

Composition  
qualitative and  
quantitative  
deemed optimal  
of the Board of  
Statutory

2025





# Composition qualitative and quantitative deemed optimal of the Board of Statutory Auditors

## 2025

Document approved by the Board of Statutory  
Auditors at the meeting of 19 February 2025

Banca IFIS S.p.A. - Registered office at Via Terraglio 63  
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Number and Tax Code 02505630109 VAT 04570150278-  
REA: VE - 0247118  
Fully paid-up share capital: 53.811.095 Euro - Registered  
with the Official List of banks under no. 5508 Parent  
Company of the Banca IFIS S.p.A. banking group -  
Member of the National Guarantee Fund, the National  
Deposit Protection Fund, the Italian Factoring Association  
and Factors Chain International.

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## Background

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

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

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

Similarly, the Rules of Conduct (as defined below) envisage that in view of the renewal of the Control Body, the outgoing Board of Statutory Auditors shall express to the Shareholders its orientation on the professional profiles and skills that would complement the qualitative composition of the Board, as well as the time commitment required to perform the office.

The activities involved in preparing this qualitative and quantitative profile must be the result of a thorough and formalised examination. The results of these analyses should be brought to the attention of the shareholders in a timely manner so that the selection of candidates to be presented can take into account the professionalism required.

To this end, this document contains the guidelines that the Board of Statutory Auditors, whose term of office is expiring, of Banca Ifis makes available to the Shareholders, with a view to facilitating the process of defining the best proposals for the quantitative and qualitative composition of the Bank's new Board of Statutory Auditors, which will be presented by the Shareholders at the next Shareholders' Meeting.

The outgoing Auditors hope that these proposals can be consistent with the profiles suggested by them, on the basis of their experience and the annual self-assessments carried out during their mandate. They also recall that such proposals must comply with sector regulations and the recommendations of the Supervisory Authorities, on which this document is based.

Pursuant to Art. 22 of the Articles of Association of Banca Ifis (the "Articles of Association" or "Articles"), the Board of Statutory Auditors monitors compliance with the Law, the Articles of Association and regulations, compliance with the principles of proper administration, the adequacy of the organisational, administrative and accounting structure adopted by the Bank and its actual functioning, the completeness, adequacy, functionality and reliability of the internal control and risk management system, the exercise of management and coordination activities by the Bank, and other acts and facts specified by the law, performing all the functions assigned to it in compliance with the relevant provisions of the law. The Board of Statutory Auditors ascertains, in particular, the suitable coordination of all the departments and structures involved in the internal control system, including the auditing company entrusted with accounting management, promoting any corrective actions if necessary.

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The following is a summary of the national and European regulations applicable with reference to the requirements of company representatives, including the soft law, since it was considered essential that the principles contained therein be

reflected in the candidate selection process:

- Art. 148 of Italian Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Law on Finance", or "TUF");
- Art. 26 of Italian Legislative Decree no. 385 of 1 September 1993 (the "Consolidated Law on Banking", or "TUB");
- Art. 36 of Italian Decree Law no. 201 of 6 December 2011, "Urgent provisions for growth, equity and the consolidation of public accounts", converted, with amendments, by Law no. 214 of 22 December 2011, known as the "Interlocking Directorship" (the "Salva Italia Decree") and the "Criteria for the application of Art. 36 of "Salva Italia" Decree Law (the "prohibition of interlocking") published by the Bank of Italy, CONSOB and IVASS on 20 April 2012, as subsequently updated and supplemented;
- Decree No. 169 of the Minister of Economy and Finance of 23 November 2020, setting forth the "Regulation on the requirements and eligibility criteria for the performance of the duties of corporate officers of banks, financial intermediaries, credit consortia, electronic money institutions, payment institutions and depositor guarantee schemes" (the "MEF Decree");
- Ministerial Decree no. 162/2000 "Regulations containing rules for establishing the professional and integrity requirements of members of the Board of Statutory Auditors of listed companies to be issued pursuant to Article 148 of Legislative Decree no. 58 of 24 February 1998" ("Ministerial Decree 162/2000");
- Part One, Title IV, Chapter 1, Section IV (Composition and appointment of corporate bodies) of Bank of Italy Circular No. 285/2013 ("Supervisory Provisions");
- Corporate Governance Code for Listed Companies approved on 31 January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria (the "Corporate Governance Code");
- art. 144-undecies.1 of the Regulation adopted by CONSOB with Resolution No. 11971 of 14 May 1999 and subsequent amendments ("Issuers' Regulation");
- Regulation adopted by CONSOB with resolution No. 20249 of 28 December 2017, as amended ("Market Regulation");
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended and supplemented ("CRD");
- Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended and supplemented ("CRR");
- "Guide to fit and proper assessments" of the European Central Bank dated 15 May 2017 and last updated in December 2021 ("ECB Guidelines");
- EBA Guidelines on internal governance of 22 November 2021;
- EBA/ESMA Guidelines on the Verification of the Suitability of Members of the Bodies of Supervision and Management and Key Managers, pursuant to Directive 2016/36/EU and Directive 2014/65/EU of 2 July 2021 ("EBA/ESMA Guidelines"); and
- Rules of Conduct of the Board of Statutory Auditors of Listed Companies adopted by the National Council of Chartered Accountants and Tax Advisors and last updated in December 2024 ("Rules of Conduct").

