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**POLICY ON INTERNAL CONTROLS ADOPTED BY BFF BANKING  
GROUP FOR THE MANAGEMENT OF CONFLICTS OF INTEREST**

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## Art. 1. - INTRODUCTION

1. This Policy (as defined below) has been drafted in accordance with the provisions of:

- Part Three of Circular 285 (as defined below);
- Articles 2391 and 2391-bis of the Italian Civil Code, in the matter of interests of directors and related-party transactions;
- Consob Regulation;
- the TUB;
- the TUF;
- the Corporate Governance Code;
- the RPT Regulation, which forms an integral part of the Policy, available on the website of the Parent Company (as defined below),

for the purpose of correctly managing, in observance of the sound and prudent management principle, Transactions with Associated Persons and Consob Related Parties, as well as of preventing conflicts of interests (including potential ones) concerning the relations in place with said persons. The internal controls adopted to mitigate the risks associated with said activities also include the RPT Committee Regulation governing the composition and functioning rules of the same Committee, which was set up pursuant to the Bank of Italy Rules and Consob Regulation.

2. This Policy is subject to review at least every three years by the Board of Directors of the Bank, also as Parent Company, in consultation with the Board of Statutory Auditor, and is communicated to shareholders and the market by means of publication on the Bank's website.

## Art. 2. - DEFINITIONS

<b>Chief Executive Officer:</b>	the "body with management functions" of the Parent Company. The director to whom, pursuant to the Italian Civil Code, the Board of Directors of the Parent Company delegates the day-to-day management
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	tasks, i.e. the implementation of the policies approved by the Board in the exercise of its strategic supervisory function.
<b>Independent Directors:</b>	the Bank directors meeting the independence requirements as set forth in the Articles of Association, who are not counterparties or Associated Persons or have interests in the transaction pursuant to art. 2391 of the Italian Civil Code.
<b>Shareholders' Meeting:</b>	the shareholders' meeting of the Bank.
<b>Bank or Parent Company or Company:</b>	BFF Bank S.p.A., parent company of the BFF Banking Group.
<b>Borsa:</b>	Borsa Italiana S.p.A.
<b>Circular 285 or Supervisory Provisions for Banks:</b>	the Bank of Italy Circular no. 285 of 17 December 2013 and its subsequent updates.
<b>Corporate Governance Code</b>	the Corporate Governance Code of listed companies approved by the Corporate Governance Committee set up by Business Associations (ABI, ANIA, Assonime, Confindustria), Borsa and the Association of Professional Investors (Assogestioni) in January 2020.
<b>Board of Statutory Auditors:</b>	the Parent Company's body with " <i>control functions</i> " which monitors compliance with legal, regulatory and statutory provisions, correct administration and adequacy of the organisational and accounting structure of the Bank, also at Group level.
<b>RPT Committee:</b>	the committee for the assessment of transactions with related parties and associated persons.
<b>Market Equivalent or Standard Terms:</b>	conditions analogous to those usually applied to unrelated parties for transactions of corresponding nature, size and risk, or based on regulated fees or mandatory prices, or applied to persons with whom the Bank (or companies directly and/or indirectly controlled thereby) is bound by law to contract at a specific price.

<b>Board of Directors or Board:</b>	the Parent Company's body with " <i>strategic supervision functions</i> " which is entrusted with management functions, through, <i>inter alia</i> , the review of and resolution upon industrial or financial plans and strategic transactions pursuing its own Sustainable Success.
<b>Consob:</b>	the Commissione Nazionale per le Società e la Borsa.
<b>Depositary:</b>	the person to whom the assets of the collective investment undertaking and/or pension fund are entrusted in accordance with the provisions of the applicable legislation. In particular, the Depositary performs the custody obligations of the financial instruments entrusted thereto, the verification of their ownership, the recordkeeping of the other assets. It holds, unless entrusted to other persons, the liquidity of collective investment undertakings.
<b>Subsidiary(ies):</b>	Italian or foreign companies, belonging to the Group and directly or indirectly subject to the direction and coordination activity of the Parent Company.
<b>CRR:</b>	the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.
<b>Financial Reporting Officer:</b>	the officer in charge of drafting accounting and corporate documents as per art. 154-bis of the TUF
<b>Bank of Italy Rules:</b>	the regime on " <i>Risk Assets and conflicts of interest towards associated persons</i> " as per Part Three, Title V, Chapter 11, of Circular no. 285.
<b>Informative Document:</b>	The document setting out information relating to Transactions of Greater Relevance entered into with

