

**GUIDELINES ON THE QUALITATIVE-QUANTITATIVE
COMPOSITION OF THE BOARD OF DIRECTORS:
INDICATIONS FOR SHAREHOLDERS AND THE NEW BOARD
OF DIRECTORS**

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INTRODUCTION

In the light of the forthcoming renewal of the Board of Directors (henceforth also the “**Board**”) of Banca Farmafactoring S.p.A. (the “**Bank**” or “**BFF**”), this document sets out the conditions of the outgoing Board of Directors relative to the qualitative-quantitative of its future Board considered to be optimal for the Bank’s objectives, to guide Shareholders in selecting candidates for the post of Company Director (the “**Guidelines**”).

The aim is to ensure that the composition of the Board of Directors is also adequate in terms of skills, experience, age, gender and international profile, and able to ensure the effective discharge of their responsibilities and the Bank’s sound and prudent management.

These Guidelines take account of the decisions of BFF’s Nomination Committee (the “**Nomination Committee**”) following in-house assessment of the size, composition and operation of its Board for the 2017 financial year (“**In-house assessment**”) and the Nomination Committee’s analysis of the qualitative-quantitative composition deemed optimal for the Bank’s objectives, to be tabled with the General Meeting for renewal of the Board of Directors.

In this sense it should be noted that the 30 November 2017 Board of Directors meeting notified and approved the “*Nomination Committee Report on the in-house assessment of the Board of Directors*”, and on the 22 February 2018 approved these Guidelines.

It is further noted that, for these ends, in 2017 the Bank took on the services of an outside professional.

Of course Shareholders retain their authority for various independent assessments of the best structure for the administrative body, justifying any divergences of candidacy from that indicated by the Board.

1. REFERENCE REGULATORY FRAMEWORK

The following are the provisions applicable in the matter:

- i) Articles 76, 88, 91 and 96 of European Parliament Directive No. 2013/36/EU and of the Council of 26 June 2013 on accessing activity of credit institutions and on prudent supervision of credit institutions and investment companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (“**CRD IV**”);
- ii) Articles 2382, 2387 and 2399 of the Italian Civil Code (the “**c.c.**”);
- iii) Articles 147-*ter*, 147-*quinquies* and 148 of Legislative Decree No. 58 of 24 February 1998, as subsequently amended (the “**TUF**” – Consolidated Financial Act);
- iv) Article 26 of Legislative Decree No. 385 of 1 September 1993, as subsequently amended (the “**TUB**” – Consolidated Banking Act);
- v) Act No. 120 of 12 July 2011 regulating gender quotas in listed Companies’ administrative and supervisory bodies ;
- vi) Article 36 of Act No. 214 of 22 December 2011 banning *interlocking directorships* (the “**Salva Italia Decree**”);
- vii) Ministerial Decree No. 161 of 18 March 1998 of the Treasury Minister on the financial and economic programming, establishing standards for defining the requisites of probity and professionalism of corporate bank officers, and causes of suspension (“**Ministerial Decree No. 161/1998**”);
- viii) Ministerial Decree No. 162 of 30 March 2000 of the Ministry of Justice, applying to members of the Administrative Body pursuant to the reference in Article 147-*quinquies* of the TUF on the standards for defining requisites for probity and professionalism of the Bank’s corporate officers, and the causes of suspension (“**Ministerial Decree No. 162/200**”);
- ix) The “*Bank Supervisory Provisions*” mentioned in Circular No. 285 of 17 December 2013, as subsequently amended (the “**Supervisory Provisions**”);
- x) Articles 1 and 5 of the current Listed Companies Corporate Governance Code, from the *Corporate Governance* Committee created by Borsa Italiana S.p.A. (the “**Corporate Governance Code**”);

Courtesy translation

- xi) *European Banking Authority (“EBA”) guidelines on matters of internal governance (2017);*
- xii) *The joint guidelines of the European Securities and Markets Authority (“ESMA”) and the EBA “Joint ESMA and EBA Guidelines on the assessment of suitability of members of the management body and key function holders” (2017) (the “EBA/ESMA Guidelines”);*
- xiii) *“G20/OECD Principles of Corporate Governance” (2015);*
- xiv) *The BFF Articles of Association available on the Bank’s website at https://www.bankfarmafactoring.it/documents/33221/50115/BFF+Articles+2016+5dic_ITA/73365178-98ea-4fa5-a1c5-eb9581ddb34f (the “Articles”);*
- xv) *The “Board of Directors Regulation” published on the Bank’s website at <https://www.bankfarmafactoring.it/documents/33221/50115/BFF+-+2016-04-28-Regolamento+CdA/d36ec49c-d7d0-4998-9441-4cc1daef7fa9> (the “Regulation”);*
- xvi) *“Draft Ministerial Decree regulating the requisites and criteria for eligibility in the performance of the Bank’s corporate officers, financial intermediaries, credit consortiums, electronic money institutions, payment institutions and deposit guarantee systems pursuant to Articles 26, 110, point 1-bis, 112, point 2, 114-quinquies.3, point 1-bis, 114-undecies, point 1-bis, and 96-bis.3, point 3 of the Legislative Decree of 1 September 1993, No. 385 (TUB)”, posted for consultation by the Ministry of the Economy and Finance, until 22 September 2017 (the “Fit & Proper Decree being issued”).*

2. BANK GOVERNANCE MODEL AND THE STRUCTURE OF THE BOARD OF DIRECTORS

The Bank adopts a traditional governance model with the appointment by the General Meeting of a Board of Directors that, pursuant to Number 14 of the Articles, may comprise members established by the General Meeting numbering not less than **5 (five)** nor more than **13 (thirteen)**.