## 1. Characteristics of the Bank

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

In accordance with the provisions of the Provisions and the applicable regulations, Banca Ifis meets the definition of a bank of greater size or operational complexity, taking into account the size and type of activities carried out, directly or through

Group companies, as well as the fact that it is listed on a regulated market (Euronext – STAR segment of the Italian Stock Exchange).

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

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

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

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

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

The business areas relating to trade receivables, leasing, corporate and investment banking (through structured finance, special situations, equity investments and financial advisory) and tax credits as well as personal salary- and pension-backed loans and finance for pharmacies are just some of the sectors in which the Bank operates.

## 2. Possible indications of the Board of Statutory Auditors in view of the guiding opinion to be submitted to the next Shareholders' Meeting

With the approval of the financial statements at 31 December 2024, the term of office of the Board of Statutory Auditors of Banca Ifis appointed on 28 April 2022 ends. The Bank's shareholders will therefore be called upon, at the next Shareholders' Meeting, to resolve on the appointment of, *inter alia*, new members of the Board of Statutory Auditors.

In light of the above and the findings of the self-assessment exercise for the year 2024, carried out by the outgoing Board of Statutory Auditors, the general consideration regarding the importance of preserving the current profile of the Board in terms of quantitative composition, skills, professionalism and experience represented emerges as widely shared. Specifically, except as indicated more specifically below, the outgoing Board of Auditors:

- believes that the current size of the Board of Statutory Auditors, as provided for in the Articles of Association, is adequate and should be maintained in the future; and
- appreciates the qualitative profile of the Board, also in reference to the "Qualitative and quantitative composition of the Board of Statutory Auditors 2022" and, in view of the renewal, hopes to maintain the current mix of skills and experiences currently expressed by the Auditors as they allow the responsibilities of the body to be fulfilled effectively also in consideration of the size and operational complexity of the Bank, as well as the future challenges that the same will be called to face - without prejudice to what is suggested in the following paragraph 3.2 with respect to the further enrichment of knowledge/skills and diversification in the composition of the body.

In preparing the profile of the future Board of Statutory Auditors, account was also taken of the experience gained during the term of office with respect to the way the Board of Statutory Auditors functions, the most important issues that were dealt with, and the results of the annual self-assessments carried out over the three-year period.

This document is therefore made available in time for the Extraordinary and Ordinary Shareholders' Meeting convened for

17 April 2025 for the appointment of the members of the Board of Statutory Auditors, so that Shareholders may take it into account when choosing candidates.

## 3. Quali-quantitative composition of the Board of Statutory Auditors

### 3.1 Quantitative composition

The quantitative composition of the Board of Statutory Auditors assumes central importance for the effective fulfillment of the tasks that are entrusted to the Supervisory Body by the law, the Supervisory Provisions, the self-disciplinary provisions and the Articles of Association. In this regard, the Banca Ifis Articles of Association envisages that the Board of Statutory Auditors shall number 3 Standing Auditors, including the Chair, and 2 Alternate Auditors.

As mentioned above, the outgoing Board of Statutory Auditors considers the current number of 3 members to be appropriate, and to be kept unchanged for the next renewal.

