



**ILLIMITY BANK S.p.A.**  
**REPORT ON CORPORATE GOVERNANCE**  
**AND OWNERSHIP STRUCTURE**  
**FOR 2020**

*(courtesy translation)*

*Prepared pursuant to article 123-bis of Legislative Decree no. 58 of 24 February 1998 and the “Supervisory Provisions on the organisation and corporate governance of banks” issued by the Bank of Italy by way of Circular no. 285 of 17 December 2013 as amended.*

*Approved by the Board of Directors on 10 March 2021 and finalised on 30 March 2021*

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## GLOSSARY

The following tables set out the main terms and definitions used in this Report, in addition to those indicated in the text. Unless otherwise stated, these terms and/or definitions have the meaning given below. Terms and/or definitions stated in the singular shall also be understood to hold in the plural and vice versa, if called for by the context.

Abbreviation	
<b>BoD/Board</b>	Board of Directors
<b>Civ. Code/c.c.</b>	The Italian civil code (Royal Decree no. 262 of 16 March 1942)
<b>Lgs. Dec.</b>	Legislative Decree
<b>MD 169/2020</b>	Decree of the Ministry for the Economy and Finance of 23 November 2020, no. 169
<b>MTA</b>	Electronic Stock Market managed by Borsa Italiana S.p.A.
<b>NPLs</b>	Non-performing loans
<b>RAF</b>	Risk Appetite Framework
<b>STAR</b>	Segment of the MTA
<b>TUB</b>	Consolidated Banking Law
<b>TUF</b>	Consolidated Finance Law

Definition	
<b>Board</b>	The Board of Directors
<b>Bylaws</b>	The Bylaws of illimity Bank S.p.A. in force, most recently revised by way of the resolution of the Board of Directors of 10 March 2021
<b>Code/Self-Governance Code</b>	The Self-Governance Code for listed companies approved by the Corporate Governance Committee in March 2006, as revised in March 2010 and amended in December 2011, July 2014, July 2015 and July 2018, promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria. (Previously also known in English as the Corporate Governance Code until the issue of the new document in January 2020- see below)
<b>Consob Issuers' Regulation</b>	The issuers' regulation issued by Consob by way of Resolution no. 11971 of 1999 (as subsequently amended)

<b>Consolidated Banking Law/TUB</b>	Legislative Decree no. 385 of 1 September 1993
<b>Consolidated Finance Law/TUF</b>	Legislative Decree no. 58 of 24 February 1998
<b>Corporate Governance Code/CG Code</b>	The Corporate Governance Code approved by the Corporate Governance Committee (promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria) in January 2020, which is effective – replacing the Self-Governance Code – in the first fiscal year beginning after 31 December 2020
<b>Report</b>	The report on corporate governance and ownership structures which companies are required to prepare pursuant to article 123- <i>bis</i> of the TUF
<b>Year</b>	The fiscal year to which the Report relates

## INTRODUCTION

This purpose of this Report, approved by the Board of illimity Bank S.p.A. on 10 March 2021, is to provide a general and complete overview of the corporate governance system adopted by illimity Bank S.p.A. (“illimity”, the “Company”, the “Bank” or the “Issuer”).

The Report relates to Financial Year 2020 but, where considered appropriate, and where stated, more recent information, through to the date of approval, has been included.

illimity is an issuer listed on the Electronic Stock Market managed by Borsa Italiana S.p.A., formed on 5 March 2019 from the merger of SPAXS S.p.A. into Banca Interprovinciale S.p.A.. By way of Provision no. 8688 of Borsa Italiana of 2 September 2020, on 10 September 2020 the ordinary shares of illimity were admitted for trading on the STAR segment (“High-Requirement Securities Segment”) of Borsa Italiana’s Electronic Stock Market dedicated to companies meeting top-quality requirements in terms of transparency and communication, liquidity and corporate governance.

Corporate governance consists of a set of relationships between the Bank’s senior management, its Board, its shareholders and the other parties concerned.

It is the structure by which (i) the company’s objectives are set, (ii) the means for achieving these objectives are established, (iii) supervision is created to ensure that taken overall these are capable of achieving the corporate purpose and satisfying legal and regulatory requirements, (iv) detailed *ex ante* and *ex post* control procedures are performed to ensure practical compliance with strategies and laws and regulations.

Effective organisational and corporate governance structures represent an essential condition for pursuing a business’s objectives; these assume special relevance for banks, given the specific features of banking activities and the fact that the public interest involved is the subject of specific consideration by the law. As well as responding to a business’s own interests, the ownership structures and corporate governance of banks must ensure sound and prudent management, an essential objective of regulations and supervisory controls.

Consistent with the evolution of the rules, principles and guidelines drawn up at an international and European level, the provisions of the chapter on “Corporate Governance” found in Part One, Title IV, of the Bank of Italy’s Circular no. 285 govern the role and functioning of the management and control bodies and the relations these have with the corporate structure. They form an integral part of a wider legislative system dealing with other important aspects of the organisation and corporate governance, such as controls on ownership structures and amendments to the bylaws, the internal control system, risk management, the requisites needed by company officers, related party operations and more generally conflicts of interest, combatting money-laundering and the requirements for disclosures to investors and the market and the special rules and regulations to be followed by listed companies.

The Issuer’s corporate governance system is also substantially in line with the main recommendations contained in the Self-Governance Code.

In this respect, it is noted that at its meeting of 22 December 2020, the Bank’s Board resolved the formal adoption of the new Corporate Governance Code approved in final form by the Corporate Governance Committee and published on 31 January 2020.

It follows from this that in the year beginning 1 January 2021, the Bank will begin introducing and implement the functional activities suitable and necessary for revising its own corporate governance, with the clarification that in relation to the renewal in early 2021 of the body responsible for strategic supervision (for which reference should be made to the *Orientation of the Board of Directors of illimity Bank S.p.A. on the*

*optimum qualitative and quantitative composition of the Board*, published on 25 February 2021), the amendments resulting from the adoption of the new Corporate Governance Code will be implemented after the election of the new Board of Directors, to which such amendments will be submitted for approval, without prejudice however to the Bank's decision to proceed with the formal adoption of the new CG Code.

## 1. GENERAL PROFILES AND METHODS OF APPLICATION

The provisions of the above-mentioned chapter on “Corporate Governance” found in Part One, Title IV, of the Bank of Italy’s Circular no. 285 are set out as general principles and methods of application. The former, by way of rules of a general nature, set the objectives of the discipline, remitting to intermediaries the practical identification of the most suitable solutions for achieving these, in accordance with proportionality criteria that take into account the size or complexity of the bank.

The latter facilitate the implementation of the general rules on certain specific aspects of the subject, without removing from it the substantive content which must be calibrated on the basis of the organisational and operational features of individual banks.

With the aim of strengthening the minimum standards of organisation and corporate governance of all the intermediaries, the principles indicated regard: a clear distinction between roles and responsibilities, a suitable balancing of powers, a balanced composition of the corporate bodies, the effectiveness of controls, supervision of all business risks, the adequacy of information flows.

### 1.1 Legislative sources

The matters covered by this Report are regulated, *inter alia*, by the following provisions of the TUB:

- article 53, paragraph 1d), which in accordance with the resolutions of the CICR (Interministerial Committee for Credit and Savings) assigns responsibility to the Bank of Italy for issuing provisions of a general nature with administrative and accounting organisation and internal controls as their subject;
- article 67, which, for the purpose of achieving consolidated supervision, assigns the possibility to the Bank of Italy, in accordance with the resolutions of the CICR, of issuing provisions to the parent company of a general or specific nature concerning the banking group as a whole or its members, with administrative and accounting organisation and internal controls as their subject;
- article 56, which requires the Bank of Italy to ensure that the provisions of the bylaws of banks do not contrast with the principles of sound and prudent management;

and in addition:

- by the emergency decree of 5 August 2004, no. 1419, issued by the Minister of Economy and Finance as chair of the CICR.

The following amongst others are also important:

- CRD IV – Directive 2013/36/EU;
- the guidelines of the European Banking Authority “*EBA Guideline on Internal Governance*” (EBA/GL/2017/11);
- the guidelines issued by the Basel Committee on Banking Supervision regarding “*Principles for Enhancing Corporate Governance*”, October 2010; “*Core Principles for Effective Banking Supervision*”, September 2012;
- Circular no. 285 of 17 December 2013 as amended; and
- Decree no. 169/2020 of the Ministry of Economy and Finance (MEF).

To these legislative sources should also be added the Consolidated Finance Law, the Consob Issuers’ Regulation, the Self-Governance Code and the CG Code as defined in the Glossary.

## 1.2 The proportionality principle

On the basis of the proportionality principle, banks apply the provisions on corporate governance by means suited to their features, size and operating complexity, to ensure full compliance with the provisions themselves and that the objectives they intend to achieve are reached.

The following are assumed for the purpose of applying these provisions:

- a) larger banks or those with a greater operational complexity:
  - banks considered significant within the meaning of article 6 of Regulation (EU) no. 1024/2013, which assigns specific responsibilities to the European Central Bank on matters of the prudent supervision of credit institutions;
  - listed banks;
- b) medium-sized banks: banks with assets of between 3.5 and 30 billion euro;
- c) smaller banks or those with a lesser operating complexity: banks with total assets equal to or less than 3.5 billion euro.

The Bank of Italy's circular under discussion provides further specifics for identifying the reference class, if those given in the above sub-paragraphs a), b) and c) are not sufficient.

Given that its shares are listed on the Electronic Stock Market, illimity qualifies under the requirements listed at sub-paragraph a).

## 1.3 Mission

illimity was formed with the mission of recognising and enhancing the potential of people, families and businesses, fostering a style of growth attentive to the sustainability of results over time and the creation of a virtuous circle based on the trust that arises from customer and shareholder satisfaction, a sense of belonging by staff and a closeness to the needs of society.

Through a prudent management of savings, the Bank undertakes to extend access to credit and financial instruments for the benefit of everyone, as well as for the sustainable growth of the entrepreneurial system, aware of both the direct and indirect effects on the natural environment and society brought about by the decisions it takes.

Its growth strategy, inspired by the values expressed in its Code of Ethics and Code of Conduct, has as its aim the creation of solid and sustainable value from an economic, financial, social and environmental standpoint, built on the trust of all its interlocutors and based on the following values:

- integrity;
- excellence;
- transparency;
- respect for the specific;
- fairness and the protection of human rights;
- value of the individual;
- responsibility in the use of resources.

### ***Integrity***

illimity pursues its objectives with honesty, propriety and responsibility, in full and complete compliance with rules, professional ethics and the spirit of written agreements.

### ***Excellence***

The Bank sets itself the objective of constant improvement, far-sightedness, anticipating challenges, harnessing the widespread creativity directed towards innovation and giving merit its due value.

### ***Transparency***

Transparency is an underlying factor for illimity in its actions, in its communications and in its preparation of agreements in order that all interlocutors may take independent and informed decisions.

### ***Respect for the specific***

illimity's aim is to combine large size with local roots, proposing itself as a bank that is able to think big without losing sight of the individual.

### ***Fairness and the protection of human rights***

illimity is committed to the elimination of all discrimination arising from conduct and respect for differences in gender, age, ethnic background, religion, political belief, membership of trade unions, sexual orientation and identity, language and ability or disability.

### ***Value of the individual***

illimity's intention is to value the person as the driver in decisions on action, using listening and dialogue as the lever for a constant improvement in relations with interlocutors. The rising use of automation and the adoption of innovative strategies in the banking business model are accompanied by continuous staff training.

### ***Responsibility in the use of resources***

illimity sets itself the goal of using its resources carefully and considerately, encouraging conduct based on optimisation and the avoidance of waste and ostentation, privileging choices directed towards sustainability over time.

### ***Code of Ethics, Code of Conduct, and the evolution of the governance of the system of values and behaviour***

By way of a resolution of the Board of Directors of 26 July 2018, the Bank introduced a Code of Ethics which includes a statement of the rights, duties and responsibilities of the various business divisions/functions; this is extended to all the parties with whom the Bank comes into contact in achieving its corporate purpose (customers, debtors, suppliers, employees and/or external collaborators, shareholders, supervisory bodies and institutions). The Code of Ethics is a set of rules of conduct that must be kept in mind in day-to-day work and when complying with the applicable laws and regulations of the countries in which illimity operates, in order to strengthen business decisions and guide the conduct of all of its collaborators.

By way of a resolution of the Board of Directors of 14 September 2017, the Issuer adopted a Code of Conduct which is designed to underlie, regulate and control the conduct of those for whom it is intended, identified as the members of the Board, managers, those with senior positions and the heads of autonomous organisational units or structures as well as all those who are subject to the guidance or control of said persons and external collaborators. The Code of Conduct sets out a list of the Bank's principles, rights, duties and responsibilities with respect to all those parties with whom it comes into contact for achieving its corporate object.

The Code of Ethics and Code of Conduct are being updated at present, and during the current year the contents of the two documents will be included in a new document (whose name has yet to be determined) which will make the communication of the Bank's system of values and conduct easier and more immediate, with the commitment to promote this and disseminate it constantly at all levels of the organisation. This evolutionary process of the discipline, which in addition to the matters described above will also include the values of sustainability, innovation, collaboration and freedom, will act as a control over illimity's assets and reputation, and together with the Organisation, Management and Control Model drawn up in accordance with Legislative Decree no. 231/01, will represent a fundamental element of the system of ethics and conduct of the whole Group. With the new updated and supplemented version of the Code of Ethics and Code of Conduct, the Bank will make an even stronger commitment towards full achievement of the human rights and fundamental freedoms proclaimed in the Universal Declaration of Human Rights approved by the General Assembly of the United Nations in 1948.

## **2. PROFILE OF THE ISSUER**

illimity is organised under the traditional management and control model pursuant to articles 2380-*bis* and following of the Italian civil code, which without prejudice to the responsibilities of the Shareholders' Meeting, assigns strategic management to the Board of Directors and supervisory duties to the Board of Statutory Auditors.

The Bank qualifies as an "SME" pursuant to and for the purposes of the transitional regulations as per paragraph 2 of article 44-*bis* of Decree Law no. 76 of 16 July 2020, coordinated with Conversion Law no. 120 of 11 September 2020, which provides for the following: *"Issuers that at the effective date of the law converting this decree qualify as an SME on the sole basis of turnover will continue to qualify as such for the two years following that in course"*. In application, therefore, of the transitional regulations and the above-mentioned legislation effective before the date on which said conversion law takes effect, i.e. of the requirement for turnover provided by article 1, paragraph 1w-*quater*.1), of the TUF and of the calculation criterion of the same pursuant to article 2-*ter*. 1b) of the Issuers' Regulation (stated, for banks, at paragraph 1.1 of the Appendix to the Regulation on the Sanctioning Procedure adopted by Consob by way of resolution no. 18750 of 19 December 2013), illimity is an SME, since at 15 September 2020 it qualified as such on the sole basis of turnover (not exceeding EUR 300 million).

### **3. INFORMATION ON OWNERSHIP STRUCTURES**

#### **3.1 Share capital structure**

illimity has a share capital of EUR 50,288,411.49 (of which EUR 48,791,740.15 subscribed and paid), consisting of 73,426,019 Ordinary Shares and 1,440,000 Special Shares, all of which without nominal value.

The Issuer's Ordinary Shares (code ISIN IT0005359192), listed on the MTA since 5 March 2019 and on the STAR segment ("High-Requirement Securities Segment") since 10 September 2020, are registered, freely transferable shares with no nominal value, with regular dividend rights and subject to the materialisation regime pursuant to articles 83-*bis* and following of the TUF and the relative implementation regulations. The assignment rights lie with the bearer and are admitted to the centralised administration system managed by Monte Titoli under the dematerialisation regime pursuant to articles 83-*bis* and following of the TUF and the relative implementation regulations.

All the Ordinary Shares have the same features and assign the same rights. Each Ordinary Share entitles the holder to one vote at the Company's ordinary and extraordinary Shareholders' Meetings, as well as all the other ownership and administrative rights to which the holder is entitled under the applicable provisions of law and the Bylaws. Assignment rights include the right to receive a number of converted shares free of charge determined on the basis of the assignment right under the terms and conditions established by the relative Regulation.

The Special Shares are not listed and do not entitle the holder to any voting rights.

The following paragraphs set out the obligations arising from the Special Shares, as provided by article 6, paragraph 4, of the Issuer's Bylaws:

- (a) they are non-transferable for the maximum term established by law, except for transfers to direct and/or indirect subsidiaries by the holder of the Special Shares and/or by said holder's shareholders or by their successors; a transfer for these purposes includes any transaction or event which, for whatsoever reason, results in a transfer to third parties of the ownership, bare ownership or enjoyment rights of/over the securities or subjecting the same to charges or encumbrances or restrictions of any nature, whether in rem or otherwise, in favour of third parties;
- (b) they do not have voting rights at ordinary or extraordinary Shareholders' Meetings, without however prejudice to the cases envisaged by law and/or the Bylaws for special Shareholders' Meetings of the holders of Special Shares;
- (c) they are excluded from the right to receive profits, while they entitle the holders to receive distributable reserves;
- (d) if the Bank is dissolved, they provide their holders with the right to settlement of their share of liquidation equity;
- (e) they are automatically converted into Ordinary Shares, providing that each Special Share will be converted into 8 (eight) Ordinary Shares, if within 20 September 2022 (the "Term") the average price of the Ordinary Shares traded on the Electronic Stock Market (MTA) organised and managed by Borsa Italiana S.p.A. is equal to or greater than EUR 13.9663866 (thirteen/9663866) per Ordinary Share for at least 22 (twenty two) consecutive days of stock market trading;

If there are adjustments to the value of the Company's Ordinary Shares following notification from Borsa Italiana S.p.A. ("Borsa Italiana"), the amount of EUR 13.9663866 referred to under this point (e) will be consequently adjusted in accordance with the "K coefficient" notified by Borsa Italiana;

(f) if the conditions for the automatic conversion referred to under previous point (e) (taken from article 6, paragraph 4, of the Bylaws) have not been met within the Term, each residual Special Share will be converted into 1 (one) Ordinary Share, without change to the amount of share capital;

(g) the automatic conversion of the Special Shares will occur without the need for holders to state their intention and without change to the amount of share capital. As a result of the automatic conversion of the Special Shares into Ordinary Shares, the Board of Directors shall: (1) record the conversion in the shareholders' register, noting the cancellation of the Special Shares and the issue of the Ordinary Shares; (2) file the text of the Bylaws with the Companies' Register, pursuant to article 2436, paragraph 6, of the Italian civil code (x) by changing the total number of shares and, more specifically, the number of shares in the various categories – if applicable – into which share capital is divided and/or (y) by deleting the clauses of the Bylaws that have been superseded as a result of the conversion of all the Special Shares into Ordinary Shares pursuant to article 6 therein; as well as (3) disclose the conversion by press release published on the Company's website and provide all other communications and statements that may be necessary or appropriate.

STRUCTURE OF CURRENT SHARE CAPITAL				
	Number of shares	% of share capital	Listed (state markets) / unlisted	Rights and obligations
Ordinary Shares	73,426,019	98.08%	MTA - STAR	As per the Bylaws, these are ordinary shares with full voting and administrative rights.
Special Shares	1,440,000	1.92%	N/A	As per the Bylaws, these are special shares with no voting rights but with certain other rights if converted to ordinary shares.
Other	N/A			

At the date of this Report, the Issuer has not issued any participating financial instruments not representative of share capital.

In addition, on 10 August 2020, illimity completed the own share repurchase plan ("**Buyback**") announced by way of a press release on 5 August 2020. The maximum total of 87,951 of illimity's own shares envisaged by the Buyback was purchased through the broker appointed by law exclusively on the MTA market under the terms authorised by the Shareholders' Meeting of the Bank on 22 April 2020 and in compliance with the law, at a total price of EUR 736,322.97. The shares purchased as part of the Buyback have been set aside to service the Long Term Incentive Plan created for the Bank's Top Management and approved by the above-mentioned Shareholders' Meeting of 22 April 2020. As the result of these purchases, and given that it already has 10,554 shares in its portfolio, as of today the Bank holds 98,505 treasury shares, equal to 0.13% of its share capital. The Bank's subsidiaries do not hold any of its shares.

Reference should be made to the Report on Remuneration prepared pursuant to article 123-ter of the TUF for details of the stock-based incentive plans that lead to increases, also free of charge, in share capital.

### 3.2 Restriction on the transfer of securities

There are no restrictions on the free transfer of the Ordinary Shares and the assignment rights circulate separately from the shares and are freely transferable. The restrictions on the transfer of the Special Shares are stated in the previous paragraph.

### 3.3 Material holdings in illimity's capital

The Issuer is classified as an SME and accordingly, pursuant to article 120, paragraph 2, of the TUF, the relevant threshold for the requirement to disclose significant holdings is 5%.

On the basis of the entries in the Shareholders' Register and taking into consideration the communications received pursuant to law as well as all the other information at the Bank's disposal, such as the notification of significant holdings in shares and the statement of intentions pursuant, respectively, to articles 117 and 122-ter of the Consob Issuers' Regulation, as of 10 March 2021, the shareholders that directly or indirectly hold significant investments in illimity's share capital are those indicated in the following table (as stated, with the percentages calculated by the Bank on the basis of the number of shares resulting from the most recent information available and the number of shares issued):

<b>MATERIAL HOLDINGS IN ILLIMITY'S CAPITAL</b>	
<b>Declarant</b>	<b>% of voting capital</b>
Maurizio Sella S.A.p.A.	10.00%
LR Trust <sup>(i)</sup> – FIDIM S.r.l. <sup>(ii)</sup>	8.77%
Tensile-Metis Holdings S.a.r.l. <sup>(iii)</sup>	7.57%
AMC Metis S.a.r.l. <sup>(iv)</sup>	7.09%

**Notes:**

*(i) Through Spafid Trust S.r.l. as trustee*

*(ii) Company controlled by LR Trust*

*(iii) Company controlled by Tensile Capital Management LLC*

*(iv) Company controlled by Atlas Merchant Capital Fund LP*

### 3.4 Securities that assign special rights

No securities have been issued that assign special control rights.

There are no special powers (those pursuant to Law no. 474/94) and there are no shares assigning several or increased numbers of votes.

### 3.5 Employee shareholdings: means of exercising voting rights

At the date of this Report no employee holds a significant number of illimity shares. Further details can be found in the above-mentioned Report on Remuneration.