	Consob Related Parties, as approved by the members of deliberative bodies pursuant to Consob Regulation.
<b><i>Independent Expert:</i></b>	the natural or legal person meeting the professionalism, integrity and independence requirements imposed by the nature of the mandate granted. The existence of the independence requisite is verified by the person granting the mandate, having regards, in particular, to the possible economic, financial and capital relations between the expert and: (i) the Company; (ii) the entity controlling the Company; (iii) Company subsidiaries or affiliates or companies subject to common control with the Company; (iv) directors of the companies under aforementioned items (i) (ii), and is confirmed by a declaration issued by the expert upon granting of the mandate.
<b><i>Company Representatives:</i></b>	persons discharging administrative, direction and control functions in the Bank or its Subsidiaries. The definition includes, in particular, directors and statutory auditors in the traditional administration control system and a person carrying out duties equivalent to that of general manager.
<b><i>Own funds:</i></b>	the sum of Tier 1 and Tier 2 capital, as defined for the purposes of the risk concentration framework in Part 2 of the CRR.
<b><i>Corporate Functions:</i></b>	the set of tasks and responsibilities assigned to carry out a specific phase of the company's business.
<b><i>Compliance &amp; AML Function:</i></b>	the Corporate Function responsible for verifying compliance with the regulations assigned to the Compliance & AML Function of the Parent Company.
<b><i>Internal Audit Function:</i></b>	the Corporate Function attributed to the Internal Audit Function of the Parent Company.

<b><i>Risk Management Function:</i></b>	the Corporate Function of risk management attributed to the Risk Management Function of the Parent Company.
<b><i>Control Functions of the Parent Company:</i></b>	collectively, the Compliance & AML Function, the Risk Management Function, the Internal Audit Function of the Parent Company and other structures discharging control functions within the Parent Company, i.e. the set of company's functions that, by virtue of legislative, statutory, regulatory or self-regulatory provisions, discharge control functions within the Parent Company.
<b><i>Group:</i></b>	collectively, the Bank and its Subsidiaries.
<b><i>CRR Group:</i></b>	collectively the Group and its holding company pursuant to art. 12 of the CRR.
<b><i>Supervised Intermediaries:</i></b>	Financial intermediaries, EU investment companies, third-country companies other than banks, Italian and foreign asset management companies, Electronic Money Institutions (EMI), financial intermediaries enrolled with the register provided for by art. 106 of the TUB, payment Institutions, belonging to a banking group and whose Own Funds at an individual level exceed 2% of the Own Funds at consolidated level of the banking group to which they belong.
<b><i>Transactions with Consob Related-Parties:</i></b>	transactions with Related Parties pursuant to Consob Regulation.
<b><i>Transaction with Associated Persons:</i></b>	transactions with Associated Persons pursuant to the Bank of Italy Rules.
<b><i>Transactions of Negligible Value:</i></b>	transactions with unitary amount or counter value not exceeding Euro 250,000.00 if carried out with a legal entity, and 50,000.00 euros if carried out with a natural person.

<p><b>Transactions of Greater Relevance:</b></p>	<p>Transactions in which at least one of the following relevance indexes, applicable depending on the specific transaction, exceeds the 5% threshold:</p> <p>a) Value amount materiality index: this is the ratio of the Transaction value amount to the equity drawn from the most recent consolidated balance sheet published by the Parent Company. If the economic conditions of the Transaction are determined, the value of the Transaction is: (i) for the cash components, the amount paid to/by the contractual counterparty; (ii) for the components consisting of financial instruments, the fair value determined, as at the Transaction date, in compliance with the international accounting standards adopted by EC Regulation no. 1606/2002; (iii) for financing transactions or granting of guarantees, the maximum amount payable.</p> <p>If the economic conditions of the Transaction depend in whole or in part on amounts that are not yet known, the Transaction countervalue is the maximum value receivable or payable under the agreement. In the case of multi-year services remunerated with commissions/fees, the countervalue is the present value of the commissions/fee.</p> <p>b) Asset materiality ratio: this is the ratio of the total assets of the entity involved in the Transaction to the total consolidated assets of the Bank. The data to be used must be taken from the most recent consolidated balance sheet published by the Bank; where possible, similar data must be used to</p>
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	<p>determine the total assets of the entity involved in the Transaction. For transactions concerning the acquisition and disposal of equity investments in companies that have an impact on the scope of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital being disposed of. For transactions involving the acquisition and disposal of equity investments in companies that do not affect the scope of consolidation, the value of the numerator is: (i) in the case of acquisitions, the value of the Transaction plus any liabilities of the acquired company borne by the buyer; (ii) in the case of disposals, the consideration for the asset disposed of. For transactions involving the acquisition and disposal of other assets (other than the acquisition of an equity investment), the value of the numerator is: (i) in the case of acquisitions, the greater of the consideration and the book value that will be attributed to the asset; (ii) in the case of disposals, the book value of the asset.</p> <p>c) Liabilities materiality ratio: this is the ratio between the total liabilities of the acquired entity and the total consolidated assets of the Group. The data to be used must be taken from the most recent consolidated balance sheet published by the Bank; where possible, similar data must be used to determine the total liabilities of the company or business unit acquired.</p> <p>In the event of Transactions which are homogeneous or carried out as part of a single plan, carried out during</p>
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	<p>the financial year with the same counterparty, their value is aggregated for the purposes of calculating the materiality threshold as well as the limits with respect to the Own Funds provided for by the Bank of Italy Rules.</p> <p>All credit-related transactions that, after completion, originate losses, transfer to non-performing, court or out-of-court settlements shall qualify as Transactions of Greater Relevance, regardless of the aforementioned parameters being met.</p>
<b>Transactions of Lower Relevance:</b>	transactions with Consob Related Parties or Associated Persons other than Transactions of Greater Relevance and Transactions of Negligible Amount.
<b>Ordinary Transactions:</b>	Transactions carried out as part of the ordinary exercise of business operations and the connected financial activity of the Bank, entered into at Market Equivalent or Standard Terms. The transaction must meet the following criteria: be carried out as part of the ordinary activity, objective nature of conditions, simplicity of the economic-contractual scheme, low quantitative materiality, type of counterparty.
<b>Corporate Bodies:</b>	collectively, the Board of Directors, the Chief Executive Officer and the Board of Statutory Auditors of the Parent Company.
<b>Bank of Italy Related Parties:</b>	<p>the group of related parties as defined by the Bank of Italy Rules, namely:</p> <ul style="list-style-type: none"> <li>a) Company Representatives of the Bank and, as applicable, other banks or supervised intermediaries belonging to the Group;</li> <li>b) holders of an interest in the Bank (and/or as applicable, in other banks or supervised intermediaries belonging to the Group), the</li> </ul>

