

# **BPER:** Banca

**Guidelines for Shareholders  
on the Qualitative and Quantitative Composition  
of the Board of Directors**

March 2021

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## **INTRODUCTION**

This document contains the Guidelines for Shareholders (the "**Guidelines**") that the Board of Directors of BPER Banca S.p.A., nearing the end of its mandate, has drawn up with the support of the Nomination Committee, with a view to identifying the optimal quantitative and qualitative composition of the Bank's new Board of Directors on the basis of the experience of governance in the three-year period just ending and the results of the 2020 Self-Assessment process.

These suggestions are formulated taking into account the applicable national and European regulations on the subject, as listed below (the "**Provisions**");

- arts 147-ter and 147-quinquies of Legislative Decree 58 of 24 February 1998, the Consolidated Finance Act (**CFA**);
- art. 26 of Legislative Decree 385 of 1 September 1993, the Consolidated Banking Act (**CBA**);
- art. 36 of Legislative Decree 201 of 6 December 2011 "*Urgent provisions for growth, equity and the consolidation of public accounts*", converted with amendments by Law 214 of 22 December 2011, "*Interlocking Directorships*" and "*Criteria for the application of art. 36 of the "Salva Italia" decree ("Ban on Interlocking Directorships")*", published by the Bank of Italy, Consob and ISVAP on 20 April 2012, subsequently updated on 21 December 2018;
- Decree of the Minister of Economy and Finance 169 of 23 November 2020, in force from 30 December 2020, containing the "*Regulation on the requirements and eligibility criteria for the performance of the office of corporate officers of banks, financial intermediaries, credit guarantee consortia, electronic money institutions, payment institutions and depositor guarantee schemes*" (**MEF Decree**);
- Part I, Title IV, Chapter 1, Section IV (Composition and nomination of corporate bodies) of the Bank of Italy Circular 285 of 17 December 2013;
- Regulation adopted by Consob with Resolution 11971 of 14 May 1999 and subsequent amendments;
- Regulation adopted by Consob with Resolution 20249 of 28 December 2017 and subsequent amendments;
- Directive 2013/36/EU of the European Parliament and Council of 26 June 2013, on access to the business of credit institutions and on the prudential supervision of credit institutions and investment firms and Regulation (EU) 575/2013 of the European Parliament and Council of 26 June 2013 relating to prudential requirements for credit institutions and investment firms, as subsequently supplemented and amended;
- "*Guide to the verification of the requirements of professionalism and integrity*" of the European Central Bank of 15 May 2017, last updated in May 2018;
- "*Guidelines to internal governance*" of the European Banking Authority of 21 March 2018;

- *“Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU” of 21 March 2018.*

It should also be noted that BPER Banca S.p.A. adheres to the Corporate Governance Code for Listed Companies, approved by the Corporate Governance Committee of Borsa Italiana S.p.A. on 31 January 2020 and applicable, by the companies that adopt it, starting from the first financial year starting after 31 December 2020, informing the market in the corporate governance report to be published in 2022 ("**Corporate Governance Code**").

Application of the regulations requires:

- a) from a **quantitative point of view**, that the number of members of corporate bodies is adequate for the size and complexity of the bank's organisational structure, in order to oversee the entire company operations, management and controls effectively;
- b) from a **qualitative point of view**, that the bodies are made up of people:
  - who they are fully aware of the powers and obligations inherent to the role and functions that they are called upon to perform;
  - who meet the requirements of integrity, professionalism and independence of mind, as well as criteria of correctness and competence, in order to guarantee the sound and prudent management of the bank;
  - who have adequate professionalism, also for the composition of the internal committees, and calibrated in relation to the specificities of the role to be filled, the characteristics of the bank and the Group that it belongs to;
  - who, as a whole, have a wide variety of skills, so that each of the members can effectively contribute to identifying and pursuing suitable strategies and ensuring effective governance of risks in all areas of the bank, both in the committees that they belong to and in collective decisions of the Board;
  - who are able to dedicate adequate time and resources to the complexity of the assignment, without prejudice to compliance with the limits on the accumulation of offices and the regulatory constraints envisaged for offices in competing companies;
  - who act in pursuit of the overall interest of the Bank, regardless of the group of shareholders that voted them or the list from which they were drawn, operating with independence of mind.

To help shareholders identify the best candidates to be proposed for the renewal of the Administrative Body, BPER Banca's Board of Directors thinks it might be useful to draw their attention to the main requirements of the above Provisions, concerning the composition of the Board and its Committees, as summarised below:

- banks of greater size or operational complexity, which adopt the traditional administration and control model, must have a number of Directors not greater than 15, except in exceptional cases, which must be analytically assessed and justified;
- the number of Independent Directors must be equal to at least one quarter of the members

*This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.*

of the Board of Directors, rounded up to the nearest unit in the case of a fraction, as required by Circular 285 of the Bank of Italy; the number of directors who meet the independence requirements envisaged by the Corporate Governance Code (2020 edition) must however be equal to at least half of the directors, according to the provisions for larger companies without concentrated ownership, in accordance with the Code;

- the Chairman of the Board of Directors must have a non-executive role and must not perform any management functions, even *de facto*;
- banks of greater size or operational complexity must have three Committees specializing in “nomination”, “risk” and “remuneration” as part of the body that has the function of strategic supervision;
- as a rule, each of these Committees must be composed of 3-5 members, all non-executive and by a majority independent. The Committees have to differ from each other by at least one member and, where there is a director elected by minorities, they have to be a member of at least one Committee. The Chairman of each Committee is chosen from among the independent members.

Having said this, in view of the fact that its mandate is about to expire, the Board of Directors of BPER Banca has carried out the Self-Assessment, with the help of an independent consultancy, with reference to 2020, the last of its three-year period of office, which was taken into account in preparing this document, as explained below.