### **3.6 Restrictions on voting rights**

There are no restrictions on voting rights.

### **3.7 Shareholders' agreements**

At the date of this report there is one single agreement between shareholders pursuant to article 122 of the TUF, which was registered in Milan on 18 March 2019 and entered by AMC Metis S.a.r.l., Metis S.p.A. and Corrado Passera to govern the terms and conditions of the investment in participating financial instruments of Tetis S.p.A. by the investor AMC Metis S.a.r.l. and certain rights and obligations connected with the direct and indirect holdings in illimity (PRA/99096/2019). The parties to this shareholders' agreement represent 9.81% of the Ordinary Shares and 99% of the Special Shares.

### **3.8 Change of control clauses and provisions of the Bylaws on public tender offerings**

There are no relevant change of control clauses pursuant to article 123- *bis*, paragraph 1h) of the TUF, nor do any provisions of the Bylaws relate to public tender offerings that derogate from the passivity rule envisaged by article 104, paragraphs 1 and 1-*bis* of the TUF or that contemplate the application of the neutralisation rules set forth in article 104-*bis*, paragraphs 2 and 3 of the TUF.

### **3.9 Delegated powers to increase share capital and authorisations to purchase treasury shares (pursuant to article 123-*bis*, paragraph 1m), of the TUF)**

The Extraordinary Shareholders' Meeting held on 22 December 2020 unanimously resolved, *inter alia*, to proceed with an increase in share capital – then carried out – for a total amount of EUR 44,670,596.42 (forty four million six hundred and seventy thousand five hundred and ninety six/42) through the issue of 5,358,114 (five million three hundred and fifty eight thousand one hundred and fourteen) new ordinary shares having regular dividend rights and the same features as those outstanding at the issue date, issued against the contribution in kind of the investments totalling 37.66% of the share capital of Hype S.p.A. (a contribution becoming effective on 1 January 2021), with the possibility for the further conditional issue(s) of (i) 1,034,170 (one million thirty four thousand one hundred and seventy) ordinary shares to be used for the same contribution and/or (ii) 1,063,717 (one million sixty three thousand seven hundred and seventeen) ordinary shares to be used for the same contribution, subject to the requirement that Hype S.p.A. achieves the long-term objectives approved by the Shareholders' Meeting of the Bank on 22 December 2020 as an earn-out.

In addition, on 18 January 2019, the Extraordinary Shareholders' Meeting approved the following increases in share capital for the purpose of the Bank's remuneration and incentive plan:

- for consideration and separable, to be issued at the latest by 31 December 2027, for a maximum nominal amount of EUR 1,496,671.34 with the exclusion of the option right pursuant to article 2441, paragraph 8, of the Italian civil code, through the issue of a maximum number of 2,100,000 new ordinary shares of illimity S.p.A. having the same features as the ordinary shares of illimity S.p.A. already outstanding at the date of issue of such new ordinary shares and regular dividend rights, at a price to be determined as the average official price of the ordinary shares of SPAXS S.p.A. on the Italian Alternative Investment Market (AIM Italia) and/or the ordinary shares of illimity on the MTA on trading days in the period between the day preceding the date on which the options are awarded, as discussed below, and the day of the preceding calendar month having the same date as the day on which the options are awarded (or, failing this, the day immediately preceding the latter). The increase is to be used to service the "Stock Option Plan";
- by way of delegation, for a maximum period of five years from the effective date of the relative shareholders' resolution, which may be carried out on one or more occasions and separable, for a

maximum nominal value of EUR 498,890.45, but residual EUR 372,212.24, through the issue of a maximum of 700,000, but residual 509,651, new ordinary shares of illimity without nominal value having the same features as the ordinary shares of illimity S.p.A. already outstanding at the date of issue of such new ordinary shares and regular dividend rights, at an issue price determined as the nominal value implicit in the illimity ordinary shares at the date on which the delegated powers are executed, through the allocation of a corresponding amount of profits and/or retained earnings pursuant to article 2349 of the Italian civil code, to be assigned free of charge to the beneficiaries of the “Employee Stock Ownership Plan”;

- by way of delegation, for the maximum period of five years from the effective date of the relative shareholders’ resolution, which may be carried on one or more occasions and separable, for a maximum nominal value of EUR 85,524,08, through the issue of a maximum of 120,000 new ordinary shares of illimity without nominal value having the same features as the ordinary shares of illimity S.p.A. already outstanding at the date of issue of such new ordinary shares and regular dividend rights, at an issue price determined as the nominal value implicit in the illimity ordinary shares at the date on which the delegated powers are executed, to be ascribed wholly to capital, through the allocation of a corresponding amount of profits and/or retained earnings pursuant to article 2349 of the Italian civil code, to be assigned free of charge to the employees of illimity and of its direct and/or indirect subsidiaries, who are the beneficiaries (i) of the “MBO 2019 Plan”, (ii) of any compensation due on the early termination of the employment relationship in line with the provisions of the remuneration policies approved by illimity in the maximum term of the law, taking into account the relevant regulatory provisions in force *pro tempore*.

### **3.10 Management and control**

No party exercises management and control over the Issuer pursuant to article 2497 of the Italian civil code.

#### **4. COMPLIANCE (pursuant to article 123-bis, paragraph 2a), of the TUF)**

The Issuer adheres to the Self-Governance Code approved by the Corporate Governance Committee of Borsa Italiana in March 2006, as amended in March 2020 by the replacement of article 7 (now article 6) and updated in December 2011, July 2014, July 2015 and July 2018.

The Self-Governance Code is available to the public on the website of the Corporate Governance Committee at the following URL:

<https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>.

On 31 January 2020, the Corporate Governance Committee approved the new Corporate Governance Code (the CG Code (January 2020)), applicable for fiscal years beginning after 31 December 2020, formally adopted by the Bank's Board of Directors at its meeting of 22 December 2020. More specifically, given the timescale set for implementing the CG Code (from the first period following 31 December 2020) and the resulting reporting to the market (the corporate governance report to be published in 2022), and given also that the management body's term in office, and consequently that of the board committees, expires – as stated - at the Shareholders' Meeting that approves the separate financial statements for 2020, the Board has resolved, also to leave full flexibility to the new corporate bodies in adapting to the requirements of the Code, to begin adaption in the first few months of 2021, in order to be able to submit the relative resolutions to the corporate bodies that will be appointed at the Shareholders' Meeting approving the 2021 financial statements.

The new version of the CG Code is available to the public on the Corporate Governance Committee's website at the following URL:

<https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>

The corporate governance structure of illimity and its subsidiaries of strategic importance is not affected by the provisions of non-Italian laws.

## 5. BOARD OF DIRECTORS

### 5.1 Appointment and replacement

Pursuant to the current provisions of the Bylaws, the Board of Directors is elected on the basis of the lists submitted in accordance with the requirements of article 14 of illimity's Bylaws, according to which candidates may not exceed 11 (eleven) in number and are listed by means of a sequential number. Candidates' names may only be included on one single list, on penalty of ineligibility. In addition, the election is carried out under the requirement for gender balance pursuant to article 147-ter comma 1-ter, of the TUF, as introduced by Law no. 120 of 12 July 2011. In this respect, this paragraph provides that – from the entry into force of the legislation in the two terms subsequent to the first – at least 1/3 (one third) of the members must belong to the lesser represented gender. The paragraph was then replaced firstly by article 58-sexies, paragraph 1, of Decree Law no. 124 of 26 October 2019, converted with amendments to Law no. 157 of 19 December 2019, and then by article 1, paragraph 302, of Law no. 160 of 27 December 2019 in the text republished in Official Journal no. 13 of 17 January 2020. Paragraph 304 of Law no. 160 of 27 December 2019, in the text republished in Official Journal no. 13 of 17 January 2020, requires that *“the criterion of allocating at least two fifths prescribed by paragraphs 302 and 303 is applicable from the first renewal of the management and control bodies of companies listed on regulated markets after the date on which the law becomes effective”*, leading to an increase from 1/3 (one third) to 2/5 (two fifths) in the seats reserved for the lesser represented gender on the management and control bodies of listed companies and also an increase from 3 to 6 in the terms for which the new regulations are applicable (1).

For the purpose of complying with the minimum number of Independent Directors, each list must identify among its members, expressly indicating them, a minimum number of candidates meeting the independence requirements stated in article 16, paragraph 2, of the Bylaws equal to at least the number of Independent Directors laid down in the same article 16. In order to ensure gender balance in compliance with applicable *pro tempore* laws and regulations, each list containing a number of candidates equal to or greater than 3 (three) must include candidates of both genders, so that at least 2/5 (two fifths) – rounded up in case of a fractional number – of candidates indicated in the same list belong to the lesser represented gender.

The following persons are entitled to submit lists: (i) shareholders who, alone or together with other shareholders, in total hold shares representing at least the minimum interest in the share capital entitled to vote at the Company's Shareholders' Meeting set by Consob (this being 2.5% in accordance with Consob Determination no. 28 of 30 January 2021), which shall in any case be indicated in the notice of call; (ii) the Board of Directors of the Company, subject to the favourable non-binding opinion of the Board's Appointments Committee which has competence as far as appointments are concerned. The ownership of the minimum shareholding entitled to vote at an ordinary Shareholders' Meeting of the company is determined with respect to the shares that are recorded in the name of the individual shareholder, or in the names of several shareholders jointly, on the day on which the lists are filed at the Company's registered office. The ownership of the number of shares required for filing lists must be certified pursuant to applicable *pro tempore* laws and regulations; such certification may also be received by the Company after the filing of lists, provided that this is within the deadline set by applicable *pro tempore* laws and regulations.

In accordance with article 14, point 2.4, of illimity's Bylaws, no entitled person may submit or participate in submitting more than one list, including by way of third parties or trust companies, or vote for more than

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(<sup>1</sup>) The contents of the provisions of the Bylaws regarding the appointment of the corporate bodies have been updated for the changes most recently adopted by the Board of Directors on 10 March 2021, in order to formally adapt such to the above-mentioned amendments to the TUF on gender balance.

one list. Shareholders belonging to the same group of companies – this being construed as the parent company, subsidiaries and companies under joint control – and parties to a shareholders’ agreement as per article 122 of the TUF regarding the Company’s shares, may not submit, nor may those with voting rights vote for, more than one list, not even by way of third parties or trust companies; in case of non-compliance their signatures shall not count for any of the lists.

Lists must be filed by persons entitled thereto at the Company’s registered office – also by way of the remote means of communication established by the Board of Directors in accordance with the methods stated in the notice of call, so as to enable the persons making the filing of lists to be identified – at least 25 (twenty five) days before the date set for the Shareholders’ Meeting and shall be made available to the public in accordance with the terms and conditions provided by applicable *pro tempore* laws and regulations. Any list submitted by the Board of Directors must be filed at the Company’s registered office and published in accordance with the above methods at least 30 (thirty) days before the date set for the Shareholders’ Meeting.

Article 14, point 2.6 of illimity’s Bylaws requires the following documentation, where applicable, to be filed together with each list at the Company’s registered office within the relevant term of filing:

- information on the identity of the shareholders submitting the list, stating the total percentage shareholding having voting rights at ordinary Shareholders’ Meetings;
- declarations of shareholders who submit, or jointly submit, a list, other than those that hold, also jointly, a controlling or relative majority holding, attesting the absence of connections with the latter qualified as relevant by *pro tempore* laws and regulations applicable to the Company;
- a comprehensive description of the personal and professional characteristics of each candidate, including information on offices held as director or statutory auditor in other companies, and a statement in which individual candidates accept their nomination and represent, under their own responsibility, that there are no causes for ineligibility or incompatibility, and that they meet the directorship requirements established by laws, regulations and the Bylaws, and the independence requirements provided for in article 16, paragraph 2, of the post-merger Bylaws; as well as
- any further documentation and declaration required by applicable *pro tempore* laws and regulations or that is useful for an overall assessment of suitability for the office, also in accordance with any information that may be publicly disclosed in advance by the Bank in the notice of call.

Submitted lists that do not meet the above requirements will be treated as not having been submitted. Nevertheless, the absence of documentation regarding individual candidates on a list does not automatically lead to the exclusion of the whole list but only to that of the candidates to whom the irregularity refers.

If more than one list is filed, Board members shall be elected as follows:

- (i) all the members of the Board of Directors except 2 (two) shall be drawn from the list that obtains the majority of votes cast, in the sequential order in which they are listed (the “**Majority List for the Board of Directors**”);
- (ii) the remaining 2 (two) Directors shall be drawn, being the first 2 in the sequential order in which they are listed, from the minority list (the “**Minority List for the Board of Directors**”) which obtained the second highest number of votes and is not in any way linked, even indirectly, through connections qualified as relevant by applicable *pro tempore* laws and regulations, with persons who submitted or voted in favour of the list under point (i).

If the Minority List for the Board of Directors fails to obtain a percentage of votes equal to at least half that required, in accordance with the above, for the purposes of submitting such list then all the Directors to be elected will be taken from the Majority List for the Board of Directors.

If several lists obtain the same number of votes, the Majority List for the Board of Directors is, for all purposes, the list submitted by shareholders holding the largest interest or, in second instance, the list voted by the highest number of shareholders (one vote per person). This applies also to the case whereby several minority lists obtain the same number of votes.

Should the resulting composition of the Board of Directors fail to ensure the minimum number of Independent Directors as per article 16 of the Bylaws, the non-independent candidate elected as last in the sequential order on the Majority List for the Board of Directors shall be replaced by the independent candidate not elected on such list on the basis of the sequential order or, in the absence of such, by the first independent candidate in sequential order not elected on the other lists, depending on the number of votes obtained by each list. This replacement procedure shall be used until the Board of Directors contains the minimum number of Independent Directors required under article 16 of the Bylaws. Finally, if this procedure fails to produce the required result, replacement will be carried out by means of a resolution adopted by a relative majority at a Shareholders' Meeting, following the presentation of candidates meeting the above-mentioned requirements.

Furthermore, should the resulting composition of the Board of Directors fail to comply with the applicable *pro tempore* laws and regulations on gender balance, the candidate belonging to the more represented gender who is elected with the lowest number of votes in terms of the sequential order on the Majority List for the Board of Directors shall be replaced by the first candidate of the lesser represented gender not elected on such list on the basis of the sequential order or, in the absence of such, by the first independent candidate in sequential order not elected on the other lists, depending on the number of votes obtained by each list. This replacement procedure shall be used until the composition of the Board of Directors complies with applicable *pro tempore* laws and regulations on gender balance. Finally, if this procedure fails to produce the required result, replacement is carried out by means of a resolution adopted by a relative majority at a Shareholders' Meeting, following the presentation of candidates belonging to the lesser represented gender.

Article 14, point 4, of illimity's Bylaws additionally provides that in the case where:

- (a) only one list is submitted, or if the minority lists do not get a percentage of votes of at least half of those required for the submission of lists, the Shareholders' Meeting shall express its opinion on such list by legal majority, without following the above procedure;
- (b) no list is submitted, the Shareholders' Meeting shall resolve by legal majority, without following the above procedure.

The removal of members of the Board of Directors is resolved by the Shareholders' Meeting by the means established by law.

If during the year for whatever reason one or more Directors ceases to hold office, the other Directors shall replace them with the first candidate not elected on the list to which the outgoing Director or Directors belonged, or with the subsequent candidates on the basis of the sequential order of the list if the first or subsequent persons do not accept the appointment or do not meet the independence requirements which may have been met by the Director to be replaced or if the composition of the Board of Directors is not such as to comply with applicable *pro tempore* laws and regulations on gender balance.

If for any reason it is not possible to effect the replacement on the basis of the procedure described in the above paragraph, the Directors remaining in office shall co-opt a Director, selecting the replacement or

replacements from persons not included in any list, ensuring, if such is the case, that the independence requirements for the Director to be replaced and the *pro tempore* laws and regulations on gender balance are complied with. The Directors co-opted on this basis remain in office until the first Shareholders' Meeting.

Account shall not be taken of the list-based voting system at Shareholders' Meetings which must confirm or replace co-opted Directors, who only remain in office until the Shareholders' Meeting appoints Board members with the list-based voting system.

In any event, the Board of Directors and the Shareholders' Meeting shall appoint Board members so as to ensure (i) the presence of Independent Directors in the minimum number required by article 16 of the post-merger Bylaws and (ii) compliance with applicable *pro tempore* laws and regulations on gender balance.

If the majority of Directors appointed by the Shareholders' Meeting ceases to hold office due to resignation or other reasons, the whole Board falls and the remaining Directors shall urgently call a Shareholders' Meeting to appoint a new Board of Directors.

## 5.2 Succession plans

At the date of this Report, the Board has not assessed whether to adopt specific succession plans, and such assessment will be carried out during 2021.

## 5.3 Composition of the Board of Directors

Pursuant to article 16 of illimity's Bylaws, the Company is managed by a Board of Directors consisting of an odd number of members that is no fewer than 7 (seven) and no more than 11 (eleven) – as already stated – who must meet the applicable *pro tempore* independence requirements of primary and secondary legislation and may be re-elected. Of these, a number corresponding to at least the minimum provided by the applicable *pro tempore* primary and secondary legislation must hold the independence requirements set forth therein.

The current Board of Directors was appointed by the shareholders of Banca Interprovinciale S.p.A. ("BIP") on 4 September 2018 following the fall from office of the entire board appointed at the Shareholders' Meeting of 24 May 2018, owing to the resignation tendered by the directors on 10 August 2018 and conditioned by the fulfilment of all the activities and the implementation of all the formalities required to finalise the integration between BIP and SPAXS in a full and complete manner.

The Issuer's Board of Directors in office at the date of approval of this Report consists of 9 (nine) members on the basis of the requirements of the Bylaws, and remains in office, on the basis of the relative shareholders' resolution, for three fiscal years, and accordingly up to the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2020.

The current members of the Board of Directors are as follows:

First and last name	Office held	Place and date of birth
Rosalba Casiraghi (**)	Chair	Milan, 17 June 1950
Corrado Passera	Chief Executive Officer	Como, 30 December 1954
Massimo Brambilla	Director	Milan, 9 January 1970
Elena Cialliè (*)	Director	Turin 7 September 1967
Paola Elisabetta Galbiati	Director	Milan, 12 January 1959
Alessandro Gennari	Director	Modena, 14 October 1960

<b>Martin Ngombwa (****)</b>	Director	Udine, 12 October 1988
<b>Maurizia Squinzi (*)/(*****)</b>	Director	Pero (Milan), 23 May 1950
<b>Marcello Valenti (*)/(****)</b>	Director	Sassari, 1 July 1968

(\*) Independent directors pursuant to the TUF and the Self-Governance Code and the TUF, as well as to the laws and regulations applicable to banks.

(\*\*) Independent director pursuant to article 148, paragraph 3 of the TUF, assessed by the Issuer's Board of Directors at its meetings of 10 October 2018, 11 February 2019 and 21 February 2020. In addition, after assessing the statements provided by the Chair and also in consideration of the fact that illimity's Bylaws provide that legal representation shall be dissociated from the position as Chair of the Board of Directors (legal representation was assigned by the Shareholders' Meeting to the Chief Executive Officer on 18 January 2019), the Issuer is of the belief that the Chair also holds the independence requirements set forth in article 3 of the Self-Governance Code; nonetheless, pursuant to the same article 3 of the Self-Governance Code currently in force, the mere attribution of the position as Chair (since it is assumed that the person involved has a certain importance) would exclude the existence of the above-mentioned independence requirements. It is however noted that pursuant to the new CG Code, approved in final version on 31 January 2020 and which must be applied by companies adopting the Code from the first fiscal year beginning after 31 December 2020, at the date of this Report, the Chair may be qualified as independent. In fact none of the circumstances listed in article 2, paragraph 7, of the new Code as capable of compromising independence exists.

(\*\*\*) Directors co-opted by the Issuer's Board of Directors on 10 February 2021, in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2020. The Directors were appointed as the result of the resignation of Messrs. Giancarlo Bruno and Luca Rovati with effect from 29 December 2020.

(\*\*\*\*) Director appointed by the Ordinary Shareholders' Meeting of the Issuer of 10 September 2019 as the result of the resignation of Robert Edward Diamond Jr., notified in a letter dated 29 July 2019 (received on 30 July 2019), effective from 10 September 2019.

(\*\*\*\*\*) Director who has resigned as of the next Shareholders' Meeting, the natural expiry date of her term.

In a letter dated 29 July 2019 addressed to the Chair of the Board of Directors and the Chair of the Board of Statutory Auditors (received on 30 July), the Director Robert Edward Diamond Jr. handed in his resignation as Director with effect from 10 September 2019. As the result of this decision, on 10 September 2019 the Ordinary Shareholders' Meeting appointed as Director Martin Ngombwa, who accepted the appointment on the same date.

On 2 March 2020 the Director Sigieri Diaz della Vittoria Pallavicini – by way of a communication addressed to the Chair of the Board of Directors, the Chair of the Board of Statutory Auditors and General Counsel – handed in his resignation as a Director on the Issuer's Board of Directors with effect from the Shareholders' Meeting of 22 April 2020. This meeting appointed Mr. Luca Rovati as Director.

Furthermore, in a communication dated 28 December 2020 addressed to the Chair of the Board of Directors and the Chair of the Board of Statutory Auditors, the Directors Giancarlo Bruno and Luca Rovati handed in their resignation as Directors of illimity with effect from the end of the Board meeting held on 29 December 2020.

In addition, on 19 March 2021 the Board of Directors acknowledged a communication from the Director Maurizia Squinzi in which she handed in her resignation as a Director of illimity with effect from the Shareholders' Meeting called for 22 April 2021, the natural expiry date of her term.

More specific details of the current structure of the Board of Directors, the former composition and the Committees can be found in Table 1 in the appendix to this Report.

All board members hold the integrity and professional competence requirements in respect of the provisions of article 26 of the TUB and Ministerial Decree no. 161/98. All members of the Board of Directors are domiciled at the Company's registered office.

Furthermore, the Directors Paola Elisabetta Galbiati and Marcello Valenti hold the requirements prescribed by Decree no. 169 of the Ministry for the Economy and Finance of 23 November 2020 (also

“DM no. 169/2020”), as verified by the Board at its meeting of 10 February 2021 when it co-opted them as Directors.