	<p>acquisition of which is subject to the authorisation of the Bank of Italy pursuant to art. 19 of the TUB, and whoever exercises the rights associated with art. 19 of the TUB, as well as whoever holds control<sup>1</sup> over the Bank and/or, as applicable, other banks or supervised intermediaries belonging to the Group;</p> <p>c) persons, other than participants capable of appointing alone one or more members of the Board of Directors and/or of other banks or supervised intermediaries belonging to the Group, also based upon arrangements howsoever entered into and/or of statutory clauses having as subject matter or effect the exercise of said rights or powers;</p> <p>d) companies or undertakings also set up in non-corporate form over which the Bank or a company belonging to the Group is capable of exercising control or significant influence.</p>
<p><b>Consob Related Parties:</b></p>	<p>all related parties as defined in the Appendix of the Consob Regulation, or a person or entity related to the entity that prepares the financial statements<sup>2</sup>. In particular:</p>

<sup>1</sup> Pursuant to art. 23 of the TUB, control exists in the cases provided for by art. 2359, subsection 1 and 2, of the Italian Civil Code and by virtue of contracts or statutory clauses having as subject matter or effect the right to exercise the direction and coordination activity. Control is deemed existing in the form of significant influence, save for evidence to the contrary, where one of the following circumstances exist: 1) existence of a person who, on the basis of agreements, has the right to appoint or withdraw the majority of directors or the supervisory board or has alone the majority of votes for the purpose of resolutions relating to the matters set forth under articles 2364 and 2364-bis of the Italian Civil Code; 2) holding of suitable interests to allow for the appointment or withdrawal of the majority of members of the board of directors or supervisory board; 3) existence of relations, also among shareholders, of financial and organizational nature, suitable to achieve one of the following effects: a) the transfer of profits or losses; b) the coordination of the enterprise management with that of other enterprises for the purpose of pursuing a joint purpose; c) the granting of greater powers than those deriving from interests held; d) the granting, to persons other than those entitled based on interests held, of powers in the selection of directors or supervisory board members or company managers; 4) subjection to common direction, based on the composition of administrative bodies or by virtue of other consistent elements.

<sup>2</sup> This entity means BFF Bank S.p.A..

	<ul style="list-style-type: none"><li>a. a person or close family member of that person are related to an entity that prepares the financial statements if such person:</li><li>b. has control or joint control of the entity that prepares the financial statements;<ul style="list-style-type: none"><li>i) has a significant influence over the entity that prepares the financial statements; or</li><li>ii) is an executive with strategic responsibilities of the entity that prepares the financial statements or its controlling entity;</li></ul></li><li>c. An entity is related to an entity that prepares the financial statements if any of the following conditions apply:<ul style="list-style-type: none"><li>i) the entity and the entity that prepares the financial statements are part of the same group (which means that each controlling, controlled company and group company is related to the others);</li><li>ii) an entity is an associate or joint venture of the other entity (or an associate or joint venture<sup>3</sup> belonging to a group to which the other entity belongs);</li><li>iii) both entities are joint ventures of the same third counterparty;</li><li>iv) an entity is a joint venture of a third entity and the other entity is a related party of the third entity;</li><li>v) the entity is represented by a post-employment benefits plan in the favour of the employees of</li></ul></li></ul>
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<sup>3</sup> An associate includes controlled companies of the associate and a joint venture includes controlled entities of the joint venture. Therefore, for example, a controlled entity of an associate and the investor that has a significant influence over the associate are also related to each other.

	<p>the entity that prepares the financial statements or an entity related to it;</p> <p>vi) the entity is controlled or jointly controlled by a person identified under point (a);</p> <p>vii) a person identified under point (a)(i) has a significant influence over the entity or is one of the executives with strategic responsibilities for the entity (or of its controlling entity);</p> <p>viii) the entity, or any member of a group to which it belongs, provides key management services to the reporting entity or the reporting entity's parent company.</p>
<p><b>Bank of Italy Non-Financial Related Parties:</b></p>	<p>a related party exercising mainly, either directly or through subsidiaries, non-financial enterprise activities as defined in the regime governing permitted shareholdings for banks and banking groups, as per the Supervisory Rules for Banks. In order to have a non-financial related party assets other than banking, financial and insurance ones shall exceed 50% of total assets. The concept also includes the participant and one of Bank of Italy Related Parties as per items c) and d) of the relating definition which is a holding company qualifying as non-financial enterprise pursuant to the aforementioned regime of permitted shareholdings.</p>
<p><b>Policy:</b></p>	<p>the "Internal Audit Policies adopted by the BFF Banking Group for the management of conflicts of interest" referred to herein.</p>
<p><b>RAF:</b></p>	<p>the document, approved by the Board of Directors of the Parent Company, which defines, at Group level, the risk appetite, tolerance thresholds, risk limits, risk management policies, the reference processes necessary to define and implement them, in</p>