Pursuant to Number 15 of the Articles, the Board of Directors shall, in the absence of provision for the General Meeting, elect a Chairperson from among its non-executive members who must also have the requisites of independence (as per paragraph 4.3 of the Guidelines), and may elect a Deputy Chairperson from among its non-executive members.

As provided for in Number 16 of its Articles, the Board will designate a CEO from among its members, determining the powers and duration of the appointment.

The Company has created the following in-house Committees whose actions are defined by specific regulations approved by the Board of Directors.

- i) the Nomination Committee;
- ii) the Remuneration Committee (“**Remuneration Committee**”);
- iii) the Control and Risk Committee (the “**CR Committee**”), and
- iv) the Committee to evaluate Transactions with Related Parties and Affiliates (the “**RPT Committee**”).

Pursuant to the Supervisory Provisions, at least **one quarter** of Board of Directors members must meet the requisites of independence. In any event, the number of independent Directors must be appropriate to the size of the Board and the Bank’s activity, ensuring that each **Committee** comprises at least **3 (three) members**, all non-executive and a majority independent, **or all independent** (e.g. the RPT Committee), and not entirely concurrent.

For clarity and solely for the purposes of application of the Supervisory Provisions on Corporate Governance (Part I, Section IV, “*Corporate Governance*”), as issuer of shares listed on the electronic stock market organised and managed by Borsa Italiana S.p.A., the Bank is among those that are largest and operationally most complex.

3. AN ASSESSMENT OF THE OPTIMAL QUANTITATIVE COMPOSITION

As provided for in the Supervisory Provisions, in quantitative terms the number of members of the Board of Directors must be appropriate to the Bank's dimensions and organisational complexity, to effectively oversee management and control of the entire business operation.

The Board of Directors must be large enough to allow for a variety of contributions and to create internal Committees, but may not prove excessive in a manner which limits the incentive of each member to discharge his or her tasks, or impairs organisation and debate.

The presence of a suitable number of non-executive members with clearly defined roles and tasks, effectively fulfilling the function of counterweight to the Bank's executives and management, enhances internal dialogue in the body concerned, particularly when several functions (strategic supervision and management) are assigned to a single corporate body.

Furthermore, each board Committee must as a rule comprise **3 (three) to 5 (five) members**, all non-executive and a majority independent. Committees must be differentiated by at least one member, and a minority-elected member must form part of at least one Committee.

Whereas:

- i) the current Board consists of 10 (ten) members, 5 (five) of them independent as provided for in the TUF and/or the Corporate Governance Code, and
- ii) in-house assessment and analysis of the optimal qualitative-quantitative structure *suggested it was opportune to make the composition of the Board of Directors an uneven number*,

The Board of Directors considers **9 (nine) Directors** or in any case a number closer to the maximum in the Articles to be the optimal quantitative size for the Board of Directors.

This assessment is motivated by the need to guarantee its Board's effective operation, avoiding situations where decision-making is stalled.

To ensure the correct composition of the Committees, and to allow Directors necessary time to participate in each Committees' activity, it is also suggested that Shareholders set **the number of independent Directors at least 4 (four)** including the Board's Chair.

4. THE BOARD OF DIRECTORS' VALUATION OF THE OPTIMAL QUALITATIVE COMPOSITION OF THE BANK'S ADMINISTRATIVE BODY

4.1. General principles

Under the Supervisory Provisions, from a qualitative standpoint, the Board of Directors must:

- be fully aware of the duties and powers inherent to the functions each member must perform (supervision or management function; executive and non-executive functions; independent members, etc.);
- be professionally adequate for the role to be fulfilled, and within the Board's internal Committees, in line with the Bank's operational characteristics and dimensions;
- have skills broadly distributed among all its members and suitably diversified, enabling each Director to contribute effectively both in Committees and in the collective decision-making, and to identify and pursue appropriate strategies to ensure effective governance of risk in all areas of the Bank;
- assign time and resources adequate to the complexity of their tasks, notwithstanding limits on the number of appointments pursuant to CRD IV and the Regulations;
- direct its action to the pursuit of the Bank's overall interests, irrespective of the corporate group that voted for it or their list, operating with independence of judgement.

In particular, the Supervisory Provisions enhance the role of non-executive members who must demonstrate authority and professionalism, to effectively monitor the executive members' decisions. This makes it fundamental for the non-executive Directors to have and demonstrate an adequate awareness of banking business, of the dynamics of the economic-financial system, of banking and financial regulation and, above all, of the methodology of management and risk control, knowledge essential to the effective performance of the tasks assigned to them.

Also under the Supervisory Provisions, independent persons must be appointed to the strategic supervisory body to monitor management of the company, thereby helping to ensure that this is done according to the Company's interests and in line with the aims of sound, prudent management.