The composition of the Board of Statutory Auditors, from a quantitative point of view, is considered adequate to:

- ensure effective action by the body, taking into account the need to ensure adequate internal dialectic and participation of the members;
- ensure diversity in the composition of the Board; and
- allow for a balanced balancing of the requirements related to the qualitative composition of the body, as specified below.

### 3.2 Qualitative composition

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

#### 3.2.1 Individual good standing and propriety criteria

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

In addition to compliance with the above-mentioned legal and statutory requirements of integrity, absence of which results in disqualification from holding office, candidates shall also meet the criteria of correctness in their personal and professional conduct in the past, pursuant to Art. 4 of the MEF Decree and as better specified in Annex A.

The situations indicated in Art. 4 of the MEF Decree shall not automatically lead to the unsuitability of the candidate, but shall instead require an assessment - based on one or more of the parameters set out in Art. 5 of the MEF Decree - by the Board, carried out with regard to the principles of sound and prudent management as well as to the safeguard of the Bank's reputation and public trust. The criterion of correctness will not be met when one or more of the situations indicated in Art. 4 of the MEF Decree paint a serious, precise and concordant picture of conduct that is in contrast with the objectives set out in paragraph 1 of the cited Article.



### 3.2.2 Individual professionalism requirements

Based on applicable legislation and, *inter alia*, Art. 9 of the MEF Decree, candidates for the role of member of the Board of Statutory Auditors must satisfy certain professional requirements, which are detailed in Annex A.

### 3.2.3 Competence criteria

In addition to the requirements of professionalism, candidates for the office of member of the Board of Statutory Auditors of the Bank must meet the competence criteria set out in Art. 10 of the MEF Decree, aimed at proving their suitability to take on the office, considering the tasks inherent to the role covered and the size and operational characteristics of the Bank.

Theoretical knowledge - acquired through studies and training - and practical experience, gained in the course of previous or current work activities, are taken into account for these purposes. Details are provided in Annex A.

Moreover, in order to ensure the overall suitability of the supervisory body, also based on diversity criteria and the future challenges that the Bank will face, the outgoing Board, in light of the results of its self-assessment, recommends that candidates for the Bank's new Board of Statutory Auditors should be characterised by a distinctive profile of experience and theoretical and/or technical knowledge, having regard in particular to the following areas (also in addition to those listed above):

- financial markets;
- regulation in the banking and finance industry;
- organisational and corporate governance structures;
- internal control systems and other operating mechanisms;
- relevant banking industry for the Bank;
- accounting and financial reporting; and
- specific knowledge of Banca Ifis.

The outgoing Board, stressing the aspect of the overall suitability of the Board of Statutory Auditors pursuant to the provisions of Art. 11 of the MEF Decree concerning the collective composition and, therefore, the importance that its members are collectively able to act in an informed manner, invites the Shareholders to submit lists containing candidates with skills that allow an optimal combination of profiles with the above-mentioned characteristics, so as to foster the comparison and ensure the development of internal dialectics, the efficient functioning and the overall suitability of the Board of Statutory Auditors. Within this framework, the outgoing Board also points out the importance of enhancing profiles characterised by transversal and multidisciplinary skills.

### 3.2.4 Personal characteristics

In addition to the above-mentioned professional requirements, the outgoing Board recommends that the selection of candidates should also take into due consideration the aptitude characteristics of candidates (termed "soft skills"). In this regard, following a specific reflection during its self-assessment of the last year of its term of office, and with a view to outlining the expected profile of the future Statutory Auditor of Banca Ifis, the outgoing Control Body decided to attribute relevance and centrality to the characteristics indicated below:

- authenticity and independence of thought;
- decision-making aptitude;
- ability to manage conflict constructively;
- ability to interact with Top Management;

- suitable availability of time and energy;
- collaboration skills;
- stand-up capability;
- ability to proactively orientate with respect to the objectives arising from the tasks assigned to the Body; and
- risk assessment of the application of ESG strategies.

### 3.2.5 Diversification and gender quotas

The outgoing Board of Statutory Auditors is aware that an appropriate degree of diversity within the body fosters plurality of approaches and perspectives. In this context, also in light of the findings of the 2024 self-assessment, the outgoing Board stresses the importance of continuing along the path taken by the company in enhancing diversity, particularly with respect to the following aspects: skills and professionalism, educational and professional background, age, gender and seniority in office.