In line with the recommendations contained in the Corporate Governance Code (2020 edition), the Board of Directors also requires shareholders who present a list containing a number of candidates greater than half of the directors to be elected (i) to provide adequate information on its compliance with these Guidelines, and (ii) to indicate their candidate for the office of Chairman of the Board of Directors.

## **GOVERNANCE AND STRUCTURE OF THE BOARD OF DIRECTORS**

BPER Banca applies the traditional administration and control system. Its governance, as described in the Articles of Association, in the form resulting from the amendment resolved by the Extraordinary Shareholders' Meeting of 29 January 2021, provides for the existence of the following bodies: the Shareholders' Meeting; the Board of Directors; the internal Board Committees (currently made up of a Control and Risk Committee, a Nomination Committee, a Remuneration Committee and an Independent Directors Committee); the Executive Committee (currently established, though it is optional), the Chairman, Chief Executive Officer, General Management and the Board of Statutory Auditors.

The Bank's Articles of Association define the size of the Board of Directors, made up of 15 members, elected by the Shareholders' Meeting (art. 17).

The Board of Directors elects the Chairman and one or two Deputy Chairmen from among its members (art. 21). The Board of Directors appoints a Chief Executive Officer from among its members (art. 29).

The Board of Directors can appoint an Executive Committee composed of a minimum of 3 to a maximum of 5 directors (art. 27) and set up other Committees within it.

The Articles also say that a certain number of directors, equal to at least the minimum number required by the primary and secondary legislation in force at the time, have to meet the

independence requirements (art. 17).

## **QUANTITATIVE COMPOSITION**

As indicated above, the Articles of Association say that the Bank's Board of Directors is to be made up of 15 members.

Given the size, organisational complexity and operating dynamics of the Bank, after having examined the results of the Self-Assessment with reference to the year 2020 with the support of the Nomination Committee, the Board of Directors has concluded that the number of directors laid down in the Articles of Association is adequate.

This conclusion is based on the awareness that the current size of the administrative body allows its members to be more than adequately involved in management activities and to properly develop the debate at meetings, having an adequate number of independent members, such as to guarantee the efficient functioning of the Committees, which make up the Board's activities, and to ensure an effective balancing of the skills present in these Committees.

The new Board of Directors, which will be elected by the Shareholders' Meeting, will be asked, when assessing the suitability of the new members, to verify, with the support of the Nomination Committee, whether the new Board complies with the qualitative and quantitative composition requirements that are deemed optimal, also for the purposes of art. 12 of the MEF Decree, in accordance with the provisions of these Guidelines and as represented to the shareholders.

The Board would also like to remind you:

- that pursuant to the Corporate Governance Code (see Principle VI, Recommendation 5, paragraph 4), at least half the members of the Board must be Independent Directors; and
- that, as per the amendments to Law no. 120 of 12 July 2011 contained in the 2020 Budget Law, the less represented gender on the Board must have a number of candidates not less than two fifths of the members of the Administrative Body (rounded up, if necessary).

## **QUALITATIVE COMPOSITION**

In drafting these guidelines for shareholders presenting lists of candidates, regarding the levels of professionalism, skills and experience considered necessary for an optimal qualitative and quantitative composition of BPER Banca's Board of Directors, we would like to emphasise how important it is to:

- ensure that the Administrative Body has a solid and balanced combination of professional profiles and experience to cope with and effectively manage the challenges resulting from the important extraordinary transactions that were concluded during the term of office that is coming to an end, as well as those that will emerge from the foreseeable evolution of the market and the preparation and implementation of BPER Banca's strategic objectives over the next three years;
- identify profiles with suitable personal characteristics and aptitudes, capable of ensuring effective collaboration and positive relational dynamics by the directors in the optimal performance of their appointment;
- ensure that there are enough Independent Directors to stimulate a debate that is open to all stakeholders and sensitive to their needs; the hope is to have a number of Independent

Directors that is even higher than the minimum number established by law and the Articles of Association ;

- identify profiles capable of guaranteeing adequate availability of time, to allow effective and informed fulfilment of the role of Director on the Board and in the Committees;
- further promote the diversity requirements, in terms of professional experience, geographical origin, demographic diversification and, within the limits of the regulatory professionalism requirements, sectors of origin, as well as gender.

The Board of Directors is aware that:

- in order to adequately carry out their role, it is essential that the members of the Administrative Body have the knowledge, skills and experience necessary to exercise their functions, and that they are disseminated and diversified among all members, on the basis of:
  - the duties and responsibilities of the roles envisaged within the Board and the Committees;
  - the size and operational characteristics of the Bank, its complexity and type of activity;
  - the context and growth prospects of the market, the prospective evolutionary scenarios, also with regard to the legislative and regulatory framework and the risk control system;
- for the assessment of individual skills it is necessary to consider both the theoretical knowledge acquired through study or training courses, as well as the practical experience gained through professional activity, the skills acquired in the workplace, as well as through previous board appointments.

The results of the Board's 2020 Self-Assessment confirm that the mix and quality of the professional profiles of the current Board are adequate in terms of knowledge, skills and diffusion, with few indications of possible opportunities for improvement. The Board of Directors therefore submits to the shareholders its Guidelines on the optimal qualitative composition of the professional skills of the future Board of Directors. These also take into account the course taken by the Board over the last three years, during which important extraordinary operations were carried out. In some cases, they are still in progress in terms of organisational and operational finalisation, under the Board's supervision.