4.2. *Probity and propriety*

In line with Ministerial Decree No. 161/1998 and Ministerial Decree No. 162/2000, candidates shall not:

- be in one of the situations of ineligibility or invalidity as provided for in Article 2382 of the c.c.;
- be subject to judicial preventive measures in the terms of Legislative Decree No. 159 of 6 September 2011 (*anti-mafia*) and successive amendments and additions, except for the purposes of rehabilitation;
- have been convicted in an irrevocable ruling, except for the purposes of rehabilitation:
 - a) to prison for an offence committed under the disciplinary provisions on banking, financial and insurance activity and the standards on financial markets and instruments, in tax matters and payment procedures;
 - b) to imprisonment for an offence provided for in Part XI, Book V of the Italian Civil Code and in Royal Decree No. 267 of 16 March 1942;
 - c) to imprisonment for six months or more for an offence against the public administration, public certification, property, public order, the public economy or for a tax offence;
 - d) to imprisonment for one year or more for an offence with criminal intent;
- have been convicted in a final ruling applying the sentence at the parties' request, unless the crime has been extinguished:
 - a) to detention for an offence provided for in the disciplinary standards on banking, financial and insurance activity, and the standards on financial markets and instruments, in tax matters and payment procedures;
 - b) to imprisonment for an offence provided for in Part XI, Book V of the Italian Civil Code and in Royal Decree No. 267 of 16 March 1942;
 - c) to imprisonment for six months or more for an offence against the public administration, public certification, property, public order, the public economy or for a tax offence ;
 - d) to imprisonment for one year or more for an offence with criminal intent;
- have received a criminal conviction or other sanction in foreign countries in cases which would, under Italian law, have led to a loss of the requisites of probity;

- have no decisions, criminal convictions and/or provisions involving application of preventive measures, whether in the record of charges pending and/or in court records, as provided for in the current standards;
- to the best of their knowledge, be the subject of investigations into criminally significant breaches, no penalties and/or corrective measures having been imposed on them by the supervisory authorities (including by way of indication and without limitation, the Bank of Italy, the CONSOB – the Companies and Exchange Commission – and IVASS – the Insurance Supervisory Authority), and the supervisory or other authorities have not initiated inquiries and/or investigations to impose such penalties or measures, or ascertain liability, including of a criminal nature.

Notwithstanding the duty to comply with the above, the EBA/ESMA Guidelines also point to the appropriateness of assessing Directors' reputation and "propriety".

It must for example be considered whether the person involved is (or has been) in a situation which is (or was), albeit potentially, likely to affect their reputation (e.g. non-transparent conduct before the supervisory authority, cessation in positions based on a relationship of trust, etc.), or has behaved in a way which, while not amounting to a crime, appears incompatible with the post of Director or may imply consequences detrimental to the Bank's reputation.

4.3. Independence

As provided for in the Supervisory Provisions, at least one quarter¹ of Board of Directors members must meet the independence requisites. The number of independent Directors must in any event be appropriate to the size of the Board and its activity, ensuring that Committees comprise least 3 (three) members, all non-executive and a majority independent, or all independent (e.g. for the RPT Committee), and not entirely concurrent.

Pursuant to the Regulation, Directors with the independence requisites established in Article 148 point 3 of the TUF, and/or in Article 3 of the Corporate Governance Code are in any event independent.

Solely for the composition of the Board Committees, possession of the independence requisites derives exclusively from Article 3 of the Corporate Governance Code.

¹ In this sense, should this ratio not be a whole number, it is reduced to the next lower number if the decimal point is 5 or less, otherwise it is raised to the next higher whole number.

Notwithstanding the foregoing, the Bank has considered among other things that the Regulation did not exclude the application of the independence requisite to the role of the Chair of the Board of Directors over the previous three financial years.

As mentioned in Section 3, the Board of Directors suggests that the Shareholders identify, for a Board of Directors **with 9 members**, independent Directors numbering **at least 4 (four)** including the Board's Chair, **these 3 independents also pursuant to Article 3 of the Corporate Governance Code contribute to the formation of the Board's Committees.**

Now therefore, the outgoing Board hopes that, in accordance with best practice, **at least half the Directors qualify as independent** under the Articles and the Regulation (*sub* Annex "A").

In any case, the Board considers that all its members – executive and non-executive – must act with independent judgement, and so asks for attention to be drawn to situations which may create **conflicts of interests** and potentially impair Directors' independence of judgement.

The Board trusts that no-one in a situation of incompatibility will be appointed Director, along with those coming within the prohibition on *interlocking* under Article 36 of the *Salva Italia* Decree, as further indicated in paragraph 4.9 of these Guidelines.

The Board also recommends that candidates should not be in one of the situations considered in Article 2390 of the c.c. (as an unlimited liability shareholder or director or general manager in companies competing with BFF or, on their own behalf or for third parties, engaging in activity competing with that of the Bank).

4.4. Professionalism and competence

Under Ministerial Decree No. 161/1998, Directors must be selected according to criteria of professionalism and competence from people with overall experience of at least three years in the following fields:

- a) administration or control, or corporate management;
- b) professional activity in fields related to the credit, financial, securities or insurance sectors or any way operational in the bank's activity;
- c) university teaching in law or economics ;
- d) administrative or management functions in public bodies or the public administration related to the credit, financial, securities or insurance sectors or in public bodies or public administrations not related to those sectors but where the functions involve management of economic-financial resources.

In addition to the terms of paragraph 4.1 of these Guidelines and to the professionalism requisites established in the provisions, and pursuant to the Regulation, the Bank's Directors must meet at least one of the following requisites:

- a) adequate understanding of the banking sector, of the dynamics of the economic-financial system, of the banking and financial regulations and, in particular, of the methodology for risk management and control acquired in *long-term experience in administration, management and control in the financial sector*;
- b) experience in managing operations designed to facilitate factoring, management and collection of credits, in particular with bodies providing health services, and the Public Administration;
- c) experience in entrepreneurial management and business organisation acquired in *long-term activity in administration, management or control* in companies or groups of relevant economic dimensions, or in the Public Administration;
- d) capacity to read and interpret economic-financial data acquired in *long-term experience in company administration and control, or in the pursuit of professional activity or university teaching*;
- e) international experience and understanding of foreign markets, acquired in the pursuit of *long-term entrepreneurial or professional activity with foreign institutions or bodies*,

companies or groups with an international focus.