Set out in the following is a brief *curriculum vitae* for each of the members of the Company’s Board of Directors, from which, in the Issuer’s opinion, it emerges that all the members of the Board of Directors hold appropriate skills and professional competence and that, with specific regard to the non-executive directors, by virtue of their broad working and administrative/managerial experience such persons are able to bring the specific skills, suitable by sphere and professional competence, that are required to enable them to arrive at an attentive and precise opinion when assuming board decisions.

### **Rosalba Casiraghi**

Rosalba Casiraghi graduated with a degree in economics from the Bocconi University in Milan in 1974. Her professional career began as a management controller, with responsibility for reporting and budgeting, at the Italian subsidiary of the Carrier Corporation, a member of the multinational UTC listed on the New York Stock Exchange, where in a short time she was promoted to a management position. She subsequently moved on to become head of finance of the Italian distribution company of Yamaha Motors Co..

In 1985, together with 5 other partners, she set up the financial company Miraquota, of which she became chair, and following this in 1986 founded Rating, a company specialising in financial analysis, in which she began working with the economic press. In particular, for several years she produced well-known editorial content and provided technical advice on economic and financial matters to Il Mondo, l’Espresso and Il Corriere della Sera.

In 1994 she was appointed member of the Privatisation Committee (the Draghi Committee), remaining in this position until 2001, enabling her to follow the sale of major state-owned companies such as Eni, Enel and Telecom.

In 1999 she began taking positions as director and statutory auditor in industrial and financial companies, mainly elected on the lists submitted by institutional investors. She firstly became a member of Pirelli’s Board of Statutory Auditors, followed by that of Telecom in 2003, and then took a position on the Supervisory Board of Intesa Sanpaolo in 2007 where she remained for nine years.

In 2007 she was elected president of Nedcommunity, the association of non-executive and independent directors.

Amongst her main current roles she is Chair of ENI’s Board of Statutory Auditors, a Director of Luisa Spagnoli and Autogrill and a member of the Board of Statutory Auditors of Sea and Whirlpool Emea.

In recent years she has contributed to the publication of various books on control systems and corporate governance.

### **Corrado Passera**

In 1977, Corrado Passera graduated from the Business Economics faculty of the Bocconi University in Milan. Between 1978 and 1980 he took a Master of Business Administration degree at the Wharton School in Philadelphia. His professional career began in 1980 when he joined the consultancy firm McKinsey & Co, being involved inside and outside Italy with the restructuring and revival of banking, insurance and service companies. In 1985 he joined CIR and in 1988 became its general manager. In 1992 he was appointed joint chief executive officer of the Olivetti Group, while in 1996 he managed Banco Ambroveneto.

In 1998 he was appointed chief executive officer of Poste Italiane S.p.A.. He returned to the banking world in 2002 as managing director and chief executive officer of IntesaBci, the banking group resulting from the merger between Banca Intesa and Banca Commerciale Italiana. In the summer of 2006 he contributed to the merger between Banca Intesa and San Paolo IMI, which led to the creation of Intesa Sanpaolo, of which

he later became executive director and CEO. In November 2011 he was invited to become a member of the Monti government as Minister for Economic Development, Infrastructure and Transport, a position he held until the end of the legislature in 2013. Since 2015 he has dedicated himself to a project involving the revival of Milan having the aim of enabling the city to compete with the other dynamic European metropolises, although he did not stand in the local elections.

Awarded the Order of Merit for Labour by the President of the Italian Republic in 2006, he is a member of various advisory boards, such as the McKinsey Advisory Council, and has been on the board of various listed companies (including Finmeccanica and Credit Agricole in Paris) and non-profit bodies (Bocconi University, Scuola Normale Superiore di Pisa, La Scala Foundation, the Cini Foundation, the International Business Council of the World Economic Forum in Geneva, Wharton School in Philadelphia and the International Institute of Finance in Washington).

In 2010, working with Umberto Eco, he set up Encyclomedia Publishers, a publishing project for the production of the first top-quality “History of European Civilisation”.

In 2017, together with Andrea Clamer, he founded SPAXS, the first SPAC (Special Purpose Acquisition Company), set up to create an operator working in the banking and financial sector, for which he was Chair of the Board of Directors.

He has also been a member of the advisory board of Next Energy Capital Ltd. (a British investment group working in the photovoltaic sector) since February 2017.

### **Massimo Brambilla**

In 1996 Massimo Brambilla was awarded a degree in Business Economics by the Luigi Bocconi Business University.

Between 1996 and 1997 he worked as an analyst with the firm Tamburi & Associati. In 1997 he joined Reconta Ernst & Young as an auditor. Between 1997 and 2002, he held the position as vice president of mergers and acquisitions as well as head of the transaction team at Société Générale Investment Banking. From 2002 to 2004 he had a managerial role at Euromobiliare Corporate Finance and from 2004 to 2006 at Abaxbank.

Since 2006, Massimo works as Managing Director Europe for Fredericks Michael & Co, based at its New York and London offices.

He has also sat on the Board of Directors of SPAXS, Tetis S.p.A. (company holding an investment in SPAXS) and Ca' Zampa s.r.l. (which manages veterinary clinics by using technologically innovate tools).

### **Elena Cialliè**

Elena Cialliè graduated (*cum laude*) from the Bocconi University in Milan in 1991 with a degree in Business Economics. Since 1994 she has been a professional accountant and an auditor.

In 1994 she began her professional path in investment banking at the Milan branch of Citibank, after which she moved to the London branch, where she worked on the structuring of acquisition and leverage finance transactions and in the management of credit portfolios.

In 1998 she joined Goldman Sachs, where, over a ten-year period, she held various positions in the Leveraged Finance and Advisory and Financing departments, initiating and successfully completing risk capital and debt funding operations and M&A transactions for both corporate and private equity clients.

In 2009 she took part, as Partner, in the establishment of the advisory company Ondra Partners, which grew, thanks to her support, in size to the point of having 50 employees and revenues of around one million dollars per head, with offices in London, Milan, Paris and New York.

From 2017 to 2020 sat on the Board of Directors of GEDI Gruppo Editoriale S.p.A..

Currently she is the Executive Director of UK Government Investment, the English Government centre of excellence in corporate finance and corporate government activities.

### **Paola Elisabetta Maria Galbiati**

Professor Paola Elisabetta Maria Galbiati was awarded a degree in Business Economics (*cum laude*) at the Bocconi University in Milan in 1982, subsequently participating in the International Teachers' Program at the London Business School in 1984. Since 1994 she has been a qualified chartered accountant (*Dottore Commercialista*) and registered auditor (*Revisore Legale dei Conti*) in Milan.

From 1987 to 1993 she was a lecturer in Corporate Finance for the MBA course at the Bocconi University in Milan, where, since 1996, she is a tenured lecturer of Corporate Finance and head of masters' degree courses in "Strategic Analyses and Financial Valuations" and "Business Crises and Restructuring Processes". From 1982 to 2005 she carried out her professional activities in Brugger & Associati (formerly Finlexis) as project head and team leader in the fields of business restructuring, debt restructuring, the determination of the economic damage resulting from unfair competition/contractual non-fulfilment, business valuations, the valuation of intangible assets, and the development of achievable business plans, working alongside the senior management of industrial companies (on occasions also taking temporary management positions – for example, she was Chief Executive Officer of Dianos S.p.A. between 2003 and 2005).

From January 2006 to December 2012 she worked as an independent consultant for AlixPartners in the financial advisory services sector (economic and financial expert in judicial and extra-judicial disputes, technical advisor in relation to penalties inflicted by the European Commission Competition Authority, appraiser of intangible assets) and in corporate turnarounds (the development of realisable plans for businesses in situations of temporary difficulty, working alongside companies renegotiating their debt or seeking an improvement in their economic performance).

She has also held management and control positions in numerous industrial companies, including those listed on regulated markets, such as independent director in Fullsix S.p.A. (2013-2014), Silver Fir SGR (2016-2017), Servizi Italia S.p.A. (2012-2018), Teze Mechatronics (2013-2018) and Banco BPM S.p.A. (2017-2020) and standing statutory auditor in Tamburi Investment Partners S.p.A. (2015-2018).

She is the author of several scientific publications, and in addition to being on the Board of Directors of Unieuro S.p.A. and illimity SGR S.p.A., is also on the board of the Dr. Ambrosoli Memorial Hospital Foundation (since 2010).

### **Alessandro Gennari**

Born in Modena on 14 October 1960, Alessandro Gennari was awarded a diploma in accounting in 1979 by the Jacopo Barozzi Technical Business Institute.

He immediately began work at Credito Romagnolo S.p.A in Bologna in various front-office and back-office positions, in 1985 becoming a corporate officer and deputy branch head. Subsequently, in 1992, he became head of the Sassuolo branch until the merger with Carimonte Banca which gave rise to a new entity, Rolo Banca 1473.

In 1994 he was appointed head of the Ravenna office and the following year deputy head of the Ravenna area, consisting of 14 branches.

In 2001, as a result of the merger between Rolo Banca 1473 and Credito Italiano, giving rise to Unicredit S.p.A., he was appointed head of the Sassuolo office, which in terms of productivity was one of the most important offices at a national level, with 4 listed customers, important share packages under

management and various corporate bond placements being carried out with listed institutional investors. In 2002 he formally became an executive officer.

In 2003 he was appointed head of the ceramics business unit in Unicredit Corporate S.p.A., coordinating 15 account managers, 25 assistants, 1 foreign goods office consisting of 9 employees, 4 specialists in extraordinary finance and 2 employees in investment services.

In 2008 he was put in charge of the Modena province of Unicredit Corporate S.p.A., coordinating 10 corporate teams.

In January 2020 he was appointed general manager of Banca Interprovinciale S.p.A., contributing to the development of the bank and its good financial results, with significant emphasis on risk management; he held this position until the sale of the majority holding to SPAXS S.p.A. in September 2018.

He is currently a member of the Board of Directors of illimity.

### **Martin Ngombwa**

Martin Ngombwa was awarded a B.Sc. by the University of East Anglia in Norwich in 2010, and in 2011 took a Master's Degree in Finance at the ESSEC (École Supérieure des Sciences Économiques et Commerciales) Business School in Paris, obtaining top marks.

In the same year he began work as a financial analyst at the Investment Banking Division of Morgan Stanley International in London.

Remaining at the London offices of Morgan Stanley International, he was associate of the Investment Banking Division from January 2014 to June 2016, and amongst other deals followed the acquisition of PartnerRe by Exor N.V. (an operation worth around 7 billion US dollars) and the purchase of Farmafactoring S.p.A. by Centerbridge Partners.

Since 2016 he has been a vice president of Atlas Merchant Capital LLC.

### **Maurizia Squinzi**

A freelance professional in the finance and financial service sector, Maurizia Squinzi acts and has acted as consultant and top manager in the corporate management sector, as CFO (finance, administration and control) and as advisor in business planning in complex companies in the industrial, services and administrative segments.

She is currently a non-executive and independent director of Maire Tecnimont S.p.A.. She was previously a member of the Board of Directors, Chair of the Risks Committee and a member of the Remuneration Committee of Banca Carige S.p.A. until 2017. She was General Manager of Mittel S.p.A. until January 2015 and a member of the Board of Directors and of the Executive Committee of Sorin S.p.A. until April 2015.

As head of resources (financial and human) she took part in the financial restructuring of the San Raffaele Hospital in Milan; as CFO in the organisational restructuring and strategic revival of Poste Italiane; and as Group Director for planning and control in the financial and organisational restructuring of the Montedison Group.

After taking a degree in Economics and Business at the Bocconi University in Milan, for which she was awarded top marks, she worked for eight years at the consultancy firm McKinsey & Co. in the finance and financial products area.

### **Marcello Valenti**

Marcello Valenti graduated from Cagliari University in 1991 and joined the tax and legal firm Tremonti e Associati in 1993, becoming partner in 2000. He is enrolled in the Milan register of lawyers and is also a registered auditor.

Tax questions relating to finance are a key aspect of his work as a lawyer, which consists mostly of providing

assistance in connection with banking operations, these including acquisitions, structured finance and capital markets.

He is also known for his work as transaction partner in various complex LBOs, as well as operations in the oil and energy sectors.

Marcello Valenti has additionally expressed opinions on a number of securitisations, IPOs and property transactions.

He is currently a member of the Board of Statutory Auditors and Board of Directors of several Italian industrial and financial companies.

In addition, he has been court-appointed administrator and receiver for preliminary investigations carried out by the Bari Court and for preliminary investigations carried out by the Milan Court in relation to various companies, and currently maintains this role in certain cases.

In terms of extraordinary operations he has been involved, *inter alia*, with the following:

- Ardian, in the acquisition of various businesses from the Danish company Greentech;
- Fidim, in the purchase of 100% of Rottapharm Madaus by the Swedish company MEDA for EUR 1.64bn.

As far as financing is concerned he has been involved with the following:

- Citigroup Global Markets Limited, Lehman Brothers Bankhaus AG, Goldman Sachs International, Citibank International PLC, Banca Intesa S.p.A., Citibank N.A. and Mediobanca - Banca di Credito Finanziario S.p.A., in granting a loan of EUR 1.3bn to AVIO S.p.A. and Se.Co.Sv.Im. S.r.l.;
- Pirelli Real Estate, Morgan Stanley Real Estate Fund, Telecom Italia and Olivetti in granting a loan of EUR 2.7bn to Tiglio I S.r.l. and Tiglio II S.r.l..

In terms of issuing securities representing Tier 1 capital and bonds he assisted J.P. Morgan Securities Ltd., Mediobanca - Banca di Credito Finanziario S.p.A., HSBC Bank plc, and UBS Ltd. in issuing Tier 1 bonds for EUR 1.25bn in favour of Generali Finance B.V., and in issuing Tier 1 bonds for £495m in favour of Assicurazioni Generali S.p.A..

Marcello Valenti also has vast experience in the judicial field, having personally represented his clients in discussions before the EU Court of Justice, the Italian Supreme Court, Tax Commissions of first and second instance and criminal courts in various cases relating to fiscal and bankruptcy offences.

He speaks Italian, English and French.

### **Diversity criteria and policies**

The following paragraphs provide details of the diversity policies on the composition of the administration, management and control bodies introduced by the Company during the year.

Pursuant to its current Bylaws the composition of illimity's Board of Directors must guarantee the 2/5 (two fifths) gender balance required by law, as set forth in article 1, paragraph 302, of Law no. 160 of 7 December 2019 in the text published in Official Journal no. 13 of 17 January 2020. At the date of this Report, the Bank complies with current laws and regulations on gender balance.

In addition, the composition of the management body reflects a suitable degree of diversification in terms of skills, experience, age, gender and educational and professional career.

As required by current laws and regulations, given the upcoming expiry of its term – as stated earlier – the Board of Directors has made a report available to shareholders, in reasonable time before the publication of the call notice for the Shareholders' Meeting called to resolve its renewal, that discusses its orientation on the optimum quantitative and qualitative composition for the new Board, and reference should be made to this document. In its orientation, the Board establishes a diversity policy, in particular with regard to an optimum composition for enabling it to perform its duties in the most effective manner and ensuring

the diversity of points of view and expertise that is needed for a good understanding of current affairs and the risks and long-term opportunities relating to business operations.

In addition to its indications on the overall composition and the requirements for professional competence, independence, expertise and propriety, the Board also formulates recommendations regarding age, seniority in office and geographical origin.

In addition, as announced to the market, given the conclusions reached in the orientations, at its meeting of 19 March 2021 the Board of Directors resolved to submit its own list of candidates (**List no. 1**) for appointment to the new body with a strategic supervision function, and in this respect complete documentation on the candidates, together with a representation of the expertise held by the proposed Board as a whole, has been available to shareholders and the public since 23 March 2021.

Furthermore, illimity informs, following what was disclosed to the market on March 26<sup>th</sup>, 2021, that a plurality of asset management companies and investment fund manager companies, representing about the 9.1% of the Bank share capital, submitted a list of candidates (**List no. 2**) for the appointment of the new Board of Directors, with respect to which it shall be provided to the market and to the illimity Shareholders all the professional and personal information of the candidates, in accordance with the procedures and time limits laid down by law.

#### **Maximum number of directorships and positions as statutory auditor held in other companies**

In 2020, illimity's Board of Directors did not establish general criteria on the maximum number of management and control positions that may be held in other companies, keeping to the general *pro tempore* prescriptions of supervisory and regulatory legislation.

On accepting office as Director in the Company and regardless of the limits established by any laws and regulations applicable to the maximum number of positions that may be held, each candidate for the position assesses in advance his or her ability to perform the assigned duties with due attention and care, taking into particular consideration the overall commitment required for any positions held outside the Bank.

Each member of the Board of Directors is additionally required to notify the Board when assuming any positions as director or statutory auditor in other companies to enable the disclosure requirements pursuant to the provisions of applicable laws and regulations to be properly fulfilled.

In this respect, article 17 of Decree no. 169 of the Ministry for the Economy and Finance of 23 November 169 (DM no. 169/2020), in force since 30 December 2020, introduced a more stringent approach to the question of limits on the number of positions in office that may be held.

More specifically, officers of banks of larger size or major operating complexity (as a listed bank, illimity falls within the scope of DM no. 169/2020 as far as the provisions applicable to banks with "major operating complexity" are concerned, pursuant to Circular no. 285) may not hold a total number of positions in office in banks or other companies that is greater than one of the following two alternatives: i) one executive position and two non-executive positions; ii) four non-executive positions. The position held in the Bank is included in determining these limits.

In this respect, the Directors Paola Elisabetta Galbiati and Marcello Valenti comply with the above limits of DM no. 169/2020, as verified by the Board of Directors subsequent to their appointment.

Compliance with the above-mentioned limits must be verified for all members of the Board of Directors following their appointment.

### **Induction programme**

During 2020 the Chair and the Chief Executive Officer provided the Directors with a suitable understanding of the context in which the Bank operates and of its organisation and evolution, as well as of the legislative framework of reference.

To ensure that Directors performs their role in an effective and informed manner, in accordance with the Self-Governance Code (article 2, paragraph 2 of the version in force until 31 December 2020 and recommendation no. 12 of the CG Code), an induction plan was implemented for the Board of Directors in 2020, which saw the active participation of Top Management and to which the Statutory Auditors were also invited.

In particular, during the year in question, given the current health emergency and the need to organise corporate events by remote means, the following 2 (two) induction sessions took place:

- 16 July 2020: Area Information Technology
- 13 October 2020: The organisational structure of the illimity Group.

### **5.3 Role of the Board of Directors**

The Board of Directors has a central role as part of the organisation of the business, having responsibility for the functions and strategic and organisational guidelines, as well as for ensuring the existence of the controls required to monitor the performance of the Issuer and the companies of the group it heads.

Each member of the Board of Directors is required to take decisions on resolutions with full knowledge of the facts and on an independent basis, with the aim of creating value for the shareholders, and undertakes to dedicate sufficient time to the position held in the Company to ensure that he or she performs his or her duties with diligence, regardless of any positions held outside the group, and with the awareness of the responsibilities inherent in the position.

The Board of Directors is convened at the Company's registered office or elsewhere, in Italy or abroad, by the Chair or by his or her representative, as a rule once a month and, in any case, whenever the Chair deems it necessary or whenever at least 2 (two) Directors request a meeting in writing. The Chair draws up the agenda. Meetings of the Board of Directors may be also called at the initiative of the Board of Statutory Auditors or by at least 2 (two) members of the Board of Statutory Auditors, subject to prior notification to the Chair of the Board of Directors.

Pursuant to article 22 of illimity's Bylaws, for resolutions of the Board of Directors to be valid, a majority of the members currently in office must be in attendance. Resolutions are approved by a majority of those voting excluding abstentions. In case of a tied vote, the Chair shall have the casting vote. Votes shall be cast openly.

In the year ended 31 December 2020 the Board of Directors met on 29 occasions, with meetings seeing the regular and steadfast participation of the Directors (the number of meetings at which every single member of the Board participated is reported in Table 1 for consultation). Board meetings lasted an average of 3 hours and 20 minutes each, with an average participation of 90.5%. For the current year, 5 meetings had already been held at the date of this Report and a further 12 are planned.

The members of the Board of Directors have stated and guaranteed that they will perform their duties effectively, dedicating all the time required to perform such. This is also confirmed by the significant number of meetings of the Board of Directors held in 2020 and the high level of participation by the Directors.

The Bank's managers are invited to attend Board meetings, as well as the heads of the functions in charge of the specific matters stated on the agenda, in order to provide suitably detailed information on the issues being discussed.

Pursuant to article 19 of illimity's Bylaws, the Board of Directors is vested with the all the powers for the ordinary and extraordinary management of the Company, with the exception of the matters expressly reserved by law and the Bylaws to the Shareholders' Meeting. Pursuant to article 2365, paragraph 2, of the Italian civil code, the Board of Directors may by resolution approve mergers in the cases envisaged by articles 2505 and 2505-*bis* of the Italian civil code, the opening and closing of secondary offices, amendments to the Bylaws to align them to laws and regulations and transfers of the Company's registered office within Italy.