In light of these considerations, the Board of Directors hopes that, in defining the lists for the 2021-2023 mandate, the shareholders of BPER Banca will:

- prefer to propose to the Shareholders' Meeting a certain continuity in the Directors whose term of office is expiring, to ensure that a good part of the overall experience and skills of the current Administrative Body continues to be represented on the new Board, at the same time guaranteeing the governance and successful completion of the initiatives and projects launched in the three-year period 2018-2020;
- identify professional and personal profiles of high quality, authoritativeness, competence and independence of mind. The aim being to preserve and, if possible, increase the Board's ability to exercise its functions of direction and control, to consolidate governance of the Bank and



to promote an adequate renewal of the composition of the Board;

- enhance continuity in the management of the activities of the Board and the Committees, in line with the EBA/ESMA Joint Guidelines; in this perspective, the Board would like to highlight the limited length of office of the current members of the Board and the fact that it might be opportune to expand the skills available to the Board to a certain extent, as explained below;
- evaluate the results of the self-assessment carried out in 2020, the third year of the Board's mandate, from which positive judgements emerge both on the effectiveness of the Bank's governance and on the good functioning of the Board and its Committees.

### **INTEGRITY AND CORRECTNESS**

As explained in more detail in Attachment A, the members of the Board of Directors must be chosen from among people who meet the integrity requirements set forth in art. 3 of the MEF Decree and the criteria of correctness in previous personal and professional conduct pursuant to art. 4 of the same Decree.

With reference to the criteria of correctness (also explained in detail in Attachment A), it is worth mentioning that if one or more of the situations indicated in art. 4 of the MEF Decree arises, this does not automatically mean that the person is unsuitable, but it does require an assessment by the Board of Directors regarding the principles of sound and prudent management, as well as the need to safeguard the bank's reputation and public trust.

### **INDEPENDENCE AND INDEPENDENCE OF MIND**

As mentioned above and as explained in more detail in Attachment A, in addition to the independence requirements that, according to the Provisions, must be met by a minimum number of directors, the MEF Decree also established, for all members of the Board of Directors, certain requirements of independence of mind and awareness of the rights and duties inherent to the appointment, in the interest of the sound and prudent management of the Bank and in compliance with the law and any other applicable regulation.

### **PROFESSIONALISM AND COMPETENCE OF DIRECTORS**

The Board of Directors would like to remind the shareholders as a matter of priority that the members of the Bank's Board of Directors must satisfy the requirements of professionalism pursuant to art. 7 of the MEF Decree, as well as the criteria of competence referred to in art. 10 of the MEF Decree, as set out more specifically in Attachment A.

Based on the provisions of the MEF Decree, each candidate to the Board of Directors of BPER should have a basic level of technical knowledge in the following areas:

- banking and financial markets;
- the regulatory context of reference and the resulting legal obligations;
- strategic planning, awareness of the corporate strategic guidelines or business plan of a bank and its implementation;
- risk management (identification, assessment, monitoring, control and methods to mitigate the main types of risk of a bank), including experience expressly concerning the delegated powers of the individual director;

- accounting and auditing;
- assessment of the effectiveness of the bank's governance mechanisms, aimed at ensuring an effective supervisory, management and control system;
- interpretation of a bank's financial figures, identification of the main problems, as well as adequate safeguards and measures based on such information.

Having said all this, based on the experience gained during this mandate, the Board of Directors would like to express its assessments to the shareholders in terms of knowledge, skills and experience, which it deems appropriate to characterise the optimal qualitative composition of the new Board as a whole, with each member contributing in different ways.

The Board thinks that it would be worth classifying the optimal level of diffusion of the various professional skills according to their nature and relevance in the new administrative body, as follows:

- 1) very common (i.e. possessed by a number of candidates indicatively not less than one third of the members of the entire Board) for the knowledge, skills and experience indicated below as the "**first group**";
- 2) common (i.e. possessed by a number of candidates indicatively not less than a quarter of the members of the entire Board), for the knowledge, skills and experience indicated below as the "**second group**";
- 3) less common (i.e. possessed even by only one or two members of the Board), for the third group of more specialist experience and knowledge indicated below as the "**third group**").

Based on the analysis process carried out, the Board of Directors would like to propose to the shareholders the following Skills Matrix, which is indicative of the diffusion and ideal balance of the various types of experience contributed individually in the collective context of the Board of Directors:

- **first group:** *very common* knowledge and skills in terms of:
  - knowledge of the banking sector, financial markets and the methods for managing and controlling risks associated with banking and investment services;
  - authenticity, standing-up and communication skills (transparency, exposure and adequate defence of one's own ideas);
  - business judgement and analysis and decision-making skills;
  - a knowledge of the workings of the economy and the financial system;
  - an ability to read and interpret the financial statements of a financial institution and accounting and financial reporting in general;
  - an ability to collaborate and influence (appropriate and constructive sharing of professionalism/skills and opinions and resolution of potential conflicts);
  - an orientation and stimulus towards achieving results;
  - a knowledge of the primary and secondary regulatory profiles that govern financial

activities;

- an adequate knowledge of the English language.
- **second group:** *common* knowledge and skills in terms of:
  - experience in entrepreneurial management and business organisation;
  - competence in risk management ;
  - knowledge of issues related to digital transformation and cyber security;
  - knowledge of the socio-economic and market realities of the geographical areas in which BPER Banca has or has increased its strategic presence;
  - consistency of professional conduct with the Bank's corporate culture;
  - competence in corporate functions (e.g. audit, legal, corporate).
- **third group:** *less common* knowledge and skills in terms of:
  - managerial/entrepreneurial experiences in complex contexts, including non-banking ones, if relevant to the bank's activity (ref. art. 7, MEF Decree);
  - knowledge of the insurance market and products and related regulations;
  - investment banking/M&A experience;
  - experience in innovative products and channels in the banking sector;
  - academic experience, also evaluating possible diversification of the areas of competence.

Lastly, the Board suggests giving preference to candidates who, in addition to possessing the professional skills mentioned above, also have the types of soft skills indicated in the EBA/ESMA Joint Guidelines.

It is reminded that all Candidates have to explicitly guarantee their availability of time necessary to take part in board and committee meetings, as well as in informal meetings with the other directors.

### **TIME AVAILABILITY**

Directors are required to dedicate adequate time to the performance of their duties, in compliance with art. 16 of the MEF Decree (see [Attachment A](#) for more detail).

