

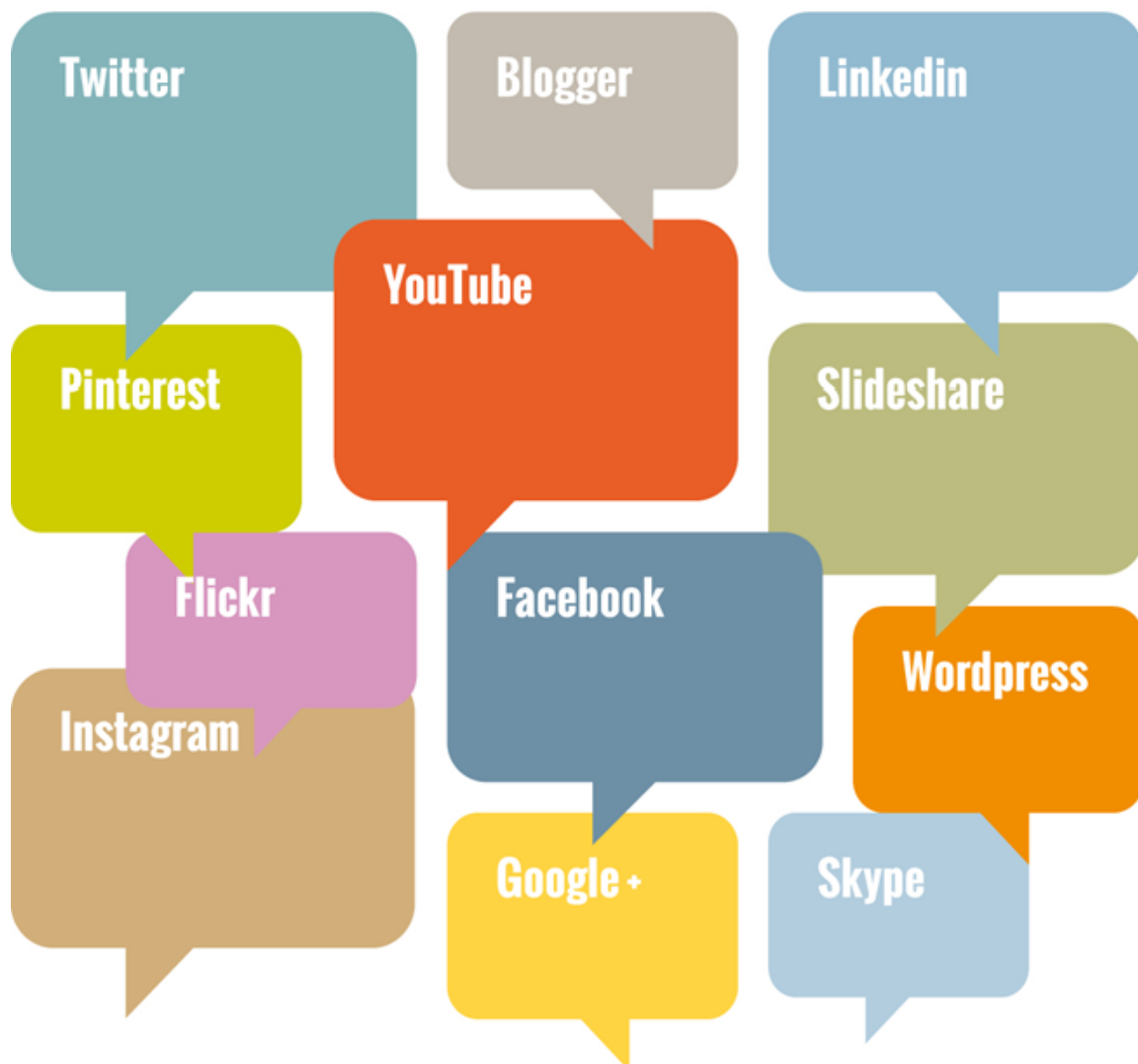


**REPORT ON  
CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURES**  
Pursuant to art.123-bis of the CFA  
(traditional administration and control model)

**2012**

Report approved by the Board of Directors during  
the meeting held on 6 March 2013

[www.bancaifis.com](http://www.bancaifis.com)



Banks no. 5508 - Parent Company of the Banca IFIS Banking Group S.p.A., enrolled in the register of Banking Groups – Member of the Interbank Deposit Protection Fund, of the Italian Banking Association, of the Italian Factoring Association, of Factors Chain International

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# 1. Issuer profile

## Governance

Banca IFIS, listed in the STAR segment of the Italian Stock Exchange and parent company of the Banca IFIS banking group, applies the traditional administration & control model, believing it to be the best for its specific corporate reality to ensure efficient management and effective controls.

In the model applied by Banca IFIS:

- strategic supervision is performed by the Board of Directors;
- management, without prejudice to the matters for which the Board has exclusive authority and/or to the powers not delegated by the Board of Directors, is performed by top management (consisting of the CEO and General Manager);
- control is performed by the Board of Statutory Auditors.

## Mission

The banking group currently operates in the following fields:

- *factoring*, in Italy and abroad; business abroad is carried out both through the internal structures of the Parent Company (International Area) and through the subsidiary IFIS Finance; the provision of financial and credit management support mainly involves the Small and Medium-sized Enterprises segment;
- acquisition and management of non-performing loans;
- acquisition and management of tax receivables;
- on-line collection developed through the Rendimax Savings Account and the contomax current account (which kicked off on 7 January 2013); although not forming a specific line of corporate business, due to the type of activity and the dimensions achieved, these instruments belong, in their own right, to the Bank's operating segments.

Activities associated to the Treasury Department are complementary to such activities and although their contents on certain occasions are particularly significant, they do not change the mission of the banking group which continues to be focused on providing financial and credit management support to Small and Medium-sized Enterprises.

## Corporate social responsibility

The Bank introduced by virtue of the Board resolution passed on 4 July 2003 and lastly updated on 20 September 2012, its Code of Ethics, which spells out the combination of the rights, duties and responsibilities of the Group's components as regards all parties with whom they have dealings in order to accomplish their corporate purpose (clients, debtors, suppliers, employees and/or external collaborators, Shareholders, vigilance bodies, institutions); it is therefore a directive with rules of conduct that have to be kept in mind while carrying out daily operations, in compliance with the legislation and regulations in force in all countries where the Group operates. The Code establishes reference standards and rules of conduct designed to reinforce corporate decision-making

processes and guide the conduct of all collaborators of the Group's companies. The Code of Ethics is available on the company website [www.bancaifis.it](http://www.bancaifis.it), in the "Corporate Governance/Italian Leg. Decree 231/2001" section.

## 2. Information on shareholding structure

(as per Art. 123-bis, para. 1, CFA) as at 31/12/2012

### a) Structure of share capital *(as per Art. 123-bis, para. 1, letter a), CFA)*

As at 31 December 2012 subscribed and paid-in share capital totalled 53,811,095.00 Euro, divided into 53,811,095 ordinary shares of the par value of 1.00 Euro each, as shown in the following table:

*Share categories forming share capital as at 31 December 2012:*

| STRUCTURE OF SHARE CAPITAL | No. of shares | % of share capital | Listed (market) / unlisted                       | Rights and obligations                               |
|----------------------------|---------------|--------------------|--|--|
| Ordinary shares            | 53,811,095    | 100%               | Listed (on MTA – Milan electronic equity market) | Each ordinary share attributes the right to one vote |

As at 31 December 2012 there were no other financial instruments outstanding attributing the right to subscribe newly issued shares.

As at 31 December 2012, there were no share-based incentive plans.

### b) Restrictions on security transfer *(as per Art. 123-bis, para. 1, letter b), CFA)*

There are no restrictions on security transfer.

### c) Significant shareholdings *(as per Art. 123-bis, para. 1, letter c), CFA)*

As at 31/12/2012, it resulted from communications made pursuant to article 120 of the CFA and from communications made by relevant subjects pursuant to Article 152 *octies* of the Issuers' Regulation, that the following subjects possess, directly or indirectly, shares with voting rights representing more than 2% of share capital:

| Declarant                  | % of share capital | Direct Shareholder                          | Possession status |
|----------------------------|--------------------|---|-------------------|
| FÜRSTENBERG SEBASTIEN EGON | 68,928             | La Scogliera S.p.A.: 68,893                 | Ownership         |
|                            |                    | Fürstenberg Sebastien Egon:0.035            | Ownership         |
|                            |                    | Total: 68,928                               |                   |
| INTESA SANPAOLO S.P.A. (1) | 2,710              | Cassa di Risparmio del Veneto S.p.A.: 1,983 | Pledge            |
|                            |                    | Banca Fideuram S.p.A.: 0.002                | Pledge            |
|                            |                    | Banco di Napoli S.p.A. 0.004                |                   |
|                            |                    | Intesa Sanpaolo                             | Pledge            |

|                |       |   |           |
|----------------|-------|---|-----------|
|                |       | S.p.A.: 0.720<br>Total 2,710  |           |
| PREVE RICCARDO | 2,399 | Preve Costruzioni S.p.A.: 2,242<br>Preve Riccardo: 0.157<br>Total 2,399 | Ownership |
| BOSSI GIOVANNI | 3,417 | Bossi, Giovanni   | Ownership |

<sup>(1)</sup> The percentages declared by Intesa Sanpaolo S.p.A. as per Article 120 CFA can be fully attributed to pledges held by this banking group. According to the declaration received from Banca IFIS, no. 1,065,447 shares, equal to 1.980%, are in pledge at Cassa di Risparmio del Veneto S.p.A., and are owned by Alchimia S.p.A. which, moreover, has no voting rights only in the case of extraordinary Shareholders' meetings (subject to waiver of the pledge holder).

It is appropriate to point out that:

- the activity of the investment holding company La Scogliera S.p.A. is limited to holding its only significant equity investment consisting of the controlling interest in Banca IFIS S.p.A.;
- even though it is the majority Shareholder, La Scogliera S.p.A. does not perform any management and coordination activity vis-à-vis Banca IFIS S.p.A.;
- the corporate purpose of La Scogliera S.p.A. expressly excludes management and coordination of the financial companies and banks in which it owns equity interests.

#### **d) Securities granting special rights** (as per Art. 123-bis, para. 1, letter d), CFA)

No securities have been issued that grant special rights of control.