Moreover, it should be stressed that Art. 148, paragraph 1-*bis* of the Consolidated Law on Finance imposes compliance with the gender composition criterion of the Board of Statutory Auditors, according to which at least two-fifths of the members elected must be of the less represented gender. In this regard, pursuant to Art. 144-*undecies*.1, paragraph 3 of the Regulation on Issuers, if the application of the gender distribution criterion does not result in a whole number of members of the management or control bodies belonging to the less represented gender, such number is rounded up to the nearest whole number, except for corporate bodies made up of three members, for which the rounding is rounded down to the nearest whole number.

### 3.2.6 Independence requirements

The Board of Statutory Auditors must meet the independence requirements provided for by the applicable legislation and, in particular, those provided for:

- by Art. 148, paragraph 3 of the Consolidated Law on Finance;
- by Art. 14 of the MEF Decree; and
- Recommendation no. 9 (referring to Recommendations no. 6 and no. 7) of the Corporate Governance Code.

#### 3.2.6.1 Independence of judgement

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

### 3.2.7 Availability of time and limits on accumulation of duties

#### Time availability

The members of the Board of Statutory Auditors are required to dedicate adequate time to carrying out their duties, in compliance with the provisions of Art. 16 of the MEF Decree.

The adequate availability of time and energy to be devoted to the performance of the office, in view of its nature, quality and complexity, is a fundamental requirement that the candidate Auditors must ensure, also with regard to the activities

deriving from participation in the works of the other Bodies/Committees of the Bank, if any. Consideration must also be given to the effort required to prepare for meetings, given the multiplicity of topics to be examined and the volume of supporting documentation. In addition, the commitment required to attend dedicated induction meetings, recurring training organised for the benefit of the Board as well as any off-site meetings must be kept in mind.

In addition to having the necessary time, it is also necessary to take into account other assignments, commitments and work activities, within the limits of the number of assignments provided.

In order to allow the Shareholders to assess the availability of time to be requested from the candidates for members of the Board of Statutory Auditors and to assess whether they are able to ensure preparation and participation in the meetings, the outgoing Board indicates below the number of meetings and the time commitment of the members of the Board of Statutory Auditors, measured with reference to FY 2024:

Body	Number of meetings			Average meeting duration 2024
	2022	2023	2024	
Board of Statutory Auditors	26	23	23	1 hours 29 minutes
Supervisory Body	3	4	4	47 minutes
Board of Directors	16	18	16	2 hours 50 minutes
Control and Risks Committee	21	23	21	2 hours, 20 minutes
Appointments Committee	8	10	10	32 minutes
Remuneration Committee	10	9	9	42 minutes

The Board also draws attention to the threshold of expected attendance at meetings of the Board of Statutory Auditors, where Art. 2404 of the Italian Civil Code states that "any Auditor who, without good reason, fails to attend two meetings of the Board during a financial year shall be removed from office". Similarly, the Board recalls that Art. 149 of the Consolidated Law on Finance establishes, among other things, that "auditors who do not attend the Meetings or, during a financial year, two consecutive meetings of the Board of Directors or the Executive Committee without a justified reason, shall lose their office" and, therefore, invites the Shareholders to pay attention to the expected attendance threshold at the meetings of the Board of Directors and the Company's Shareholders' Meetings.

Having said that, the outgoing Board of Statutory Auditors, with the aim of ensuring the proper functioning of the Control body and the contribution of each member to the internal debate of the Board itself, made an estimate - to be intended as a reference for the assessment of the minimum time necessary for an effective participation in the meetings - summarised in the following table:

Office	Estimated time required for the effective performance of the assignment at Banca Ifis
Chair of the Board of Statutory Auditors	90 days per year
Standing Auditor	60 days per year
Auditor member of the Supervisory Body	6 days per year

## Limits to the accumulation of offices

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

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

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

- (i) the position held at the Bank must be included;
- (ii) the office of effective member of the Board of Statutory Auditors of the Bank cannot be held by a person who is a member of the Board of Statutory Auditors of 5 companies issuing securities on regulated markets;
- (iii) Exempt Assignments (as identified pursuant to the Regulation on Issuers and the MEF Decree) and at Small Companies (as identified pursuant to the Regulation on Issuers) are not relevant;
- (iv) a standing member of the Board of Statutory Auditors of the Bank may hold other administration and control offices in joint-stock companies, limited partnerships with share capital and limited liability companies, up to a maximum limit of six points resulting from the application of the calculation model contained in Annex 5-bis, Schedule 1, of the Issuers' Regulation, unless he is a member of the supervisory body of only one issuer.