To help the shareholders assess the time availability requested of candidates to the Board of Directors and the candidates themselves to assess whether they are able to guarantee the time for preparation and participation in meetings, the outgoing Board of Directors indicates here below the number of meetings and the time commitments of the members of the Board and of the Committees, measured on the basis of what took place in 2020.

BODY	NUMBER OF MEETINGS PER YEAR	AVERAGE DURATION IN HOURS
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Board of Directors	29	06:15
Executive Committee	14	03:30
Nomination Committee	11	01:20
Remuneration Committee	21	01:50
Control and Risk Committee	42	03:10
Independent Directors Committee	17	01:23

In addition to the time needed to participate in the meetings, preparation time for each meeting also has to be taken into consideration; and, as regards the Chairmen of the Board and of each of the Committees, also the time dedicated to the role and to preparing, organising and coordinating Board and Committee meetings.

It is also necessary to consider the commitment needed to participate in meetings dedicated to induction and continuing training, as well as any off-site events during the three-year period.

Any travel time and the time needed to prepare for company appointments has to be added to the above.

In line with the ECB's "Guide to Fit and Proper Assessments" and to ensure the proper functioning of the Board and the contribution of each member to the debate within the Body, the Board of Directors of BPER Banca has made an estimate which is intended as a point of reference for assessing the minimum time deemed necessary for participating effectively in meetings:

Chairman of the Board	104 days/year
Chief Executive Officer	Full time
Non Executive Director	45 days/year
<b>Additional days for particular positions</b>	
Executive Committee (Chairman/Member)	17/14 days/year
Nomination Committee (Chairman/Member)	13/11 days/year
Remuneration Committee (Chairman/Member)	25/21 days/year
Control and Risk Committee (Chairman/Member)	50/42 days/year
Independent Directors Committee (Chairman/Member)	20/17 days/year

In addition to the foregoing, the Directors will be required to comply with the limits on the accumulation of offices, in accordance with the provisions of articles 17 and following of the MEF Decree (see Attachment A for more details).

## **ROLES OF PARTICULAR IMPORTANCE ON THE BOARD OF DIRECTORS**

Without prejudice to compliance with the Provisions on the requirements that the Bank's directors must meet, the Bank's current Board of Directors is aware of the particular importance of certain roles and would like to make specific suggestions to the shareholders as to the profiles that are considered most appropriate.

### **Chairman of the Board of Directors**

In addition to what is governed by the Articles of Association (art. 26) and the provisions of art. 7, paragraph 3 of the MEF Decree, the Chairman of the Board of Directors is the person who has to make sure that the Group's governance system functions effectively, guaranteeing the balance of powers with respect to the Chief Executive Officer and the other executive directors, acting as the body's interlocutor with the control function and the internal committees.

The Chairman of the Board of Directors should therefore:

- be a person with a high profile in terms of professional experience and values, recognised as authoritative, balanced and credible, who can guarantee the proper functioning of the Board as a whole, favouring the internal dialogue among its members, and a person who can objectively act as a guarantee versus all of the Bank's stakeholders;
- have experience in corporate governance and supervision of the Board of Directors' induction, development and succession planning activities;
- have a knowledge of banking and of financial and banking regulations;
- have independence of mind and intellectual honesty, leadership, synthesis, mediation and communication skills;
- ideally have gained, in listed companies or groups comparable in terms of size or complexity of governance or business to BPER Banca, experience in heading up the Board of Directors and, consequently, the ability to maintain an attentive and constructive dialogue with the Chairmen of Committees and Directors, the Chief Executive Officer, and with the shareholders and other stakeholders.

### **Chief Executive Officer**

In line with the Articles of Association (art. 29) and the regulatory provisions (art. 7, paragraph 4 of the MEF Decree) and in application of the Corporate Governance Code, the Chief Executive Officer is the main person responsible for running the company, implementing the strategic guidelines and risk governance policies defined by the body with the function of strategic supervision and responsible for adopting all the necessary interventions to ensure compliance by the organisation and the internal control system by continuous monitoring.

In particular, the Chief Executive Officer ensures that the organisational, administrative and accounting structure of the Bank and of the Subsidiaries is adequate for the operations and size of the Group.

The Chief Executive Officer must also have specific experience in banking, financial, stockbroking or insurance matters gained through administration or control activities or managerial duties for a period of not less than five years in the fields of banking, finance, stockbroking or insurance, or in listed companies or companies with a greater or similar size and complexity (in terms of turnover,

nature and complexity of the organisation or business carried on) to that of the Bank.

The Chief Executive Officers should hopefully:

- have shown a clear aptitude for achieving results during their professional career;
- have an adequate vision of the market and in the implementing the strategic guidelines outlined by the competent corporate divisions, a high sense of strategic, results-based orientation and good business judgement;
- show an adequate orientation towards transparency versus the corporate bodies, communication vis-à-vis the Board and sharing strategic decisions and proposals with the directors;
- have authority, high leadership qualities and executive skills, openness to accept the contributions made by the various corporate functions and bodies and an adequate sense of constructive criticism;
- have strong interpersonal skills.

### **Non-Executive Director**

Non-executive members of the Board of Directors must:

- have a significant weight and actively participate in passing board resolutions and monitoring the decisions made by the executive members;
- acquire information on the management and corporate organisation from the Chief Executive Officer, the General Manager, the internal audit function and other corporate control functions, also through the Board's internal committees;
- not be involved, not even *de facto*, in the executive management of the Company and avoid situations of conflict of interest.

The authoritativeness and skills of the Non-Executive Directors must be adequate for the effective exercise of these functions, which are crucial for sound and prudent management of the Bank.

In this regard, reference be made to Attachment A for more detail.