In addition to the duties and powers that cannot be delegated under applicable *pro tempore* laws and regulations, including those of a supervisory nature, the Board of Directors has exclusive authority for adopting resolutions concerning:

- (a) the determination of strategic guidelines and operations, general guidelines and risk governance and management policies, and their periodic review, as well as the adoption and amendment of the Company's business and financial plans;
- (b) the assessment of overall business performance, pursuant to article 2381 of the Italian civil code;
- (c) an assessment, at least on an annual basis, of the adequacy of the Company's organisational, administrative and accounting structure and, in particular, of the functionality, efficiency and effectiveness of the internal control system;
- (d) the establishment of criteria to ensure that the Company carries out the instructions of the Supervisory Authority;
- (e) the drafting and approval of the draft annual financial statements (and consolidated statements where envisaged) and interim reports;
- (f) the purchase and sale of treasury shares and the purchase and sale of strategic equity investments, as well as the purchase and disposal of businesses;
- (g) delegated increases in share capital pursuant to article 2443 of the Italian civil code and delegated issues of convertible bonds pursuant to article 2420-*ter* of the Italian civil code, including the faculty to adopt resolutions with the exclusion or limitation of the option right as per the fourth and fifth paragraphs of article 2441 of the Italian civil code;
- (h) the appointment and dismissal of the General Manager, as applicable, the possible suspension, removal and termination of the appointment and the establishment or modification of the powers, functions and duties of the General Manager as well as the determination of his or her remuneration. The appointment of one or more Deputy General Managers pursuant to paragraph 5 of article 21 of the Bylaws;
- (i) on the proposal of the risk management committee, which for this purpose avails itself of the appointments committee, the appointment and dismissal of the Internal Audit Manager, the Chief Risk Officer (CRO), the Compliance Manager and the Anti-Money Laundering Manager (AML Manager) after

consulting with the Board of Statutory Auditors, ensuring an open and effective discussion with the heads of the control functions;

- (j) subject to the mandatory but non-binding opinion of the Board of Statutory Auditors, the appointment and dismissal of the Financial Reporting Officer pursuant to article 154-bis of the TUF and the provisions laid down below in article 27 of the Bylaws;
- (k) the approval and amendment of internal regulations, which are not deemed by these Bylaws or by law to be the competence of another corporate body;
- (l) the approval and amendment of the regulation governing the limits on the maximum number of directorships that members of corporate bodies may hold;
- (m) the establishment of the internal board committees envisaged by applicable pro tempore laws and regulations, including those of a supervisory nature, and by the Self Governance Code of Borsa Italiana S.p.A. (including committees in charge of related and associated party transactions, remuneration, risk management, and appointments) and any other committees, determining, also by adopting specific regulations, the composition, powers and functioning of these committees and any remuneration due to their members;
- (n) the opening, transfer and closing of branches, agencies, sub-branches, business addresses and representative offices in Italy and abroad;
- (o) transactions with related parties of greater importance or transactions of lesser importance falling within the competence of the board, including transactions of greater importance with related parties, where the board committee in charge of related party transactions expresses a negative opinion, and submits to the Shareholders' Meeting the transactions of greater importance with related parties when the board committee in charge of related party transactions has expressed a negative opinion, for the purpose of adopting the shareholders' resolutions referred to in article 9, paragraph 2(d), of the Bylaws;
- (p) the appointment and dismissal of the person responsible for the health and safety function, who assumes the position of Employer pursuant to Legislative Decree no. 81 of 9 April 2008 and is vested with the broadest decision-making, organisational and disposition powers to fully and comprehensively manage all the obligations concerning the protection of health and safety in the workplace, establishing the relative budget for the purpose of carrying out the duties assigned to him or her;
- (q) an assessment, periodically and at least once a year, of the performance of the Board itself and its internal committees as well as their size and composition;
- (r) the general guidelines for the structure and functioning of the banking group, establishing the criteria for the coordination and management of the companies of the banking group, as well as for the implementation of the instructions issued by the Supervisory Authority.

In compliance with article 19, paragraph 4 and following of illimity's Bylaws, the Board may, in accordance with the provisions of the Bylaws and the law, delegate part of its responsibilities to one or more of its members, determining the powers and related remuneration, within the limits and in execution of the resolutions adopted by the Shareholders' Meeting. The delegated bodies are required to report to the Board of Directors within the terms and under the procedures established by the Board of Directors, in compliance with these Bylaws and the law.

The Board of Directors shall report on a timely basis to the Board of Statutory Auditors on the activities it has performed and on the major transactions of an economic, financial and capital nature carried out by the

Company and its subsidiaries, also by way of delegated bodies; in particular, it reports on the transactions in which its members have an interest, either personally or on the behalf of third parties. This report is made, at least on a quarterly basis, either verbally at Board meetings or in writing to the Board of Statutory Auditors. Besides compliance with provisions under article 136 of the TUB, each Director is also required to inform the other Directors and the Board of Statutory Auditors of any personal interest or interest on behalf of third parties in a particular transaction of the Company by specifying the nature, terms, origin and size, and to refrain from decisions on issues where he or she may have a conflict of interest, either directly or on behalf of third parties, within the meaning of applicable laws and regulations. In the case of a Managing Director, he or she shall refrain from carrying out the transaction and assign this to the Board of Directors.

The Board:

- a) may appoint an Executive Committee, establishing the related operating procedures, the frequency of meetings and the duration which, in any case, shall not be greater than the remaining term of office of the Board. If appointed, the Executive Committee comprises 3 (three) or 5 (five) Directors, without prejudice to the fact that the Managing Director, if appointed, is an ex officio member of the body. The Chair of the Board of Directors participates, without voting rights, at the meetings of the Executive Committee in order to facilitate an effective flow of information. The Executive Committee elects from among its members, with a simple majority of those present, the person appointed to chair, coordinate and convene meetings, establishing the relative agenda, as well as representing the body. In case of absence or impediment of the person appointed, the aforementioned functions are carried out by the eldest member in terms of age;
- b) may set up other Committees, establishing their powers, remuneration if applicable and composition and the way they work;
- c) may delegate its duties to a Managing Director, within the limits prescribed by the Bylaws and the law;
- d) may appoint General Managers, establishing their relative powers, as well as resolve the appointment of attorneys for performing single acts or categories of act;
- e) may, subject to the opinion of the Board of Statutory Auditors, appoint the Financial Reporting Officer, selecting from among the persons having matured a qualified experience of at least three years in exercising administrative and control activities and in performing management or consulting functions in listed companies and/or in the relative groups of businesses, or in companies, enterprises and businesses of significant size and importance, also with respect to the function of preparing and controlling accounting and corporate documents. In addition, it grants him or her suitable powers and means for performing the assigned duties and ensures that the appointed person has the requisites prescribed by *pro tempore* primary and secondary laws legislation as well as by the Codes of Conduct and by the post-merger Bylaws;
- f) allocates amongst its members the compensation established by the Shareholders' Meeting for all the directors, and allocates or determines the remuneration of directors vested with special duties after obtaining the opinion of the Board of Statutory Auditors.

On 30 November 2018, the Issuer's Board of Directors appointed Mr. Sergio Fagioli as the Financial Reporting Officer pursuant to article 154-*bis* of the TUF, with effect from the date on which trading began in the Company's Shares on the Electronic Stock market operated by Borsa Italiana S.p.A., namely 5 March 2019,

and with the favourable opinion of the Board of Statutory Auditors, granting him the powers and functions as per such legislation and the applicable provisions of other laws and regulations.

The Board has assessed the adequacy of the Issuer's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

#### **Self-evaluation by the Board of Directors**

- ***Verification and confirmation of the requirements for corporate officers (the "fit & proper" requirements)***

In application of the procedures required by article 26 of Legislative Decree no. 385/1993 (the Consolidated Banking Law or "TUB"), DM no. 161/98, Bank of Italy Circular no. 229/1999, Bank of Italy Circular no. 285/2013, and article 36 of Decree Law no. 201/2011, converted by Law no. 214/2011, as well as the laws and regulations applicable to issuers listed on regulated markets, and in particular pursuant to Legislative Decree no. 58 of 24 February 1998 (the Consolidated Finance Law or "TUF") and the Self-Governance Code for listed companies drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A., in 2020 the Board of Directors identified the characteristics that each Director must have relative to all the requisites of a professional and cultural nature, as well as those relating to integrity and reputation prescribed by current dispositions, supplemented also by the prohibition provisions and cases of incompatibility, including the "interlocking prohibition" (as per article 36 of Decree Law no. 201/2011, converted by Law no. 214/2011), verifying these at the Board meeting of 21 February 2020.

In particular, and also in application of the above-mentioned legislation on interlocking, on 21 February 2021 the Board of Directors assessed, for each member (with the exception of the Director Luca Rovati) and by the same means with which the verification of the requirements pursuant to supervisory laws and regulations was performed, whether there had been any changes in the personal prerequisites of the individual Directors and the absence of any significant situations for interlocking purposes.

Each Board member confirmed that there had been no significant changes, and that accordingly there were no differences with the declarations made by:

- the Directors (with the exclusion of the Director Martin Ngombwa), as regards the verifications conducted by the Board at its meetings on 10 October 2018, 11 March 2019 and 1 August 2019 (during the verifications of the prerequisites performed for the purpose of the formation of illimity SGR S.p.A.),
- the Director Martin Ngombwa, as regards the verification conducted by the Board on 11 September 2019.

As far as the Director Luca Rovati is concerned, on 22 April 2020 the Board established that he holds the respectability and professional competence requirements (regarding skills, professional experience, expertise and know-how), as well as the criteria regarding propriety, integrity and reputation, the number of offices held and the availability of the time required to perform his duties in the position in an effective manner, in relation to the requirements of article 26 of the TUB and DM no. 161/98, and that in addition there were no breaches of the interlocking provisions of article 36 of Decree Law no. 201/2011.

The Board accordingly attested, severally for each of the persons concerned, with the respective abstention depending on the case, the existence or continuation of the requirements of laws and regulations for each of these.

As stated, the Board of Directors verified that the Directors Paola Elisabetta Galbiati and Marcello Valenti, appointed on 10 February 2021, hold the requirements established by laws and regulations, including pursuant to the provisions of DM no. 169/2020.

In accordance with matters previously mentioned, article 26 of the TUB was amended in 2015 to incorporate Directive 2013/36 (CRD IV) regarding the way in which the suitability of bank officers is regulated. The formulation of the mentioned article, though, remained pending the issue by the Ministry of Economy and Finance of the ministerial decree implementing the relative provisions, which only took place at the end of last year with the publication in the Official Journal of DM no. 169/2020, which became effective on 30 December 2020.

The new regulatory structure is applicable for appointments (or co-optations) or renewals after that date, or for confirmations of co-opted members that have still to be approved by the Shareholders' Meeting of an entity, even if the person was co-opted before 30 December 2020. As a listed bank, illimity falls within the scope of DM no. 169/2020 as far as concerns the provisions applicable to banks of "*major operating complexity*" within the meaning of Circular no. 285 (as well as being the parent company of a banking group).

- ***Self-evaluation of the composition and functioning of the Board of Directors***

In accordance with supervisory provisions for banks on corporate governance contained in Title IV, Chapter 1, of Bank of Italy Circular no. 285/2013, the Regulation of the Board and the Self-Governance Code (Criterion 1.C.1. point g)), the Issuer has conducted a self-evaluation process on the composition and functioning of the Board of Directors, the internal Board Committees and the Board of Statutory Auditors. The Board of Directors availed itself of the services of Management Search S.r.l., an external independent advisor of primary standing, to conduct the evaluation.

The evaluation, which was based on financial 2020, was performed between December 2020 and January 2021.

The method used to conduct the evaluation involved the following steps:

- a "Self-evaluation schedule" was sent to the Directors in advance;
- structured interviews were held with the individual Directors on the main areas of interest (size, composition, functioning) and the replies to the self-evaluation questionnaires were collected in. Each question required a quantitative evaluation and a qualitative comment on the issue under discussion. The analyses, questionnaires and comments were processed and stored in a fully anonymous and confidential manner;
- a "Self-evaluation questionnaire" was prepared.

The results emerging from the self-evaluation process on the composition and functioning of the Board of Directors, contained in a report entitled the "Self-evaluation of the Board of Directors", were reviewed by the Board on 28 January 2021.

As far as general considerations are concerned, it emerged that the Board continued to perform its role guiding and controlling the Bank's activities during the year, demonstrating not only that it is functioning well but also that it has a valid composition and a good people-integration level.

Over the term of its mandate the Board has displayed efficacy in the way it operates, enabling it to accompany the evolution of the Bank's business and the relative change processes, at the same time performing its guidance and control role.

The increased knowledge of the business and of the Bank's managerial structure – acquired over the two preceding years – provided a positive contribution to the efficacy of its work, as well as to a sense of belonging of the individual Directors.

The observations of the majority of the Directors indicated a good level of overall functioning among the strengths of the present Board, and in particular:

- its composition in terms of the mixture of experience and skills;
- the positive atmosphere and the team spirit and feeling of trust within the Board;
- the commitment and preparation of the Directors; the agreement on strategy and the breadth of debate.

During its work the Board has dealt with all the issues relating to the areas for improvement emerging from the results of the previous year's Board Review, which were discussed and addressed compatibly with the difficulties caused by the health emergency.

The Directors' observations did not identify any areas for improvement of particular relevance to the current Board of Directors as regards its composition, its functioning, its contribution to establishing the growth strategy and its active participation in the life of the Bank. The Directors believe that the Board has worked well since the start of its term, and in order for the next Board to undertake its mandate in an effective manner, in continuity with the work so far performed, recommend that such Board should:

- continue and reinforce the induction programme, focusing on the issues in the Business Plan and on subjects of agreed interest, calibrating this in relation to the professional characteristics to be found within the Board;
- maintain the information flow to the Board at a high level, as well as its involvement in all the actions events of interest for the Bank;
- maintain the Board's attention on the Bank's internal control system and its development at a high level;
- continue with the constant attention given to the evolution of the external scenario in order to take advantage of new entrepreneurial opportunities;
- assess the opportunity of adopting the one-tier system of management to achieve a further improvement in the efficiency of the Board of Directors.

Given that the term of the present Board of Directors expires with the approval of the 2020 financial statements, the majority of the Directors are in agreement that:

- the current number of Directors (9) – included between the minimum (7) and the maximum (11) envisaged by the Bank's Bylaws – is appropriate for ensuring the suitable balance of skills and experience required by the complexity of illimity's business, as well as for allowing for the formation of Committees without an excessive overlapping of the relative members;
- the present ratio between the number of executive, non-executive and independent Directors is balanced and suitable for ensuring the efficacious functioning of the Board;
- the experience of the current Directors and the knowledge of the Bank and the business they have acquired represents a value, and accordingly, in view of the renewal, the reappointment of a good part of the members of the Board should be considered, from the standpoint of continuity.

The results of the assessment point to a positive opinion for all the areas subject to evaluation, namely (i) Structure and composition of the Board, (ii) Training of the Directors, (iii) Board meetings and decision-making processes, (iv) Role of the Chair of the Board, (v) Relations between the Board, the Chief Executive Officer and top management, (vi) Information flow for the Board, (vii) Functioning of the Committees, (viii) Strategy and objectives, (ix) Risks and relative controls, (x) Knowledge of the organisational structures and people; (xi) Summary and benchmarking and (xii) Matters relating to sustainability and innovation.

As stated earlier in the Report, given the upcoming expiry of its term and also in consideration of the above-mentioned results of the self-evaluation process, the Board of Directors has made a report available to shareholders, in reasonable time before the publication of the call notice for the Shareholders' Meeting called to resolve its renewal, that discusses its orientation on the optimum quantitative and qualitative composition for the new Board, and reference should be made to this document.

Lastly, it is noted that two list of members have been submitted for the Shareholders' Meeting of 22 April 2021 that shall appoint the new Board and details of this can be found in the previous paragraph "*Diversity criteria and policies*" as well as in the documents made available to shareholders and the public in accordance with the procedures and time limits laid down by law.

#### **5.4 Delegated Bodies**

##### **Chief Executive Officer**

The powers and authorisations of the Chief Executive Officer, Corrado Passera, were granted by the Board of Directors (i) on 20 September 2018, on identifying and appointing Mr. Passera as Chief Executive Officer, (ii) on 30 November 2018, on identifying the Chief Executive Officer as "director in charge of the system of controls" with the identification of the actions and relative actions assigned to him, (iii) on 17 December 2018, in relation to the Bank's regulations and internal procedures, (iv) on 11 February 2019, concerning finance and treasury activities, (v) on 5/6 March 2019, with the assignment of the CFO Renato Mele to the position of "head of health and safety function", with Mr. Mele also assuming the position as Employer pursuant to and for the purposes of Legislative Decree no. 81 of 9 April 2008 and article 19 of the Bylaws and, lastly, (vi) on 19 December 2019, regarding, inter alia, the Spending Powers Regulation, and, in general, the resolutions adopted on the Bank's internal regulations, policies and procedures for the functioning of the Bank and the Banking Group.

On 15 January 2020, the Board nevertheless revised and finalised the powers for carrying out "all the necessary steps to ensure full compliance with all civil, criminal and administrative legislation applicable at the time on safety matters pursuant to Legislative Decree no. 81/08 and subsequent amendments", in greater detail and without making any substantial changes to the above-mentioned list, as well as revoking and consequently cancelling the above-mentioned proxy (of 20 September 2018) held by the Chief Executive Officer, Corrado Passera, relating to such powers, in the form in which it was provided and originally approved by the Board of Directors on 20 September 2018.

At the same time, with logical and temporal continuity, eliminating the possibility for any objection to be raised that the Chief Executive Officer, Corrado Passera, lacked representational powers for the Bank, also in court, in the light of the resolution adopted by the Ordinary Meeting of the Bank's shareholders on 18 January 2019 that identified the Chief Executive Officer as the legal representative pursuant to article 25 of the Bylaws, the Board of Directors granted the following powers and authorisations:

- to deposit sums in current accounts held in correspondent banks;
- to withdraw cash at correspondent banks;

- to issue current account cheques on correspondent banks;
- to make transfers on correspondent banks;
- to make wire transfers to correspondent banks from the available funds in the accounts managed;
- to make wire transfers in favour of third parties from the available funds in the accounts managed;
- to open, modify and terminate contracts and agreements with banking and financial intermediaries regarding deposits, current accounts, the opening of credit facilities, etc.;
- to issue sureties, pledges, security deposits and letters of guarantee in favour of public and private bodies;
- to submit the reports on ownership structures (A.P.E.) and corporate bodies (GIAVA);
- to use the Tax Revenue Office's Entratel service to give instructions to pay the taxes due;
- to report market abuse;
- to prepare documents for filing with the Companies Registry;
- to make communications and notifications to the Italian Data Protection Authority;
- to report matters to the Supervisory and Anti-Money Laundering (UIF) Authorities and other bodies.

The following sections describe the powers, as sole signatory, assigned to the Chief Executive Officer, Corrado Passera, with the possibility of sub-delegation:

1. General administrative powers

- 1.1. Implement the resolutions of the board of directors through instructions sent to the competent offices.
- 1.2. Draw up proposals for submission to the board of directors on any matter relating to business operations.
- 1.3. Hold signatory powers for all acts of ordinary administration and for those envisaged by a specific resolution of the board of directors.
- 1.4. Oversee the preparation of the financial statements.
- 1.5. Outline and update the strategic plan, the annual operating plan and the budget for the year, proposing reasoned alternatives to the board of directors in terms of scenarios and growth prospects.
- 1.6. Update risk policies in respect of existing and potential risks, proposing reasoned alternatives to the management body in terms of risk/return combinations.
- 1.7. Foster the dissemination of a business culture based on an informed assumption of the risks typical of banking operations.
- 1.8. Foster and activate the business organisation conditions for setting up, consolidating and developing the business risk measurement and control process, also establishing the duties of the control function to the extent of its responsibilities.
- 1.9. Determine the information flows designed to ensure that the management body, or the bodies it

delegates, has full knowledge of facts about the business and the way these may be governed.

- 1.10. Approve and issue the Bank's internal rules and regulations, looking after the dissemination to the functions concerned to the extent of their responsibility.
- 1.11. Make proposals to the board of directors on the options relating to the propensity to accept the various types of risk as well as the relative methods of measuring them.
- 1.12. Grant specific powers to collaborators appointed for particular assignments, in application of resolutions of the management body.
- 1.13. Make proposals to the management body for outsourcing certain operating processes of the business or carrying out individual projects or planned initiatives.
- 1.14. Control the alarm and security systems.
- 1.15. Maintain relations with bodies and companies in the credit sector, with Supervisory Bodies and with bodies and associations in the industry.

## 2. Corporate signature

- 2.1. Sign correspondence and any other documents that require the Company's signature and regard affairs included in the powers delegated herein.
- 2.2. Collect ordinary, registered and insured letters, postal and telegraphic orders, packages and parcels, documents, goods, money, items of any nature from postal and telegraphic offices.

## 3. Relations with the Public Administration and other public bodies

- 3.1. Represent the Company at any public or private body and in all relations and relationships with the fiscal, financial, administrative and judicial offices of all the administrative departments of the State, including by way of example, but not limited to, State companies and administrations with an autonomous or special regulatory structure, ministries, prefectures, the regions, the provinces, the municipalities, the mountain municipalities and their consortia and associations, chambers of commerce and their associations, all national, regional and local non-economic public bodies, the administrations, the companies and entities of the national health service, quasi-governmental organisations and welfare bodies, trade union associations and employers, including pension and insurance bodies (INPS, INAIL etc.), Labour Offices, Labour Inspectorates, trade union and business associations, the State Railways, Postal and Telegraphic Offices, Transportation and Navigation Companies, by sea or by air, and also carry out transactions at these offices, for any affair or matter, signing declarations and issuing all the documents required to obtain from the above-mentioned bodies any licence, authorisation or provision of services that may be necessary for the company in accordance with its corporate purpose and the resolutions of the board of directors.
- 3.2. Represent the Company in relations with post offices and public and private shippers with the faculty to receive and send, packages, parcels and registered letters.
- 3.3. Sign applications, appeals and deeds falling within the scope of the powers bestowed herein.
- 3.4. Set up and withdraw security deposits with the Ministries, the Offices of the Public Debt, the State Deposit Fund, Local Tax Offices, Customs Offices, the municipalities, the provinces, the regions and any other office, public body and/or public authority.

## 4. Employment and organisation agreements

- 4.1 Manage personnel in accordance with the Bylaws, exercising the right to establish and amend duties and powers.
- 4.2. Plan development and training programmes for personnel.
- 4.3. Establish personnel policies and implement the guidelines approved by the board of directors on staff remuneration matters.
- 4.4. Maintain relationships with the trade union organisations.
- 4.5. Hire and promote, with no restrictions on amount, office employees and clerks, middle managers and managers of the Company (including heads of division); establish the operating divisions into which business activities will be divided and appoint the relative persons in charge, determine the contractually-provided disciplinary measures, establishing and amending the relative powers and compensation.
- 4.6. Suspend and dismiss office employees and clerks, middle managers and managers of the Company (including heads of division); determine the contractually-provided disciplinary measures, establishing or amending the relative powers and compensation.
- 4.7. Appoint and dismiss representatives, depositaries or agents, establishing or amending the relative powers and compensation.
- 4.8. Stipulate collective labour contracts and company agreements; stipulate, report and amend agreements with the workers' union organisations both inside and outside the company. Establish and conclude any act or agreement with national or local bodies and with respect to the EU bodies on matters regarding welfare, social insurance and in general issues concerning the administration of the Company's personnel.
- 4.9. Issue extracts from payroll journals and attestations regarding the personnel for welfare, insurance and social insurance bodies, for other bodies or for private bodies.
- 4.10. Grant loans to employees, restricted to their specific family needs, and stipulate the respective agreements.
- 4.11. Pay wages and salaries and any other indemnity relating to employment relationships, issuing, where applicable, certificates and related documents, also for fiscal purposes.