	accordance with the maximum risk that may be taken, the business model and the industrial plan.
<b>Regulation of the RPT Committee:</b>	the Regulation of the Committee for the assessment of transactions with Related Parties and Associated Persons as adopted by the Bank.
<b>RPT Regulation:</b>	the " <i>Regulation of BFF Banking Group for the management of conflict of interest transactions</i> " as adopted by the Bank.
<b>Consob Regulation:</b>	the regulation laying down provisions on related-party transactions as adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequent amendments and supplements.
<b>Issuers Regulation:</b>	the regulation adopted with Consob resolution of 14 May 1999, no. 11971 and subsequent updates.
<b>Risk Appetite:</b>	for RAF purposes, the " <i>risk target or risk appetite</i> ", the maximum risk level (overall and per type) that the Bank, also at Group level, intends to take in order to pursue its strategic goals.
<b>Risk Tolerance:</b>	for RAF purposes, the " <i>tolerance threshold</i> ", the maximum permitted deviation from Risk Appetite. The tolerance threshold is set so to ensure to the Bank in any case, also at Group level, sufficient margins to operate, also under stress conditions, within the maximum risk that may be taken. Where risk taking beyond the defined risk target is permitted, without prejudice to compliance with the tolerance threshold, the managerial actions necessary to bring the risk taken back within the target set are identified.
<b>Corporate Affairs Secretary:</b>	the organisational unit of the Parent Company which manages the corporate obligations required by law and by the Group's internal regulations.

<b>Unrelated Shareholders:</b>	persons entitled to voting right other than the counterparty of a specific transaction, his Consob Related Parties or Associated Persons, as well as Consob Related Parties and Associated Persons of the Bank.
<b>Associated Persons:</b>	the group of persons represented by Bank of Italy Related Parties (also Bank of Italy Non-Financial Related Parties) and Connected Persons.
<b>Connected Persons:</b>	<p>pursuant to the Bank of Italy Rules, the following are persons connected to the Bank of Italy Related Parties:</p> <ul style="list-style-type: none"> <li>- companies and undertakings also set up in non-corporate form controlled by a Bank of Italy Related Party;</li> <li>- persons controlling a Bank of Italy Related Party among those listed under items b) and c) of the definition of Bank of Italy Related Parties or persons subject, either directly or indirectly, to common control with the same Bank of Italy Related Party;</li> <li>- Close Family of a Bank of Italy Related Party and companies or undertakings controlled thereby.</li> </ul>
<b>By-Laws:</b>	the Bank's Corporate By-Laws.
<b>Consolidated Banking Act or TUB:</b>	the Consolidated Law on banking and credit as per Legislative Decree no. 385 of 1 September 1993, and subsequent amendments.
<b>Consolidated Financial Act or TUF:</b>	the Consolidated Law on financial intermediation as per Legislative Decree no. 58 of 24 February 1998, and subsequent amendments.

### Art. 3. - APPROVAL PROCESS

1. The approval process for the Policy is as follows:
  - a) verification of the Policy compliance with the legislation in force, by the Compliance & AML Function;

- b) review by the RPT Committee, which issues an analytic and reasoned opinion on the overall suitability of the Policy to achieve the objectives for which it has been drawn up, as better detailed below;
- c) review by the Board of Statutory Auditors, which issues an analytic and reasoned opinion on the Policy overall suitability to achieve the objectives for which it has been drawn up, as better detailed below;
- d) Policy approval by the Board of Directors of the Parent Company, after having obtained the opinions under the above items;

The Policy is communicated to the Shareholders' Meeting and the public by means of publication on the Bank's website, without prejudice to the obligation to disclose it in its annual management report, by reference to the website section where the Policy is published.

- 2. The Policy is kept available to the Bank of Italy.

#### **Art. 4. - GOALS**

1. Solutions that may be actually adopted in the matter of management of conflicts of interest shall be adequate to the Group characteristics and strategies, and shall prove effective in relation to the goal of compliance with the applicable regime and prevention and management of conflicts of interest.

2. The Policy aims at setting the guidelines to ensure that the organisational structure of the Group and the controls system guarantee the ongoing compliance with the prudential limits and the deliberative procedures set by the legislation referred to in the introduction.

3. To this end, the Policy governs the control processes aiming at guaranteeing the correct measurement, monitoring and management of the risks taken by the Group towards Associated Persons and Consob Related Parties, as well as verifying the correct design and actual application of internal policies, identifying the roles and responsibilities on the side of the Corporate Bodies, the Control Functions and the RPT Committee.