### **Independent Director**

The Independent Directors:

- supervise management of the company with independence of mind, to ensure that it is carried out in the interest of the Bank and in a manner consistent with the objectives of sound and prudent management;
- must have adequate professionalism and authoritativeness to ensure a high level of debate within the Board of Directors and to make a significant contribution to the decisions made by it.

As regards the independence requirements applicable to the Bank's Directors, reference should also be made to Attachment A for more detail.

\* \* \*



## Attachment A

### Requirements of the members of the Board of Directors - summary sheet

#### **1) INTEGRITY (ART. 3 OF THE MEF DECREE)**

The office of director cannot be held by those who:

- a) are in a state of legal interdiction or in another of the situations provided for in art. 2382 of the Italian Civil Code;
- b) have been convicted with a final sentence, without prejudice to the effects of rehabilitation and revocation of the sentence for abolition of the offence pursuant to art. 673, paragraph 1, of the Italian Code of Criminal Procedure:
  - 1) to imprisonment for an offence according to the rules on corporate law and bankruptcy, banking, finance, insurance, payment services, anti-money laundering, intermediaries authorised to provide investment services and collective asset management, markets and centralised management of financial instruments, raising public savings and issuers of securities, as well as for one of the crimes provided for in arts. 270bis, 270-ter, 270-quater, 270-quater.1, 270-quinquies, 270-quinquies.1, 270-quinquies.2, 270-sexies, 416, 416-bis, 416-ter, 418 and 640 of the Italian Criminal Code;
  - 2) to a prison term for a period of not less than one year, for a crime against the public administration, against public trust, against property and in tax matters;
  - 3) to a prison term for a period of two years or more for any unintentional crime;
- c) have been subjected to preventive measures ordered by the judicial authority pursuant to Legislative Decree 159 of 6 September 2011, and subsequent amendments and additions, without prejudice to the effects of the rehabilitation and revocation of the sentence for abolition of the offence pursuant to art. 673, paragraph 1, of the Italian Code of Criminal Procedure;
- d) on taking office, are in a state of temporary disqualification from offices of management of legal entities and companies or in a state of temporary or permanent disqualification from carrying out administrative, management and control functions pursuant to art. 144-ter, paragraph 3, of the CBA and art. 190-bis, paragraphs 3 and 3-bis, of the CFA, or in one of the situations referred to in article 187-quater of the CFA.

Furthermore, those to whom it has been applied with a final sentence at the request of the parties or following an abbreviated sentence - without prejudice to the effects of rehabilitation and revocation of the sentence for abolition of the crime pursuant to art. 673, paragraph 1, of the Italian Code of Criminal Procedure - one of the penalties provided for:

- a) by the provisions on corporate law and bankruptcy, banking, finance, insurance, payment services, anti-money laundering, intermediaries authorised to provide investment services and collective asset management, markets and centralised management of financial instruments, raising public savings, issuers of securities, as well as for one of the crimes



provided for in arts 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 and 640 of the Italian Criminal Code, except in the case of the extinction of the crime pursuant to art. 445, paragraph 2, of the Italian Code of Criminal Procedure;

- b) to a prison term for a period of not less than one year for a crime against the public administration, against public trust, against property and in tax matters, and/or to a prison term for a period of not less than two years for any non-negligent crime, except in the case of extinction of the offence pursuant to art. 445, paragraph 2, of the Italian criminal procedure code.

With reference to the cases governed in whole or in part by foreign legal systems, the verification of non-existence of the above conditions is carried out on the basis of an assessment of substantial equivalence.

## 2) CORRECTNESS (ARTICLES 4 AND 5 OF THE MEF DECREE)

The persons satisfy criteria of correctness in previous personal and professional conduct. The following elements are taken into consideration to that end:

- a) criminal convictions imposed even with non-final sentences, even non-final sentences that apply the penalty at the request of the parties or following an abbreviated sentence, criminal convictions, even if they have not become irrevocable, and personal precautionary measures relating to a crime according to the rules on corporate law and bankruptcy, banking, finance, insurance, payment services, usury, anti-money laundering, tax matters, intermediaries authorised to exercise investment services and collective asset management, markets and centralised management of financial instruments, raising public savings, issuers of securities, as well as for one of the crimes provided for in arts 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 and 640 of the Italian Criminal Code;
- b) criminal convictions imposed with even non-final sentences, even non-final sentences that apply the penalty at the request of the parties or following an abbreviated sentence, criminal convictions, even if they have not become irrevocable, and personal precautionary measures relating to crimes other than those referred to in letter a); application, including provisional application, of one of the preventive measures ordered by the judicial authority pursuant to Legislative Decree 159 of 6 September 2011;
- c) final sentences to pay damages for acts performed in the performance of duties by persons operating in banking, finance, markets and securities, insurance and payment services; final sentences to pay damages for administrative-accounting responsibilities;
- d) administrative sanctions imposed on the person for violations of corporate, banking, financial, securities, insurance, anti-money laundering regulations and rules on markets and payment instruments;
- e) forfeiture or precautionary measures ordered by the Supervisory Authorities or at their request; removal measures ordered pursuant to arts 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 CBA, and arts 7, paragraph 2-*bis*,

and 12, paragraph 5-ter, of the CFA;

- f) holding office in entities operating in the banking, financial, markets and securities, insurance and payment services sectors on which an administrative sanction has been imposed, or a sanction pursuant to Legislative Decree 231 of 8 June 2001;
- g) holding office in companies that have been subjected to extraordinary administration, resolution procedures, bankruptcy or compulsory administrative liquidation, collective removal of the members of the administrative and control bodies, withdrawal of authorisation pursuant to art. 113-ter of the CBA, cancellation pursuant to art. 112-bis, paragraph 4, letter b), of the CBA or equivalent procedures;
- h) suspension or cancellation from professional registers, cancellation (as a disciplinary measure) from professional lists and associations imposed by the competent authorities on the professional associations in question; dismissal for just cause from the positions held in management, administration and control bodies; similar measures adopted by bodies appointed by law to manage registers and lists;
- i) negative assessment by an administrative authority regarding the suitability of the person in the context of authorisation procedures provided for by the rules on corporate law, banking, finance, securities, insurance, markets and payment services;
- l) ongoing investigations and criminal proceedings relating to the offences referred to in letters a) and b);
- m) negative information on the person contained in the Central Credit Register established pursuant to art. 53 of the CBA; negative information means information relating to the person even when they are not acting as a consumer, relevant for the purposes of fulfilling the obligations referred to in art. 125, paragraph 3, of the CBA.