#### **e) Employee equity participation: mechanism for exercising voting rights** (as per Art. 123-bis, para. 1, letter e), CFA)

Any employees holding shares of the Company exercise their Shareholder rights in the same ways as other Shareholders.

#### **f) Restrictions on voting rights** (as per Art. 123-bis, para. 1, letter f), CFA)

The Company is not aware of the existence of restrictions on voting rights, with the sole exception of pledging to a bank of part of the equity interest held by a Shareholder owning a non-controlling interest, as specified earlier in paragraph c) Significant shareholdings.

#### **g) Shareholder agreements** (as per Art. 123-bis, para. 1, letter g), CFA)

The Board of Directors of Banca IFIS S.p.A. is not aware of the existence of agreements between the Company's Shareholders as defined by Article 122 of the CFA.

#### **h) Change-of-control clauses** (as per Art. 123-bis, para. 1, letter h), CFA) **and statutory provisions on takeover bids** (as per Artt. 104, para. 1-ter, and 104-bis, para. 1).

Neither Banca IFIS S.p.A. nor its subsidiaries TF Sec Srl (for which the liquidation proceeding is currently underway) and IFIS Finance Sp. z o.o. have concluded significant agreements that take effect, are modified or lapse if change of control of the contractual party occurs.

The Articles of Association of Banca IFIS S.p.A. do not contravene the passivity rule laid down by Article 104, paragraphs 1 and 2, of the CFA nor do they envisage the application of the neutralisation rules laid down by Article 104-bis, paragraphs 2 and 3, of the CFA.



## **i) Delegations of power to increase share capital and authorizations to buy treasury shares** (as per Art. 123-bis, para. 1, letter m), CFA)

### **i.1) Capital resolved and not subscribed; delegation of authority to the Board of Directors to increase share capital**

As at 31 December 2012 the Board was not empowered to increase share capital pursuant to Article 2443 of the Italian Civil Code, i.e. to issue equity securities.

### **i.2) Treasury shares**

The Ordinary Shareholders' Meeting of 27 April 2012 authorised the purchase and sale of treasury shares, pursuant to Article 2357 et seq. of the Italian Civil Code, as well as Article 132 of Legislative Decree no. 58/98. The essential characteristics of the resolution are as follows:

- “Reserve for future buyback of treasury shares” up to the maximum amount of 20,000,000.00 Euro gross of the part already used;
- maximum number of shares that can be purchased: not more than one fifth of share capital, taking into account for this purpose also the shares owned by subsidiaries, and whose total purchase amount is covered by the “Reserve for future buyback of treasury shares”;
- duration of authorization: 18 months;
- minimum purchase price: 2 Euro;
- maximum purchase price: 20.00 Euro;
- minimum selling price: not less than 80% of the reference price recorded in the trading session of the market where the stock is listed on the day before execution of the sale.

The number of treasury shares held as at FY2012 year-end totalled no. 259,905, accounting for 0.483% of share capital.

The Board intends to propose to Shareholders renewal of authorization to the buyback of treasury shares pursuant to artt. 2357 et seq. of the Italian Civil Code.

## **I) Management and coordination activity** (as per Artt. 2497 et seq., Italian Civil Code)

Even though it is the majority Shareholder, La Scogliera S.p.A. does not perform any management and coordination activity in Banca IFIS S.p.A. In this regard, it should be noted that the corporate purpose of La Scogliera S.p.A. expressly excludes management and coordination of the financial companies and banks in which it owns equity interests.

Note that:

- the information required by Article 123-bis, paragraph 1, letter i) (“*agreements between the company and directors .... entailing indemnities in the event of resignation or dismissal without just*

cause or if the employment relationship ceases following a takeover bid”), can be found in the Remuneration Report published pursuant to Article 123-ter of the CFA;

- the information required by Article 123-bis, paragraph 1, letter l) (“rules applicable to the appointment and substitution of directors ... as well as the amendment of the Articles of Association, if different from additional legislative and regulatory rules applicable”), are illustrated in the section of the Report dedicated to the Board of Directors (Section 4.1).

### **3. Compliance** (as per art. 123-bis, para. 2, letter a), CFA)

Banca IFIS S.p.A. complies with the Corporate Governance Code of listed companies approved in 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., as lastly updated in December 2011.

The Corporate Governance Code is accessible to the public on the website of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

The Corporate Governance structure of Banca IFIS is not influenced by non-Italian laws.

IFIS Finance Sp. z o.o., a factoring company wholly owned by the Issuer, is a Polish legal entity and is therefore subject to Polish legislation. This however, also because of the subsidiary’s limited size in relation to the Parent company, in no way affects the Corporate Governance structure of Banca IFIS S.p.A.

## **4. Board of directors**

### **4.1. Appointment and substitution** (as per Art. 123-bis, para. 1, letter l), CFA)

Members of the Board of Directors are appointed on the basis of lists presented by Shareholders. Candidates are listed in sequential order and their number in any case must not exceed the maximum number of members established by the Articles of Association (fifteen).

Only Shareholders who, alone or together with others, own at least 1% of ordinary shares at the time of submittal have the right to submit lists. A lower ownership threshold is possible and – by virtue of current legislation – it must be indicated in the notice convening the Shareholders’ Meeting called to vote on appointment of the members of the Board of Directors.

One individual Shareholder may not submit or vote for more than one list, including via proxies or trustee companies. Shareholders belonging to the same group and Shareholders who are parties to a Shareholders’ agreement in respect of the issuer’s share capital may not submit or vote for more than one list, including via proxies or trustee companies. Individual candidates may only be featured on one list, otherwise they shall become ineligible.

The lists must be submitted to the Company’s registered office at least twenty-five days prior to the date set for the Shareholders’ Meeting in first call, and must be made available to the public at the Company registered office, on the Company’s website and according to other methods provided for by regulations in force at least twenty-one days prior to the date set for the Shareholders’ meeting in first call.

The ownership of the minimum number of shares needed for presentation of the lists is determined by taking into account the shares recorded in favour of the individual Shareholder or multiple Shareholders jointly on the day in which the lists are submitted to the company. In order to substantiate the ownership of the number of shares necessary for presentation of the lists, Shareholders may exhibit the relevant certification, even subsequent to the submission of the lists, provided it is within the term set for publication of the lists by the Company.

The lists must be accompanied by:

- information relating to the identity of Shareholders who have presented lists, stating the percentage of shares held as a whole;
- a declaration by Shareholders other than those who own, also jointly, a controlling or relative majority interest, certifying the absence of connections with the latter, as indicated in Article 147-*ter* of the CFA and Article 144-*quinquies* of the Consob Issuers' Regulation;
- exhaustive information on candidates' personal and professional characteristics, as well as by a declaration by the candidates themselves certifying possession of the requirements established by law and acceptance of their candidacy.

Candidates who do not meet the requirements of integrity, professionalism and independence established by Article 26 of Legislative Decree no. 385/1993 (CBA – Consolidated Banking Act) cannot be included in lists. In addition, each list must indicate:

- at least two candidates meeting the requirements of independence established both by the Corporate Governance Code for Listed Companies prepared by Borsa Italiana S.p.A. and by Article 148, paragraph 3 of Legislative Decree no. 58/1998. These candidates must be positioned, on the list, in the first four positions of the sequential order;
- a number of candidates belonging to the least represented gender, equal to at least one third.

The list failing to observe the above rules will be considered not to have been submitted, except for those lists that include a number of candidates that is less than three.

Board members are elected as follows:

- 1) all directors except one are elected, according to the sequential order with which they are indicated on the list, from the list obtaining the highest number of votes at the Shareholders' Meeting;
- 2) one director is elected from the list obtaining the highest number of votes at the Shareholders' Meeting and that, pursuant to Article 147-*ter*, paragraph 3, of the CFA is in no way connected, not even indirectly, with the Shareholders who submitted or voted for the list that came first in terms of the number of votes.

In case such selection criteria fail to ensure proper balance between genders to the extent established by the law from time to time, a sliding mechanism is applied to the selection from the list which obtained, during the Shareholders' Meeting, the highest number of votes based on the consecutive order with which the candidates are indicated. Such mechanism excludes the candidate or candidates of the more represented gender and reselects the candidate or candidates of the missing gender.

If just one list of candidates is submitted, the names indicated on that list will be elected as members of the Board of Directors, up to the number of directors to be elected less one, who shall be elected

by the Shareholders' Meeting there and then, based on a simple majority but excluding from the vote the Shareholders who submitted the single list, and based on the proposal of the Shareholders not excluded from the right to vote.

In any case, at least two members of the Board of Directors must meet the independence requirements established both by the Corporate Governance Code for Listed Companies prepared by Borsa Italiana and by Article 148, paragraph 3 of Legislative Decree no. 58/1998.

If, during the year, fewer than two directors are found to meet such requirements, the Board will resolve the lapse of one or of two of its members who have ceased to meet such requirements, based on a criterion of shorter tenure, or, in the case of equal tenure, or lower age, and will co-opt one or two independent members. For any substitution of Board members, without prejudice to the case of cessation of all Directors, legal provisions hold good, without application of the list vote.

The laws in force, without the involvement of list voting, shall govern any replacement of Directors, except in cases involving the termination of all Directors.

In the event of cessation of the director elected from the list that obtained the highest number of votes at the Shareholders' Meeting and that, pursuant to Article 147-ter, paragraph 3 of the CFA is in no way connected, not even indirectly, with the Shareholders who submitted or voted for the list that came first in terms of number of votes, the Board will first check the continued availability of the candidates listed in the list, according to the latter's sequential order, and will co-opt members based on this criterion of preference.

In case of termination of a director belonging to the least represented gender, the co-opted director shall in any event belong to the same gender.

## Succession Plans

The Board of Directors has resolved to not adopt a succession plan for executive directors in light of interchangeability for purposes of ordinary management between the CEO and the General Manager.

## 4.2. Composition (as per Art. 123-bis, para. 2, letter d), CFA)

The composition of the Board in office as at FY2012 year-end, as shown also in Table 2 attached to this Report, was as follows:

- Sebastien Egon Fürstenberg (Chairman of the Board of Directors);
- Alessandro Csillaghy (Deputy Chairman of the Board of Directors; Executive Director);
- Giovanni Bossi (CEO);
- Leopoldo Conti;
- Andrea Martin (Independent Director, Lead Independent Director);
- Marina Salamon;
- Riccardo Preve (Independent Director);
- Francesca Maderna (Independent Director).