The methods of aggregation set out in Art. 18 of the MEF Decree are considered. The set of assignments counted as one is considered an executive assignment if at least one of the assignments held is executive; in other cases it is considered a non-executive assignment.

The candidate for the appointment of Representative is obliged to provide the Competent Body with the updated situation of the administrative, management and control positions held. The updated status of the above assignments includes timely references to:

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

### 3.2.8 Incompatibilities

Without prejudice to the above-mentioned limits, in addition to the causes of incompatibility, ineligibility and disqualification pursuant to the law, which may affect the candidature and/or the assumption/maintenance of the office – such as, for example, those set out in Art. 2382 of the Civil Code – the Auditor candidates must also comply with the so-called "prohibition of interlocking" as provided for by Art. 36 of Italian Decree Law no. 201 of 6 December 2011, "Urgent provisions for growth, equity and the consolidation of public accounts", converted, with amendments, by Law no. 214 of 22 December 2011.

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

## Annex A

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

Positions may not be held by those who:

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

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

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

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

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

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

- a. criminal convictions imposed with sentences (even if not final), sentences (even if not final) that apply the penalty upon request of the parties or following an abridged judgement, criminal decrees of conviction, even if not irrevocable, and personal precautionary measures related to a crime envisaged by the provisions on corporate and bankruptcy affairs, banking, finance insurance, payment services, usury, anti-money laundering, taxation, intermediaries authorised to provide investment services and collective savings management, markets and centralised management of financial instruments, public savings appeals, issuers, as well as for one of the

crimes envisaged by articles 270-*bis*, 270-*ter*, 270-*quater*, 270-*quater*.1, 270-*quinquies*, 270-*quinquies*.1, 270-*quinquies*.2, 270-*sexies*, 416, 416-*bis*, 416-*ter*, 418, 640 of the Criminal Code;

- b. criminal convictions imposed with sentences, including non-final ones, sentences, including non-final, that result from plea bargaining or following an abbreviated judgement, criminal decrees of conviction, even if they have not become irrevocable, and personal precautionary measures relating to crimes other than those referred to in letter a); application, including on a provisional basis, of one of the prevention measures ordered by the legal authorities pursuant to Legislative Decree No. 159 of 6 September 2011;
- c. final rulings sentencing to compensation for damages for acts carried out in the performance of duties in subjects operating in the banking, financial, markets and securities, insurance and payment services sectors; final rulings sentencing to compensation for damages due to administrative-accounting responsibilities;
- d. administrative sanctions imposed on the candidate for violations of corporate, banking, financial, securities, insurance, anti-money laundering and market and payment instrument regulations;
- e. disqualification or interim measures ordered by the supervisory authorities or at their request; removal measures ordered pursuant to Articles 53-*bis*, paragraph 1, letter e), 67-*ter*, paragraph 1, letter e), 108, paragraph 3, letter d-*bis*), 114-*quinquies*, paragraph 3, letter d-*bis*), 114-*quaterdecies*, paragraph 3, letter d-*bis*), of the Consolidated Law on Banking, and Articles 7, paragraph 2-*bis*, and 12, paragraph 5-*ter*, of the Consolidated Law on Finance;
- f. carrying out duties in subjects operating in the banking, financial, securities markets, insurance and payment services sectors which have been subject to an administrative sanction, or a sanction pursuant to Legislative Decree No. 231 of 8 June 2001;
- g. performance of duties in companies that have been subject to extraordinary administration, resolution, bankruptcy or compulsory administrative liquidation procedures, collective removal of members of management and control bodies, withdrawal of authorisation pursuant to Article 113-*ter* of the Consolidated Law on Banking, cancellation pursuant to Article 112-*bis*, paragraph 4, letter b) of the Consolidated Law on Banking or similar procedures;
- h. suspension or expulsion from professional bodies, cancellation (as a disciplinary measure) from professional lists and orders imposed by the competent authorities on the professional bodies themselves; measures of revocation for just cause from offices held in management, administration and control bodies; similar measures adopted by bodies entrusted by law with the management of lists and directories;
- i. a negative assessment by an administrative authority regarding the suitability of the candidate within the framework of authorisation procedures provided for by the provisions on corporate, banking, finance, securities, insurance and the rules on markets and payment services;
- j. ongoing investigations and criminal proceedings relating to the offences referred to in letters a) and b);
- k. negative information on the candidate contained in the Central Risk Register set up pursuant to Article 53 of the Consolidated Law on Banking; negative information means information relating to the candidate, even when not acting as a consumer, which is relevant for the purposes of fulfilling the obligations laid down in Article 125, paragraph 3, of the Consolidated Law.