With reference to the cases governed in whole or in part by foreign legal systems, the verification of situations such as those mentioned above is carried out on the basis of an assessment of substantial equivalence.

The occurrence of one or more of the above situations does not automatically mean that the person is unsuitable, but it does require an assessment by the Board of Directors. The assessment is carried out with regard to the principles of sound and prudent management as well as safeguarding the Bank's reputation and trust on the part of the general public.

In any case, the criterion of correctness is not satisfied when one or more of the above situations indicate a serious, precise and consistent picture of conduct that is in contrast with the objectives of sound and prudent management, as well as safeguarding the Bank's reputation and public trust.

### **3) PROFESSIONALISM (ART. 7 OF THE MEF DECREE)**

Those in executive positions must be chosen from among people who have exercised one or more of the following activities for at least three years:

- a) administrative or control activities or management functions in banking, finance, stockbroking or insurance;

- b) administrative or control activities or management functions at listed companies or companies that are larger or of similar size and complexity (in terms of turnover, nature and complexity of the organisation or business) to that of the Bank.

Those in non-executive positions are to be chosen from among people who meet the previous requirements or who have exercised one or more of the following activities for at least three years:

- a) professional activities in fields like banking, finance, stockbroking or insurance, or in any case an area that is pertinent to the Bank's activity; the professional activity has to involve adequate levels of complexity, also with reference to the recipients of the services provided and must be performed on an ongoing and significant basis in the sectors mentioned above;
- b) teaching at a university, as a first or second level lecturer, in legal or economic subjects or in other subjects that are in some way pertinent to banking, finance, stockbroking or insurance;
- c) managerial or top management functions, however denominated, in public bodies or public administrations with relevance to banking, finance, stockbroking or insurance and on condition that the body in which the person performed these functions is of a size and complexity comparable with that of the bank.

The Chairman of the Board of Directors is a non-executive member who has at least two years more overall experience than the above requirements.

The Chief Executive Officer and the General Manager are chosen from among people with specific experience in banking, finance, stockbroking or insurance, gained through administration or control activities or managerial duties carried out for a period of not less than five years in banking, finance, stockbroking or insurance, or in listed companies or companies with a greater or similar size and complexity (in terms of turnover, nature and complexity of the organisation or activity performed) to that of the Bank.

In order to fulfil these requirements, the experience gained in the 20 years prior to the appointment is taken into account; experience gained at the same time in several functions is only counted for the period of time in which they were carried out, without accumulating them.

#### **4) COMPETENCE (ART.10 OF THE MEF DECREE)**

Candidates meet the criteria of competence to prove that they are suitable to take on the position, considering the duties inherent to the role and the size and operational characteristics of the Bank. For these purposes, theoretical knowledge - acquired through study and training - and practical experience gained in previous or ongoing work activities are taken into consideration.

To this end, it is necessary that:

- a) theoretical knowledge and practical experience in more than one of the following areas will be taken into consideration:
- financial markets;

- regulation in the banking and financial sector;
  - strategy and strategic planning;
  - organisational and corporate governance structures;
  - risk management (identification, assessment, monitoring, control and mitigation of a bank's main types of risk, including the person's responsibilities in these processes);
  - internal control systems and other operating mechanisms;
  - banking and financial activities and products;
  - accounting and financial reporting;
  - Information technology;
- b) it has to be analysed whether the person's theoretical knowledge and practical experience are suitable with respect to:
- the duties involved to the role played by the person and any specific delegated powers, including participation in committees;
  - the characteristics of the Bank in terms of size, complexity, type of activities carried on and related risks, reference markets and countries in which it operates, among other things.

For the office of Chairman of the Board of Directors, the experience gained in the coordination, direction or management of human resources is also evaluated to ensure an effective performance of the Chairman's duties of coordinating and directing the work of the Board, helping it to function properly, also in terms of the circulation of information, the effectiveness of discussions and stimulation of debate within the Board, as well as the adequacy of its overall composition.

The criteria of competence will not be satisfied if the information on the person's theoretical knowledge and practical experience delineates a serious, precise and consistent picture of the person's lack of suitability to hold the position. In the event of specific and limited deficiencies, the Board of Directors can take the necessary measures to fill them.

## **5) CRITERIA FOR ADEQUATE COLLECTIVE COMPOSITION OF THE BODIES (ART. 11 OF THE MEF DECREE)**

The composition of the Board of Directors must be adequately diversified in order to: encourage discussion and debate within the bodies; favour the emergence of a variety of approaches and perspectives when analysing issues and making decisions; effectively support the processes of strategy development, management of activities and risks, and control over the work of senior management; take into account the multiple interests that contribute to the sound and prudent management of the Bank.

To this end, the presence on the Board of Directors of the following types of people must be taken into consideration: (i) people diversified in terms of age, gender, length of tenure in office and, for banks operating significantly in international markets, their country of origin; (ii) people

with the collective skills to achieve the above objectives; and (iii) of a suitable number to ensure that the Board functions properly, without being excessive.

To ensure compliance with the above objectives, account has to be taken, among other things, of the legal form of the bank, the type of business carried on, the ownership structure, its membership of a banking group and any constraints deriving from legal provisions and regulations on the composition of the Board of Directors.