The Shareholders' Meeting that appointed the Board took place on 29 April 2010. Two lists were submitted: one by the majority Shareholder "LA SCOGLIERA S.p.A." and one by the Shareholder "PREVE COSTRUZIONI S.p.A." (which certified the absence of connections with the controlling Shareholder). Below we show, for both of them, the list of candidates, the list of those elected and the percentage of votes obtained in relation to voting capital:

| List submitted by the majority Shareholder "LA SCOGLIERA S.p.A." |                            |                              |
|--|----------------------------|------------------------------|
| List of candidates   | List of those elected      | Percentage of votes obtained |
| Sebastien Egon Fürstenberg                                       | Sebastien Egon Fürstenberg | 96.39%                       |
| Roberto Cravero  | Roberto Cravero            |                              |
| Andrea Martin  | Andrea Martin              |                              |
| Francesca Maderna  | Francesca Maderna          |                              |
| Alessandro Csillaghy   | Alessandro Csillaghy       |                              |
| Giovanni Bossi   | Giovanni Bossi             |                              |
| Leopoldo Conti   | Leopoldo Conti             |                              |
| Marina Salamon   | Marina Salamon             |                              |
| Andrea Di Giusto   |                            |                              |

| List submitted by the Shareholder "PREVE COSTRUZIONI S.p.A." |                       |                              |
|--|-----------------------|------------------------------|
| List of candidates   | List of those elected | Percentage of votes obtained |
| Riccardo Preve   | Riccardo Preve        | 3.49%                        |
| Giovanni Angioni   |                       |                              |

The Member of the Board Roberto Cravero (independent director and Lead Independent Director) handed in his resignation on 23 May 2012.

The Board of Directors' Meeting held on 20 September 2012 adopted the following resolutions:

- to not carry out any co-opting procedure for a new director to replace Mr. Cravero;
- to appoint the independent director Ms. Francesca Maderna as member of the Risk and Control Committee and of the Committee for remuneration of directors, managers and for any stock option plans;
- to appoint as coordinator of both Committees as well as Lead Independent Director the Independent director Mr. Andrea Martin, considered to possess both "suitable experience in accounting and financial matters or in risk management" (a requisite which the Code

establishes for at least one member of the Control and Risk Committee) and “adequate knowledge and experience on the subject of finance or salary policies” (a requisite which the Code establishes for at least one member of the Remuneration Committee).

Below we show a summary of the personal and professional characteristics of each director in office as at the end of the 2012 financial year (pursuant to Article 144-*decies* of the Consob Issuers’ Regulation) based on the declarations provided by each of them and attached to the lists, as well as on any subsequent updates notified by those concerned.

## **Chairman of the Board of Directors – Sebastien Egon Fürstenberg**

Sebastien Egon Fürstenberg has been active in the factoring sector for over 25 years. In 1983 he founded the company I.Fi.S. S.p.A. – Istituto di Finanziamento e Sconto (now Banca IFIS S.p.A.).

As from 1992 he was the Sole Director and, as from 2 February 2009, Chairman of the Board of Directors of La Scogliera S.p.A., a company whose purpose is to purchase, manage and sell investments in banks and financial companies and which holds the majority equity interest in Banca IFIS S.p.A..

## **Deputy Chairman – Alessandro Csillaghy**

Alessandro Csillaghy has been the Bank's Deputy Chairman since 1996, performing an executive role to develop the Bank's presence abroad, by means of contacts with local institutions and foreign entrepreneurs designed to further Banca IFIS's foreign commercial business.

In particular, he has set up representative offices in Central Europe in Bucharest and Timisoara in Romania and in Budapest in Hungary. He is the head of the Budapest representative office and, since April 2010, he was the officer in charge of the Paris branch until its closing (30 September 2012).

## **Chief Executive Officer – Giovanni Bossi**

A graduate in Economics & Commerce and a licensed professional accountant, Giovanni Bossi has been registered in the Italian public register of approved statutory auditors since 1992. In the past he has taught at the faculty of Finance Science and Law at Rome's Luiss University.

As a self-employed professional he provided consulting services to industrial and financial groups, also controlled by European public companies, located in Northern Italy, as well as to Italian companies in relation to the design and development of industrial and financial activities in East European countries.

Since May 1995, he has been the CEO of the Issuer. He was also CEO and then Member of the Board of Directors of La Scogliera S.p.A., office from which he resigned on 20 November 2012.

## **Director – Leopoldo Conti**

A law graduate, Leopoldo Conti has practised professionally as a lawyer since 1986, doing so at the Genoa courts. He mainly provides consulting services and assistance to companies. He has built up many years of experience holding office in various companies. He was Chairman of the Board of Directors of Achab S.r.l., a food processing company and a member of the Board of Directors of Advance Medical S.r.l., a manufacturer of medical-surgical aids, and of I.Fi.S. SIM S.p.A., a securities brokerage company.

## **Director – Andrea Martin**

A graduate in Economics & Commerce, Andrea Martin is registered with the Venice orders of Labour Consultants and of Professional Accountants & Accounting Experts; since 1986 he's

registered with the register of statutory auditors. Since 1993 he is registered in the central list of expert auditors for fiduciary and audit firms.

He has performed consulting services for some provincial associations of Veneto manufacturers, as well as for their consortia and service companies, for the Venice Public Prosecution Department for bankruptcy and corporate crimes, and has followed numerous creditor arrangement procedures. He has held offices as chairman, deputy chairman, executive committee member and internal statutory auditor of banks, financial and tax-collection entities. He has also been an external auditor for various public entities and public and private cultural foundations.

He currently holds office as a member of the Board of Statutory Auditors of various public entities, companies and foundations.

### **Director – Marina Salamon**

With a university degree in history (specialization in economic history), in 1982 Marina Salamon founded Altana S.p.A. one of the foremost European medium/high-end children's apparel companies.

She controls Doxa S.p.A, Doxa Marketing Advice S.r.l., Connexia S.p.A., Duepuntozero Research S.r.l. and Doxa Metrics S.r.l.: these are some of the major Italian companies in the market research and web communication sector. The group also has minority interests in the companies The Visual Agency S.r.l. and Doxa Pharma S.r.l..

All entrepreneurial and financial undertakings are headed by the holding company Alchimia S.p.A., wholly owned, which is strongly present also in the real estate sector. Alchimia S.p.A. has also invested in the photovoltaic sector, through the construction or acquisition of solar parks in various Italian locations.

### **Director – Riccardo Preve**

A graduate in sociology, in 1980 Riccardo Preve founded Preve Costruzioni S.p.A., a company operating in the building of infrastructures for public contracts which controls other companies in the road signs and construction sectors.

He has a strong presence in the real estate sector and has invested in the photovoltaic sector.

He currently covers the position of Chairman, CEO and Technical Director of various industrial companies and he is a Member of the Committee of Confindustria Cuneo.

He has many years of experience in various financial companies and was Chairman of Banca di Credito Cooperativo.

### **Director – Francesca Maderna**

Francesca Maderna graduated in Economics & Commerce in 1988 and has been registered with the Belluno Order of Professional Accountants since 1990 and in the Italian public register of approved statutory auditors (with no. 33675) since 1995.



At present she holds the following offices: Sole Director of Immobiliare del Nord S.p.A., a company that manages property assets; Sole Director of Vitanova Srl, a leisure-boat charter company; and Director of Clinica Mediterranea S.p.A..

In addition, she has held directorships in various companies in the hollow-glass sector (AVIR Group).

On 16 February 2012 the Board made an overall assessment of the architecture of the corporate governance system adopted by Banca IFIS and carried out an analysis of the effectiveness of the way it functions with regards to the structure of its capital, strategic prospects, dimensions, operating complexity and the type of business of the Bank and the group, also in light of a “Note” issued by the Bank of Italy on 11 January 2012 on the application of supervisory provisions concerning the organisation and corporate governance of banks.

During the course of 2012, the adopted organisational solutions and the existing documents were subjected to subsequent “maintenance” in connection with the composition of the Banking Group, the evolution of the business lines and the organisational layout, also taking into account the changes which occurred from time to time in the reference legislative frameworks. On 21 February 2013, the Board performed an overall assessment of the corporate governance and of its own composition, also in view of the opinions to be expressed to the Shareholders for the purpose of presenting the lists for renewal of the offices, as specified in section 4.3 of this Report.

## Maximum number of offices held in other companies

The “Regulation on the maximum total number of offices that can be held by company officers” was approved by the Shareholders’ Meeting on 30 June 2009.

This Regulation first of all establishes that:

*“The officers of Banca IFIS S.p.A. accept office and maintain it insofar as they believe themselves able to dedicate the necessary time to diligent performance of their tasks, taking into account both (a) the number and the quality of offices held in the management and control bodies of other companies and (b) the commitment required of them by their further professional activities and by association appointments held”.*

For the purposes of calculation of the limits on the maximum total number of offices governed by the “Regulation”, the following items are relevant:

- a) companies with shares listed in Italian or foreign regulated markets;
- b) Italian or foreign companies, with shares not listed in regulated markets and that operate in the insurance and banking sectors and in the financial sector in general. As regards the latter sector, the only financial companies relevant are those subject to prudential supervision by the Bank of Italy and registered in the specific list indicated in Article 107 of Legislative Decree no. 385/1993. In the case of foreign companies, a evaluation of substantial equivalence is performed;
- c) “companies of significant size” (“companies of significant size” are those that have individual Shareholders’ equity of at least 100 million Euro based on the last approved set of annual accounts).

Conversely, offices held within the Banca IFIS Group or in companies other than those listed above, do not count.

In the Regulation, the term “executive offices” means the following offices:

- CEO
- General Manager
- Member of the Management Board
- Member of the Executive Committee

The term “Non-executive or control director offices”, on the other hand, means the following offices:

- Member of the Board of Directors without proxies
- Standing member of the Board of Statutory Auditors
- Member of the Supervisory Board.