The Chief Executive Officer is not responsible for the health and safety function, pursuant to article 19, paragraph 3p) of the Bylaws. Pursuant to article 2, paragraph 1b), of Legislative Decree no. 81 of 9 April 2008, the employer has in fact been identified as another company officer, in accordance with the stated provision of the Bylaws.

## 5. Insurance

- 5.1. Stipulate and renew private or mandatory insurance contracts, signing the relative policies without limit to the amount.
- 5.2. Amend contracts, withdraw from them, agree the damages due from the insurer in the event of loss, issuing a receipt for the amount received.

## 6. Tenders, supply agreements, bids, licences and agreements in general

- 6.1. Stipulate, amend or terminate any agreement forming part of the corporate purpose and required

for the Company's operations.

- 6.2. Stipulate, amend or terminate any agency or distribution agreement, with the power to determine the amount of the commissions payable as well as other terms and conditions.
- 6.3. Stipulate, amend or terminate any agreement for the provision of intellectual, consultancy and collaboration services with no restriction on duration or amount.
- 6.4. Stipulate, amend or terminate contracts for the lease of property, motor vehicles or other registered moveable property with no restriction on duration or amount.
- 6.5. Stipulate, and terminate finance lease agreements relating to the purchase of moveable property used in the Company's operations, with no restriction on duration or amount.
- 6.6. Sign, in both foreign and national markets, offers relating to the Company's commercial and banking activity, stipulating the related agreements, with no restriction on duration or amount.
- 6.7. Compete and/or take part in any tender, auction or bid called by private companies or bodies or by regional or local public governmental, companies or bodies and any other public administration, also abroad, with no restriction on duration or amount, submitting or preparing all the relative documentation; negotiate, sign, amend, terminate, annul or rescind the contracts, bids and acts connected with the tender procedure and the related award.
- 6.8. With no restriction on amount, set up and withdraw security and guarantee deposits, submit, amend or withdraw offers and, in general, perform any relative transaction or formality.
- 6.9. Submit applications, sign documentation and perform all the actions connected with and consequent to facilitated finance initiatives and projects, with no restriction on duration or amount.

## 7. Finance and treasury

- 7.1. Treasury management and funding / investment transactions regarding the Bank's liquidity.
- 7.2. Medium- and long-term funding operations if involving senior issues of up to 3 (three) years and for a total amount of EUR 100,000,000, and funding with *Cassa Depositi e Prestiti*.
- 7.3. Perform the following: (i) the purchase of debt securities, including subordinated debt securities, in connection with treasury activities and the management of owned securities; (ii) ordinary treasury management activities and liquidity funding / investment transactions within and beyond 12 (twelve) months; and (iii) the negotiation, stipulation, signing, amendment and execution of any deed, agreement and/or document relating to and/or connected with treasury activities and the management of owned securities also having notarial form, including as an example, but not limited to, confidentiality agreements.

## 8. Taxation

- 8.1. Represent the Company in relations with any government and local tax office, also abroad, with the faculty to appoint and revoke special powers of attorney and delegate powers to qualified professionals, with the requirement to inform the board of directors about the powers granted at the first meeting that follows.
- 8.2. Use the Tax Revenue Office's Entratel service to give instructions to pay the taxes due.
- 8.3. Sign, on the Company's behalf, the returns and certificates prescribed by articles 1, 5, 7, 7-bis and 8

of Presidential Decree no. 600 of 29 September 1973 as amended, this list provided merely by way of example and not necessarily being comprehensive.

8.4. Attend tax audits and inspections performed by the Tax Police and any other authority and sign the relative formal notices, with the requirement to inform the board of directors at the first meeting that follows; sign statements relating to direct or indirect taxes, forms and questionnaires, accept or reject assessments, reach settlements and agree resolutions, challenge assessments, submit demands, appeals, complaints, briefs and documents before any tax office or commission, including the Central Tax Commission, with the requirement to inform the board of directors about the powers granted at the first meeting that follows; collect refunds and interest, issuing receipts and in general carry out all the procedures relating to any kind of tax, duty, direct, indirect and contribution.

9. Relations with the Supervisory Authority

9.1. Submit the reports on ownership structures (A.P.E.) and corporate bodies (GIAVA).

10. Representation at court proceedings

10.1 Act as the Bank's legal representative, also in court proceedings.

10.2. Represent the Company before any court in Italy or abroad, as well as any political, administrative, trade union and fiscal authorities, in any court case, trial, procedure or proceeding, at whatever status or level, in terms of both a substantial and formal nature, including, by way of example and not limited to, before the following authorities: Justices of the Peace, Ordinary Courts, Appeals Courts, Supreme Courts, Regional Administrative Courts, the Council of State, Provincial Tax Commissions, Regional Tax Commissions; initiate and introduce any civil, criminal, administrative or fiscal proceeding, process, and procedure before any ordinary or special judicial, administrative and fiscal authority, conduct an examination, draft reports, appeals and challenges against any proceeding of the above-mentioned offices, signing every relative document and any statement of a fiscal nature; propose, revoke and remit applications, petitions, reports and/or complaints.

10.3. Engage and revoke the engagement of lawyers, attorneys and technical consultants, granting them suitable powers, including that of sub-delegation.

10.4. Accept, submit and swear oaths, also decisory oaths; issue a statement as garnishee pursuant to article 547 of the Italian code of civil procedure.

10.5. Request precautionary and judicial property attachment and seizure orders from debtors or third parties.

10.6. Represent the company in the bankruptcy, compulsory administrative liquidation, voluntary arrangement and administrative receivership procedures of third parties, collecting sums on account and as final balance and issuing receipts; lodge petitions and appeals in these procedures.

10.7. Represent the Company before all labour courts and tribunals, also in out-of-court disputes, disputes with the trade unions and arbitrations and at any other competent venue in labour disputes, with all the widest powers, including those to appoint and dismiss counsel, special attorneys, defenders and appraisers, deal with the execution of judgements and take any other measure required and opportune to settle such litigation fully and in the best manner possible.

10.8. Entrust any litigation to arbitrators also as amicable settlors both on the basis of arbitration clauses

and on the basis of separate settlement deeds, appointing arbitrators and arranging all the related formalities and relative consequences in arbitration proceedings.

11. Settlements

Negotiate and settle disputes and issue letters of discharge, for this purpose signing settlement agreements whose subject is disputes with customers, suppliers, employees and third parties in general, with no restriction on duration or amount, with the requirement to inform the board of directors of this at the first meeting that follows.

12. Power to sub-delegate

12.1. Grant general and/or special powers of attorney to carry out specific acts or categories of act, as part of the those granted herein, to both employees and third parties.

12.2. Appoint heads of division and heads of management of the Bank (excluding positions subject to specific procedures of approval by the corporate bodies) and sub-delegate to such the additional powers that may be required for the proper fulfilment of the duties assigned to them, also by way of specifically designated special powers of attorney.

12.3. Sub-delegate the acts, powers and authorisations granted herein, not only through a specific indication of the name of the person involved, but also by indicating positions regarding the bank's business functions, by way of special and/or general powers of attorney, detailing them, specifying them and/or listing them, and in particular proceed with the formal revocation, revision, finalisation and assignment of all the necessary powers of attorney and sub-delegations for exercising and performing acts and signing documents on behalf of the Bank, as well as through the relative formal obligations.

12.4. Elect domicile to satisfy any operating need of the Company.

In accordance with the Self-Governance Code, the Bank's Board of Directors has appointed the Chief Executive Officer as the director in charge of the internal control and risk management system.

The following duties are assigned in this respect. The Chief Executive Officer:

- identifies the main business risks, taking into account the characteristics of the activities performed by the issuer and its subsidiaries, and submits them on a periodic basis for the review of the Board of Directors;
- implements the guidelines established by the Board of Directors, dealing with the design, creation and management of the internal control and risk management system and constantly ensuring its adequacy and efficacy;
- deals with the adaptation of such system to the dynamic of the operating conditions and the legislative and regulatory framework;
- can request the Internal Audit function to perform audit procedures on specific operating areas and compliance with internal rules and procedures in the performance of business operations, at the same time notifying the Chair of the Board of Directors, the Chair of the Risks Committee and the Chair of the Board of Statutory Auditors;
- reports on a timely basis to the Risks Committee and the Board of Directors on any issues and critical matters that may have emerged in performing his or her duties, or of which he or she may in any

case have had news, so that the Committee and the Board may take the appropriate initiatives;

- establishes the organisation structure of the ICT function in line with the strategic guideline, guaranteeing its quantitative and qualitative sizing; establishes the organisational, methodological and procedural framework for the process of analysing ICT risk and approves the design of the management processes of the information system; in addition, he or she assesses, at least on an annual basis (A) the performance of the ICT function compared to the strategies and objectives set, taking the appropriate measures and initiatives to improve it, and (B) the risk of critical items (including residual resource risk, control implementation, evolution of recorded threats and incidents) as well as the report on the adequacy and costs of the ICT services, informing the delegated bodies as to the adequacy and costs of services on at least an annual basis;
- approves the data governance standards, the procedures for the management of changes and incidents; additionally approves the operating plan for ICT initiatives.

It should be noted that in Recommendation no. 32, the CG Code identifies the chief executive officer as the person responsible for setting up and maintaining the internal control and risk management system (*"The organisation of the internal control and risk management system involves, each for his or her own part: ... b) the chief executive officer, who is responsible for setting up and maintaining the internal control and risk management system"*).

Lastly, it is also noted that the Chief Executive Officer, Corrado Passera, has no interlocking directorates.

#### **Chair of the Board of Directors**

Pursuant to article 17 of illimity's Bylaws, the Board of Directors elects a Chair from among its members and may elect a Deputy Chair. In case of absence or impediment of the Chair, his/her functions shall be performed by the Deputy Chair (if appointed) or by the most senior non-executive Director in office. The Board of Directors elects a Secretary, who need not to be a Board member and who deals with the drafting, transcription in the specific book and preservation of the minutes of each meeting. In case of absence or impediment of the Secretary, the Board resolves who should act as a replacement.

At the date of this Report, Rosalba Casiraghi is the Chair of the Board of Directors.

Pursuant to article 25 of illimity's Bylaws, the powers of corporate signature and representation, also during court proceedings, lie with the Chair of the Board of Directors and/or the Chief Executive Officer (where appointed), as determined by the resolution adopted by the relevant Shareholders' Meeting, and accordingly legal representation can be dissociated from the position of Chair of the Board of Directors. More specifically, on 18 January 2019 the Shareholders' Meeting resolved to confer representation of the Company, also in court proceedings, and the use of the corporate signature, to the Chief Executive Officer, in accordance with article 25 of the Bylaws.

#### **Executive committee**

Article 20 of illimity's Bylaws provides that The Board of Directors may appoint an Executive Committee, establishing the related operating procedures, the frequency of meetings and the duration which, in any case, shall not be greater than the remaining term of office of the Board, although this Committee has not been set up.

#### **Reporting to the Board**

In 2020 the delegated bodies reported to the Board on the work performed in exercising their duties at the first available meeting and in accordance with the requirements of the Issuer's Bylaws.

### **5.5 Non-executive Directors and independent Directors**

The non-executive Directors and independent Directors are by number and authoritativeness such as to ensure that their opinion may have a significant weight in decisions taken by the Issuer's Board. The non-executive Directors and independent Directors take their specific expertise to Board discussions, contributing to decisions taken in line with the corporate interest.

The Board of Directors assesses the independence of its non-executive members on appointment, as well as on a regular basis during their term, and the results of such assessment are disclosed to the market by way of the "report on corporate governance and ownership structures" prepared pursuant to and for the purposes of article 123-*bis* of the TUF and the Self-Governance Code. The Board's assessment is verified by the Board of Statutory Auditors pursuant to the same Self-Governance Code.

The list voting system set forth in illimity's Bylaws ensures the appointment of a number of Directors holding the independence requirements prescribed by article 148, paragraph 3, of the TUF, as well as by current law and regulations applicable to banks, equal to the minimum established by law in relation to the total number of Directors.

There are 8 non-executive Directors in the Board of Directors in office at the date of this Report, of whom 5 hold the independence requirements pursuant to article 148, paragraph 3, of the TUF and article 3 of the Self-Governance Code, these being the Directors Rosalba Casiraghi, Elena Cialli , Paola Elisabetta Galbiati, Maurizia Squinzi and Marcello Valenti. The management body verified that these Directors hold the independence requirements pursuant to said provisions most recently on 21 January 2020. As stated, the verifications concerning the Directors Galbiati and Valenti were carried out at the Board meeting of 10 February 2021.

At that meeting, with particular reference to the assessment of the independence requirements held by the Chair of the Board of Directors, after reviewing the statements made by such, the Board concluded that the Chair, Rosalba Casiraghi, does indeed hold these requirements, also in consideration of the fact that illimity's Bylaws provide that legal representation may be dissociated from the position as Chair of the Board of Directors. More specifically, on 18 January 2019 the Shareholders' Meeting resolved to assign representation of the Company, also in court proceedings, and the use of the corporate signature to the Chief Executive Officer, in accordance with article 25 of illimity's Bylaws, subject to these Bylaws becoming effective.

In accordance with Criterion 3.C.5. of the Self-Governance code, as part of the duties assigned to it by law, the Board of Statutory Auditors ensured that the evaluation criteria and procedures adopted by the Board to assess the independence of the Directors currently in office had been properly applied.

During the year to which this Report relates, the independent Directors met on 16 January 2020.

#### ***Lead Independent Director***

On the basis of the recommendations of the Self-Governance Code, the Issuer has decided not to create the figure of Lead Independent Director, given that the governance structure of its management body envisages the separation of the figure of Chair from that of Chief Executive Officer, and taking account of the fact that the Chair does not control, nor will control, the Issuer.

## 6. TREATMENT OF CORPORATE INFORMATION

### 6.1 Treatment of insider information

At its meeting of 12 November 2018, the Board of Directors resolved to approve the “Procedure for the disclosure of Insider Information to the public” (the “**Insider Information Procedure**”) as per article 17 of the Market Abuse Regulation, with effect from the date on which the Company filed its application with Borsa Italiana for admission to the trading of its financial instruments on the MTA exchange. On 6 June 2019, the Board of Directors updated this procedure in light of the changes in applicable legislation and the revision to the Bank’s organisational and business structure. The same Board meeting combined the Insider Information Procedure with the Procedure for Managing the List of Persons Having Access to Insider Information (the “Procedure for Managing the Group List”).

### 6.2 Insider List

At its meeting of 12 November 2018, the Board of Directors resolved to approve the “*Procedure for Managing the List of Persons Having Access to Insider Information*” (the “**Procedure for Managing the Group List**”) on the drawing up and management of a list of persons having access to insider information as per article 18 of the Market Abuse Regulation, with effect from the date on which the Company filed the application for admission to the trading of its financial instruments on the MTA exchange with Borsa Italiana. As stated above, following the resolution adopted by the Board of Directors on 6 June 2019, the Procedure for Managing the Group List (the Insider List) was fully incorporated by the Insider Information Procedure.

The Insider List is held and updated by the Bank’s General Counsel who, following the outcome of the process to assess insider information described in chapter 5 of the Insider Information Procedure, enters the names of all the persons who have gained possession of the relative insider information regarding illimity.

### 6.3 Managers’ Transactions / Internal Dealing

At its meeting of 12 November 2018, the Board of Directors resolved to approve the “**Managers’ Transactions Procedure**” regarding the management of the disclosure requirements resulting from the insider dealing provisions included in article 19 of the Market Abuse Regulation, with effect from the date on which the Company filed the application for admission to the trading of its financial instruments on the MTA exchange with Borsa Italiana. In 2019, this procedure (the “**Internal Dealing Procedure**”) underwent two significant revisions. The first, by way of the resolution approved by the Board of Directors on 6 June 2019, took into consideration changes in the relevant legislative framework and the Bank’s revised organisational and business structure. On the other hand the latest and current version, approved by the Chief Executive Officer on 15 November 2019, updated the Internal Dealing Procedure by incorporating the new Group perimeter.

## 7. INTERNAL BOARD COMMITTEES

### 7.1 Internal Board committees

The Board of Directors currently in office has resolved the creation of the Appointments Committee, the Remuneration Committee, the Committee for Transactions with Related Parties and Associated Persons, the Sustainability Committee and the Risks Committee, in accordance with the rules and regulations for listed companies.

At the date of this Report, these Committees have been allocated a budget for performing the duties assigned to them. In any event, it is envisaged that these Committees will usually use the Bank's means and corporate structures for discharging these duties. Committees may use the services of consultants and advisors when they believe it appropriate, proposing a supplement to their respective budgets to the Board.

No committee has been set up that performs the role of two or more committees provided in the Self-Governance Code nor have the functions of the Committees set up been distributed in a different way from that recommended by such Code.

### 7.2 Appointments Committee

On 10 October 2018 and on 17 December 2018, the Issuer's Board of Directors appointed the members of the Appointments Committee and approved the regulation of that Committee. During the year the Committee had three members, with a majority of independent Directors. The following table sets out the composition of the Appointments Committee at the date of approval of this Report, which takes account of the change occurring following the resignation of the Director Luca Rovati.

First and last name	Position	Independent/ Non-executive
Maurizia Squinzi	Chair (*)	Independent and non-executive
Massimo Brambilla	Member	Not independent and not non-executive
Marcello Valenti	Member (**)	Independent and non-executive

\* Took the Chair of the Committee in accordance with the Board resolution dated 22 April 2020

\*\* Appointed member of the Committee by way of the resolution of 10 February 2021. He replaced Luca Rovati who resigned and in turn was appointed by the Board meeting of 22 April 2020 to replace Sigieri Diaz della Vittoria Pallavicini who had resigned.

The members of the Board of Statutory Auditors regularly attend meetings of the Appointments Committee as well as, from time to time, other persons who are not members, on the invitation of the Committee itself and depending on the items on the agenda.

The Appointments Committee met on three occasions in the year ended 31 December 2020, duly minuted (the number of meetings attended by each individual member can be found in Table 1). The average duration of meetings of the Appointments Committee was approximately 50 minutes with an average attendance of 75%.

The Appointments Committee provides support to the Board of Directors, in accordance with current supervisory legislation and with the applicable provisions of laws, regulations, the bylaws and corporate governance self-regulations in the following activities, governed by the above-mentioned set of rules and regulations:

- appointment and co-optation of Directors;
- self-evaluation of the corporate bodies, also providing opinions on the qualitative and quantitative composition of the Board of Directors as well as on the characteristics of the professional figures whose presence on the Board is considered appropriate and on the expertise, experience, know-how and skills in relation, amongst other things, to the areas relative to risk management, internal controls and compliance, strategic planning and remuneration policies with which the Directors must be equipped to be able to assess the Bank's activities with respect to the main connected risks;
- verification of the conditions and requirements set forth in article 26 of the TUB and the relative implementation regulations;
- establishment of guidelines and criteria concerning the maximum number of positions that may be held as directors and statutory auditors in other companies, without prejudice to the limits set out in CRD IV;
- establishment of succession plans for the senior positions in the executive.

In accordance with Criterion 4.C.1. point e), of the Self-Governance Code, in the performance of its duties, the Appointments Committee has the right to access the necessary company information and functions for performing its duties, as well as to avail itself of external advisers.

### 7.3 Remuneration Committee

On 10 October 2018, the Issuer's Board of Directors appointed the members (non-executive, the majority of whom independent) of the Remuneration Committee and approved the regulation of that Committee.

The following table sets out the composition of the Remuneration Committee at the date of approval of this Report, which takes into account the change made following the resignation of the Director Giancarlo Bruno.

In addition, the composition of the Committee changed following the resignation of the Chair of the Board of Directors, Rosalba Casiraghi, as member of the Committee in order to adapt the composition of the Remuneration Committee to the provisions of Recommendation no. 7 of the new CG Code (*"If the Chair, assessed as independent, participates in the committees recommended by the Code, the majority of the members of the committee shall consist of other independent directors"*) and of Recommendation no. 26 of the same Code, according to which *"the remuneration committee shall consist solely of non-executive directors, the majority of whom independent, and be chaired by an independent director"*.

First and last name	Position	Independent/ Non-executive
Paola Elisabetta Galbiati	Chair(*)	Independent and non-executive
Martin Ngombwa	Member (**)	Not independent and not non-executive
Marcello Valenti	Member (***)	Independent and non-executive

\* Member of the Committee by way of the resolution adopted on 10 February 2021. replaced the Chair Rosalba Casiraghi

\*\* Member of the Committee by way of a Board resolution adopted on 22 April 2020. Replaced the resigning Director Sigieri Diaz della Vittoria Pallavicini

\*\*\* Appointed member of the Committee by way of the resolution adopted on 10 February 2021. Replaced the resigning Director Giancarlo Bruno

The members of the Board of Statutory Auditors regularly attend meetings of the Remuneration Committee and, from time to time, other persons who are not members, on the invitation of the Committee itself and depending on the items on the agenda.

The Remuneration Committee met on seven occasions in the year ended 31 December 2020, duly minuted (the number of meetings attended by each individual member can be found in Table 1). The average duration of meetings of the Remuneration Committee was approximately 1 hour and 5 minutes with an average attendance of 100%.

The Remuneration Committee has propositional and advisory functions with its main duty being to draw up proposals on remuneration and compensation policies and submit these to the Board of Directors.

More specifically, in accordance with Circular no. 285 of 2013, as well as the above-mentioned regulation, the Remuneration Committee:

- has the duty to draw up proposals on the compensation of personnel, whose remuneration and incentive systems are determined by the Board of Directors;
- has the duty to advise on matters regarding the determination of the criteria for the compensation of all key personnel;
- directly oversees the correct application of the rules relating to the remuneration of the heads of the business control functions, in close agreement with the Board of Statutory Auditors;
- deals with the preparation of the documentation to be submitted to the Board of Directors for its relative decisions;
- collaborates with the other committees inside the Board of Directors, in particular with the Risks Committee;
- ensures the involvement of the competent business functions (risk, compliance, human resources, strategic planning) in the preliminary drafting process and that for the subsequent control of the remuneration and incentive policies and practices;
- expresses its opinion, also availing itself of the information received from the competent business functions, as to whether the performance objectives to which the incentive plans are linked have been met, and if so to what extent, and on an assessment of the other conditions set for paying compensation;
- provides suitable feedback on the activity carried out by the corporate bodies, including the Shareholders' Meeting;
- expresses an independent opinion on the Group's remuneration policies and practices, in general, with reference to the matching of resource retention objectives with the need to contain business risks;
- in relation to the provision of services and, in general, on the governance of the bank's products, expresses an opinion on the efficacy of such policies in managing conflicts of interest and compliance with the risk management requirements arising from staff conduct, in order to ensure that customer interests are not jeopardised by the remuneration policies and practices adopted in the short, medium and long term.