To this end, the Board of Directors identifies in advance its own optimal composition in qualitative and quantitative terms to achieve the above objectives and subsequently verifies the correspondence between this composition and the one resulting from the nomination process.

In the event of deficiencies, the Board of Directors can take the necessary measures to fill them, such as: (i) modify the specific tasks and roles assigned to directors, including any delegated powers, in a way that is consistent with the objectives referred to in this paragraph; (ii) define and implement suitable training plans. If these measures are not effective in restoring an adequate collective composition of the Board of Directors, the Board makes recommendations to the Shareholders' Meeting to overcome the deficiencies that have been identified.

## 6) THE INDEPENDENCE REQUIREMENT OF SO-CALLED INDEPENDENT DIRECTORS

### (ART. 13 OF MEF DECREE)

A non-executive director who does not fit any of the following situations is considered independent:

- a) they are the spouse, not legally separated, a person linked in a civil union or *de facto* cohabitation, relative or similar up to the fourth degree: 1) of the Chairman of the Board of Directors and of persons with executive positions in the Bank; 2) of the heads of the main corporate functions of the Bank; 3) of persons who are in the conditions referred to in the following letters;
- b) they are an investor in the Bank;
- c) they hold or have held in the last two years with an investor in the Bank or company controlled by it as chairman of the board of directors, management or supervisory board or member with executive offices, or have held, for more than nine years in the last twelve positions as a member of the board of directors, supervisory board or management board of an investor in the Bank or its subsidiaries;
- d) they have held an executive position at the Bank in the last two years;
- e) they are an independent director in another bank of the same banking group, except in the case of banks between which, directly or indirectly, there is a 100% control relationship;
- f) they have held positions on the board of directors and as part of top management of the Bank for more than nine out of the last twelve years;
- g) they are an officer with executive duties in a company where an officer with executive duties of the Bank is a member of the board of directors or of the management board;
- h) they maintain, directly or indirectly, or in the two years prior to taking up the post have had employment or self-employment relationships or other relationships of a financial, capital

or professional nature, continuous or otherwise, with the Bank or related officers with executive duties or its chairman, with the companies controlled by the Bank or related officers with executive duties or their chairmen, or with an investor in the Bank or related officers with executive duties or its chairman, such as might compromise their independence;

- i) they hold or have held in the last two years one or more of the following offices:
- 1) member of the national and European Parliament, of the Government or of the European Commission;
  - 2) regional, provincial or municipal councillor, regional council president, provincial president, mayor, president or member of the district council, chairman or member of the board of directors of consortia among local authorities, president or member of the councils or unions of municipalities, board member or president of special companies or institutions referred to in art. 114 of the legislative decree 267 of 18 August 2000, mayor or councillor of metropolitan cities, president or member of the bodies of mountain or island communities, when the overlap or proximity between the territorial area of reference of the body in which these offices are held and the territorial structure of the bank or group banks to which they belong are such as might compromise their independence.

For offices held in non-corporate entities, the above provisions apply to persons who perform functions in the equivalent entity to those indicated.

Failure to meet the requirements entails forfeiture of the status of independent director. If as a result of the forfeiture, the residual number of independent directors in the body is sufficient to ensure compliance with the provisions on corporate governance for banks implementing the CBA or other provisions of the legal system that establish a minimum number of independent directors, the director who does not meet the requirements referred to in this article maintains the office of non-independent director, unless provided for otherwise in the Articles of Association.

**(ART. 148 OF THE CFA)**

*(applicable to directors pursuant to art. 147-ter, paragraph 4, of the CFA)*

The following cannot be elected as Statutory Auditors and if they are, they forfeit their office:

- a) those who find themselves in the conditions foreseen in art. 2382 of the Italian Civil Code;
- b) the spouse, relatives and kin within the fourth degree of the directors of the company, the directors, spouse, relatives and kin within the fourth degree of the directors of the companies controlled by it, of the companies that control it and of those subject to common control;
- c) those who are linked to the company or to the companies controlled by it or to the companies that control it or to those subject to joint control or to the directors of the company and to the subjects referred to in letter b) by relationships of employment or self-employment or by other relationships of a financial or professional nature that might compromise their independence.

## **(Corporate Governance Code, 2020 edition)**

### *Definitions*

“independent directors”: non-executive directors who do not have, nor have recently had, even indirectly, relations with the company or with subjects linked to it such as to condition their current independence of mind.

### *Recommendation 7*

The circumstances that compromise, or appear to compromise, the independence of a director are the following:

- a) if they are a significant shareholder of the company;
- b) if they are, or have been in the previous three years, an executive director or an employee:
  - of the company, of a strategically important company controlled by it or of a company subject to joint control;
  - 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 of a professional firm or a consultancy), they have, or have had in the previous three years, a significant commercial, financial or professional relationship:
  - with the company or companies controlled by it, or with the related executive directors or top management;
  - with a person who controls the company, alone or together with others through a shareholders' agreement; or, if the parent is a company or entity, with the related executive directors or top management;
- d) if they receive, or have received in the previous three financial years, from the company, one of its subsidiaries or its parent company, significant additional remuneration with respect to the fixed remuneration for the office and that provided for taking part in committees as recommended by the Code or provided for by current legislation;
- e) if they have been a director of the company for more than nine out of the last twelve years, even if not consecutive;
- f) if they are an executive director in another company in which an executive director of the company is a director;
- g) if they are a partner or director of a company or entity belonging to the network of the company appointed to audit the company;
- h) if they are a close family member of a person who is in one of the situations referred to in the previous points.

### **7) INDEPENDENCE OF MIND (ART. 15 OF THE MEF DECREE)**

All board members act with full independence of mind and awareness of the duties and rights inherent in the office, in the interest of sound and prudent management of the Bank and in

compliance with the law and any other applicable regulation. To this end, all board members have to communicate to the Board of Directors any information on the situations in letters a), b), c), h) and i) in the previous paragraph on the independence requirements and the reasons why, in their opinion, these situations do not affect their independence of mind.