In addition to the office held at the Bank, an executive director:

- cannot hold other executive offices in the companies identified, in terms of type or size, as relevant for the purposes of the Regulation;
- can hold up to a maximum of 5 (five) offices as non-executive director or statutory auditor in such companies.

In addition to the office held at the Bank, a non-executive director cannot hold more than 10 (ten) offices as director or statutory auditor, of which not more than 2 (two) executive offices, in other companies identified, in terms of type or size, as relevant for the purposes of the Regulation.

Candidates for appointment as Director or Statutory Auditor of Banca IFIS S.p.A. must provide the Bank with an updated statement of the management, direction and control offices held by each of them.

Following their appointment, the Company’s Directors and Statutory Auditors promptly notify the Corporate Affairs Department of Banca IFIS S.p.A. of any changes affecting the offices held by them in the management and control bodies of other companies.

The Board of Directors of Banca IFIS S.p.A. has the authority to accord possible exceptions, also temporary, to the maximum limit in the Regulation. At the time of writing of this Report, no such exceptions had been accorded.

As part of the submittal of the lists for the appointments made by the Shareholders’ Meeting on 29 April 2010, all candidates declared – when accepting their candidacy and possible appointment – that they had perused the “Regulation” and checked that they did not hold a number of offices in other companies exceeding the related limits.

No significant changes in this respect were notified subsequent to appointment.

Offices held by Directors of Banca IFIS S.p.A. as at 31 December 2012 in the management and control bodies of other companies “relevant” for the purposes of the said Regulation, based on the information provided by those directors, were as follows:

| Members                    | Office held in Banca IFIS | Offices held in other companies |
|----------------------------|---------------------------|---------------------------------|
| Sebastien Egon Fürstenberg | Chairman                  | --                              |

|                      |                 |                                     |
|----------------------|-----------------|-------------------------------------|
| Alessandro Csillaghy | Deputy Chairman | --                                  |
| Giovanni Bossi       | C.E.O.          | --                                  |
| Leopoldo Conti       | Director        | --                                  |
| Andrea Martin        | Director        | --                                  |
| Marina Salamon       | Director        | Point c)<br><br>ILYY SpA (Director) |
| Riccardo Preve       | Director        | --                                  |
| Francesca Maderna    | Director        | --                                  |

## Induction Programme

During the course of 2012, no induction initiatives aimed at directors were carried out, since none of them is covering their office for the first time and due to the satisfactory level of skills and professionalism also confirmed by the self-assessment conducted during the month of February 2013 which entailed the administration a questionnaire that included the formulation of opinions on the knowledge of the Issuer's sector of business.

### 4.3. Role of board of directors (as per Art. 123-bis, para. 2, letter d), CFA)

During FY2012, 18 meetings of the Board of Directors were held, each lasting about 3 hours on average. Percentage attendances are shown in Table 2 attached to this Report.

Since the beginning of 2013 up to the date of approval of this Report, three Board meetings have been held, including the one during which the Report was approved. The number of Board meetings in 2013 is expected to be slightly lower compared to the previous financial year but in any case not less than 12.

In fulfilment of the obligations established, for listed issuers, by Article 2.6.2 of the Market Regulation of Borsa Italiana S.p.A., the Board of Directors annually approves the Corporate Events Calendar, to be notified to Borsa Italiana, for disclosure to the public, within the deadline of 30 (thirty) days after the end of the previous corporate financial year.

In particular, the Calendar specifies, within the framework of Board meetings established for the new financial year, the dates fixed for the approval of draft financial statements, interim financial report and quarterly reports, as well as the date scheduled for the Shareholders' Meeting for the approval of the financial statements.

The "Regulations for convening and functioning procedures of Board of Directors' Meetings", lastly updated on 7 June 2012, establishes that:

- the documentation supporting discussion of agenda items is sent to each Director and Statutory Auditor by e-mail or fax by the end of the second day before the date fixed for the

meeting, without prejudice to urgent cases when documentation is made available by the end of the day before the meeting and in any case as soon as possible;

- such documentation is sent, on the Chairman's instructions, by the Bank's Corporate Affairs Department;
- when the Chairman deems it advisable in relation to the contents of the topic and related resolution – also in order to avoid abusive disclosure of confidential information, made possible by the means of communication instruments used quite apart from the intentions of those concerned – the briefing documentation can be provided directly at the meeting, advising Directors and Statutory Auditors of this beforehand by the deadline indicated above so that, if they deem it appropriate, they can in any case have access to the information at the Company's registered office by the end of the day before the meeting and in any case as soon as available.

The methods and terms for sending the documentation to the Board as described above were usually complied with during the course of 2012.

The evaluations which emerged during the self-assessments of the Board of Directors held on 21 February 2013 concerning the planning of the Board's meetings, the comprehensiveness of the agenda and the contents of the informative note conveyed prior to the meetings, as well as the participation in said meetings and the precision of the minutes drawn up are considered satisfactory as a whole.

Pursuant to the Articles of Association, Board meetings are attended by the General Manager with consultative functions. In addition, pursuant to the aforesaid "Regulation", the Chairman can invite to attend Board meetings managers or other employees of the Company or other parties or external advisors, whose presence is deemed useful by the Chairman in relation to the matters to be addressed. During 2012, meetings were also attended by the Corporate Accounting Reporting Officer and by the employees called to act as secretary. There was also occasional attendance by the Heads of the Customers Area and of the Debtors Area, to aid the Board in the assessment of some assignment dossiers, as well as by the Head of the Organization & Information Systems Area and by the Head of the Risk Management Function when topics were addressed concerning the latter's related activities and responsibilities. Lastly, the Internal Audit Officer and the Compliance Officer, responsible also for the Anti-Money Laundering Function, directly illustrate their reports and work plans to directors, in accordance with the current supervisory regulation enacted by the Bank of Italy.

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Pursuant to Article 14 of the Articles of Association, besides the attributions that, mandatorily, cannot be delegated, the matters reserved to the exclusive prerogative of the Board of Directors include:

- adaptations of the Articles of Association to regulatory requirements;
- strategic guidelines and operations as well as business and financial plans of the Group;
- purchase and disposal of equity investments, companies and/or company branches leading to changes in the group or investments or disinvestments exceeding 1% (one percent) of the Shareholders' equity reported in the Company's latest financial statements approved.

On the basis of strategic indications, dimensional objectives and additional qualitative-quantitative elements of the Industrial plan, the ICAAP Report and the related Risk Policies are prepared every year and approved by the Board of Directors. The last version of said documents was approved by the Board of Directors during the meeting held on 27 April 2012 based on an intense preliminary investigation activity carried out by the Risk Management Function.

The Board assesses the overall trend of operations at least once every three months, specifically during the analysis of the Financial Reports required by art. 154-ter of the CFA and upon receiving a quarterly informative note to the company's top management (*tableau de bord*) prepared by the *Risk Management* Function which summarizes, from time to time, the overall trend of operations both in terms of results and risk taken; in said document, the main parameters are examined from an objective/final balance/deviation standpoint and in terms of the resulting impacts with regards to management manoeuvres.

Hence, the Board of Directors can monitor the implementation of strategic orientations and the trend of the risk indicators identified with the relevant "Policies", in a systematic and structured manner through said document.

The Board assesses on an ongoing basis, as part of its handling of matters for which it is responsible, the appropriateness of the Bank's organizational, administration and general accounting set-up. In particular, during 2012, it updated the General Regulations of the Bank and the Group Regulations. On 29 June 2012, as specified in Section 12 (Directors' Interests and related-party transactions), the Board updated the "Procedure for related-party transactions" approved in 2011. The control model is calibrated according to the risk priorities characterizing the Bank's core management. Each year, a document on risk-management policies that identifies procedures for performing related controls is submitted to the Board of Directors for approval.

At the end of the integration of the former Toscana Finanza Group, the Banca IFIS Group is therefore again composed of the Parent Company Banca IFIS S.p.A. and the wholly owned subsidiary IFIS FINANCE Sp. z o.o. - a factoring company located in Poland. Even though this company's total contribution to consolidated turnover is extremely minor, Banca IFIS S.p.A. has equipped itself with some governance and control governance tools to set relations with the subsidiary in an appropriate frame work. It is constantly working to refine these tools for accomplishing a single overall entrepreneurial design, also as regards the internal audit and risk management system and management of conflicts of interest; Banca IFIS S.p.A. further refined those tools when it acquired and consolidated the former Toscana Finanza Group.

Pursuant to the provisions of the Articles of Association highlighted earlier, the Board has the prerogative of prior review and approval of the transactions of the Issuer and its subsidiaries, when such transactions are of significant importance in strategic, economic, equity or financial terms. In such cases the following procedure is applied: the Board of Directors gives a mandate to the CEO to perform a feasibility study of the transaction, in order to assess its risks and opportunities. This study must contain all the parameters necessary to permit knowledgeable decision-making by the Board of Directors. The Board, after having reviewed the feasibility study, can either approve the transaction or ask for further in-depth analysis.

The Board has not established general criteria to identify transactions of significant strategic, economic, equity or financial importance for the Bank. The reason is due to the fact that the present

arrangement of the Banca IFIS Group's governance documentation (with special reference to documents concerning strategic planning and risk policies) already performs this function, including, at any given time, significant transactions.

The Board examined the issue of general criteria to identify related-party transactions of significant strategic, economic, equity or financial importance for the Bank when it approves and reviews the "Procedure for related-party transactions" mentioned earlier.

The Board of Directors, as referred to in the previous Report on corporate governance and ownership structure, had carried out, during the meeting held on 16 February 2012, and also in light of the provisions and instructions provided by Bank of Italy, an evaluation on the functioning of the Board and its committees as well as on their size and composition.

Said evaluation was again carried out during the meeting held on 21 February 2013, taking into account the usual elements, such as the professional, experience, managerial, and gender characteristics of its members, as well as their seniority in office. The annual evaluation of 2013 was also performed with a view to draw up opinions to be expressed to the Shareholders on the individuals whose presence on the Board is deemed appropriate, and was preceded by two meetings of the Board for appointment and remuneration as well as by the administration to the directors of a questionnaire aimed at facilitating the process and allowing the members to express their opinions on the quality of the Board of Directors.