4. In particular, the Policy aims at:

- i) identifying, in respect of the Bank's and the Group's operational characteristics and strategies, the business sectors and types of economic relationships, also other than those involving the taking of risk assets, in connection with which conflicts of interest may arise;



- ii) set risk appetite levels consistent with the strategic profile and the organisational characteristics of the Bank and the Group, also in terms of maximum size of risk assets towards Associated Persons deemed acceptable in relation to Own Funds at a consolidated level, with reference to all major exposures to all Associated Persons;
- iii) set up and govern organisational processes suitable to: a) identify and register in full Associated Persons and Consob Related Parties and identify and quantify the relating transactions in every stage of the relationship; b) ensure the correct measurement and management of risks taken towards the same Associated Persons and Consob Related Parties and verify the correct design and actual application of internal policies.

**Art. 5. - SCOPE OF APPLICATION AND ALLOCATION OF RESPONSIBILITIES BETWEEN PARENT COMPANY AND SUBSIDIARIES**

1. The Bank, as Parent Company, provides Subsidiaries with the necessary guidelines to ensure consistency of the choices made, and supervises at consolidated level the risk management process of activities in conflict of interest outstanding with Associated Persons and Consob Related Parties and, verifying compliance with the reference Laws & Regulations and the application of the Group strategic lines.

2. Subsidiaries transpose the general guidelines for the management process of transactions with Associated Persons and Consob Related Parties and the related risk as issued by the Parent Company and formalized in the Policy, submitting the latter to the approval of their competent Corporate Bodies, with consequent commitment of the same Subsidiaries to comply with the Policy provisions, taken into account the applicable local legal and regulatory regime.

3. Subsidiaries must promptly activate, after the approval of the competent Corporate Bodies, the necessary activities aiming at implementing the Policy. In particular, they:

- identify a reference person, with interface and coordination functions in the relations with the Parent Company and in the management of Transactions with Associated Persons and Consob Related Parties, and implement the necessary systems to monitor transactions with Associated Persons and Consob Related Parties, the list of which is made available by the B.U. Corporate Affairs Secretary;
- through the B.U. Corporate Affairs Secretary, involve, where required, the RPT

Committee, for the purpose of acquiring the prior and reasoned (not binding) opinion on Transactions with Associated Persons and Consob Related Parties, in compliance with the deliberative procedures provided for by the RPT Regulation;

- illustrate in the deliberative phases provided for by the RPT Regulation the information relating to Transactions with Associated Persons and Consob Related Parties, highlighting the interest of the Subsidiary in the entering into of the transaction, the economic convenience and the indication of the reasons for possible deviations, in terms of economic-contractual conditions and other profiles typical for the transaction, from standard or market ones;
- prepare internal information flows for the Parent Company, as provided for by subsequent art. 10.

#### **Art. 6. - IDENTIFICATION OF THE CONFLICT OF INTEREST RISK**

1. The conflict of interest risk is constituted by the possibility that the proximity, if any, of certain persons (Associated Persons and Consob Related Parties) to the Bank's decision making centres may compromise the objectivity and impartiality of decisions relating to transactions with the same persons, with possible distortions in the resource allocation process, Bank exposure to non-adequately measured or monitored risks, potential damages to shareholders and stakeholders. This also in order to comply with the prudential limits defined in the Bank of Italy Rules on Own Funds at a consolidated level.

2. In relation to its own strategies and operational characteristics, the Group identifies the business sectors and types of economic relationships – even other than those involving the taking of risk assets – in the context of which conflict of interest situations may arise, among which, without limitation:

- the granting of loans and financial services;
- fundraising transactions;
- provision of goods and services, including the acquisition of proprietary real estates;
- mergers/acquisitions and every other extraordinary transaction;
- in the context of dealing on own account activity:
  - acquiring financial instruments issued by issuers with an equity interest in the Bank itself or by issuers in which a director or an own shareholder is a major shareholder;

- receiving listing proposals from clients/external counterparties, in relation to the same instruments it owns and on which it could trade;
- in the context of the management of the reception and transmission of orders service:
  - transmitting orders to a dealer who may provide the Bank itself with non-monetary services, such as investment research and analyses, financial information services, IT services and facilities;
  - transmitting or executing orders, on behalf of clients, on a financial instrument owned by the Bank;
- in the context of financial analysis activities and other forms of general recommendation concerning transactions in financial instruments:
  - financial analyses and other forms of general recommendation may include financial instruments included in the Bank's proprietary portfolio, undermining the reliability and independence of the analyses performed;
- in the context of preparing financial analyses and other forms of general recommendation, it could recommend financial instruments issued and offered by companies with an equity interest in the Bank itself or by companies in which a director or an own shareholder is a major shareholder;
- in the context of the Depositary activities, the Bank also performs assignments on behalf of pension funds and asset management companies such as:
  - depositary of Pension Funds and UCITS;
  - Outsourced Net Asset Value calculation;
  - Outsourced Transfer Agent;
  - management of the accounts of pension fund subscribers, control of UCITS legal and regulatory limits, collateral management, etc.;
  - intermediary for the trading of financial instruments;
  - foreign exchange transactions and REPOs.