In the Issuer's opinion, at least one member of the Remuneration Committee has suitable knowledge and experience in finance or remuneration policies, in accordance with Principle 6.P.3. of the Self-Governance Code and Recommendation no. 26 of the new CG Code.

Furthermore, pursuant to article 123-ter of the TUF and article 84-quater of the Issuers' Regulation, the Company prepares an annual Remuneration Report.

#### 7.4 Remuneration of the Directors and Key Management Personnel

Reference should be made for this matter to the Remuneration Report, prepared pursuant to article 123-ter of the TUF and article 84-quater of the Issuers' Regulation and made available to the public in accordance with the means and time limits laid down by law.

#### 7.5 Committee for Transactions with Related Parties and Associated Persons

On 18 October 2018, the Issuers' Board of Directors appointed the members of the Committee for Transactions with Related Parties and Associated Persons and approved the regulation of that Committee.

The following table sets out the composition of the Committee for Transactions with Related Parties and Associated Persons at the date of approval of this Report, which takes into account the change made following the resignation of the Director Giancarlo Bruno.

First and last name	Position	Independent/ Non-executive
Maurizia Squinzi	Chair	Independent and non-executive
Elena Cialliè	Member	Independent and non-executive
Marcello Valenti	Member (*)	Independent and non-executive

\* Appointed member of the Committee by way of the resolution adopted on 10 February 2021. Replaced the resigning Director Giancarlo Bruno

The Committee for Transactions with Related Parties and Associated Persons met on six occasions in the year ended 31 December 2020, duly minuted (the number of meetings attended by each individual member can be found in Table 1). The average duration of meetings of the Committee for Transactions with Related Parties and Associated Persons was approximately 49 minutes with an average attendance of 100%.

The Committee for Transactions with Related Parties and Associated Persons performs the activities and duties assigned to it by the "Regulation for the management of transactions with parties within the Bank's Combined Perimeter and operations of personal interest" (the "OPC Procedure")<sup>(2)</sup>; more specifically, the Committee:

- assesses the transactions of greater and lesser importance (material and non-material transactions) carried out by the Bank and not forming part of exempted cases, issuing a reasoned opinion on the company's interest in the performing the transaction as well as the economic convenience of the transaction and the substantial correctness of the conditions applied;
- issues one of the following opinions on completion of its verification as to whether the transaction is in the company's interest and is economically convenient, and that its conditions are substantially correct:
  - a) "favourable", if the above requirements hold and accordingly the transaction is agreed;
  - b) "subject to findings", if it is agreed to proceed with the transaction as a whole but the above-mentioned requirements are dependent on certain conditions described in detail in the opinion; or
  - c) "negative", if it is not agreed to proceed with the transaction as the mentioned requirements

<sup>(2)</sup> At the date of this Report the OPC Procedure is being revised to formally incorporate the new provisions introduced in the regulations of the Bank of Italy and Consob.

are not satisfied,

without prejudice to the fact that in the situations described at points b) and c), in case of a material transaction the prior opinion will be required of the Board of Statutory Auditors, which must accordingly be provided with adequate information about the transaction;

- on a quarterly basis monitors the transactions carried out, including those of an ordinary, non-material nature that are concluded at arm's length or standard conditions, which are subject to quarterly reporting;
- on at least a quarterly basis monitors the transactions carried out on the basis of framework resolutions to ensure that these have been undertaken on the basis of rules complying with applicable supervisory provisions;
- assesses, supports and proposes – also in coordination with the Risks Committee – on matters regarding the organisation and performance of internal controls on the overall activity of assuming and managing risks vis-à-vis third parties and associated persons, ensuring the consistency of the activity carried out with strategic and operational guidelines.

Without prejudice to the Board of Directors' responsibility for adopting resolutions, in case of transactions with relevant persons pursuant to article 136 of the TUB, the Committee issues a non-binding opinion on such transactions, additionally reporting any shortcomings or inadequacies found in the information transmitted by the competent functions.

#### **7.6 Sustainability Committee**

On 30 January 2020, the Issuers' Board of Directors resolved the setting up of the Sustainability Committee, at the same time appointing its members, and approved a draft regulation containing the working rules for that Committee. The regulation was submitted to the members of the Committee, who gave their final approval on 10 February 2020.

The Board of Directors assigned the main duty to the Committee of assisting the Board with investigatory functions of a propositional and advisory nature in assessing decisions relating to sustainability matters. As a result of this, and in further detail, it assigned the following duties to the Committee:

1. to draw up proposals for the annual objectives and goals that need to be reached in order to build sustainability into the activity of the Bank and the Banking Group, and monitor their implementation over time;
2. to foster a sustainability culture in the Bank and the companies of the Banking Group;
3. to examine and assess sustainability initiatives, also in relation to single projects;
4. to examine the general layout of the main documents that represent and communicate the Bank's commitment on sustainability issues;
5. to express an opinion, coordinating with the Remuneration Committee and the Risks Committee, on the sustainability objectives assigned in the incentive plans;
6. to examine internal rules and regulations that have importance with respect to the stakeholders and submit suggestions and observations in this regard to the Board of Directors;
7. to follow the evolution of sustainability issues, also in light of international guidelines and principles on the matter, as well as legislative and regulatory changes, reporting to the Board of Directors at

least on an annual basis;

8. to examine the general layout of the main documents that represent and communicate the Bank's commitment on sustainability issues and, if prepared, the Non-Financial Statement (DNF) drawn up pursuant to Legislative Decree no. 254/2016, to be submitted for the approval of the Board of Directors.

The following table sets out the composition of the Sustainability Committee at the date of approval of this Report, which takes into account the change made following the resignation of the Director Giancarlo Bruno.

First and last name	Position	Independent/ Non-executive
Rosalba Casiraghi	Chair (*)	Independent and non-executive
Elena Cialliè	Member	Independent and non-executive
Paola Elisabetta Galbiati	Member (**)	Independent and non-executive

\* Formerly member of the Committee, she took the position as Chair by way of by way of the Board resolution adopted on 10 February 2021, following the resignation of the Director Giancarlo Bruno

\*\* Appointed by way of by way of the Board resolution adopted on 10 February 2021, following the resignation of the Director Giancarlo Bruno

The Sustainability Committee met on four occasions in the year ended 31 December 2020, duly minuted (the number of meetings attended by each individual member can be found in Table 1). The average duration of meetings of the Sustainability Committee was approximately 1 hour and 20 minutes with an average attendance of 100%.

## 7.7 Risks Committee

On 10 October 2018 and on 17 December 2018, the Issuers' Board of Directors appointed the members of the Risks Committee and approved the regulation of the Committee. The latest version of the regulation was approved by the Board of Directors of Banca Interprovinciale on 11 February 2019. Prior to this appointment the same duties were performed by the Control and Risks Committee.

The following table sets out the composition of the Risks Committee at the date of approval of this Report.

First and last name	Position	Independent/ Non-executive
Elena Cialliè	Chair	Independent and non-executive
Rosalba Casiraghi	Member	Independent and non-executive
Alessandro Gennari	Member	Not independent and not non-executive
Maurizia Squinzi	Member (*)	Independent and non-executive

(\*) Appointed by the Board on 11 February 2019, in light of the resolution to increase the number of the Committee's members – from 3 to 4 – adopted at the same meeting.

The Risks Committee met on 18 occasions in the year ended 31 December 2020, duly minuted (the number of meetings attended by each individual member can be found in Table 1). The average duration of meetings of the Sustainability Committee was approximately 4 hours and 30 minutes with an average attendance of 100%.

The Risks Committee is a body with functions of a propositional and advisory nature which, pursuant to Principle 7.P.3. point a) (ii), of the Self-Governance Code (article 6 of the new CG Code), as well as in accordance with the requirements of Circular no. 285, has the task of supporting, on the basis of an adequate control process, the evaluations and decisions to be made by the Board of Directors in relation to the internal control and risk management system, as well as to the approval of the periodical financial reports.

More specifically, in accordance with the relative regulation, the Risks Committee:

- identifies and proposes, also availing itself of the contribution of the Appointments Committee, the heads of the business control functions to be appointed and expresses its opinion on the possible revocation of such;
- examines in advance the work-programmes (including audit plans) and the periodic reports of the business control functions addressed to the Board of Directors;
- draws up valuations and issues opinions for the Board of Directors as to the extent of compliance of the principles to which the internal control and business organisation system must be aligned and the requirements that must be met by the business control functions, bringing to the attention of the body any weaknesses and the resulting corrective actions to be recommended; to this end it assesses the proposals of the Chief Executive Officer;
- contributes, by means of valuations and opinions, to the determination of the Company's policy on outsourcing the business control functions;
- performs a preliminary examination of the Company's regulations of a "strategic" importance issued and/or updated from time to time, expressing opinions addressed to the Board of Directors on the compliance of such;
- ensures that the business control functions properly comply with the recommendations and guidelines of the Board of Directors and assists the latter in drawing up the coordination document required by Title IV, Chapter 3, of Circular no. 285;
- assesses the correct use of the accounting principles for the preparation of the annual separate and consolidated (if prepared) financial statements and to this end coordinates with the Financial Reporting Officer and the Board of Statutory Auditors.

In the Issuer's opinion, at least one member of the Risks Committee has adequate experience in the area of accounting and finance or risk management, in accordance with Principle 7.P.4. of the Self-Governance Code and Recommendation no. 26 of the new CG Code.

## **8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Bank has an organisational model in which the internal control system which is structured on various levels, in accordance with applicable laws and regulations, and to which the Bank's corporate bodies and personnel contribute. As far as concerns the involvement of the corporate bodies, the Board of Statutory Auditors is mainly required to ensure that the coordination of the control functions is adequate, effective and efficacious, to check the efficacy and effectiveness of the structures and functions involved and to express opinions on the definition of the essential items in the control system and on the appointment of the heads of functions, as well as to oversee the process of internal capital adequacy. The Board of Directors, also taking into account the considerations of the Board of Statutory Auditors, is required to approve in advance the work programmes of the risk management function, the compliance function, the anti-money laundering function and internal audit on an annual basis. These functions also submit a report on an actual basis to the corporate bodies describing the work they have performed, the weaknesses identified and the measures recommended to overcome these. In addition, they prepare reports on the matters set forth in the annual work programme, examined previously by the Risks Committee, together with the plans and reports on an actual basis. The results of the examination are communicated to the Board of Directors.

The main objective is to strengthen the internal control system in order to achieve the maximum possible control of the risks arising from the Bank's operations in its new lines of business and in particular those arising from the Distressed Credit Investment & Servicing Division, the SME Division and the Direct Banking Division.

The objectives of the internal control system have been designed to ensure full compliance with applicable regulatory provisions, with particular reference to Circular no. 285 of the Bank of Italy and orientations and guidelines at a European level (e.g. the EBA's Guidelines on Internal Governance).

As a corollary to the above matters is the risk management process, which acts as a reference model in organisational and process development and in the systematic performance of all operating and business activities set up by the Bank which lead to the assumption and constant management of risk, consistent with the mission assigned and the objectives pursued. A necessary reference is also to be found in the set-up and performance of all those activities of a non-systematic or contingent nature. At a general level, the Bank implements its business model through an organisational model that ensures the coordinated deployment of human resources, technologies and methodologies on the basis of a network of internal rules and regulations that establishes the structures of operational controls, the policies (rules, powers and limits) and the processes in which activities takes shape, including control activities.

To contribute to the efficient and effective functioning of a risk management process capable of covering all the risks that have been taken on or may be taken on as a whole, the Bank has implemented, also in accordance with supervisory laws and regulations, a risk objectives system (the "Risk Appetite Framework"), a self-evaluation process for determining the adequacy of capital (an "Internal Capital Adequacy and Assessment Process" or "ICAAP") and a self-evaluation process for determining the adequacy of the liquidity profile (an "Internal Liquidity Adequacy and Assessment Process" or "ILAAP").

The Bank ensures the completeness, adequacy, functionality and reliability of the internal control system. In this connection, it formalises the reference framework for determining propensity to risk, risk governance policies and the risk management process and ensures these are being applied, and performs a regular review of these to ensure their efficacy over time. As far as the adequacy and efficiency of the internal control and risk management system are concerned, it is noted that the current control system was also reviewed and updated in 2020, consistent with the implementation of the additional activities as part of the new business developed, and confirmation is given that there is an effective supervision of risk, obtained also with regard to the planned measures currently being put through to strengthen this, with implementations and

improvements in the means and timing scheduled to take place in 2021.

On the basis of the matters already envisaged in the Bank's internal rules and regulation, compliance with the requirements of the control system takes into account a suitable involvement of the corporate bodies, each for the areas for which it is responsible, in order to achieve the maximum segregation of duties and responsibilities, the completeness, adequacy, functionality and reliability of the internal control system and an adequate information flow structure.

The internal control system as a whole, to which the corporate bodies and functions contribute, is made up of three levels as follows:

- **line controls** ("first level controls"), whose aim is to ensure that operations are properly performed. They are carried out by the operating structures themselves (e.g. hierarchical and systematic controls and controls by sampling), also by way of units dedicated exclusively to control tasks, which report to the heads of operating structures, or are performed exclusively in the back office environment; to the extent possible, these are built into ICT procedures.

The operating structures have the prime responsibility for the risk management process: in day-to-day operations these structures must identify, measure or evaluate, monitor, implement and report the risks deriving from ordinary business activities in accordance with the risk management process; they must comply with the limits assigned to them, consistent with the risk objectives and with the procedures into which the risk management process is detailed;

- **risk and compliance controls** ("second level controls"), which have the objective of ensuring, among other things, that:

- a) the risk management process is being properly implemented;
- b) the operating limits assigned to the various functions are complied with;
- c) business operations comply with laws and regulations, including self-regulation rules.

The functions in charge of these controls are segregated from the production functions; they contribute to the determination of risk management policies and the risk management process;

- **internal audit** ("third level controls"), which aim to identify breaches of the procedures and rules and regulations as well as to regularly assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the ICT system (ICT audit), with a frequency set on the basis of the nature and intensity of the risks. The regulations of the individual business control functions establish in detail:

- the duties and responsibilities of the above-mentioned functions;
- the information flows between these and the corporate bodies.

The heads of risk management, compliance and the anti-money laundering function are required to inform the head of internal audit if any critical points emerge from their control procedures which may be of interest to auditing activities.

Internal audit must inform the heads of risk management, compliance and the anti-money laundering function as to any inefficiencies, weaknesses or irregularities emerging from the procedures for which they are responsible which regard specific business areas or matters of the competence of the latter. The Board of Statutory Auditors ensures that there is adequate, effective and efficacious coordination between the control functions.

### ***First level controls***

These are performed by the same operating structures that carry out the various activities and provide the Bank's services. To the extent possible, the controls are built into the ICT structure, as the existence of automatic controls ensures a considerable reduction in risk, at least as far as operations are concerned. The internal rules and regulations, then, provide for a series of controls which each office must perform. The effective performance of these controls is then verified by the functions to which the higher level controls are assigned.

### ***Second and third level controls***

The Bank has always organised the control section by identifying two distinct areas: a first area having 2nd level control functions (assigned to the heads of the Chief Risk Officer division and of the Compliance & AML unit and to the Financial Reporting Officer) and a second dedicated to 3rd level controls, identified in the internal audit function (assigned to Mr. Fabio Marchesi).

For the above controls the Board of Directors has appointed persons in charge having the cultural, professional and independence characteristics needed to ensure that the functions of their competence are performed properly and adequately.

With the support of suitable resources, they constantly oversee the matters of their competence by organising and regularly following all the necessary activities set forth in the annual plans approved by the Board of Directors.

In addition, they draw up an annual work-programme that is approved in advance by the Board of Directors and the Board of Statutory Auditors and a report on an actual basis describing the work performed, the weaknesses identified and the steps needed to overcome these. Further, they prepared detailed reports on the matters envisaged in the annual work-programme, reports that are subject to a thorough examination by the Risk Committee. The results of this examination are reported promptly to the Board of Directors in order to ensure they are constantly informed of every risk faced and any critical matters emerging, also for the purpose of assessing the opportunity of whether they should carry out specific, more detailed, work on the individual document. The activities for which the control functions are responsible are organised internally in the following manner:

- ensure the necessary segregation between the operating and control functions;
- perform control procedures at every operating level;
- enable the identification of duties and responsibilities;
- ensure that information systems and procedures are correct and reliable;
- enable every event and transaction to be recorded with the right degree of detail;
- ensure that every anomaly is properly and swiftly reported, managed and corrected.

To this end,

- considerable importance is given to the production of detailed internal manuals in order to facilitate, regulate and foster the proper activity of the operators;
- the reliability of the operating system is kept under constant control;
- a business culture is developed based on the assistance of customers in fully complying with the

rules;

- the provision of information to customers is ensured by membership of the Banking and Financial Ombudman scheme (“Arbitro Bancario Finanziario – A.B.F.”), as per the Regulation, making staff aware of internal Bank claimant procedures in order to ensure that customers are provided with proper guidance in the use of such services.

Also in accordance with the provisions of the 15th revision of Circular no. 263/2006 the departments with 2nd and 3rd level control functions are qualified to discuss matters directly with the Chairs of the Board of Directors and the Board of Statutory Auditors. Above all, in order to make the whole control structure more efficient, as stated each report is examined in advance by the Risks Committee. The functioning of the structures involved in the various control processes is closely governed by internal rules and regulations that regard the system as a whole, detailed as follows.

Lastly, it is noted that a new CLO department was set up on 1 January 2021, having the aim of managing and coordinating credit underwriting activities (credit analysis, approval and preparation of the relative documentation for the cases to be submitted to the competent decision-taking bodies) referring to the portfolios and operations of the Bank’s business divisions, with particular regard to the SME and DCI&S Divisions.

### **8.1 Director in charge of the internal control and risk management system**

As stated, in accordance with the provisions of the Self-Governance Code, the Bank’s Board of Directors has nominated the Chief Executive Officer as director in charge of the internal control and risk management system.

As also stated, in Recommendation no. 32 the new CG Code identifies the chief executive officer as the person in charge of setting up and maintaining the internal control and risk management system (*“The organisation of the internal control and risk management system involves, each for the area for which it is responsible: ... b) the chief executive officer, in charge of setting up and maintaining the internal control and risk management system”*).

### **8.2 Chief Risk Officer Department (CRO Department)**

The risk control function accordingly has the aim of collaborating in the establishment and implementation of the Risk Appetite Framework (hereinafter also the RAF) and the relative risk government policies, by way of an adequate risk management process. The CRO Department, therefore, is the owner of the process by which risk is measured or estimated and, subsequently, the strategies for managing/mitigating such risk are developed. More specifically:

- it supports the Chief Executive Officer and Top Management in the overall management approach, in order to ensure an integrated approach to the process of identifying, assuming and managing the Bank’s risks, consistent with the business model and corporate strategy, with the business plan and the budget and with the determined risk policies, all in accordance with applicable internal and external rules and regulations;
- as part of the Risk Appetite Framework, it establishes the underlying process and proposes quantitative and qualitative parameters for defining it, both in the normal course of business and in stress situations, ensuring its adequacy over time in relation to changes in the internal and external situation;

- proposes the measurable and non-measurable risk management policies that do not form part of the responsibilities of other control functions (restricted to the sections relating to risk management and exposure and operating limits) and collaborates in the implementation of such, ensuring consistency with the Risk Appetite Framework for the various phases of the risk management process;
- develops and ensures the updating of the methodologies, the processes and the tools required for the management of the risks of its competence (through the processes of identification, measurement/valuation, monitoring, control and reporting), ensuring their adequacy over time also by developing and applying indicators having the aim of identifying anomalies and inefficiencies. More specifically:
  - it establishes common metrics for measuring operating risks (including ICT risks) consistent with the RAF, coordinating with the compliance function and the ICT function;
  - it establishes the means of measuring and controlling reputational risks, coordinating with the compliance function and the business functions that are most exposed;
  - assists the corporate bodies in measuring strategic risk, monitoring the significant variables;
- develops and maintains internal risk measurement and control systems, ensuring compliance with laws and regulations and consistency with the business's operating needs and with the evolution of the reference market;
- adopts development and validation methodologies for the models in line with legislative and regulatory principles based on two levels of control;
- monitors the effective risk profile assumed in relation to the risk objectives defined as part of the Risk Appetite Framework, establishing the operating limits on assuming the various types of risk, ensuring their continuous adequacy and compliance and reporting to the corporate bodies if these have been exceeded;
- supports the Chief Executive Officer in implementing the ICAAP/ILAAP, preparing the report to be sent to the Supervisory Authority, coordinating the various phases of the process and carrying out those of its responsibility;
- ensures the adequacy and efficacy of the measures adopted in order to remedy any deficiencies encountered in the risk management process;
- provides preventative opinions on the consistency of Significant Transactions with the Risk Appetite Framework, acquiring as necessary the opinion of other functions involved in the risk management process, depending on the nature of the transaction;
- analyses the risks deriving from new products and services arising as a result of entry into new operating segments of the market;
- is involved in establishing and updating the criteria for classifying outsourcing, dealing with the risk evaluation activities of its responsibility;
- is involved in establishing and managing staff remuneration and incentive policies;
- performs second level controls on the credit department, ensuring that controls for monitoring credit exposures (in particular those arising from non-performing loans) are effective, that the classification is correct, that provisioning is reasonable and that taken as a whole the credit recovery process is adequate;

- coordinates preliminary activities in the preparation and revision of the Resolution Plan drawn up by the Resolution Authority, directly performing the phases of its responsibility;
- contributes to the updating of internal business rules and regulations for its sphere of competence;
- oversees the public disclosure process (financial statements, notes to the financial statements, Pillar 3, etc.) for its sphere of competence;
- supports the establishment and implementation of training courses for the specialist spheres of its competence;
- conducts the activities for which it is responsible in connection with the implementation of the 231 organisational model;
- contributes to the upkeep of the Operational Continuity Plan to the extent of its competence.