The questionnaire consisted of 39 questions, subdivided into the following six thematic areas:

- 1) Size and composition of the Board of Directors
- 2) Role of the Board of Directors
- 3) Competences (qualitative composition)
- 4) Functioning of the Board of Directors
- 5) Degree of involvement of the Board of Directors in the definition of risk propensity and on suitable information in risk performance
- 6) Information flows and circulation of information.

The questions contained in the questionnaire required the answer to be supplied, on the basis of consolidated international practices, on a gradual rating scale, where 1 represented the best opinion and 5 the worst. As a whole, the answers to the questionnaires photograph an extremely positive self-assessment, as they are mainly positioned on the first two levels of the rating scale.

In particular, as regards the qualitative-quantitative composition of the Board of Directors, it seems advisable to preliminarily point out that:

- the Chairman Sebastien Egon Fürstenberg is also the majority Shareholder and is responsible for promoting internal discussion, supervising the organisation of the board's work and the circulation of information, while the leading independent director Andrea Martin represents a reference and coordination point for requests and contributions of non-executive, and in particular, independent directors, for the purpose of improving the operation of the Board;
- the CEO Giovanni Bossi has the experience and expertise necessary for fulfilling many of the "types of operations" indicated below.

A table follows containing a comparison between the requirements of professionalism and skills considered necessary for composition purposes, such as – optimal quantities for the described operating areas of the Group and the actual composition of the Board of Directors.

| Type of operations   | Directors present                                     |
|--|---|
| The Group's core business in the factoring field leads us to consider useful the presence of professional figures coming from the entrepreneurial world.   | Francesca Maderna<br>Riccardo Preve<br>Marina Salamon |
| The current and future development of the factoring business at the international level makes advisable the presence of people who know foreign markets and how to deal with the structures to be found in such markets. | Alessandro Csillaghy                                  |
| The specific aspects of factoring also lead us to consider advisable the presence of people with significant legal knowledge of the sector.  | Leopoldo Conti  |
| Operations involving the collection, utilisation and management of liquidity entails the need for specific experience and expertise in financial matters.  | Andrea Martin   |
| At least one member (of the Remuneration Committee) must be in possession of adequate knowledge and experience in financial matters or remuneration policies.  | Andrea Martin   |
| At least one member (of the Control and Risks Committee) must be in possession of adequate experience in accounting and financial matters or risks management.   | Andrea Martin   |

As for the evaluation that emerged a year ago concerning the integration of the former Toscana Finanza Group, which led us to believe that some additional specific expertise (to be procured) in the area of acquisition and management of *non-performing* loans and tax receivables would be necessary, a more careful evaluation of Mr. Martin's prior experience in the field of collection and the experience accrued by all directors, and in particular by the CEO, in this specific business, have led the company to re-analyse this issue and to no longer consider necessary the need for such an addition to the Board.

The qualitative-quantitative composition of the current Board (nine members at the time of the appointment and eight, three of which independent, after the resignation by Mr. Cravero during the course of 2012) was therefore considered optimal also in view of the opinions to be expressed to the Shareholders for the purpose of presenting lists for renewal of the corporate offices, on the individuals whose presence in the Board is deemed appropriate.

The Shareholders' Meeting has not authorized any exceptions to the ban on competition envisaged by Article 2390 of the Italian Civil Code.



## 4.4. Delegated bodies and officers

### CEOs

In the model applied by Banca IFIS:

- strategic supervision is performed by the Board of Directors;
- operating management, without prejudice to the matters coming within the sole authority of the Board and/or powers not delegated by the Board of Directors, is performed by Top Management (consisting of the CEO, appointed by the Board from among its members, and the General Manager).

Management powers cover the following main areas:

- human resources management;
- granting and utilization of credit;
- treasury;
- spending management.

Distribution of management powers is calibrated on decreasing levels of authorization, from the Board of Directors to operating units.

The most significant limits in terms of value and area are summarized below, whereas systematic information flows exist concerning exercise of powers at any given time, as well as compliance with related quantitative limits:

|                                    |  |
|------------------------------------|--|
| Human resources management         | As regards human resources management, the CEO is responsible for decisions concerning the start, management and cessation of managers' employment, without prejudice to the authorities maintained by the Board for relations with key managers [i.e. strategically accountable] and/or those in staff functions serving the Board.   |
| Granting and utilization of credit | <p>As regards the granting of credit, the CEO has the authority to:</p> <ul style="list-style-type: none"> <li>• take on credit risks vis-à-vis third-party corporate counterparties for transactions lasting a maximum of 570 days, up to a maximum amount of 5,000,000 Euro or the lower amount of 2,500,000 Euro depending on the transactions' type of risk. Higher limits are established for transactions featuring joint signature with the General Manager.</li> </ul> <p>The CEO also has the power to:</p> <ul style="list-style-type: none"> <li>• suspend, reduce or revoke lines of credit in place, and to authorize their transformation into others of the same amount featuring similar or lower technical risk levels;</li> <li>• establish the split of the existing debtor credit ceiling between the individual assignors, while observing the overall limit approved by the relevant bodies and any sub-limits, establishing the related maximum pair ratio;</li> <li>• establish, for a multiple credit facility usable by parties belonging to the same group, its breakdown between the individual parties, while observing the overall limit approved by the relevant bodies and any sub-</li> </ul> |



|                     |   |
|---------------------|---|
|                     | <p>limits.</p> <p>With the exception of financial conditions, whose definition is the prerogative of the Credit Committee or Board of Directors, the CEO also has the right to establish the financial conditions applicable to transactions undertaken with customers, without any type of limit.</p>  |
| Treasury            | <p>Among the most significant limits attributed to the CEO in this area (in a perspective of integrated asset &amp; liability management) the one pertaining to exposure to the interest rate risk is equal to:</p> <ul style="list-style-type: none"> <li>• 5% in terms of the absolute value of weighted net exposure for each due-date range;</li> <li>• 10% in terms of overall weighted net exposure.</li> </ul> <p>In reference to the company securities portfolio, the limit on the overall financial lever is equal to 25 times the net consolidated equity.</p> |
| Spending management | <p>Generally speaking, up to euro 1,000,000 for each spending instruction within the sphere of the annual forecasts contained in the Industrial Plan.</p>   |

Pursuant to Article 15 of the Articles of Association, in emergencies the CEO can take decisions concerning any deal or transaction that is not the sole prerogative of the Board of Directors, informing the Chairman immediately and notifying the Board at the first subsequent meeting.

The CEO, Giovanni Bossi, does not cover any other offices of director at any other Issuer. Consequently, the situation of interlocking directorate does not apply.

## Chairman

The Chairman has not been given any management powers.

As he is the majority Shareholder, the Chairman, via the corporate governance mechanisms described in this Report and particularly at Shareholders' meetings, plays a significant role in determining corporate strategies.

## Executive Committee

The Articles of Association do not envisage the possibility of setting up an executive committee.

## Reporting to Board

During 2012, the CEO did not take any emergency decisions pursuant to Article 15 of the Articles of Association.

The Board received reports on the exercising of management powers at different intervals depending on the subject of the power involved.

The rules for reporting on the use of powers are summarized below:

|   |                  |
|---|------------------|
| Trading of financial instruments issued by the Bank | At every meeting |
| Report on liquidity status                          | At every meeting |
| Composition of investment securities book           | At every meeting |

|  |           |
|--|-----------|
| Credit-granting activity   | Monthly   |
| Report on use of powers relating to spending   | Quarterly |
| Dashboard report (management report on overall operating progress in terms both of results and risks taken on) | Quarterly |
| Report on use of powers for Human Resources management   | 6-monthly |
| Training of personnel in prevention of money laundering  | Annual    |
| Incentive system (report on criteria adopted by Top Management)  | Annual    |

## 4.5. Other executive directors

There are no other directors considered executive directors because they hold:

- office as the CEO or executive chairman of a strategically significant subsidiary;
- management positions in the Bank or in a strategically significant subsidiary or in the parent company.

In addition to the CEO, the definition of “executive director” also includes the Deputy Chairman for his activities promoting the corporate image and commercial development in some foreign markets.

## 4.6. Independent directors

The Board performs its own assessments of the requirements established by the Corporate Governance Code for directors classified as independent at the first meeting after appointment by the Shareholders’ Meeting. It also assesses, periodically, the directors’ level of independence. On 29 April 2010, after appointment, the Board ascertained that four of its members (Andrea Martin, Roberto Cravero, Francesca Maderna and Riccardo Preve) met independence requirements as per the criteria contained in the Corporate Governance Code for Listed Companies, making the outcome of its evaluations known by means of a communication aimed at the market. This assessment was confirmed from year to year, and for the 2013 period it will be carried out once the Shareholders’ Meeting appoints the new Board.

The specific details of the evaluations concerning the director Roberto Cravero (who resigned on 23 May 2012) are summarized in the previous Reports on corporate governance and ownership structures. In addition, the Board of Statutory Auditors, pursuant to Application Criterion 3.C.5. of the Corporate Governance Code, checked the application of the criteria and of the verification procedures used by the Board of Directors to assess the independence of its members and deemed it compliant with the indications provided by the Corporate Governance Code.

During the year, the independent directors met three times without the other directors, for the purpose of discussing transactions with related parties.

Those directors who, in the lists for the appointment of the Board (April 2010) had indicated their suitability to qualify themselves as independent, maintained their independence during the entire term (2010/2012).

## 4.7. Lead Independent Director

In line with the guidelines established by the Corporate Governance Code for Listed Companies, as the Chairman of the Board of Directors is also the majority Shareholder of La Scogliera S.p.A., and thus controls Banca IFIS, the Board of Directors has designated an independent Director as Lead Independent Director. The latter has the task of being the point of reference and coordination of the requests and contributions of (non-executive and in particular independent) Directors to improve operation of the Board, also ensuring that the information flows between Directors are constant and effective.

The Lead Independent Director has the power to call, when deeming it appropriate or at the request of other Directors, specific meetings solely for independent Directors for significant matters relating to operation of the Board and/to company operations in general.

On 29 April 2010 the Board of Directors confirmed Roberto Cravero as Lead Independent Director for the 3-year period 2010-2012.

Following the resignation by the Director Cravero during the course of 2012, the Bank's Board of Directors, during the meeting held on 20 September, appointed Mr. Andrea Martin as Lead Independent Director until the expiry date of the term of office of the current Board.