#### **Art. 7. - DETERMINATION OF RISK APPETITE LEVELS**

1. The Group, consistently with its own strategic profile and taken also into account its organisational structure (shareholding structure, legal form and operational specialisation),

adopts a general strategy for managing conflicts of interest towards Associated Persons and Consob Related Parties characterized by a low risk appetite.

2. In line with the approach under the point 1 above, the Bank defined within the RAF low prudential limits for risk assets on an individual and consolidated level towards Associated Persons and Consob Related Parties, in terms of maximum size deemed acceptable and in relation to consolidated Own Funds, with reference to total exposures towards all Associated Persons and Consob Related Parties.

3. Assets towards Associated Persons and Consob Related Parties shall be kept within the limits – percentage indicators – defined in the RAF in terms of thresholds of Risk Appetite and Risk Tolerance.

4. Should the Group adopt instruments of Credit Risk Mitigation (CRM), the Board of Directors shall determine the circumstances under which the taking of new risk assets shall be supported by adequate risk mitigation techniques, having regards to the amount of said assets in relation to consolidated Own Funds, the frequency of transactions, the nature of the Associated Person and the Consob Related Party's 's connection with the Bank or the Group. Said risk mitigation techniques shall be conducted by persons unrelated to the Associated Persons and the Consob Related Parties.

5. The **Board of Directors** is the competent body to define, approve and review the risk management policies, as well as the guidelines for their application.

6. In particular, in accordance with the applicable provisions of law and regulations, the Board of Directors:

- while defining the overall governance and organizational structure of the Bank, including at Group level, ensures the clear distinction of duties and functions, as well as the prevention of conflicts of interest. Decision-making processes and the entrustment of functions to the staff are formalised and allow the univocal identification of tasks and responsibilities in such a way as to prevent conflicts of interest;
- establishes the management policies of the risk of conflicts of interest and the modalities through which the same is detected and assessed, and, having heard the opinion of the Board of Statutory Auditors and RPT Committee, approves the RPT Regulation (and its amendments and supplements) and the Policy, which are periodically reviewed, for the purpose of ensuring the effectiveness and validity thereof, also taken into account the evolution of the Group business;

- periodically acquires the information under art. 10;
- approves – having heard the opinion of the Board of Statutory Auditors (as provided for in art. 9 below) the remedial plan proposed by the Chief Executive Officer, where the exposure to Associated Persons exceeds one or more supervisory limits.

7. The **Chief Executive Officer**, in compliance with applicable provisions of law and regulations, sets the responsibilities of the entities and Company's Functions involved in the risk management process, so that the relating duties are clearly assigned and potential conflicts of interest (even if potential) are prevented. It also ensures that "relevant activities" are managed by qualified staff, an appropriate degree of independence of judgement and possession of experience and knowledge, having regard to the tasks to be carried out.

#### **Art. 8. - MONITORING OF CONFLICT OF INTEREST RISK**

1. The Bank sets up and governs organisational processes and control systems based on operational procedures for the prevention (or, where not possible, mitigation), monitoring and correct management of conflicts of interest that may arise in the relations with Associated Persons and Consob Related Parties.

##### **ART. 8.1 - IDENTIFICATION AND REGISTRATION OF ASSOCIATED PERSONS AND CONSOB RELATED PARTIES - IDENTIFICATION AND QUANTIFICATION OF THE RELATING TRANSACTIONS IN EVERY PHASE OF THE RELATIONSHIP**

1. Associated Persons and Consob Related Parties shall provide the Bank with the information necessary to allow their precise identification and that of their Connected Persons, promptly report any subsequent variation. They also provide the information useful for quantifying the transactions that concern them at every stage of the relationship.

2. At Group level, the Bank adopted IT systems suitable to (i) register Consob Related Parties Associated Persons as early as from the beginning of the relationship, (ii) providing up-to-date information on them, (iii) record the relating movements and monitor the performance and (iv) overall amount of the relating risk assets, taking also into account the updated value of risk mitigation techniques possibly assisting transactions. The system adopted ensures that the Parent Company is able to constantly verify compliance with the consolidated limit of risk assets towards Associated Persons.

3. The Bank entrusted:

- a) the B.U. Corporate Affairs Secretary of the Bank, to identify and register the Consob

Related Parties and Associated Persons at Group level in full;

- b) the Corporate Function or Subsidiary involved in the transaction and, for loans, the B.U. Credit Evaluation of the Parent Company, the duty to identify, with the help of the B.U. Corporate Affairs Secretary, the relationships outstanding between the Company counterparties, and between those and the Bank, or between the Parent Company and the other Group companies, from which the qualification of a counterparty as Consob Related Party or Associated Person may derive.

#### **ART. 8.2 - MONITORING OF CORRECT MEASUREMENT AND MANAGEMENT OF RISKS TAKEN TOWARDS ASSOCIATED PERSONS**

1. The Bank set up and governed control systems suitable to guarantee the correct measurement and management of risks taken towards Associated Persons and Consob Related Parties as well as to verify the correct design and actual application of the Policy and the RPT Regulation.