### **8.3 Compliance & AML Unit**

This unit has the responsibility for:

- overseeing the non-compliance risk connected with the main laws and regulations at that moment applicable to the Bank;
- discharging anti-money laundering legislative requirements for the Bank in accordance with the regulator's requirements on the implementation provisions on organisation, procedures and internal controls in the anti-money laundering sphere, with the duty of fostering and operationally implementing overall guidance on the matter;
- discharging personal data processing legislative requirements for the Bank by appointing a Data Protection Officer, in accordance with the Regulator's requirements on provisions regarding organisation, procedures and assessment of the effect of data protection;
- analysing and interpreting any newly-issued regulatory/external legislation of its competence and if necessary issuing information memoranda/interpretations as well as opinions to confirm that the Bank's activity is moving in the right direction;
- establishing and carrying out the control plan for the legislative and regulatory areas for which it is responsible, analysing the results of the controls, determining the corrective action and monitoring the relative implementation plan, in close collaboration with the structures concerned;
- supporting and providing advice to all the Bank's structures on the performance of their respective activities in accordance with laws, regulations, internal rules and codes of ethics/conduct to which the Bank adheres;
- assessing *ex ante* compliance with the applicable regulations applicable to all the innovative projects (including effectiveness of new products and services) that the Bank intends to undertake as well as assisting in the prevention and management of conflicts of interest between the various activities the Bank performs, with reference to employees and company officers;
- supporting the Bank's structure in verifying the effectiveness of the organisational changes (structures, processes, procedures, including operating and commercial procedures) recommended for preventing compliance risk;

- ensuring, by way of analysis and opinions, that there is compliance with internal and external laws and regulations, that matters of the Unit's competence are updated and that employees receive training on these issues, also in coordination with HR and the Communication & Stakeholder Engagement Function;
- analysing and setting up the administration of complaints in close collaboration with the business and legal structures, if necessary;
- overseeing, with the support of General Counsel, issues relating to market abuse, the management of confidential and price sensitive information and information regarding the Bank's related parties and associated persons;
- supporting, where requested, the management of relations with the Authorities (Supervisory Authority, Industry Associations, the Legislator, etc.) together with other competent functions, fostering constant dialogue with such Authorities for the areas of competence.

#### **8.4 Internal Audit function**

The aim of internal audit in the Bank is to control, by way of procedures both in loco and remotely, the propriety of operations and trends in risks and to assess the adequacy of the organisational structure and in particular of the functionality of the overall internal control system, with the purpose of bringing to the attention of the corporate bodies and top management any improvements to be made to the risk management policies, the measuring instruments and the procedures.

In this respect, amongst other things the internal control function:

- ensures compliance – in the various operating sectors – with the limits prescribed by the delegation mechanisms and ensures that there has been a complete and proper use of the information available in the various activities;
- checks the reliability of the information systems, including the automatic data processing systems, and the systems capturing information for accounting purposes, verifying the levels of logical security, integrity and confidentiality of the automatic data processing procedures as well as their technical and functional requisites;
- ensures that when providing investment services the procedures adopted ensure compliance, in particular, with the provisions on administrative and accounting segregation regarding separation of the client's assets and the rules of conduct;
- performs regular tests on the functioning of the operating and internal control procedures;
- carries out assessment procedures, also with regard to specific irregularities, when requested by the Board of Directors, top management or the Board of Statutory Auditors;
- ensures that any anomalies found in operations and the functioning of controls have been eliminated;
- provides fact-finding contributions on the levels of reliability, functionality and consistency of the organisational components by way of analyses and factual findings designed to appraise the suitability of the internal control system and the system monitoring the various types of risk;
- checks the business operations continuity plan, reviewing the verification programme, attending the testing and checking the results.

### **8.5 Model per Legislative Decree no. 231/2001**

In July 2018 the Issuer's Board of Directors adopted an organisation model per Legislative Decree no. 231/2001 (the "**231 Model**"), updating this over time, in order to ensure propriety and transparency in performing business activities and protect the position and image of the Bank, the expectations of its shareholders and the work of its employees. The 231 Model has been constructed using the specific requirements of Legislative Decree no. 231/2001 and may be analysed as follows.

The general part deals with the legislative context which led the legislator to incorporate the administrative responsibility of enterprises by way of Legislative Decree no. 231/2001, which lists the various families of offence.

Furthermore, clarification is given about the composition of the Supervisory Body, its functions and powers and the information flows it receives from the various Organisational Units.

The special part describes the operational ambits, the sensitive activities and the relative management and control protocols.

It should be noted that the Bank's Board of Statutory Auditors also performs the functions of the Supervisory Body as per Legislative Decree no. 231/2001 (ODV) concerning the functioning of and compliance with the 231 Model, in line with the Bank of Italy's recommendations in this respect.

It is additionally noted that by way of a resolution adopted on 1 October 2020, the Board approved the updated version of the Organisation, Management and Control Model adopted pursuant to Legislative Decree no. 231/2001 as per the proposal of the Supervisory Body.

More specifically, the main changes to the 231 Model reflect the new types of assumed offence: namely fiscal offences pursuant to Legislative Decree no. 74/2000 as well as the fiscal and general offences subsequently introduced by way of Legislative Decree no. 75/2020, through which the Protection of the European Union's Financial Interests Directive (the "PIF Directive") was transposed into Italian legislation.

### **8.6 Managerial committees: Credit and Investment Committee, Steering Committee, Finance Committee and Products Committee**

On 20 September 2018 the Bank's Board of Directors approved the setting up of a Credit and Investment Committee. The Chief Executive Officer subsequently informed the Board as to the setting up of a Steering Committee.

The Finance Committee was set up on 11 February 2019, while the Products Committee was formed on 1 August 2019.

These committees, which have a specifically managerial nature, have been created for the purpose of providing further support to the Company's activities.

### **8.7 Financial Reporting Officer**

The Financial Reporting Officer must hold the requirements of professional competence required by the Bylaws, this consisting in having specific expertise in matters regarding accounting and financial information and the management and control of the relative administrative procedures. The Financial Reporting Officer must additionally hold the integrity requirements established by applicable laws and regulations for the members of the control bodies of listed companies.

The Financial Reporting Officer performs second level controls designed to enable attestations and declarations to be drawn up on corporate accounting disclosures in accordance with the requirements of law and has been granted suitable powers and means to perform his duties in this position.

For this purpose, he avails himself of the structures of the Administration and Tax Department, the business control functions and in particular the Internal Audit Function, from which, in relation to any repercussions on the financial reporting process and the reliability of corporate information, he obtains the results of the procedures it has performed.

The Financial Reporting Officer oversees the reliability of the corporate accounting documents and of the financial reporting process in accordance with the provisions of article 154-*bis* of the TUF and the relative implementation orders, as well as the rules on the administrative and accounting system which enterprises that control companies governed by the law of countries not belonging to the European Union pursuant to article 15 of Consob Market Regulation no. 20249/2017 (effective from 3 January 2018, formerly article 36 of Consob Market Regulation no. 16191/2007) are required to follow.

Supervision of the accounting and financial reporting process by the Financial Reporting Officer is based on an examination of the financial reporting system and, in particular, the tools used to manage the information on the processes and tools deployed to identify, measure and monitor the main business risks and to identify and monitor the Key Performance Indicators (KPIs). The Financial Reporting Officer also performs checks, to the extent considered necessary, to ensure that the documents and reports envisaged by the corporate reporting system are actually prepared and with the frequency, timing and recipients stated in the internal regulations.

For the sake of completeness it is noted that as recalled earlier, on 30 November 2018, in view of the admission of the Company's shares to trading, the Bank's Board of Directors appointed Mr. Sergio Fagioli as the Financial Reporting Officer pursuant to article 154-*bis* of the TUF.

#### **8.8 Coordination between the parties involved in the internal control and risk management system**

Coordination between the various parties involved in the internal control and risk management system consists of a series of interacting mechanisms and methods, such as: (i) the scheduling of meetings between different corporate bodies and functions with responsibility for internal control and risk management matters; (ii) the attendance of the Chair of the Board of Statutory Auditors and other board members at the meetings of the Risks Committee. In accordance with the development of the Group's business, the definition and adaptation of internal governance during 2020 envisaged supervision designed to ensure the coordination of all the parties involved in the internal control system, seeking to avoid any duplication of the work performed by the bodies (as also recommended by the Corporate Governance Code).

#### **8.9 Auditing firm (External control body)**

On 17 December 2018 the Shareholders' Meeting approved the mutual termination of the legal audit engagement that had been awarded to the auditing firm Deloitte & Touche S.p.A. for the period 2012-2020, and pursuant to Legislative Decree no. 39 of 27 January 2010 appointed the auditing firm KPMG S.p.A., with registered office in Milan, Via Vittor Pisani no. 25 and registered in the roll of legal auditors held at the Ministry of Economy and Finance, in respect of the following for the years from 2018 to 2026:

- (i) perform the legal audit of the separate annual financial statements, including procedures during the year to ensure that the corporate accounting books have been properly kept and that operations have been properly recorded;
- (ii) perform a review of the financial statements prepared to determine the half-year result for the purpose of calculating Tier 1 capital;
- (iii) issue an attestation of the compliance of the aggregate figures of reference for the calculation of the contribution to the National Guarantee Fund;
- (iv) sign the tax returns.

It is lastly noted that given the admission of the Company's financial instruments to trading on the Electronic Share Market managed by Borsa Italiana S.p.A., the scope of the auditing firm's engagement has been updated as far as the object is concerned, in relation to the Company's activities and to those of its direct and/or indirect subsidiaries.

## 9. BOARD OF STATUTORY AUDITORS

### 9.1 Appointment of Statutory Auditors

Pursuant to article 28 of the Bylaws, the Board of Statutory Auditors consists of three Standing Auditors and two Alternate Auditors, who remain in office for a term of three financial years expiring at the date of the Shareholders' Meeting called to approve the financial statements for the third financial year of their office. Statutory Auditors may be re-elected.

The Board of Statutory Auditors is elected on the basis of lists in accordance with article 29 of illimity's Bylaws pursuant to the current provisions of this document<sup>(3)</sup>. Shareholders who, alone or jointly with other shareholders, hold shares representing at least the minimum interest in the share capital required for the submission of lists for the appointment of Directors are entitled to submit lists; lists are filed by such entitled shareholders at the Company's registered office.

Each list is divided into two sections, the first for the candidates for the position of Standing Auditor and the second for candidates for the position of Alternate Auditor, and must include a number of candidates not exceeding the number of Auditors to be appointed, listed in sequential order of preference. In addition, the election is held in compliance with gender balance pursuant to article 147-ter, paragraph 1-ter, of the TUF, as introduced by Law no. 120 of 12 July 2011 and most recently amended by Law no. 160 of 7 December 2019 in the text republished in Official Journal no.13 of 17 January 2020, in respect of which reference should be made to the considerations already described for the Board of Directors.

Considering both sections, lists shall contain at least 3 (three) candidates and must include candidates representing both genders, so that at least 2/5 (two fifths), rounded down in the case of a fractional number, of candidates on the list for the position of Standing Auditor, and 2/5 (two fifths), rounded up in the case of a fractional number equal to or greater than 0.5 and rounded down in the case of a fractional number less than 0.5, of candidates on the list for the position of Alternate Auditor, belong to the lesser represented gender.

A candidate may only be present in one list to be eligible.

The following documentation, where applicable, shall be filed together with each list at the Company's registered office, within the relevant term of filing:

- information on the identity of the shareholders submitting the list, stating the total percentage shareholding having voting rights at ordinary Shareholders' Meetings;
- declarations of shareholders who submit, or jointly submit, a list, other than those that hold, also jointly, a controlling or relative majority holding, attesting the absence of connections with the latter qualified as relevant by *pro tempore* laws and regulations applicable to the Company;
- a comprehensive description of the personal and professional characteristics of each candidate, including information on offices held as director or statutory auditor in other companies, and a statement in which individual candidates accept their nomination and represent, under their own responsibility, that there are no causes for ineligibility or incompatibility, and that they meet the requirements established by laws, regulations and the Bylaws to hold the office of Statutory Auditor of the Company; as well as
- any further documentation and declaration required by applicable *pro tempore* laws and regulations or that is useful for an overall assessment of suitability for the office, in accordance with the guidelines that are

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<sup>(3)</sup> The contents of the provisions of the Bylaws concerning the appointment of the corporate bodies have been updated for the changes adopted most recently on 10 March 2021 to adapt such to the above-mentioned amendments to the TUF on gender balance.

publicly disclosed in advance by the Bank.

If, upon expiry of the term, only one list is filed, or only lists submitted by shareholders which, based on the statements made, are connected with each other pursuant to applicable *pro tempore* laws and regulations, the Company shall without undue delay give notice thereof by the means envisaged by applicable legislation, and lists may be submitted until the subsequent term provided for by law.

Submitted lists that do not meet the above requirements will be treated as not having been submitted. Nevertheless, the absence of documentation regarding individual candidates on a list does not automatically lead to the exclusion of the whole list but only the candidates to whom the irregularity refers.

The Board of Statutory Auditors is elected as follows:

- (a) if several lists are filed, 2 (two) Standing Auditors and 1 (one) Alternate Auditor are drawn from the list obtaining the majority of votes (the “Majority List for the Board of Statutory Auditors”). The remaining members of the Board of Statutory Auditors, namely 1 (one) Standing Auditor and 1 (one) Alternate Auditor, are drawn from the list which obtained the second highest number of votes (the “Minority List for the Board of Statutory Auditors”) and is not connected in any way, not even indirectly, as established by applicable *pro tempore* laws and regulations, with the shareholders who submitted or voted in favour of the Majority List for the Board of Statutory Auditors. The Chair of the Board of Statutory Auditors is the Standing Auditor drawn from the Minority List for the Board of Statutory Auditors;
- (b) if several lists obtain the same number of votes, the Majority List for the Board of Statutory Auditors is, for all purposes, the list submitted by shareholders holding the largest interest or, in second instance, the list voted by the highest number of shareholders (one vote per head). This applies also to the case where several minority lists obtain the same number of votes.

Should the resulting composition of the Board of Statutory Auditors, in its members (standing and alternate), fail to comply with the applicable *pro tempore* laws and regulations on gender balance, taking into account the order in which they are listed in the relevant section, the last candidates elected in the Majority List for the Board of Statutory Auditors of the more represented gender shall be removed in a number necessary to ensure compliance with the requirement, and shall be replaced by the first non-elected candidates of the lesser represented gender contained in the same list and the same section, based on the sequential order. If the number of candidates of the lesser represented gender in the relevant section of the Majority List for the Board of Statutory Auditors is not sufficient to proceed with the replacement, the Shareholders’ Meeting, subject to presentation of candidates belonging to the lesser represented gender, shall appoint the missing Standing or Alternate Auditors by legal majority vote, ensuring the fulfilment of the requirement;

- (c) if only one list is submitted, the Standing Auditors and the Alternate Auditors will be elected within this list, in compliance with applicable *pro tempore* laws and regulations on gender balance. In this latter case, the Chair of the Board of Statutory Auditors is the first person in the section relating to candidates for the position of Standing Auditor indicated in the only list submitted;
- (d) if no lists are submitted, the Shareholders’ Meeting, subject to presentation of candidates for the position of Standing Auditor and Alternate Auditor, shall resolve by legal majority, without prejudice to compliance with applicable *pro tempore* laws and regulations on gender balance and the eligibility, independence, professional competence and integrity requirements for statutory auditors.

Further:

- (a) if a Standing Auditor ceases to hold office, the Alternate Auditor belonging to the same list as the outgoing Auditor shall take over the position. The Alternate Auditor shall remain in office until the next Shareholders' Meeting;
- (b) in the case of the replacement of a Standing Auditor, the Alternate Auditor belonging to the same list as the replaced Auditor shall take over the position, without prejudice to the fact that the Board of Statutory Auditors will continue to be chaired by the Minority Auditor, and the composition of the Board of Statutory Auditors must comply with applicable *pro tempore* laws and regulations on gender balance;
- (c) if the Shareholders' Meeting is required to appoint Standing and/or Alternate Auditors to fill vacancies on the Board, the following procedure shall apply:

If Auditors elected on the basis of the Majority List for the Board of Statutory Auditors have to be replaced, the replacements shall be appointed by a relative majority vote without list voting, in compliance however with laws and regulations on gender balance; if on the other hand Auditors elected on the basis of the Minority List for the Board of Statutory Auditors have to be replaced, the Shareholders' Meeting shall replace them, in compliance with regulations on gender balance, by a relative majority vote by selecting them from the candidates on the list of which the outgoing auditor was part.

Should the application of the above procedures not result in the replacement of the Auditors designated by the Minority List for the Board of Statutory Auditors for whatever reason, the Shareholders' Meeting shall resolve by relative majority. However the votes cast by shareholders who hold the relative majority of voting rights that may be exercised at a Shareholders' Meeting as identified in disclosures made in accordance with the applicable regulations, whether directly, indirectly, or jointly with other shareholders who are parties to a shareholders' agreement pursuant to article 122 of the TUF, as well as by shareholders who control, are controlled by or are subject to joint control by the above-mentioned shareholders, will not be counted.

The replacement procedures referred to above shall in any case ensure that at least one Standing Auditor and one Alternate Auditor are elected by minority shareholders that are not connected in any way, not even indirectly, with the shareholders who submitted or voted in favour of the list that obtained the most votes, as well as ensure compliance with applicable *pro tempore* laws and regulations on gender balance.

## **9.2 Composition and functioning of the Board of Statutory Auditors**

Pursuant to article 30 of illimity's Bylaws, the Board of Statutory Auditors performs the duties and exercises the control functions provided for by applicable *pro tempore* laws and regulations, including those of a supervisory nature. The Board of Statutory Auditors is vested with the powers envisaged by laws and regulations, including those of a supervisory nature, and reports to the Supervisory Authority in accordance with applicable *pro tempore* laws and regulations.

The Board of Statutory Auditors may at any time, also on an individual basis, perform inspections and checks, as well as ask the Directors for information, also in reference to subsidiaries, on business performance or on specific transactions or make the same requests for information directly to the management and control bodies of subsidiaries.

The Board of Statutory Auditors may additionally exchange information with the corresponding bodies of subsidiaries concerning management and control systems and the general performance of the business.

Meetings of the Board of Statutory Auditors, which must be held at least every 90 days, are called by the Chair of the Board of Statutory Auditors by sending notice by any means of communication that ensures

certainty of receipt, specifying the date, time and place of the meeting and the items to be discussed, at least 3 days before the date scheduled for the meeting, or at least 24 hours in case of urgency. All participants must sign the minutes and records of the Board of Statutory Auditors.

The Board of Statutory Auditors is duly constituted and valid to adopt resolutions with the quorums established by law.

Participants at meetings of the Board of Statutory Auditors may attend remotely via audio or video conference systems, on condition it can be ensured that:

- (a) the Chair is able to confirm the identity of all participants;
- (b) each participant is able to take part in the discussion in real time, verbally express their opinion and examine, receive and transmit all documentation;
- (c) the Board's proposals and resolutions can be examined at the same time.

Board meetings shall be deemed to be held at the venue where the Chair is located.

The Issuer's Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 18 January 2019 on the basis of the provisions of the Bylaws in force at the date of the appointment and, on the basis of the resolution of such Shareholders' Meeting, holds office for three financial years, and accordingly until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021. The appointment was made on the basis of the only list of candidates submitted which, in its composition, already took account of the provisions applicable to listed companies on gender balance.

The Issuer's Board of Statutory Auditors consists of the following members:

First and last name	Office held	Place and date of birth
Ernesto Riva	Chair of the Board of Statutory Auditors	Seregno (MB), 24 April 1945
Stefano Caringi	Standing auditor	Rome, 13 July 1944
Nadia Fontana	Standing auditor	Rome, 15 November 1961
Riccardo Foglia Taverna	Alternate auditor	Trivero (BI), 10 June 1966
Michela Zeme	Alternate auditor	Mede (PV), 2 January 1969

In the year ended 31 December 2020 the Board of Statutory Auditors met on 27 occasions, duly minuted, (the number of meetings attended by each individual member can be found in Table 2). The average duration of meetings of the Board of Statutory Auditors was approximately 2 hours and 24 minutes with an average attendance of 98.8%.

More specific details regarding the current Board of Directors, including the composition of the control body no longer in office, are provided in Table 2, attached to this Report.

- ***Verification and confirmation of the requirements for corporate officers (the “fit & proper” requirements)***

At the meeting of the Board of Statutory Auditors of 4 March 2021, the Chair reported that he had filed in the Company’s records a copy of the declarations – also prepared following the entry into force of DM no. 169/2020 – signed by all the members of the Board in connection with:

- possession of the requirements pursuant to DM no. 169/2020 and compliance with the criteria included therein;
- the absence of the ineligibility and incompatibility conditions set forth in article 148 of Legislative Decree no. 58/98 and in article 2, paragraph 2c), of the Decree of the President of the Council of Ministers of 25 May 2012;
- possession of the independence requirements set forth in article 148, paragraph 3, of Legislative Decree no. 58/98;
- possession of the integrity and professional competence requirements set forth in article 148, paragraph 4, of Legislative Decree no. 58/98, contained in Ministerial Decree no. 162 of 30 March 2000 and specified by article 28.1 of the Bylaws;
- possession of the independence requirements pursuant to the combined provisions of Criterion 8.C.1. and Criterion 3.C.1. of the Self-Governance Code for listed companies to which the Bank adheres (as updated and revised pursuant to the CG Code in force from 2021);
- compliance with the provisions on the limits to the number of offices that may be held set forth in applicable laws and regulations and the possibility of devoting the necessary time to the diligent performance of their duties, pursuant to Criterion 8.C.2. of the Self-Governance Code for listed companies to which the Bank adheres (as updated and revised pursuant to the CG Code in force from 2021);
- the commitment to provide timely notification of any changes in the declaration to the Board of Directors and the Board of Statutory Auditors.

There were no grounds for the incompatibility of the Statutory Auditors in office at the date of this Report, as provided by applicable law, and the members of the Board hold the necessary requirements of eligibility, integrity and professional competence at such date.