## 5. Processing of corporate information

Pursuant to Application Criterion 1.C.1, letter j of the Corporate Governance Code, the Board of Directors of Banca IFIS S.p.A. approved, on 11 April 2007, the “Regulation for internal management and external disclosure of corporate documents and information”. The CEO is responsible for correct corporate information ensuring, via compliance with the above “Regulation”, provision of correct information to the market, with special reference to privileged information.

With resolution of 19 January 2012 the Board of Directors appointed as Investor Relations Manager the Head of Communications Mara Di Giorgio. The staff of the Investor Relations Department reports to the CEO. The “Regulation for internal management and external disclosure of corporate documents and information” can thus be updated.

Within the legal and regulatory environment of Banca IFIS S.p.A., the Regulation governs internal management and external disclosure of the documents and information concerning the issuer and its subsidiaries, with special reference to information of a privileged nature, establishing:

- the approach for management, processing and circulation of “confidential information”;
- the approach for identification, management and circulation of “privileged” information” and the issue of related press releases;
- the approach for management of external disclosure of other documents and information concerning the Bank.

### Confidential information

The Regulation is designed first of all to avoid selective, untimely, incomplete or inappropriate disclosure of confidential information.

The Regulation also governs the processing and management of information and documents that, albeit not relevant pursuant to stock market regulations, are confidential in nature and which it is therefore advisable to protect, in the corporate interest, from indiscriminate access and circulation.

The Regulation therefore establishes that the Directors, Statutory Auditors and employees of the Bank who, for reasons of office, come into legitimate possession of confidential information concerning the Bank and/or Banca IFIS Group, are required to:

- keep it confidential, protecting it most scrupulously from access by parties who, as regards such confidential information, do not have the duty and/or need to be informed about it by virtue of their role;
- transmit such information only to parties legitimately able to come into possession of the same.

Besides observing the above requirements, Directors, Statutory Auditors and employees of the Bank who come into possession of confidential information not relating to their office or to the position held in the Bank, strip themselves of such possession, sending the confidential information to its “natural” addressee, if identified, or to the CEO in other cases, removing such information from any support on which they are present and ensuring that this deletion is definitive and irreversible.

## Privileged information

In order to drive the procedure for the disclosure of information, the Bank has identified the moment when information occurs and acquires the status of “precise” and “price-sensitive”.

If information stems from a unilateral decision by the Bank such as – solely by way of example – entry into or exit from a business or an extraordinary finance transaction, the moment of occurrence is the moment when the related decision is taken by the relevant body.

If it instead stems from mere confirmation of objective facts and circumstances such as, for example, resignation of a member of the management team or from performance of a precise procedure such as, once again for example, preparation of an accounting document, occurrence respectively coincides with the moment of reception by the corporate organization or when the above-mentioned procedure has been completed.

In the presence of unmistakable signs of the fact that, notwithstanding the use of appropriate procedures to preserve the confidentiality of privileged information concerning the events in question, confidentiality obligations have not been observed by parties having access to the privileged information, the Bank is required to issue a press release simultaneously in the case of wilful disclosure and without delay in the case of unintentional disclosure.

If, when markets are closed or in the pre-opening phase, news is generated in the public domain concerning the Bank’s economic and financial position or extraordinary finance transactions (circulated by national news media or by specialized, credible Internet sites) not disclosed according to the procedures established by Article 66 of the Issuers’ Regulation and capable of tangibly affecting the stocks’ price, the CEO evaluates the possibility of informing the public as soon as possible as regards the truthfulness of the news, supplementing or rectifying its contents where necessary. Changes in the Bank’s share price are considered significant when they deviate significantly from the previous day’s closing price and are not in line with the market or sector trend.

In such cases, a correct and timely press release is issued to the public, in the ways and terms indicated in this procedure.

## Characteristics of information disclosed to the public

In drafting press releases and in its conduct in disclosing them, the Bank observes criteria of fairness, clarity, equality of access to information, and timeliness.

In pursuing the objective of providing exhaustive corporate information that is not misleading, the Bank pays the utmost attention to the legitimate requests for data and news coming from the market, pre-empting them when possible.

Clarity relates to the form of the press release and requires that the latter be complete, intelligible and suited to the various recipients.

To achieve this, the Bank endeavours to communicate all items able to assure representation of the economic, financial and equity repercussions of the event disclosed, also circulating to the public any significant modification that occurs subsequently.

## 6. Internal board committees (as per Art. 123-bis, para. 2, letter d), CFA)

The following committees have been set up within the Board of Directors:

- Risks and Control Committee (previously named Internal Audit Committee), consisting of three independent non-executive directors and by one not independent and non-executive director, as specified later on in Section 10;
- Committee for Appointment and Remuneration (previously named Committee for the Remuneration of Directors, Managers and for any stock option plans), consisting of non-executive directors, most of which independent and with an independent Chairman, as specified in Sections 7 and 8 below.

The Board of Directors adopted a resolution on 19 December 2012 that turned the Committee for the Remuneration of Directors, Managers and for any stock option plans into a Appointment and Remuneration Committee, thus setting up a single Committee to deal with appointment-remuneration issues, composed according to the rules provided for the Appointment Committee (majority of independent directors), and also according to the stricter ones provided for the Remuneration Committee (all non-executive directors, the majority of which independent and independent Chairman).

The Board of Directors decision to assign to a single internal committee the tasks of the “appointment committee” and of the “remuneration committee” was the result of:

- The non-excessive composition of the Board itself;
- Cost-effectiveness considerations;
- The opportunity of a synergic and integrated use of professional figures within the Bank’s strategic supervision Body.

The Board of Directors has also appointed a Supervisory Body vested with autonomous powers of initiative and control as indicated in Legislative Decree no. 231/2001. It is currently chaired by an independent director and consists of two other permanent members (a non-executive director and the Internal Audit Officer), as specified in greater detail in the third paragraph of Section 11.

No function of one or more committees required by the Corporate Governance Code, has been reserved to the entire Board, under the Chairman’s coordination.

No further Committees have been set up in addition to those reported in this Section.

## 7. Appointment committee

As recalled in Section 6 of this Report, by means of resolution adopted on 19 December 2012, the Board of Directors of Banca IFIS, acknowledging the changes made in the Corporate Governance Code of 2011, which included, among other things, the recommendation to set up the Appointment Committee and the possibility to “group together or distribute functions assigned to the committees provided for by the Code in the... most appropriate... manner...”, has approved the conversion of the existing “Committee for remuneration of Directors, Managers and for any stock option plans” in the “Appointment and Remuneration Committee”, assigning the functions usually assigned to the

Appointment Committee to a single Committee that complies with the composition requirements of both.

The Appointment and Remuneration Committee consists of at least 3 members chosen from among the non-executive members of the Parent Company's Board of Directors, the majority of which is independent.

At the end of the 2012 period, said Committee consisted of the Chairman of the Board of Directors of Banca IFIS, Sebastien Egon Furstenberg (non-executive and not independent), the Director Andrea Martin (independent and non-executive) in the capacity of Chairman and of Director Francesca Maderna (independent and non-executive).

During the course of the 2012 period, the Committee did not meet to discuss issues pertaining to appointments.

During the current period, up to the date this Report was prepared, the Committee has already met twice (on 13 and 21 February 2013) for the purpose of expressing its opinions on the optimal qualitative-quantitative composition of the Board of Directors and of its internal committees, in view of the opinions to be provided to the Shareholders for the submission of the lists of candidates for the purpose of renewing the Board itself.

On the subject of appointments, the Committee is specifically assigned the following tasks:

- Providing opinions to the Board of Directors with regards to the size and composition of said Board;
- Expressing recommendations to the Board of Directors with regards to the professionals whose presence within the Board is considered appropriate in order to encourage its proper and effective functioning;
- Providing opinions to the Board of Directors on the limits of cumulated assignments of directors and statutory auditors and on any exceptions to the non-competition clause as per art. 2390 of the Italian Civil Code;
- Suggesting to the Board of Directors candidates for the office of director in cases of co-opting, if independent directors need to be replaced;
- Provide preliminary information to the Board of Directors in order to prepare the succession plan of the executive directors, should the Board of Directors have considered necessary the adoption of such plan.

A summarized minutes of the meetings of the Committee is prepared and signed by the members.

The Committee may access all company information deemed relevant for the performance of its tasks.

The Committee's Regulations provide for the possibility of using financial resources, which can be used autonomously, in the amount established by the Board and with the requirement of reporting with regards to any use of funds at least once a year, usually during the review of the report on corporate governance and ownership structures.

For the time being, the Board of Directors has not assigned to the Committee any financial resources that can be used autonomously.

The Committee may avail itself and/or request the presence of:



- external consultants with experience in salary policies, which can also be identified from among the members of the Parent Company's Board of Directors, provided that such experts do not provide at the same time to the Human Resources area, to executive directors or to managers with strategic responsibilities of the Parent Company and/or of the other Groups companies, services whose significance is such as to actually compromise the independent judgement of said consultants;
- any representative of employee of the Parent Company or of another Group company.

## 8. Remuneration committee

Please refer to the relevant parts of the remuneration report published in compliance with Article 123-ter of the CFA.

## 9. Remuneration of directors

Please refer to the relevant parts of the remuneration report published in compliance with Article 123-ter of the CFA.

## 10. Control and risks committee

The Board has set up a Control and Risks Committee (formerly Internal Audit Committee) within the Board itself, that was formed, at the end of 2012, by the Director Andrea Martin (independent and non-executive) with the role of Chairman, and by the Directors Leopoldo Conti (non-executive and not independent), Riccardo Preve (independent and non-executive) and Francesca Maderna (independent and non-executive).

During 2012, the Committee met 13 times, as shown in Table 2 enclosed with this Report, with meetings lasting an average of one and a half hour. Five of these were joint meetings with the Board of Statutory Auditors.

The former coordinator Roberto Cravero (independent and non-executive director) who handed in his resignation during the course of 2012, took part in all the six meetings convened while he was in office. Director Andrea Martin took part in 10 meetings (for 3 of which in the capacity of coordinator) whereas the members Leopoldo Conti and Riccardo Preve were absent from 5 meetings and from 1 meeting respectively. The member Francesca Maderna, appointed as member of the Committee on 20 September 2012, participated in all four meetings held after her appointment.