2. Specifically:

- i) the **Risk Management Function**: takes care of measuring risks underlying the relationships with Associated Persons and Consob Related Parties and verifies compliance with the limits provided for by the RPT Regulation;
- ii) the **Compliance & AML Function**: verifies the existence and reliability over time of procedures and systems suitable to ensure compliance with legislative requirements and those determined by internal rules, requesting, where necessary, the amendment/supplement of processes in place. To this end it is involved in the prevention and support of management of conflicts of interest, both among the various activities carried out by the Group, and with reference to employees and Company Representatives;
- iii) the **Internal Audit Function** verifies, at least annually, compliance with internal policies and promptly reports to the Board of Statutory Auditors any anomalies. It reports to the Corporate Bodies on the Bank's and the Group's overall exposure to risks arising from transactions or other activities with Associated Persons and Consob Related Parties, and if the case, suggests reviews to internal policies and organisational and control structures deemed suitable to enhance the monitoring of said risks;

- iv) the **RPT Committee** carries out an assessment, support and proactive role with regard to organisation and running of internal controls on the overall risk taking and management activity towards Associated Persons Consob and Related Parties, as well as for the general verification of the activity consistency with the strategic and managerial guidelines. The Committee also verifies the correct application of the exemption conditions envisaged by Consob regulations with reference to Greater Relevance Transactions.

#### **Art. 9. - RISK MITIGATION**

1. At Group level, the Bank in line with the low risk appetite that characterizes it, mitigated the risk of conflicts of interest by adopting a set of mitigation tools and techniques.
2. In particular, by adopting the RPT Regulation, the Bank, again at Group level:
  - i) defines deliberative procedures on transactions with Associated Persons and Consob Related Parties, supplementing prudential limits, in order to preserve the integrity of the decision-making process, assigning a relevant role to Independent Directors, some of whom are members of the RPT Committee, which is involved in the pre-resolution phase, and is called to provide a reasoned opinion in the context of the resolution. Pursuant to the Regulation of the RPT Committee, the Committee is comprised of three Independent Directors, who are involved in cases of Transactions of Greater Relevance or falling under the shareholders' meeting competence as early as from the negotiation and preliminary investigation phase, by way of receiving a complete, timely and up-to-date information flow, and with the right to ask for information from and express observations to the delegated bodies and the persons leading the negotiations and /or preliminary investigations;
  - ii) applies deliberative procedures to any transaction with Consob Related Parties or Associated Persons, without prejudice to the exemptions and derogations expressly provided for in the RPT Regulation;
  - iii) adopts prudential limits for the taking of risk assets towards Associated Persons, in compliance with Bank of Italy Rules. In case the aforementioned limits are exceeded, the Chief Executive Officer proposes – within 45 days of the limit been exceeded – a remedial plan and submits it, having heard the Board of Statutory Auditors, to the approval of the Board of Directors. Said plan is transmitted from the B.U. Corporate Affairs Secretary to

the Bank of Italy within 20 days of the approval, together with the minutes containing the resolutions of the Corporate Bodies.

In case the exceeding of limits concerns a Bank of Italy Related Party by virtue of the interest held in the Parent Company, administrative rights associated with that interest are suspended. The Parent Company assesses legal, reputational or of conflicts of interest risks, associated with operations towards Associated Persons, where relevant for the company's operations, in the context of the risk assessment internal process.

## **Art. 10. - DISCLOSURE**

### **ART. 10.1 - INTERNAL DISCLOSURE TO CORPORATE BODIES**

1. The B.U. Corporate Affairs Secretary provides Corporate Bodies at least on quarterly basis with a comprehensive disclosure on Transactions entered into with Associated Persons and Consob Related Parties, and on their main features.

### **ART. 10.2 - DISCLOSURE OBLIGATIONS TOWARDS CONSOB**

#### ***Art. 10.2.1 - Transactions of Greater Relevance***

1. After the approval of a Transaction of Greater Relevance with Consob Related Parties (and, accordingly, with the exclusion of transactions with persons qualifying as Associated Persons but not Related Parties), the Bank prepares the Informative Document in accordance with the provisions of Consob Regulation<sup>4</sup>.

2. The Informative Document is drawn up by the B.U. Corporate Affairs Secretary in accordance with the Consob Regulation and sets out at least the information specified therein.

3. The Bank procures that the Informative Document is made available to the public, at the registered office, according to the procedures and within the terms set out in the Consob Regulation.

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<sup>4</sup> Pursuant to art. 5 of Consob Regulation, (i) the Informative Document shall be prepared also where, during the financial year, the Bank enters into with the same counterparty more transactions homogeneous among them or realised in execution of one single plan which, if cumulatively assessed, exceed the threshold that identifies Transactions of Greater Relevance (being relevant for this purpose also transactions carried out by Italian or foreign subsidiaries), and (ii) if the threshold is exceeded due to a sum of transactions, the deadline to make available to the public the Informative Document is extended to 15 (fifteen) days lapsing from the transaction which triggered the exceeding of the materiality threshold (of from the time at which the company bound to prepare the document became aware of the transaction or contract which triggers the materiality, in case transactions which triggered the exceeding of the materiality threshold are carried out by subsidiaries).



4. With the same timing provided for the publication of the Informative Document, the Bank makes available to the public, as annex to the same document or on the Bank website, the RPT Committee opinion and the opinions, if any, of Independent Experts<sup>5</sup>. The opinions given by any independent experts who may have been used by the Board of Directors must also be attached to the Informative Document.