The chairperson of the CR Committee must be selected from Directors possessing the independence requisite and with adequate experience in accounting and financial matters and/or risk management.

At least one member of the Remuneration Committee must have adequate knowledge and experience in financial matters or remuneration policy.

All candidates to the post of Director must have one or more of the above skills.

Furthermore, in the light of in-house assessment, the following might be emphasised :

- i) the Directors' **understanding** of the **business** in which the Bank and its subsidiaries operate (the “**Group**”);
- ii) **knowledge** of the **international market** (in particular referring to markets where the Group operates), and
- iii) **experience in administrative bodies of banks/financial institutions/Listed Companies** or of greater or similar complexity to that of the Group (in terms of turnover, nature and complexity of the organisation or of the activity).

In particular – notwithstanding the professionalism demanded under the current provisions and for taking up the post – in the complementarity of the Board of Directors a significant profile of understanding and experience in the following fields must be guaranteed:

- i) **banking business**, in particular the processes of provision of credit and evaluation of creditworthiness, along with current and future financial products in the sectors of interest to the Bank;
- ii) **financial markets**;
- iii) **credit institution risk management and control**;
- iv) **sector and corporate regulation**, along with complex **corporate governance** systems, to ensure an effective supervisory, management and control system;
- v) **company management and organisation**, including in human resource management – remuneration and incentivisation systems, information operation and systems – gained mainly in the banking field;
- vi) **strategic programming**, familiarity with corporate strategic focus or a credit institution's business plan, and its application;

- vii) **extraordinary financial operations** and development of the business by acquisitions and in partnership agreements;
- viii) **accounting and financial information**, understanding of a credit institution's financial data, defining the main problems and appropriate safeguards and measures based on that information;
- ix) **the Bank's reference markets** (Spain, Eastern Europe, Germany, Greece, Portugal, Croatia);
- x) questions of **digital and technological innovation**.

The Board of Directors' Chairperson must (i) have more than **five years'** advanced experience in administration or control or management duties in the **credit, financial, securities or insurance sectors**, or in **Listed Companies** of dimensions and complexity comparable with those of the Bank.

The Chair of the Board of Directors must meet the independence requisites set out in the Regulation (*sub* Annex "A").

Notwithstanding the foregoing, the Board of Directors considers that its Chairperson must be selected from candidates with a profile of substance and authority, representing an impartial figure for the investment community, and of recognised reliability and credibility at the institutional level. Internally, he or she must be able to ensure the satisfactory functioning of the Board of Directors, encouraging internal dialogue and guaranteeing the balance of powers, in line with the faculties related to the organisation of the Board's work and the circulation of information in the terms of the c.c. and the Supervisory Provisions.

The CEO must have specific skills in credit, financial, securities or insurance matters, gained with experience of work in positions of adequate responsibility, during not less than five years. Such experience may be acquired in companies of dimensions comparable to those of the bank where the post is to be held.

Without prejudice to the foregoing, the CEO must, over a term of **at least five years**, have pursued activity in administration or control or management duties in the credit/banking sector specifically referred to BFF's business.

For further information, please refer to the CEO profile (*sub* Annex "B").

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In conclusion, this Board of Directors points to the need for individual candidate profiles to be **complementary in terms of professional background and skills**, to ensure the development of internal dialogue and the effective operation and overall suitability of the Board and its Committees to fulfil their obligations. Shareholders must thus be asked to submit lists with candidates holding an optimal combination of profiles with the features described above.

4.5. Personal characteristics

The Board of Directors also recommends that consideration be given to the personal characteristics indicated in *sub* Annex “C”.

4.6. Diversity

Also according to the Supervisory Provisions, the composition of the bodies must reflect an adequate degree of diversification in terms among other things of competence, experience, age, gender and international focus.

Furthermore, in the light of the Fit & Proper Decree and of best practice, the duration of permanence in the post is also noted.

As the in-house assessment reflects the Board of Directors’ adequacy in terms of diversity, the Board invites the Shareholders to further promote the diversity requisites which are of fundamental importance in developing internal dialogue, to favour the emergence of a multiplicity of focuses and perspectives in analysing questions and in decision-making, to provide adequate efficient backing for the business processes for designing the strategy, management of the activity and risk, and control of senior management operations, to take account of the multiple interests that contribute to the Bank’s sound and prudent management.

4.7. Gender quotas

Act No. 120 of 12 July 2011 introduced gender quotas in Italy for the composition of Listed Companies’ corporate bodies. The Act amended Article 147-*ter* of the TUF, requiring the spread of directors elected to be based on a criterion ensuring gender balance.

To guarantee gender balance, according to the Articles of Association lists containing **3 (three)** or more names must include candidates of diverse genders at least to the minimum extent required by regulations dealing with the structure of the Board of Directors. As this is the second renewal of the

Board of Directors since the passage of those provisions, at least **one third of the directors elected** must be reserved for the least represented gender, **rounded upward**.

In this connection, the In-house assessment suggested that Directors would endorse the reinforcement of the number of Directors for the least represented gender.

Therefore, if the Board of Directors has **9 (nine) members, at least 3 (three)** Directors must be appointed from the gender least represented.

4.8. Availability and number of posts

Directors must devote the time and resources appropriate for the complexity of their duties, in the light of:

- the nature of the commitment required and the Bank's functions, and relative to the Bank's characteristics;
- other appointments in Companies or bodies, commitments or activities.