For 2013, the Committee is expected to meet around the same number of times as the previous period.

In 2013, the Committee has already held 3 meetings, one of which was a joint meeting with the Board of Statutory Auditors.

During its meetings the Committee also interacted, based on prior agreement and to address individual topics, with the CEO, the Corporate Accounting Reporting Officer, the Auditing firm and the Head of the Risk Management Function. It systematically interacted with the Internal Audit Officer and Compliance Officer, who normally attend the Committee's meetings with a view to achieving synergy between the various players in the internal audit system.



The Committee also interacted with the Supervisory Body as per Italian Leg. Decree 231/2001, also due to the existing cross-membership mechanisms.

As part of the top-management's self-assessment performed on 21 February 2013, the Board of Directors ascertained that Andrea Martin, the Committee's Chairman, has accounting and financial experience, deemed appropriate by the Board.

The Committee provides its preliminary opinion to the Board of Directors with regards to:

- the guidelines of the internal control and risk management system;
- the adequacy of the internal control and risk management system with respect to the company's characteristics and to the assumed risk profile as well as its efficacy;
- the work plan prepared by the head of the *internal audit* function;
- the main characteristics of the internal control and risk management system and its adequacy;
- the results presented by the external auditor in the letter of recommendations, if any, and in the report on the main issues which came up during the external audit.

In reference to the appointment and revocation of the head of the *internal audit* function and to the allocation of resources suited to the fulfilment of its responsibilities by the Board of the Directors, the Control and Risks Committee is required to provide its favourable opinion (which is binding).

When aiding the Board of Directors, the Control and Risks Committee:

- evaluates, together with the Corporate Accounting Reporting Officer, and having heard the opinion of the External Auditor and of the Board of Statutory Auditors, proper application of the accounting standards and their uniformity for the purpose of drawing up the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- examines the periodical reports covering the evaluation of the internal control and risk management system, and the specifically relevant ones prepared by the *internal audit* function;
- monitors the autonomy, adequacy, efficacy and efficiency of the *internal audit* function;
- may ask the *internal audit* function to carry out checks on specific operational areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- examines the annual plans of the Control Functions and the reports on their implementation.

The Control and Risks Committee reports to the Board of Directors, at least once every six months during approval of the annual and interim financial report, on the activities carried out, on the use, if any, of its financial resources as well as on the adequacy of the internal control and risk management system.

On the subject of transactions with related parties and/or affiliated subjects, the Control and Risks Committee (consisting of independent directors only), also performs the functions assigned to it by the Board of Directors, as governed within the scope of the "Procedure" in force.

During 2012, the Committee's activity regarded the following key guidelines:

- procedure for transactions with related parties – applications and adaptation to the supervisory regulations on the subject of “affiliated parties”;
- discussion with the Board of Statutory Auditor, with the Financial Reporting Officer and with the Auditing firm concerning certain balance sheet items for the period ending 31 December 2011, as well as consolidated interim management reports for 2012;
- discussion with the CEO and with the Head of the *Risk Management Function* with regards to the push given to securities-related operations, to the new operational limits and to the new system of treasury proxies, later approved by the Board;
- presentation and implementation of the 2012 audit plan;
- interaction of the Committee, consisting of independent directors only, with the inspecting representatives of Bank of Italy during the course of the audits carried out by the latter at the Bank's premises;
- evolution lines of the internal control system.

Upon conclusion of its interim reports to the Board of Directors, the Committee stated that it had not found any inadequacies in the internal audit system.

The Chairman of the Board of Statutory Auditors - or another external auditor appointed by the Chairman from time to time - participates in the doings of the Committee. If deemed appropriate in connection to the issues to be discussed, the Control and Risks Committee and the Board of Statutory Auditors meet jointly.

During the course of the period, the Chairman of the Board of Statutory Auditors took part in 12 meetings.

Committee meetings were properly documented in minutes.

In performing its functions, the Control and Risks Committee can access the information and corporate functions necessary to carry out its tasks.

The Chairman of the Board of Directors and, if invited, the CEO and the General Manager may participate in the activities of the Control and Risks Committee; the Committee can also ask for the presence at its meetings of:

- experts if the technical content of transactions becomes particularly important, to be identified also among Board members; these experts can be called to take part in meetings on an advisory basis;
- all members or company staff concerned, who can be called to take part in the meetings on an advisory basis.

With resolution of 19 January 2012 the Board of Directors allocated the Control and Risks Committee (formerly Internal Audit Committee) annual economic resources of 60,000 Euro, to be used autonomously, subject to reporting to the Board concerning the use of funds within the sphere of the already envisaged six-monthly Report.

## 11. Internal control and risk management system

The strategic planning process of the Banca IFIS Banking Group is based on an three-year industrial plan approved by the Board of Directors on a yearly basis. Said Plan annually adjusts the strategic prospects drawn up in the previous document and extends their temporal horizon to the following year. On the basis of the strategic indications, dimensional objectives and additional qualitative-quantitative elements of the Industrial Plan, the ICAAP Report and the related Risk Policies are drafted and approved by the Board of Directors every year.

The guidelines emerging from the Board's documentation assign the Internal Audit System (IAS) the objective of ensuring proper information and appropriate coverage of control for all activities and, in particular, in the areas of greater corporate risk. As part of the last report on ICAAP (Internal Capital Adequacy Assessment Process) (which banks have to send to the Bank of Italy by the end of April each year), the most significant risks were deemed to be credit risk, operating risks, liquidity risk and reputational risk. In addition, rate and concentration risks and, more in general, all the main regulatory and economic risks are constantly covered.

Banca IFIS's IAS consists of rules, procedures and organization units aiming to ensure observance of corporate strategies and achievement of the following goals:

- effectiveness and efficiency of corporate processes (administration, production, distribution, etc.);
- safeguarding of assets' value and protection from losses;
- reliability and integrity of accounting and operating information;
- compliance of transactions with legislation, supervisory regulations and also with internal policies, plans, regulations and procedures, and with Codes (Code of Ethics, Corporate Governance Code, etc.) adopted for internal application by the Bank.

Controls involve, with different roles, the Board of Directors, the Board of Statutory Auditors, General Managers, and all personnel. Some types of controls are highlighted below:

- Line controls which aim to ensure that operations are carried out correctly. These controls are carried out by the operational structures themselves or are incorporated in procedures or in back office activities;
- Risk management controls which aim to define methods for measuring risks, verify if limits assigned to the various operational areas are being respected and check if operations within all areas are consistent with the risk / reward objectives assigned. These controls are entrusted to various structures, different from the operational one;
- Internal Audit activities which aim to identify anomalous trends and violations of procedures and regulations, as well as to appraise the overall efficiency and effectiveness of the Internal Audit System. These activities are carried out on a continual basis, both periodically and by exception, by various different structures that are independent from operational structures, also via on-the-spot audits.

Corporate Bodies foster a corporate culture that sets value on the control function. All personnel in the organization must be aware of the role assigned to them in the internal audit system and be fully involved.

The Board of Directors has the task of (a) approving strategic guidelines and risk management policies, (b) approving the Bank's organizational structure, (c) establishing the guidelines of the internal audit system of the Bank and its subsidiaries, and also of (d) checking that the internal audit set-up is consistent with elected risk propensity.

In addition, the Board of Directors ensures that a correct, complete and timely information system is established and that the functionality, efficiency and effectiveness of the IAS is assured, based on regular assessments and, when necessary, taking appropriate remedial actions.

The roles of the other main players in the IAS (Control and Risks Committee, Executive Director in Charge of Internal Audit System, Supervisory Body pursuant to Legislative Decree no. 231/2001, Internal Audit Function and Corporate Accounting Reporting Officer and other company positions or functions) are described in the parts of this Report specifically dedicated to such figures and/or their respective activities.

## **Key characteristics of present risk management and internal control systems in relation to the financial reporting process**

### **1. Foreword**

In relation to the financial reporting process, the risk management and internal audit systems are components of the same overall "System", which is designed, among other things, to assure the trustworthiness, accuracy, reliability and timeliness of financial reporting.

Together with the central body of administration & accounting procedures, the provisions in the Articles of Association concerning the "Corporate Accounting Reporting Officer" (hereinafter also "Accounting Reporting Officer"), the appointment of the present Accounting Reporting Officer, and the "Regulation of the Corporate Accounting Reporting Officer", approved by the Board, form the overall set of measures applied by the Bank to cover the risk of erroneous financial reporting.

As regards this, the approaches via which the appropriateness and effective application of the said administration & accounting procedures is ensured are based on our internally developed methodology. The latter is based on assessment of the risk of erroneous financial reporting, meaning an intentional or unintentional action potentially capable of producing errors in financial statements. This methodology, as described at the beginning of the present paragraph, is consistent with the requirements established by supervisory regulations concerning risk assessment and the internal control system.

### **2. Description of key characteristics of present risk management and internal audit systems in relation to the financial reporting process (the "System")**

The System is described in the following documentation approved by the Board of Directors, also bearing in mind its supervisory tasks pursuant to Article 154-*bis* of the CFA (Consolidated Finance Act):

- Group Accounting Manual, which describes the guidelines underlying preparation of the individual and consolidated financial statements in accordance with the requirements of current regulations;
- Financial Reporting Process, which governs the activity of production and approval of the individual financial statements, of the interim report and of quarterly reports, as well as of the consolidated financial statements and related annexes;
- Regulation of the Corporate Accounting Reporting Officer, which includes the methodological document describing the process for managing the risks of erroneous financial reporting. Specifically, this latter document establishes the approach followed by the Accounting Reporting Officer to assess the individual administration & accounting processes, examining their:
  - riskiness;
  - appropriateness;
  - efficacy and effective application.

## 2.1 Phases of the process for managing risks of erroneous financial reporting

The process is illustrated below in chart form.



### 2.1.1 Identification of administration & accounting processes

An “administration & accounting process” is that corporate process comprising operations/transactions capable of positively or negatively affecting the correctness of data and therefore preparation of financial statements and further corporate acts and notifications.

### **2.1.2 Assessment of inherent risk**

Administration & accounting processes can generate events featuring the risk of erroneous financial reporting, i.e. events able to violate one or more financial-statement assertions.