5. The Informative Document and the above opinions are further transmitted by the Investor Relator to Consob contextually with the dissemination to the public.

6. In the intermit management report and in the annual management report, the Bank provides information on:

- i) the single Transactions of Greater Relevance entered into in the reference period;
- ii) the other, if any, single transactions with related parties which had a relevant impact on the Bank's capital condition or results;
- iii) on any amendment or development of transactions with related parties, as described in the latest annual report, which had a relevant impact on the Bank's capital condition or results in the reference period.

***Art. 10.2.2. - Transactions of Lower Relevance***

1. The B.U. Corporate Affairs Secretary transmits to the Financial Reporting Officer every useful element in its hands, in order for him to include, in the intermit management report and the annual management report, appropriate disclosure: i) on the single transactions with Consob Related Parties which had a relevant impact on the Group's capital condition or results and ii) on any amendment or development of transactions with Consob Related Parties, as described in the latest annual report, which had a relevant impact on the Bank's capital condition or results in the reference period.

2. Without prejudice to the provisions of art. 114, subsection 1, of the TUF, within fifteen days of the closing of each financial year quarter, the Bank makes available to the public, at the registered office and with the modalities set out in the Issuers Regulation, a document setting out the indication of the counterparty, purpose and consideration of any Transactions

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<sup>5</sup> With reference to the opinions of the Independent Experts, the Bank publishes only the elements indicated in Annex 4 of the Consob Regulations, providing details of the reasons for this choice.

of Lower Relevance approved in the reference quarter in case of a negative opinion of the RPT Committee (which also need to be annexed to the document), as well as of the reasons why this opinion was disregarded.

***Art. 10.2.3. - Transactions entered into at Market Equivalent Terms – simplification of disclosure obligations***

1. For ordinary transactions of Greater Relevance entered into at Market Equivalent or Standard Terms, without prejudice to the communications under artt. 154-ter and 114, subsection 1, of the TUF, and by way of derogation to the publication obligations provided for Transactions of Greater Relevance, the Company shall:

- notify Consob, within the deadline specified in art. 5, subsection 3 of Consob Regulation on the counterparty, purpose and consideration of transactions which benefited from the exclusion, and the reasons why it is considered that the transaction is routine and concluded at arm's length or standard conditions, providing objective evidence of such;
- provide a disclosure in the interim management report and annual management report, on the aforementioned transactions.

***Art. 10.2.4. - Disclosure obligations pursuant to art. 6 of Consob Regulation***

1. Pursuant to art. 6 of Consob Regulation, if a Transaction with Consob Related Parties is also subject to the disclosure obligations pursuant to art. 17, of the (EU) Regulation n. 596/2014, the press release to be disseminated to the public shall contain, in addition to other information to be published pursuant to the aforementioned regulation, the following information:

- a description of the transaction;
- indication that the transaction counterparty is a Consob Related Party and description of the nature of the correlation;
- company name or name of the transaction counterparty;
- whether or not the transaction qualifies as Transaction of Greater Relevance and indication of the possible subsequent publication of the Informative Document as per art. 10.2.1;
- the procedure followed or to be followed for the transaction approval and whether or not the Bank availed itself of an exclusion case as provided for in art. 7.5 of the RPT Regulation;

- the possible transaction approval in spite of the negative opinion of the RPT Committee.
  2. On the basis of the information received from the B.U. Affairs Secretary, the Investor Relator assesses the need to fulfil the above formalities.

#### **ART. 10.3 - REPORTING ON ASSOCIATED PERSONS**

1. In implementation of the Bank of Italy Rules, risk assets to Associated Persons are reported by the B.U. Administration & Reporting to the Supervisory Authority on a quarterly basis. The reporting, to be made in the format and manner defined in the specific reporting provisions in force, provides information: a) risk assets, b) transactions, c) Transactions of Greater Relevance, towards Associated Persons.
2. The Corporate Function, each to the extent of competence, are accountable for the correctness of the computation of risk assets and transactions (including Transactions of Greater Relevance) and the relating reporting to the Bank of Italy, as well as for the adequacy of the production and control procedures for said reporting.

#### **ART. 10.4 – DISCLOSURE TO THE CORPORATE BODIES OF THE PARENT COMPANY**

1. The B.U. Corporate Affairs Secretary of the Parent Company, based on the reports released on a competence basis by each Corporate Function and/or Subsidiary involved, submits on a quarterly basis to the RPT Committee and the Board of Directors a report on outstanding transactions – whether or not resolved, single or aggregate – with Associated Persons, having regard to their materiality vis-a-vis the regulations in force, and a report on the significant events that may have affected the perimeter of Associated Persons;
2. Furthermore, on a yearly basis, in the context of the capital adequacy assessment (ICAAP), the Risk Management Function carries out an assessment of the overall level of risk exposure, where relevant.
3. The Internal Audit Function promptly reports to the Board of Statutory Auditors possible anomalies detected while exercising the control activity falling under its competence and shares with the RPT Committee, at least with annual frequency, the findings of the verification activity conducted over compliance with internal policies.