Candidates must, at the time of appointment, know how much time it is estimated will be necessary to discharge their task effectively.

In this connection, the three years 2015-2017 saw on average the following:

- 20.67 meetings of the Board of Directors, of an average duration of 2 hours 59 minutes;
- 15.7 meetings of the CR Committee of an average duration of 1 hour 54 minutes;
- 5.33 meetings of the Nomination Committee, of an average duration of 1 hour 16 minutes;
- 9.67 meetings of the Remuneration Committee, of an average duration of 1 hour 25 minutes;
- 3.7 meetings of the RPT Committee, of an average duration of 45 minutes.

Consideration must also be given to the 7 days per annum dedicated to training and to off-Board encounters, plus the commitment required to prepare meetings, given the multiplicity of the questions to be reviewed and the volume of documentation involved.

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In line with Article 91 of CRD IV, the Regulation set the following limits on accumulation of posts:

- a) The CEO may not fill: i) any other executive post; ii) more than 2 (two) non-executive posts;
- b) independent and non-executive Directors may not at the same time, and alternately fill: i) more than 4 (four) non-executive Director posts; ii) 1 (one) executive-Director post and 2 (two) non-executive Director posts ,

understanding that:

- a) the following are deemed to be a single post:
 - executive and non-executive Director appointments in the same group;
 - executive and non-executive Director posts in: i) entities belonging to the same system of institutional protection whose conditions are regulated in Article 113 paragraph 7 of EU Regulation No. 575/2013, and ii) companies (including non-financial institutions) where the body has a qualified holding;
- b) not including those of executive and non-executive Directors in organisations not primarily pursuing commercial objectives.

Therefore, the counting of posts takes no account of those in: a) Companies controlled by the Bank or the controlling company; b) Companies in the same group; c) Non-profit bodies, foundations, associations, not-for-profit entities, and on committees with a consultative or a propositional role.

Executive appointments include the following: CEO, a member of corporate management bodies with operational powers, general manager; non-executive or control posts are deemed to be: member of the Board of Directors without powers, member of the supervisory board, and member of the Board of Statutory Auditors.

The Chair and CEO may not belong to the Board of Statutory Auditors.

Candidates for appointment as Company Director must furnish the Board an up to date statement of the administrative, management and control positions each holds. Once appointed, Directors must keep the Board promptly up to date with their positions, enabling the Board to check to see if those limits are exceeded.

Should the limit be passed, the Board will review the situation in the light of the current

provisions.

For appointment in Companies in which the Bank has a holding, the Board must first assess whether the limits on appointments have been complied with and, should such limit be exceeded following appointment, decide accordingly.

It is pointed out here that the number of posts amounts to an indication of the time taken in their discharge.

Thus the Board recommends that candidates should accept an appointment only if they consider that they will be able to dedicate the necessary time to it.

4.9. Incompatibility

Pursuant to Article 36 of the *Salva Italia* Decree (c.d. banning interlocking directorships), those holding management, supervisory and control positions, and senior officers in companies or groups of companies active in credit, insurance and financial markets are prohibited from taking positions in competing companies or company groups.

The Board of Directors recommends to the Shareholders that the list for appointment to the new administrative body should indicate the candidates for whom it has previously been certified that there is no cause of incompatibility in the terms of that provision.

4.10. Induction and training

Pursuant to the Supervisory Provisions, the Bank adopts adequate training plans to ensure that the range of technical skills of members of the Board of Directors is maintained over time; specific training programmes are provided for new appointments to facilitate the inclusion of new appointees into the corporate bodies.

In incorporating new Directors, the Board suggests that consideration be given to encouraging procedures that ensure continuity and safeguard the accumulated experience of the outgoing Board of Directors.

The outgoing Board thus recommends as follows to the new administrative body:

- i) to duly promote special induction sessions for new Directors, to bring their knowledge quickly into line with that of the Directors confirmed;
- ii) to promote on-going training and induction sessions to consolidate and develop each Director's knowledge,

also in the light of the context of internationalisation characterising the Group.

Courtesy translation

A basic path should be defined for new Directors, allowing for in-depth analysis arising from particular interests or responsibilities an individual Director might take up on Board Committees. On a more general level, all Directors must be updated on the main trends that may impact the Group's current and future performance.

5. CONCLUSIONS

The data on each candidate, to be deposited on presentation of the list, must include:

- i) a declaration – in Italian and English – Annex “B” herein, with which each candidate, in addition to accepting the candidacy for prospective appointment to the Board, certifies on his or her own liability, that there is no cause of ineligibility and incompatibility, and that they meet the requisites prescribed for their office;
- ii) a *curriculum vitae* – in Italian and English – identifying the theoretical profile adequate for the candidate and, therefore, including comprehensive information on their personal and professional characteristics and their skills acquired in banking, finances and/or in other relevant fields mentioned in these Guidelines.

Shareholders are asked to take account of these Guidelines, as part of list preparation, of the in-house assessment, and the regulations, and the experience and thinking of the outgoing Directors.

Given that, as indicated, the Shareholders retain their authority to make evaluations and submit candidacies consistent therewith, justifying any divergence from the Board's analysis, the new Board of Directors, elected by the General Meeting – following verification by the Nomination Committee – is delegated to then endorse the appointment as part of confirmation of compliance with the requisites set out in Article 26 of the TUB, the Articles of Association, the Regulation and the applicable provisions (*i.e.* the *Salva Italia* Decree), and the relation between the optimal qualitative-quantitative composition and that actually arising from the designation process. The outcome of the analysis and any Nomination Committee opinions are delivered to the Bank of Italy as requested.