- ***Self-evaluation of the composition and functioning of the Board of Statutory Auditors***

Furthermore, in accordance with the supervisory provisions for banks on corporate governance contained in Title IV, Chapter 1, of Bank of Italy Circular no. 285/2013 and the requirements of the Code of Self-Governance of listed companies (Criterion 1.C.1. point g), the Issuer has performed a self-evaluation of the composition and functioning of the Board of Statutory Auditors for financial year 2020. In order to perform the self-evaluation, the Board of Statutory Auditors availed itself of the assistance of Management Search S.r.l., an external independent advisor of primary standing.

The self-evaluation process is in line with the requirements of the Supervisory Provisions issued by the Bank of Italy applicable to the Issuer and those of Standard Q.1.1. contained in the “*Standards of Conduct of the Board of Statutory Auditors of listed companies*” published by the National Council of Accountants and Accounting Experts in April 2018.

The self-evaluation process, which mainly regarded the composition of the Board of Statutory Auditors, the exercising of its powers and its functioning process, was performed by the means stated in paragraph 5.3 above in the section on the process of self-evaluation performed by the Board of Directors on its composition and functioning process.

The interviews conducted and the answers to the questions contained in the questionnaire enable a positive valuation to be expressed as far as the Board's composition and functioning process are concerned, as well as the way it exercises its powers.

More specifically, during the year just ended the Board of Statutory Auditors performed its work on a continuous basis through active participation in the evolution of the Bank's governance and internal control system, which often required the Board to revise its work programmes due to the Issuer's new needs, for example on matters regarding the formation of the Group's new companies and the way these work, as well as the requirement for control in this respect.

The Board of Statutory Auditors performed its controlling and monitoring function on a continuous basis by way of formal checks and meetings with the business functions concerned. These meetings often took place through the attendance of the Board at meetings of the various Board Committees, in order to optimise the time required for management participation. The Board of Statutory Auditors was able to express its view above all at meetings of the Risks Committee, going into detail on issues and organisational aspects regarding risk control and those concerning the set of forms for the risk monitoring system. As part of the work performed, the Board gave specific emphasis to the Bank's compliance with the Supervisory Provisions and the issues regarding the analysis of the processes from both a legislative and organisation standpoint. This work was intense and demanding given the fast rate at which the Bank is evolving and required the Board to constantly obtain further details of the matters under examination. In this respect, the Board displayed a high level of reaction in dealing with the evolution of activities and extent of the issues dealt with, which called for rapid and proactive assessments in order to bring to light all the critical issues that may result from this swift evolution.

The Board's activity also include performing the duties of the Supervisory Body for ensuring that the organisation model adopted by the Bank is working and being complied with. This activity required the considerable involvement of the compliance function as well as the support of outside professionals.

## **10. RELATIONS WITH SHAREHOLDERS**

The Company recognises that it is in its own interest, as well as being its duty towards the market, to establish a continuous dialogue with shareholders as a whole, based on a mutual understanding of the roles, as well as with institutional investors; all of which in compliance with the provisions of law applicable to listed companies for the external communication of corporate documents and information.

In this respect, on 12 and 30 November 2018, the Issuer's Board of Directors resolved the following, with effect from the listing date, namely 5 March 2019:

- to appoint Ms. Silvia Benzi as Investor Relator pursuant to article 9 of the Self-Governance Code, a position confirmed on admission to trading on the STAR segment of Borsa Italiana's MTA market, pursuant to applicable laws and regulations;
- to appoint Mr. Francesco Mele as Information Referent in relations with Borsa Italiana pursuant to and for the purposes of article 2.6.1, paragraph 4, of the Regulation of Borsa Italiana, and Mr. Giovanni Lombardi as his substitute.

In accordance with the recommendations of the Self-Governance Code, the Issuer has created a specific section of its website ([www.illimity.com](http://www.illimity.com)) where all the information regarding the Issuer that has importance for its shareholders as well as that required by legislation, also of a regulatory nature, applicable to companies listed on a regulated market, is made available to the public.

## 11. GENERAL SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

As already described in this Report, illimity's Bylaws incorporate the provisions of Legislative Decree no. 27/2010 implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies.

Pursuant to article 2437, paragraphs 1 and 2, of the Italian civil code, shareholders who did not contribute to the approval of resolutions regarding the following matters are entitled to exercise their withdrawal right for all or part of their shares:

- a) amendments to the corporate purpose clause, when these permit a significant change in the company's activity;
- b) the transformation of the company;
- c) the transfer abroad of the company's registered office;
- d) the revocation of the state of liquidation;
- e) the cancellation of one or more of the reasons for withdrawal provided by article 2437, paragraph 2, of the Italian civil code or by the post-merger Bylaws;
- f) a change in the criterion for determining the value of shares in case of withdrawal;
- g) amendments to the Bylaws concerning voting and participation rights;
- h) an extension of the duration;
- i) the introduction or removal of restrictions on the circulation of equity securities.

Any agreement designed to exclude the exercise of the withdrawal right or make this more onerous in the cases set forth in points a) to g) shall be null and void.

In addition, pursuant to article 2437-*quinques* of the Italian civil code, shareholders who did not contribute to the approval of resolutions that leads to the delisting of the shares shall be entitled to exercise the withdrawal right.

Pursuant to article 33 of the Bylaws, profits resulting from the financial statements, net of the amount to be allocated to the legal reserve, are allocated in accordance with resolutions of the Shareholders' Meeting.

Dividends are distributed in accordance with the terms and conditions set by the resolution of the Shareholders' Meeting providing for the distribution of profits to shareholders. Any dividends unclaimed within 5 years from the date on which they become payable are forfeited and revert to the Company, and are allocated to reserves.

On proposal of the Board of Directors, the Shareholders' Meeting may allocate an overall annual amount – not exceeding 5% (five percent) of the net profit for the year – to social, welfare and cultural initiatives.

The main provisions of the Issuer's Bylaws containing the regulations regarding the Issuer's Ordinary and Extraordinary Shareholders' Meetings are as follows.

Pursuant to article 11 of illimity's Bylaws, Shareholders' Meetings may be attended by holders of voting rights, for whom the Company has received the authorised intermediary's notification within the time limit prescribed by applicable *pro tempore* laws and regulations attesting their right to attend the Shareholders'

Meeting and exercise their right to vote. Anyone entitled to vote may be represented by a proxy in the Shareholders' Meeting in compliance with applicable *pro tempore* laws and regulations. The proxy form may be sent electronically via the dedicated section of the Company's website or by certified electronic mail, as stated in the notice of call, or by any other means provided for by applicable *pro tempore* laws and regulations. The Chair of the Shareholders' Meeting is responsible for verifying the propriety of single proxies and, in general, the entitlement to attend the Meeting.

For each Shareholders' Meeting, the Board of Directors may designate, giving notice thereof in the notice of call, one or more representatives on whom the holders of voting rights may bestow a proxy, with voting instructions for some or all of the proposals on the agenda, as provided for by applicable *pro tempore* laws and regulations. A proxy given to the representative designated by the Board of Directors shall only be effective for proposals for which voting instructions have been given.

Pursuant to article 10 of illimity's Bylaws, shareholders who, separately or jointly, represent at least 1/40 of the share capital, or any other percentage provided for by applicable *pro tempore* laws and regulations, may submit a written request to add items to those on the agenda specified in the notice of call, setting out the additional items they propose and preparing a report on the topics to be discussed, as well as submit resolution proposals on items already on the agenda. Shareholders cannot call meetings or add items to the agenda for issues on which the Shareholders' Meeting is called to resolve, by law, on proposals of the Board of Directors or on the basis of a project or report prepared by the Board, other than those referred to in article 125-ter, paragraph 1, of the TUF. Entitlement to the right is proven by filing the copy of the notification or certification issued by the intermediary pursuant to applicable *pro tempore* laws and regulations.

Pursuant to article 12 of illimity's Bylaws, the Shareholders' Meeting is chaired by the Chair of the Board of Directors or, in case of absence or impediment, by the Deputy Chair (where appointed) or, in case of absence or impediment of both parties, by a person appointed by the Shareholders' Meeting pursuant to article 2371 of the Italian civil code.

It is the responsibility of the Chair of the Shareholders' Meeting to:

- (a) verify the valid composition of the meeting and ensure there is a quorum for adopting resolutions;
- (b) ascertain - also by parties appointed by the Chair - the identity and the eligibility of those present to participate and vote at the meeting as well as the validity of the proxies;
- (c) direct and govern the proceedings at the meeting; and
- (d) establish the voting procedures (which in any case must allow for identification in relation to each vote cast) and ascertain and announce the results of such, all in compliance with the Regulation for the proceedings of Shareholders' Meetings where adopted.

The Chairman is assisted by a Secretary, who need not be a shareholder, appointed by the Shareholders' Meeting on proposal of the Chair, where the presence of a Notary is not required by law and, as the case may be, by scrutineers, who need not be shareholders, chosen by the Chair from amongst those attending.

Pursuant to article 10 of illimity's Bylaws, the Shareholders' Meeting is called, in ordinary session or extraordinary session, by the Board of Directors whenever it deems it appropriate, or, as established by article 2367 of the Italian civil code, upon request of shareholders representing at least 20% of the share capital, or other percentage provided for by applicable *pro tempore* laws and regulations.

In any case, an ordinary Shareholders' Meeting must be called at least once a year within 120 days from the end of the financial year, or within 180 days from the end of the financial year in the cases envisaged by law.

The Shareholders' Meeting is called by notice having contents established by law; such notice is published within the time limits established by law on the Bank's website, as well as in any other manner provided by applicable *pro tempore* laws and regulations.

Pursuant to article 11 of illimity's Bylaws, the Board of Directors may arrange for one or more remote connections to be made to the venue where the meeting is held, to enable shareholders who do not wish to participate in the discussion at this venue to follow the proceedings of the meeting in any case, and upon voting to cast their vote, provided that shareholders can be identified and that the possibility to exercise such right is stated in the notice of call of the Shareholders' Meeting. In any case, the Chair of the Shareholders' Meeting and the Secretary must be present at the place indicated in the notice of call where the meeting is deemed to be held.

The Shareholders' Meeting, in ordinary session or extraordinary session, resolves on the matters assigned by illimity's Bylaws, laws and regulations. Unless otherwise envisaged by this article or by the other provisions of illimity's Bylaws, resolutions of the Shareholders' Meeting, in ordinary session or extraordinary session, are adopted by legal majority.

Pursuant to article 10 of illimity's Bylaws, the Shareholders' Meeting, in ordinary and extraordinary session, is as a rule held on a single call, pursuant to and for the purposes of article 2369, paragraph 1, of the Italian civil code. Nevertheless, the Board of Directors may determine that an ordinary or extraordinary Shareholders' Meeting may be held in more than one call, indicating a date for a second call. Notice of this decision is provided in the notice of call.

## **12. CHANGES SINCE THE END OF THE YEAR UNDER REVIEW**

There have been no significant changes since the end of the year as far as the matters relating to this Report are concerned, other than those stated in previous paragraphs concerning the composition of the Board of Directors and internal Board Committees.

### **13. CONSIDERATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE OF 22 DECEMBER 2020**

The recommendations set forth in the letter of the Chair of the Corporate Governance Committee of 22 December were brought to the attention of the Board of Directors by the Committee Chair at the Board meeting of 29 December 2020.

## **TABLES**

Two tables are set out on the following pages that summarise the way in which the Company has adopted the main aspects of corporate governance set forth in the Self-Governance Code.

The first table summarises the structure of the Board of Directors and its internal committees. The Directors are listed with their classification as either executive, non-executive or independent. The composition of the various committees is then provided.

The second table summarised the characteristics of the Board of Statutory Auditors. Standing and Alternate Auditors are listed together with any designation by the minority lists.

Both tables provide captions detailing the number of meetings held by the Board of Directors, its committees and the Board of Statutory Auditors, as well as the frequency with which individual members attended meetings. A caption is also provided for the number of relevant positions held in other companies; these are described in the Report.

The third table provides details of the positions held by the Issuer's Directors in other companies listed on regulated markets (including abroad), in financial, banking or insurance companies or in companies of a significant size.

**TABLE 1: Structure of the Board of Directors and the Committees**

Board of Directors											Risks Committee		Remuneration Committee		Appointments Committee		Committee for Transactions with Related Parties and Associated Persons		Sustainability Committee		
Office held	Member's name	Year of birth	Date first appointed *	In office from/to	List **	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. of other positions ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chair	Casiraghi Rosalba	1950	20/09/2018	(a)	M		X	X****	X	6	29/29	18/18	M	7/7	M (l)					4/4	C (j)
• 0 Chief Executive Officer	Passera Corrado	1954	20/09/2018	(a)	M	X				2	29/29										
Director	Brambilla Massimo	1970	20/09/2018	(a)	M		X			1	29/29				3/3	M					
Director	Ciallè Elena	1967	20/09/2018	(a)	M		X	X	X	1	28/29	18/18	P					6/6	M	4/4	M
Director	Galbati Pada Elisabetta Maria	1958	10/02/2021	(e)	-		X	X	X	1	-				C (i)						M (k)
Director	Gennari Alessandro	1960	20/09/2018	(a)	M		X			1	29/29	18/18	M								
Director	Ngombwa Martin	1988	10/09/2019	(b)	-		X			1	29/29			5/5	M						
Director	Squenzi Maurizia	1950	20/09/2018	(a)	M		X	X	X	1	28/29	18/18	M			3/3	C (g)	6/6	C		
Director	Valenti Marcello	1968	10/02/2021	(e)	-		X	X	X	2	-				M (h)		M (h)			M (h)	
DIRECTORS LEAVING OFFICE DURING THE YEAR UNDER REVIEW																					
Director	Bruno Giancarlo	1968	20/09/2018	(c)	M		X	X	X	0	27/29			7/7	C			6/6	M	4/4	C
Director	Diaz della Vittoria Pallavicini Sigieri	1969	20/09/2018	(f)	M		X	X	X	8	8/9			2/2	M	1/1	C				
Director	Rovati Luca	1961	22/04/2020	(d)	M		X	X	X	8	6/20					0/2	M				
Number of meetings held during the year: 29						Risks Committee: 18			Remuneration Committee.: 7			Appointments Committee: 3			OPC Committee: 6		Sustainability Committee: 4				

**NOTES**

- This symbol indicates the Director in charge of the internal control and risk management system.
- This symbol indicates the main person in charge of the Issuer's operations (Chief Executive Officer or CEO).
- \* For each Director the first date appointed means the date on which the Director was appointed for the very first time to the Issuer's BoD.
- \*\* This column identifies the list from which each Director was taken ("M": majority list; "m": minority list; "BoD": list submitted by the BoD).
- \*\*\* This column indicates the number of positions as Director or Statutory Auditor held by the person concerned in other companies listed on regulated markets, in financial, banking or insurance companies or in companies of a significant size. These positions are described in full in the Report on corporate governance.
- \*\*\*\* Independent pursuant to the new Corporate Governance Code, approved on a final basis on 31 January, which must be applied by companies that adopt the Code from the first financial year beginning after 31 December 2020.
- (\*) This column contains details of the attendance of the Directors at the respective meetings of the BoD and its committees: the number of meetings attended over the number of meetings which he or she could have attended (no. of meetings attended/ no. of meetings held during the period in which the person concerned held office).
- (\*\*) This column indicates the internal position held on the Board: "C": chair; "M": member.
- (a) Appointed by the Shareholders' Meeting of 4 September 2018, in office from 20 September 2018 to the date of the Shareholders' Meeting approving the separate 2020 financial statements.
- (b) Appointed by the Shareholders' Meeting of 10 September 2019, in office from 10 September 2019 to the date of the Shareholders' Meeting approving the separate 2020 financial statements.
- (c) Appointed by the Shareholders' Meeting of 4 September 2018, in office from 20 September 2018 until 29 December 2020, the effective date of resignation from the position as Director.
- (d) Appointed by the Shareholders' Meeting of 22 April 2020, in office from 22 April 2020 to 29 December 2020, the effective date of resignation from the position as Director.

- (e) Director co-opted onto the Issuer's Board of Directors on 10 February 2021, in office until the date of the Shareholders' Meeting approving the separate financial statements for the year ended 31 December 2020. The Directors were appointed as a result of the resignation of Messrs. Giancarlo Bruno and Luca Rovati, which took effect on 29 December 2020.
- (f) Appointed by the Shareholders' Meeting of 4 September 2018, in office from 20 September 2018 until the Shareholders' Meeting of 22 April 2020, the date on which the resignation from the position as Director took effect.
- (g) Took the Chair of the Committee in accordance with the Board resolution of 22 April 2020.
- (h) Member of the Committee by way of the resolution of 10 February 2021. Replaced the resigning Luca Rovati as regards the Appointments Committee and the resigning Giancarlo Bruno as regards the Remuneration Committee and the Committee for Transactions with Related Parties and Associated Persons.
- (i) Member of the Committee by way of the resolution of 10 February 2021. Replaced the Chair Rosalba Casiraghi.
- (j) Former member of the Committee, took the position as Chair by way of the Board resolution of 10 February 2021, following the resignation of the Director Giancarlo Bruno.
- (k) Appointed by way of the Board resolution of 10 February 2021, following the resignation of the Director Giancarlo Bruno.
- (l) In order to adjust the composition of the Remuneration Committee to the provisions of Recommendations nos. 7 and 26 of the new CG Code, the Board Chair, Rosalba Casiraghi, handed in her resignation as member of that Committee at the Board meeting of 10 February 2021.

**TABLE 2: Structure of the Board of Statutory Auditors**

Board of Statutory Auditors									
Office held	Member's name	Date of birth	Date first appointed *	In office since	In office until	List**	Indep. Code / TUF	Attendance at Board meetings ***	No. of other positions ****
Chair	Riva Ernesto	1945	18/01/2019	18/01/2019	(a)	M	X	27/27	0
Standing auditor	Caringi Stefano	1944	24/05/2018	18/01/2019	(a)	M	X	27/27	0
Standing auditor	Fontana Nadia	1961	18/01/2019	18/01/2019	(a)	M	X	26/27	10
Alternate auditor	Foglia Taverna Riccardo	1966	18/01/2019	18/01/2019	(a)	M	X	0/27	26
Alternate auditor	Zeme Michela	1969	18/01/2019	18/01/2019	(a)	M	X	0/27	21
Number of meetings held during the year: 27									

**NOTES**

\* For each Statutory Auditor the first date appointed means the date on which the Statutory Auditor was appointed for the very first time to the Issuer's Board of Statutory Auditors.

\*\* This column identifies the list from which each Statutory Auditor was taken ("M": majority list; "m": minority list; "BoD": list submitted by the BoD).

\*\*\* This column contains details of the attendance of the Statutory Auditors at the meetings of the Board of Statutory Auditors (the number of meetings attended over the number of meetings which he or she could have attended, e.g. 6/8, 8/8, etc.). Attendance at meetings called from the date of appointment to the date of this Report is given for the Board of Statutory Auditors currently in office.

\*\*\*\* This column indicates the number of positions as Director or Statutory Auditor (standing/alternate) held by the person concerned pursuant to article 148-bis of the TUF and the relative implementation provisions contained in the Consob Issuers' Regulation. A complete list of positions held is published by Consob on its website pursuant to article 144-quinquiesdecies of the Consob Issuers' Regulation.

(a) Shareholders' Meeting approving the separate 2020 financial statements.

**TABLE 3: Positions held by the Issuer's Directors in other companies listed on regulated markets, in financial, banking or insurance companies or in companies of a significant size**

	LIST OF POSITIONS HELD	Company belonging to the illimity Bank S.p.A. Group	
		YES	NO
<b>ROSALBA CASIRAGHI</b> Chair	Chair of the Board of the Statutory Auditors of ENI S.p.A.		X
	Statutory Auditor of SOCIETA' PER AZIONI ESERCIZI AEROPORTUALI SEA		X
	Statutory Auditor of WHIRPOOL EMEA S.p.A.		X
	Chair of the Board of the Statutory Auditors of DAPHNE 3 S.p.A.		X
	Director of the LUISA SPAGNOLI S.p.A. Group		X
	Director of AUTOGRILL S.p.A.		X
<b>CORRADO PASSERA</b> Chief Executive Officer	Sole Director of METIS S.p.A.		X
	Chief Executive Officer of TETIS S.p.A.		X
<b>MASSIMO BRAMBILLA</b> Director	Chair of the Board of Directors of TETIS S.p.A.		X
<b>GIANCARLO BRUNO</b> Director (no longer in office)	-		
<b>ELENA CIALLIE'</b> Director	Executive Director in UK Government Investments Ltd.		X
<b>SIGIERI DIAZ DELLA VITTORIA PALLAVICINI</b> Director (no longer in office)	Director of FIDIM S.r.l.		X
	Director of HOLDING IMMOBILIARE PALLAVICINI S.p.A.		X
	Chief Executive Officer and Chair of the Board of Directors of SDP FIDUCIARIA S.r.l.		X
	Chair of the Board of Directors of ARMONIA HOLDING S.r.l.		X
	Deputy Chair of the Board of Directors of ATLANTICA REAL ESTATE S.r.l.		X
	Chair of the Board of Directors of ARMONIA SGR S.p.A.		X
	Director of SDP HOLDING DI PARTECIPAZIONI S.r.l.		X
	Director of SDP REAL ESTATE S.r.l.		X
<b>PAOLA ELISABETTA MARIA GALBIATI</b> Director	Director of UNIEURO S.p.A.		X

<b>ALESSANDRO GENNARI</b> Director	Director of CONSULTINVEST S.p.A.		X
<b>MARTIN NGOMBWA</b> Director	Director of PANMURE GORDON GROUP Ltd.		X
<b>LUCA ROVATI</b> Director (no longer in office)	Chair of the Board of Directors of BIODUE S.p.A.		X
	Chair of the Board of Directors of RRL IMMOBILIARE S.p.A.		X
	Deputy Chair of the Board of Directors of FIDIM S.r.l.		X
	Chair of the Board of Directors of FIDIM SERVIZI S.r.l.		X
	Deputy Chair of the Board of Directors of ATLANTICA PROPERTIES S.p.A.		X
	Director of CAMFIN S.p.A.		X
	Director of ARMONIA HOLDING S.r.l.		X
	Chair of the Board of Directors of ARMONIA SGR S.p.A.		X
<b>MAURIZIA SQUINZI</b> Director	Director of MAIRE TECNIMONT S.p.A.		X
<b>MARCELLO VALENTI</b> Director	Statutory Auditor of FLORENCE GROUP S.p.A.		X
	Statutory Auditor of FLORENCE S.p.A.		X