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

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

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

- a. objective seriousness of the facts committed or contested, with particular regard to the extent of the damage caused to the protected legal asset, the damaging potential of the conduct or omission, the duration of the violation, any systemic consequences of the violation;

- b. frequency of behaviour, with particular regard to the repetition of behaviour of the same nature and the time lapse between them;
- c. stage of the administrative penalty appeal process;
- d. stage and degree of the criminal proceedings;
- e. type and amount of the sanction imposed, assessed according to criteria of proportionality, which take into account, among other things, the graduation of the sanction also on the basis of the bank's financial capacity;
- f. period of time between the occurrence of the relevant fact or conduct and the resolution of appointment. As a rule, events that occurred or conduct that took place no more than ten years before the appointment are taken into account; if the relevant fact or conduct took place more than ten years earlier, it should only be taken into account if particularly serious or, in any case, if there are particularly qualified reasons why the sound and prudent management of the bank could be affected;
- g. level of cooperation with the relevant body and the supervisory authority;
- h. any remedial action taken by the party concerned to mitigate or eliminate the effects of the violation, even after the adoption of the conviction, penalty or otherwise of one of the measures referred to in Article 4, paragraph 2, of the MEF Decree;
- i. degree of responsibility of the subject in the violation, with particular regard to the effective power structure within the bank, company or entity at which the position is held, the conduct actually carried out, the duration of the position held;
- j. reasons for the measure taken by administrative bodies or authorities;
- k. relevance and connection of conduct, behaviour or facts to the banking, financial, securities, insurance, payment services sectors, as well as anti-money laundering and terrorist financing.

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

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

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

## Individual requirements of professionalism (Art. 9 of the MEF Decree)

Pursuant to Art. 9, paragraph 1 of the MEF Decree, at least one of the Standing Auditors, if there are three, and at least one of the Alternate Auditors are chosen among those enrolled in the register of legal auditors who have carried out legal auditing activities for a period of no less than three years.

Pursuant to Art. 9, paragraph 2 of the MEF Decree, the other members of the Board of Statutory Auditors are chosen from persons who have carried out for at least three years, also alternatively, the activity of statutory audit or one of the activities referred to in Art. 7, paragraph 2 of the MEF Decree, or who have carried out, for at least three years, also alternatively:

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



ongoing basis and be significant in the above-mentioned sectors;

- b) university teaching activities, as first or second level lecturer, in legal or economic subjects or in other subjects that are in any case functional to the Bank's activities;
- c) managerial, executive or top management functions, howsoever called, in public bodies or public administrations related to the credit, financial, securities or insurance sector, provided that the entity in which the person held such functions is of a size and complexity comparable with that of the Bank

Moreover, pursuant to Art. 9, paragraph 3, the Chair of the Board of Statutory Auditors shall be chosen among the persons who meet the requirements set out respectively in paragraph 1 or paragraph 2 of Art. 9 of the MEF Decree - as mentioned above - and who have at least two years' professional experience in addition to that required by the same paragraphs.

Lastly, pursuant to Art. 9, paragraph 4, for the purposes of compliance with the above-mentioned requirements, for Auditors who are not enrolled in the register of legal auditors, the experience gained during the twenty years prior to taking office is taken into account; experience gained in several functions at the same time is counted only for the period of time during which they were carried out, without accumulating it.