In conclusion, it is recommended that the lists for the new body should be filed – in the light of the forthcoming 5 April General Meeting, – by the deadline and in the manner indicated in the notice of meeting on the Bank's website in the section Investor Relations/Meeting Documentation”.

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These Guidelines and their annexes may undergo changes and/or additions consequent on updates to the provisions and regulations ahead of the deadline for the posting of lists.

Annexes:

- A. Extract, Article 3.4.1 of the Board's Regulation on the requisite for Directors' independence;
- B. The CEO profile;
- C. The *Personal characteristics* established in the EBA/ESMA Guidelines;
- D. A declaration in which each candidate accepts their nomination and possible appointment to the Bank's Board of Directors and stating on his or her own liability that there is no cause of ineligibility and incompatibility, and that they meet the requisites prescribed for their office.

**ANNEX “A” – EXTRACT FROM ARTICLE 3.4.1 OF THE BOARD OF DIRECTORS REGULATION ON THE
REQUISITE FOR THE INDEPENDENCE OF DIRECTORS**

Directors are deemed independent if in possession of the independence requisites established in Article 148 point 3 of the TUF, **and/or** in Article 3 of the Corporate Governance Code, unless otherwise established in provisions. Solely for the composition of the Board’s Committees, only the independence requisites in Article 3 of the Corporate Governance Code apply.

Notwithstanding the terms of point 6, a Director **is not as a rule deemed independent in the following cases**, not considered exhaustive:

- a) if, directly or indirectly, and through subsidiaries, trusts or an intermediate, they control the Bank or are in a position to exercise significant influence, or is a party to a shareholders' agreement whereby one party or more holds significant control over or influence on the Bank;
- b) they are or were in the last three financial years a high-profile representative of the Bank (save as Chair of the Board), of one of its strategically significant subsidiaries or a Company jointly controlled by the Bank or a Company that, including among other things through a shareholders' agreement, controls the Bank or is able to influence it significantly;
- c) directly or indirectly – for example via subsidiaries or in which they are a relevant representative or as partner of a professional firm or a consultancy company – they have or had in the previous financial year a significant commercial, financial or professional relation:
 - with the Bank, one of its subsidiaries, or with any of its high-profile representatives;
 - with someone who, including through a shareholders' agreement, controls the Bank or – in the case of a company or body – with high-level representatives thereof,
 - is or was in the three previous financial years, an employee of one of the above.

The previous year’s business relationship is deemed “significant” based on two parameters:

- continuity: for six months, and
- a maximum 10% threshold: – of the turnover of the company or of the professional firm to which the Director belongs or – of the Director’s individual personal income. The

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Board will review compliance with that threshold based on a personal certification from the Director;

- d) they receive or have received in the previous three financial years from the Bank or a subsidiary or parent, significant additional remuneration (relative to “fixed” fee for a non-executive Director of the Bank and any payment for Committee participation) which may take the form of participation in company-performance-based and share-based plans;
- e) have been a Director of the Company for more than nine of the last twelve years;
- f) holds the post of executive director in another company in which an executive-director of the Bank is a director;
- g) is partner or director in a company or body forming part of the group of the firm which audits the Bank;
- h) has a close family relationship with anyone in any of the foregoing situations.

For the foregoing purposes, the following are deemed to be “significant representatives” of a company, save as provided for in letter b) above: the Chair of the body, the Chair of the Board of Directors, the legal representative, the executive directors and the managers holding strategic responsibilities in the company or body concerned.

ANNEX “B” – CEO PROFILE

IDEAL EXPERIENCE

The CEO:

- has overall experience of at least 15-20 years in the credit, financial, securities or insurance sectors.
- has already preferably been an executive – for not less than 5 years – in the role of company head or head of general management in the credit world, preferably in banks or listed financial enterprises with business and operations in various countries and of a size and complexity similar to that of the Bank. Alternatively, they shall come from the Investment Banking or Private Equity sectors.
- has operated with financial instruments (e.g. Securitisation, Bonds, Structured Finance, etc.), is familiar with questions of Finance (budget, planning, market information, relations with shareholders, road show, etc.).
- has an adequate level of internationalisation with a network of relations in Italy and Europe, whether commercial in nature or with the Supervisory Authorities and the industry; if not Italian, a good knowledge of the Italian language, also in view of the on-going interaction with the Supervisory Authorities. Fluent in English.
- has a thorough understanding of the sector’s regulatory context and is familiar with regulatory developments and the impact of standards on risk and capital management.

KEY CEO SKILLS

- ✓ **A strategic vision and entrepreneurial spirit**
 - Able to focus on broad issues, developing programmes and strategies, with skills in preparing complex business plans dealing with complex markets, and contextualising by marking out a clear path to follow.
 - Particularly attentive to business demands, directing and structuring the activity toward an overall business result, while focusing on the internal operations. The focus addresses chiefly the development of the business, also externally, and profitability, via long-term strategic thinking.

✓ **Result-focused**

- aimed at top-level business performance, committed to attaining or exceeding goals and enhancing personal performance, organising the structure and directing it to meet the company's targets;
- speed of analysis and synthesis, providing clear guidelines for the structure, without necessarily going into operational details. Able to define new business openings and new ways of enhancing the Group's profitability.