The Board of Directors assesses the person's independence of mind in the light of the information and reasons provided by the latter and verifies whether the safeguards required by law and regulations, as well as any additional organisational or procedural measures adopted by the Bank or by the person, are effective in dealing with the risk that the above situations could affect the person's independence of mind or the decisions of the Board of Directors. The safeguards foreseen in the following articles are particularly relevant under the circumstances: arts. 2391 and 2391-*bis* of the Italian Civil Code and related implementing provisions; Chapter IX of Title V of Book V of the Italian Civil Code; art. 53, paragraphs 4 and 4-*quater*, and art. 136 of the CBA and related implementing provisions; art. 6, paragraph 2-*novies*, of the CFA; art. 36 of the Legislative Decree 201 of 6 December 2011, converted with amendments by Law 214 of 22 December 2011.

If the existing safeguards are not considered sufficient, the Board of Directors can: (i) identify other more effective ones; (ii) modify the specific duties and roles attributed to the person, including any delegated powers, in a manner consistent with the objective of guaranteeing the sound and prudent management of the Bank. If these measures are not adopted or are insufficient to eliminate deficiencies, the Board of Directors declares the person's forfeiture of office.

The Board of Directors verifies the effectiveness of the safeguards and measures adopted to preserve the person's independence of mind, also in light of their behaviour in performing their duties.

#### **8) AVAILABILITY OF TIME TO CARRY OUT THEIR DUTIES (ART. 16 OF THE MEF DECREE)**

Each board member has to dedicate sufficient time to the performance of their duties. On appointment and as soon as possible in the event of any change in circumstances, they have to communicate to the Board of Directors the offices held in other companies, enterprises or entities, other work and professional activities carried on and other situations or facts pertaining to the professional sphere that might affect their time availability, specifying the time that these tasks, activities, events or situations require.

The Bank ensures that each person is aware of the time considered necessary to perform their duties properly.

On the basis of the information received, the Board of Directors assesses whether the time that each member can devote is sufficient for them to perform their duties effectively.

If the person declares in writing that they can dedicate to the assignment at least the time estimated by the Bank to be necessary, the above assessment can be omitted, providing that all the following conditions are met: (i) the offices held by the person do not exceed the limits on the accumulation of offices indicated in the following paragraph; (ii) this condition is met without benefiting from the provisions of arts 18 and 19 of the MEF Decree (also detailed in the following paragraph); (iii) the person does not hold the office of chief executive officer or general manager nor are they the chairman of a body or committee.



The Board of Directors verifies the appropriateness of the time actually dedicated by the member, also in light of their presence at meetings of the bodies or committees.

If the availability of time is not sufficient, the Board of Directors asks the person to give up one or more offices or activities or to undertake specific commitments likely to increase their time availability, or adopt measures including the revocation of powers or specific tasks or the exclusion of the person from committees. Compliance with the commitments undertaken by the person is verified in accordance with the preceding paragraph. In any case, the assessment of time availability is not relevant on its own when deciding on the person's forfeiture of office, but it contributes to the assessment of the person's suitability to hold office.

### **9) LIMITS ON THE ACCUMULATION OF OFFICES (ARTS 17, 18 AND 19 OF THE MEF DECREE)**

Each board member of the Bank may not hold a total number of offices in banks or other commercial companies greater than one of the following combinations:

- a) 1 executive appointment and 2 non-executive appointments; or
- b) 4 non-executive appointments.

For the purposes of calculating the limits referred to in paragraph 1, the office held in the Bank is included.

The Board of Directors applies forfeiture if it ascertains that the limit on the accumulation of offices has been exceeded and the board member concerned does not give up the office or offices that exceed the limit within 30 days of the appointment or awareness that they had exceeded the limit.

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

For the purpose of calculating the limits on the accumulation of offices, the following appointments are not taken into consideration:

- in companies or entities the sole purpose of which is manage the private interests of a member or their spouse who is not legally separated, a person linked in a civil union or *de facto* cohabitation, relative or similar within the fourth degree and which do not require any type of day-to-day management by the person concerned;
- as a partner in a professional firm;
- as an alternate auditor.

For the purpose of calculating the limits on the accumulation of offices, the series of offices held in each of the following cases is considered as a single position:

- within the same group;
- in banks pertaining to the same institutional protection system;
- in non-group companies in which the Bank has a qualifying holding as defined by (EU) Regulation 575/2013, art. 4(1), point 36<sup>1</sup>.

<sup>1</sup> If more than one of the cases referred to above occur at the same time, the offices are added together. The series of

The assumption of an additional non-executive appointment, with respect to the limits indicated in this paragraph, is permitted provided that it does not affect the possibility for the exponent to dedicate adequate time to the appointment at the Bank to perform their duties properly<sup>2</sup>.

An additional non-executive appointment is not allowed if the person concerned: (i) holds the position of Chief Executive Officer, General Manager or Chairman of the Board of Directors, of the Board of Statutory Auditors or of board committees at the Bank; (ii) benefits from the application of the aggregation mechanism mentioned above for other offices<sup>3</sup>.

If the limits to the accumulation of offices is exceeded for more than 30 days from the appointment, the Board votes the forfeiture of the member, with the member concerned abstaining.

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offices counted as a single one is considered an executive position if at least one of the offices held in the situations mentioned above is executive; in other cases it is considered a non-executive position.

<sup>2</sup> To this end, the Board of Directors takes into consideration, among other things: (i) the fact that the person holds an executive position at the Bank or is a member of board committees; (ii) the size, activity and complexity of the Bank or other commercial company with which the additional assignment would be accepted; (iii) the duration of the additional assignment; (iv) the level of competence gained by the member in carrying out the assignment at the Bank and any synergies between the various offices.

<sup>3</sup> The additional non-executive appointment cannot benefit from the application of the aggregation mechanism mentioned above.