## Competence criteria (Art. 10 of the MEF Decree)

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

The criterion is evaluated by the appropriate body, which:

- a. considers theoretical knowledge and practical experience possessed in more than one of the following areas:
  - (i) financial markets;
  - (ii) regulation in the banking and finance industry;
  - (iii) strategic planning and guidelines;
  - (iv) organisational and corporate governance structures;
  - (v) risk management (identifying, assessing, monitoring, controlling and mitigating a bank's major types of risk, including the candidate's responsibilities in these processes);
  - (vi) internal control systems and other operating mechanisms;
  - (vii) banking and financial activities and products;
  - (viii) accounting and financial reporting;
  - (ix) information technology;
- b. analyses whether the theoretical knowledge and practical experience listed under point a) is appropriate with respect to:
  - (i) the tasks inherent to the role covered by the representative and any specific delegations or powers, including participation in committees;
  - (ii) the characteristics of the bank and of the banking group to which it may belong, in terms of, *inter alia*, size, complexity, type of activities carried out and related risks, reference markets, countries in which it operates.

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

The competence criterion is not met when the information acquired regarding theoretical knowledge and practical



experience paint a serious, precise and concordant picture of the candidate's unsuitability for the position. In the event of specific, limited shortcomings, the appropriate body may take steps to address them.

## Independence requirements

### **Art. 14 of the MEF Decree**

No one can take on the office of member of the Board of Statutory Auditors who:

- a. is in any of the situations indicated in Article 13, paragraph 1, letters b), g) and h);
- b. is the spouse (unless legally separated), person bound in a civil union or *de facto* cohabitation, a relative or relative-in-law up to the fourth degree: 1) of the heads of the bank's main corporate departments; 2) of persons who find themselves in the situations indicated in Article 13, paragraph 1, letters b), g) and h), or in letter c) of this paragraph;
- c. holds, or has held in the last five years, positions as a member of the board of directors or management board as well as management positions at a participant in the bank, the bank or companies controlled by the bank.

This is without prejudice to the possibility for a member of the Board of Statutory Auditors to hold the office of auditor or supervisory body member at the same time in one or more companies belonging to the same banking group.

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

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

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

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

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

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

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

- a. if a significant shareholder of the company;
- b. if he is, or has been in the previous three financial years, an executive director or employee:

- (i) of the company, a strategically important subsidiary of the company or a company under common control;
- (ii) of a significant shareholder of the company;
- c. if, directly or indirectly (for example, through subsidiaries or companies of which he is an executive director, or as a partner in a professional firm or consultancy), he has, or has had in the preceding three financial years, a significant commercial, financial or professional relationship:
  - (i) with the company or its subsidiaries, or its executive directors or top management;
  - (ii) with a party who, also together with others through a shareholders' agreement, controls the company;
  - (iii) or, if the parent company is a corporation or institution, with its executive officers or top management;
- d. if he receives, or has received in the previous three financial years, from the company, one of its subsidiaries or the parent company, significant additional remuneration compared to the fixed remuneration for the office and the remuneration for participation in the committees recommended by the Code or provided for by the regulations in force;
- e. if he has been a director of the company for more than nine financial years, including non-consecutive ones, in the last twelve financial years;
- f. if serving as an executive director of another company in which an executive director of the company serves as a director;
- g. if a partner or director of a company or an entity belonging to the network of the company entrusted with the statutory audit of the company;
- h. if a close family member of a person who is in one of the situations referred to in the previous points.

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

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

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

"Fixed compensation for office" means:

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

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

"Compensation for participation in committees recommended by the Code" means the compensation that an individual

director receives by reason of his participation in endowed committees having functional responsibilities for the implementation of the Code, including any committee established pursuant to Recommendation 1, letter a), provided that it is not an executive committee. As expressly envisaged by the Code, remuneration for participation in the committees (or bodies) envisaged by current legislation, excluding the Executive Committee if any, is also assimilated to "committees recommended by the Code".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. within the same group;
- b. in banks belonging to the same institutional protection system;

- c. in non-group companies in which the bank has a qualifying holding as defined in Article 4(1), point 36, CRR.

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

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

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

The appropriate body shall consider, among other things:

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

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

- a. holds the position of CEO, General Manager or Chair of the Board of Directors, Board of Statutory Auditors, Management Board, Supervisory Body, Management Control Committee or other committee within the bank;
- b. benefits, for the other appointments, from the application of the aggregation mechanism provided for by Art. 18, paragraph 3, of the MEF Decree.

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

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



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