✓ **Capacity for team management, collaboration and influence**

- An outstanding worker, committed to the post, a listener, open to discussion, showing balance, flexibility and business intelligence. Acknowledged leader of the team, delegating appropriately. Motivates, attentive toward people and developing human resources. Able to build, guide and inspire the management team. Integrates with groups or people without hierarchical leverage, showing authority and charisma. Able to establish and maintain long-standing relationships and partnerships, overcoming any obstacles, able to collaborate, skill in influencing others and able to network. Skilful in interacting with the Board of Directors, presenting ideas and in creating consensus on proposals.

✓ **Other Characteristics**

- a sense of ethics;
- reputed in institutions, the business community and with investors;
- open to change and innovation.

ANNEX “C” – PERSONAL CHARACTERISTICS PURSUANT TO EBA/ESMA GUIDELINES

This is the non-exhaustive list of relevant skills that institutions should consider using when performing their suitability assessments:

- a) **Authenticity:** is consistent in word and deed and behaves in accordance with own stated values and beliefs. Openly communicates his or her intentions, ideas and feelings, encourages an environment of openness and honesty, and correctly informs the supervisor about the actual situation, at the same time acknowledging risks and problems.
- b) **Language:** is able to communicate orally in a structured and conventional way and write in the national language or the working language of the institution’s location.
- c) **Decisiveness:** takes timely and well-informed decisions by acting promptly or by committing to a particular course of action, for example by expressing his or her views and not procrastinating.
- d) **Communication:** is capable of conveying a message in an understandable and acceptable manner, and in an appropriate form. Focuses on providing and obtaining clarity and transparency and encourages active feedback.
- e) **Judgement:** is capable of weighing up data and different courses of action and coming to a logical conclusion. Examines, recognises and understands the essential elements and issues. Has the breadth of vision to look beyond his or her own area of responsibility, especially when dealing with problems that may jeopardise the continuity of the undertaking.
- f) **Customer and quality-oriented:** focuses on providing quality and, wherever possible, finding ways of improving this. Specifically, this means withholding consent from the development and marketing of products and services and to capital expenditure, *e.g.* on products, office buildings or holdings, in circumstances where he or she is unable to gauge the risks properly owing to a lack of understanding of the architecture, principles or basic assumptions. Identifies and studies the wishes and needs of customers, ensures that customers run no unnecessary risks and arranges for the provision of correct, complete and balanced information to customers.
- g) **Leadership:** provides direction and guidance to a group, develops and maintains teamwork, motivates and encourages the human resources available and ensures that members of staff

have the professional competence to achieve a particular goal. Is receptive to criticism and provides scope for critical debate.

- h) **Loyalty:** identifies with the undertaking and has a sense of involvement. Shows that he or she can devote sufficient time to the job and can discharge his or her duties properly, defends the interests of the undertaking and operates objectively and critically. Recognises and anticipates potential conflicts of personal and business interest.
- i) **External awareness:** monitors developments, power bases and attitudes within the undertaking. Is well-informed on relevant financial, economic, social and other developments at national and international level that may affect the undertaking and also on the interests of stakeholders and is able to put this information to effective use.
- j) **Negotiating:** identifies and reveals common interests in a manner designed to build consensus, while pursuing the negotiation objectives.
- k) **Persuasive:** is capable of influencing the views of others by exercising persuasive powers and using natural authority and tact. Is a strong personality and capable of standing firm.
- l) **Teamwork:** is aware of the group interest and makes a contribution to the common result; able to function as part of a team.
- m) **Strategic acumen:** is capable of developing a realistic vision of future developments and translating this into long-term objectives, for example by applying scenario analysis. In doing so, takes proper account of risks that the undertaking is exposed to and takes appropriate measures to control them.
- n) **Stress resistance:** is resilient and able to perform consistently even when under great pressure and in times of uncertainty.
- o) **Sense of responsibility:** understands internal and external interests, evaluates them carefully and renders account for them. Has the capacity to learn and realises that his or her actions affect the interests of stakeholders.
- p) **Chairing meetings:** is capable of chairing meetings efficiently and effectively and creating an open atmosphere that encourages everyone to participate on an equal footing; is aware of other people's duties and responsibilities.

ANNEX “D” – DECLARATION OF ACCEPTANCE OF THE CANDIDACY FOR THE POST OF DIRECTOR

With reference to the Annual General Meeting of Shareholders of Banca Farmafactoring S.p.A., convened in Milan, Via Domenichino No. 5, on 5 April 2018 at 11.00 hours on single notice, and in relation to the candidacy for the post of Director for the 2018-2019 and 2020 financial years on the list submitted by _____,

I, the undersigned _____, with tax ID _____, born in _____ on _____, resident in _____, at _____, _____, post code _____,

hereby declare as follows

- that I hereby accept said candidacy and, if nominated, appointment as Director;
- that I am not a candidate on any other list tabled to these ends with said Meeting.

