Supervisory Authority noted that Cattolica's Board of Directors neglected to ensure the necessary consistency between the risks assumed by the company and its overall solvency needs and, in this way, the adequacy, also prospective, of the own funds. In addition, it has shown an insufficient capacity to respond to the unfavourable evolution of the scenario. The ability of the Board to fully assess the risk/return profiles relating to certain relevant business decisions concerning the sales channels was limited. In particular, the bancassurance transaction with Banco BPM, signed in 2018, was highlighted. Furthermore, IVASS noted that the negative results of this JV have not been discussed within the Board. Other much less significant investments made starting from 2012 were also mentioned, mainly concerning the Group's non-insurance companies.
- (ii) the Board of Directors has substantially failed in its prerogatives of direction, management and control - taking relevant decisions without the necessary critical scrutiny - and often passively endorsing decision-making processes that do not respect the directors' duty to act in an informed way.
- (iii) the Chairman of the Board of Directors did not adequately carry out his task of guarantor of the proper functioning of the body, putting in place conduct - also in contrast with the Bylaws - which altered the Board's

decision-making process and which, due to their opacity, undermined the right of the directors to take informed decisions.

- (iv) with regard to some internal board committees: the Corporate Governance and Sustainability Committee has made proposals in the absence of a concrete assessment of the balance of the governance structure and on the basis of generic and opaque reasons. The Appointments Committee has not adopted the necessary guidelines on the composition of the Board. The Remuneration Committee has formulated proposals that have, in fact, rendered ineffective the determination of remunerations set by the General Meeting. The Control and Risks Committee uncritically acknowledged the reports provided by the various company functions.
- (v) the Management Control Committee (MCC) failed to fulfil the tasks assigned to it, substantially limiting its activity to the recognition of the reports of the control functions.
- (vi) with reference to the management of certain business lines and the agency sales channel, the decision-making and performance monitoring processes were not characterized by enough transparency and objectivity.
- (vii) the Board of Directors did not adequately carry out the role of guiding and monitoring the activities performed by its subsidiaries Cattolica Beni Immobili and Cattolica Agricola which, since their establishment, have recorded losses for a total of € 23 million.
- (viii) deficiencies were found in the risk analysis relating to the underwriting and management of investments in the company H-Farm and in the Ca 'Tron H-Campus Fund.
- (ix) the effectiveness of the internal control system was affected by specific deficiencies attributable to the control functions.

Even in the face of the aforementioned findings, IVASS requested, pursuant to art. 188, paragraph 3-bis of the Private Insurance Code, that Cattolica carries out the activities indicated below:

- (a) the implementation of a strengthening of the corporate governance system which must be carried out within the terms and contents provided for the remedy plan (referred to below);
- (b) the review of the remuneration policy, adopting operational solutions aimed at ensuring, in particular, a more appropriate correlation between the remuneration and the bonuses paid, on the one hand, and the size of the company and the group, and this in correlation with the need to reconsider decisions relating to managerial bonuses;

- (c) liquidity contribution operations in favour of non-insurance subsidiaries and investments in the Ca 'Tron H-Campus Fund are not to be carried out, in any form and regardless of their value, without the prior favourable opinion of the Corporate Governance, Sustainability and Value Generation Committee;
- (d) the sale of treasury shares acquired following the exercise of the right of withdrawal and totalling 20,720,350 before the end of 2021.

In addition to the request contained in point d), IVASS expects a rapid completion of the capital strengthening through the placement of the second tranche of the capital increase for € 200 million.

IVASS has also requested some further actions, better specified below:

1. the prompt start, right from the transformation of Cattolica into a joint stock company, of a profound turnover of the Board of Directors members, with specific reference to the chairman and the other directors to whom the critical issues resulting from the IVASS inspection report are attributable, promoting the entry of directors of a standing adequate to the size and operational complexity of the Cattolica Group; in particular, the Board of Directors and its members will have to work, right from the start, to make it possible to carry out this replacement within the shortest possible time, consistent with the conclusion of the transformation process in progress.
2. the drafting of a remedial plan detailing all the actions to be taken to remove the critical issues highlighted by the findings made by IVASS, strengthen the corporate governance system and bring Cattolica and the Group's conduct back to sound and prudent management. This plan must be approved by the Board of Directors, be submitted to IVASS within 60 days and indicate the timescales envisaged for its implementation.

With regard to point (1), it is assumed that the change in the composition of the Board can take place, with transparency and in the application of the new joint stock company Bylaws, during a General Meeting that will be called in the days immediately following the effectiveness of the legal transformation of the Company (April 1<sup>st</sup>).

The Company also announces that, today, director Luigi Castelletti, independent non-executive director and Chairman of the Related Parties Committee, submitted his resignation from the office, due to personal assessments on the continuation of the work on the reorganization of the

Company's governance. The resigning Director requested that his communication be referred to the next meeting of the Board of Directors. It appears that, as of December 16, 2020, Director Castelletti owned 3,051 shares of the Company.

## SOCIETÀ CATTOLICA DI ASSICURAZIONE

*Cattolica Assicurazioni is one of the main players on the Italian insurance market and the only cooperative company in its industry to be listed on the Milan Stock Exchange, where it has been present since November 2000. With more than 3.5 million customers who rely on the insurance solutions and products it distributes, the Group has total premiums of nearly €7 billion (2019). At the Group level, Cattolica has 1,368 agencies throughout Italy, covering both large cities and smaller towns, and a network of 1,862 agents. For further information: [www.cattolica.it/profilo-societario](http://www.cattolica.it/profilo-societario)*

### CONTACT INFORMATION

**Chief Financial Officer**

Atanasio Pantarrotas, CFA

Tel. +39 045 8391738

[Investor.relations@Cattolicaassicurazioni.it](mailto:Investor.relations@Cattolicaassicurazioni.it)**Media Relations Office**

Erminia Frigerio – Media Relations

[erminia.frigerio@Cattolicaassicurazioni.it](mailto:erminia.frigerio@Cattolicaassicurazioni.it)

Tel +39 337 1165255

Angelo Cipriani – Local Media

Tel. +39 347 5074052

[angelo.cipriani@cattolicaassicurazioni.it](mailto:angelo.cipriani@cattolicaassicurazioni.it)**Comin & Partners**

Giuseppe Stamegna

[giuseppe.stamegna@cominandpartners.com](mailto:giuseppe.stamegna@cominandpartners.com)

Tel +39 392 0240063

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