Furthermore, on my own responsibility,

I hereby declare as follows

- a) there is, pursuant to the law and the Articles of Association, no cause of ineligibility or relinquishment for said appointment, or incompatibility for taking the post of member of the Board of Directors of Banca Farmafactoring S.p.A.;
- b) I am in compliance with the requisites in the current provisions and in the Articles for the post of member of the Board of Directors of Banca Farmafactoring S.p.A.;
- c) I am not subject to any of the situations of incompatibility in Article 2390 of the Italian Civil Code (nor an unlimited liability shareholder or director or general manager in companies competing with Banca Farmafactoring S.p.A. or, on my own account or for third parties, engaged in activities competing with those of Banca Farmafactoring S.p.A.);
- d) I do not hold office in competing companies or company groups pursuant to Article 36 of Legislative Decree No. 201/2011, converted to the Act of 22 December 2011, No. 214, operating in credit, insurance and financial markets;

or

I hold office in competing companies or company groups pursuant to Article 36 of Legislative Decree No. 201/2011, converted to Act No. 214 of 22 December 2011, operating in credit, insurance and financial markets, henceforth undertaking to relinquish such posts coinciding with possible appointment, or to certify that they are not incompatible, detailing the reasons;

- e) I meet the fit and proper requisites established for corporate bank representatives in Ministerial Decree No. 161/1998 and Ministerial Decree No. 162/2000, with no conduct which, while not amounting to crimes, conflicts with the principles established in Banca Farmafactoring S.p.A.’s “*Code of Ethics*” available on its website;
- f) referring specifically to the requisites of professionalism and the recommendations stated in the outgoing Board of Directors’ “*Guidelines on the qualitative-quantitative Composition of the Board of Directors: indications for Shareholders and the new Board of Directors*” published on Banca Farmafactoring S.p.A.’s website, I am in compliance with the professionalism requisites in Ministerial Decree No. 161/1998, along with skills acquired in one or more of the following

fields (Article 4 of the “*Board of Directors Regulation*”, published on Banca Farmafactoring S.p.A’s website):

- an adequate understanding of the banking sector, of the dynamics of the economic-financial system, of banking and financial regulations and, in particular, of management methodology and risk control, acquired in long-standing experience in administration, management and control in the financial sector;
- experience in the management of operations designed to facilitate factoring, credit management and collection, in particular with bodies providing healthcare and with the Public Administration;
- experience in business management and organisation acquired in long-standing activity in company administration, management or control or in groups of significant economic dimensions, or with the Public Administration;
- capacity to read and interpret economic-financial data acquired in long-term experience in company administration and control, or in the pursuit of professional activity or university teaching;
- international experience and understanding of foreign markets, acquired in the pursuit of long-term entrepreneurial or professional activity with foreign institutions or bodies, companies or groups with an international focus.

g) meeting not meeting

the requirements of independence defined in Article 148 point 3 of Legislative Decree No. 58/1998;

h) meeting not meeting

the requirements of independence defined in the Corporate Governance Code for Listed Companies approved by the *Corporate Governance* Committee created and promoted by Borsa Italiana S.p.A., as last updated on 9 July 2015, and Article 3.4.1. of the “*Board of Directors Regulation*” published on the Banca Farmafactoring S.p.A. website;

i) I am able to assign sufficient time to the discharge of the post of Director of Banca Farmafactoring S.p.A.;

j) referring specifically to the limit on accumulation of appointments provided for in Articles 7, 8 and 9 of the “*Board of Directors Regulation*” published on the Banca Farmafactoring S.p.A. website:

if the number of appointments established for executive directors or the number for non-executive and/or independent directors is exceeded, I hereby henceforth undertake, if appointed, to immediately relinquish the incompatible posts;

not to exceed the number of appointments established for executive directors or for non-executive and or independent directors;

k) not to incur in situations of incompatibility established for public employees in the sense of and for the effects of Legislative Decree No. 165/2001 and its successive amendments and addition;

I hereby finally declare

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- 1) I have familiarised myself with the “*Guidelines on the qualitative-quantitative Composition of the Board of Directors: indications to the Shareholders and the new Board of Directors*” published on Banca Farmafactoring S.p.A’s website, and to have included in the documentation attached hereto exhaustive details of my personal and professional characteristics and management, administrative and control positions held in other companies, along with data helpful in comprehensively assessing my suitability for the post.

*** * ***

I, the undersigned also:

- undertake to notify promptly any changes in the information submitted herewith and, if required, to produce appropriate documentation confirming the veracity of the data provided;
- if appointed, to furnish a list of administrative and control posts held in other companies on the date of the General Meeting;
- if appointed, to resign immediately from any other position incompatible with that of member of Banca Farmafactoring S.p.A’s Board of Directors;
- pursuant to and for the effects of Article. 13 of the Legislative Decree No. 196/2003, to authorise publication of the details and the information contained in this declaration, and all attached documentation, using the procedures set out in the applicable provisions, and the collection and processing, also with IT resources, of my personal information to the extent and for the purposes of the procedure for the appointment of members of the Board of Directors of Banca Farmafactoring S.p.A., without preclusion of the latter’s faculty to confirm its accuracy with the competent authorities. The data processing rights are held by Banca Farmafactoring S.p.A. with registered offices in Milan at Via Domenichino No. 5. Candidates for the post of member of the Board of Directors may make use of their rights pursuant to Article 7 of said Legislative Decree to challenge the holder of the processing rights, contacting Gianni Domenico Marzi or Paola Sandra Golin.

Place and date

Signed

Annex

Curriculum vitae: this must, among other things, contain exhaustive information on personal characteristics (cf. *sub* Annex “C” of the “*Guidelines on the qualitative-quantitative Composition of the Board of Directors: indications to the Shareholders and the new Board of Directors*”) and professional details.

In particular: (i) registered data; (ii) education, with details of qualifications and skills, and the training received; (iii) professional experience, with details of activity in each (the name and type of organisation where the activity took place and the nature and duration of the activity), stressing particularly the professional experience acquired in relevant sectors; (iv) corporate positions (highlighting those of an executive nature) including those in bodies not pursuing largely commercial objectives (associations, foundations, non-profit bodies) on the date of the declaration.

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The experience suitably detailed in the curriculum vitae must evidence the fundamental understanding of the banking sector required of all candidates.