Each risk event identified has a given level of inherent riskiness, which depends on the following criteria:

- risk associated with a significant accounting item;
- risk generated by an operation/transaction featuring high frequency;
- risk generated by an operation/transaction subject to a specific valuation (e.g. securities, impairment).

In the face of the inherent risk found at the level of activity, specific criteria are established as the basis to assess efficacy, as described in the subsequent point addressing this topic.

### **2.1.3 Assessment of the appropriateness of administration & accounting procedures**

Assessment of the appropriateness of administration & accounting procedures is performed by analysis of the documentary set-up of the administration & accounting procedure examined and of line controls existing and consequently documented.

#### ***Documentary analysis of the administration & accounting procedure***

Documentary analysis concerns the combination of internal regulations and operating practices. In view of the risk-based approach applied, the analysis is carried out with reference to risks, to the operations/transactions generating them and to the line controls established to mitigate such risks.

For each risk the analysis assesses:

- the level of formalization of procedures, consisting of various parameters, such as, by way of non-exhaustive example, formalization, updating and circulation;
- the level of responsibility, consisting of the existence and attribution of roles and responsibilities in the execution of the operation/transaction generating the risk.

In addition, for each line control the analysis assesses the:

- level of formalization;
- attribution of roles and responsibilities;
- level of traceability and verifiability of the controls themselves.

#### ***Combination of appropriateness assessments***

Appropriateness is assessed by combining the assessments of appropriateness of the:

- documentary analysis of procedures and
- analysis of line controls.

### **2.1.4 Ex ante assessment of residual risk**

For each risk event, ex ante assessment of the residual risk is performed by combining the level of “inherent risk” with the related assessment of appropriateness.

### **2.1.5 Assessment of efficacy**

Based on the assessment of inherent risk at the level of activity (see point 2.1.2), efficacy is then assessed.

The aim of the assessment of efficacy is to check that conducts and corporate operations (which, for the purposes of this analysis, translate into processes and activities) are able to assure achievement of the Bank's established objectives, while covering the risks identified.

The tools used to make this assessment are:

- Testing of controls: these are checks designed to check that line controls have been executed or, in the latter's absence, the proper functioning of the process by means of tests of transactions;
- Compliance with international accounting standards: these are checks designed to ascertain that accounting entries are performed in compliance with the requirements of current relevant regulations and international accounting standards;
- Operating environment factors: these are analyses designed to detect the presence of organizational or regulatory changes that may affect achievement of process objectives.

### **2.1.6 Ex post assessment of residual risk**

Ex post assessment of residual risk is performed by comparing the level of residual risk ex ante, found for each individual risk, with the related assessment of efficacy.

Specifically, for each risk a comparison is performed – as regards the administration & accounting procedures and controls in place – between the assessment of the set-up and the assessment of the operation of these organizational approaches.

### **2.1.7 Assessment of appropriateness and effective application of administration & accounting procedures**

To make the assessment of appropriateness and effective application of administration & accounting procedures, the ex post assessments of residual risk at the level of activity are grouped.

Further grouping of the assessments obtained at activity level leads to attribution of a rating of appropriateness and effective application of administration & accounting procedures at process level.

Lastly, the overall evaluation of the appropriateness and effective application of administration & accounting procedures in terms of the Bank as a whole, is based on the qualitative evaluation of the Accounting Reporting Officer, developed on the basis of his professional judgement stemming from the evidence obtained on the individual processes.

The Accounting Reporting Officer uses the evaluation of the appropriateness and effective application of administration & accounting procedures to provide the certification required pursuant to Article 154-bis, paragraph 5, of Legislative Decree no. 58/1998. The Accounting Reporting Officer reports back to the CEO on occasion of this certification.



## 2.2 Roles and functions involved

In the light of the important responsibilities entrusted to him, the Accounting Reporting Officer is attributed appropriate powers and resources for performance of his functions, as detailed in the last paragraph of this Section. Specifically, the Accounting Reporting Officer, who retains responsibility for and coordination of the activity, draws on the support both of internal personnel and of an auditing firm other than the one appointed to audit accounts, which has been given the task of assisting the Accounting Reporting Officer in the assessment activity described earlier.

As regards relations with the Bank's units/Bodies, besides the necessary information flows envisaged by regulations with the various control functions and vis-à-vis the Management & Control Bodies, the Accounting Reporting Officer receives from all Organizational Units the utmost collaboration needed to carry out the activities for which he is responsible, with assurance of free access to all premises, information, accounting records and documentation and timely, complete, accurate and reliable supply of all data requested. If any of the activities managed by the Organizational Unit in question have been outsourced to third parties, the Head of the Organizational Unit ensures that the Accounting Reporting Officer is also able to access the information at such parties' disposal. The Accounting Reporting Officer agrees the procedures for implementation of appropriate information flows with each Organizational Unit.

In addition, as regards coordination of Group Companies for preparation of consolidated financial reports, specific information flows are established for provision to the Parent Company. Specifically, Group Companies identify the delegated parties to empower to interact with the Accounting Reporting Officer, in order to enable the latter to fulfil his responsibilities.

In particular, the delegated parties provide the Accounting Reporting Officer with the information and with any certifications deemed necessary to enable the latter to comply with the requirements established pursuant to Articles 123-*bis* and 154-*bis*, paragraph 5, of the CFA, as well as with those established by Circulars 272 and 115 issued by the Bank of Italy concerning the matrix for accounts and production of supervisory reports on a consolidated basis.

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During 2012, the process of gradual reinforcement and ongoing structuring of the internal audit system continued. In this context the Board of Directors, also based on the reports received from the Control and Risks Committee, did not find any inadequacies in relation to the Bank's size and operations.



## 11.1. Executive director in charge of internal control and risk management system

The Board of Directors has identified the CEO as the executive director in charge of overseeing the functionality of the internal control and risk management system. This responsibility also comes to him from the tasks that the supervisory directives enacted by the Bank of Italy attribute to delegated bodies/officers and/or to the body/officer performing the management function. In Banca IFIS the management function, without prejudice to matters that are the exclusive prerogative of the Board pursuant to the Articles of Association and/or powers not delegated by the Board – as also specified in the “Corporate governance project” approved by the Board – is performed by Top Management (consisting of the CEO and General Manager).

During 2012, the CEO continued to promote and follow the refinement of the processes to identify the main corporate risks (strategic, operating, financial and compliance) in relation to the Bank’s evolution in terms of size, the range of services marketed and operating organization, as well as in relation to trends in the legislative and regulatory framework.

He constantly reported back to the Board of Directors on all aspects of corporate management, including verification of the overall appropriateness, effectiveness and efficiency of the internal control and risk management system.

During its meeting held on 29 October 2012, the Board of Directors, on the subject of evolution lines of the internal control and risk management system, resolved to approve the CEO’s proposal aimed at the prompt start of the overall review of the internal control system in the direction illustrated by the schedule of vigilance provisions made available by Bank of Italy during the month of September, and to also begin the adaptation of the bank’s controls to regulations on the subject of IT systems and operational continuity.

Subsequently, a planning activity was initiated within the bank whose scope includes a methodological *framework* for the design, approval and release of new products. So far, the relevant process has originated the approval of the “New business approval and analysis policies” during the Board’s meeting of 26 November 2012.

By means of resolution adopted by the Board on 21 January 2013 (also adopted in light of the determinations and/or opinion of the Control and Risks Committee and of the Board of Statutory Auditors), the *Chief Risk Officer* (CRO) position was also set up, reporting to the CEO and responsible for the *Risk Management* Function, for the Compliance Function and for the Anti-money laundering Function, in connection to which it guarantees the necessary coordination, with a view of constant improvement of the overall internal control and risk management system.

In particular, during 2012, the CEO:

- interacted with the other parties in the internal control and risk management system;
- constantly followed implementation of the Audit Plan and the results of the audits performance;
- reported to the Board of Directors every quarter on the trend of risks.

The director in charge of the internal control and risk management system may ask the internal audit function to carry out checks on specific operational areas and in compliance with internal rules and procedures when performing corporate operations, at the same time notifying the Chairman of the Board, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors.

During the course of the period, no problems and/or criticalities came up during the performance of the internal audit function such as to refer to the Control and Risks Committee or to the Board of Directors.

## 11.2. Head of the internal audit function

Since mid-2006, the position of Head of the Internal Audit Function, reporting to the Board of Directors, has been held by the manager Ruggero Miceli. The mission assigned to this Department by the relevant regulation approved by the Board of Directors also includes verification that the internal control and risk management system is always adequate, fully operational and working properly.

The appointment took place at the Board meeting held on 4 August 2006, on the proposal of the executive director in charge of overseeing the functionality of the internal control and risk management system. On the basis of supervisory provisions and corporate governance rules in force at the time, no other opinions were acquired in explicit form.

At the time of hiring, the remuneration of Mr. Miceli was approved by the Remuneration Committee (now Appointment and Remuneration Committee). Remuneration policies for the members, employees and outside staff members of the Banca IFIS banking group approved by the Shareholders' Meeting subsequently decreed his exclusion from stock option plans, as other managers of control functions, as established by supervisory requirements concerning banks' organization and corporate governance. The mechanism for the possible acknowledgement of variable salary portions is governed within the scope of "policies" approved by the Shareholders' Meeting, and requires the opinion of the Appointment and Remuneration Committee and the competence of the Board of Directors. The Function is equipped, from time to time, with resources suited to the fulfilment of its responsibilities.

The *Internal Audit* Function is not responsible for any operating area. The position of the *Internal Audit* Function in the organization chart as a staff department of the Board of Directors, in addition to assuring its independence - consistently with the Bank of Italy's guidance and with sector *best practice* - facilitates the appropriate exchange of information with the Internal Control and Risks Committee, with the Board of Statutory Auditors and, in general, with corporate bodies and officers.

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The Regulations of the Group Internal Audit Function, which was updated during the course of 2012, require for the Parent Company's Internal Audit Function to define a Plan of activities that, basing itself on a structured process of analysis and prioritization of the main risks, takes into account the different levels of attention required by the processes / structures of the Parent Company and of the Subsidiaries, also in view of the activities carried out and/or planned by the second-level control Functions. This Plan, usually drawn up on an annual basis, is sent to the Board of Statutory Auditors, to the Control and Risks Committee, to the Chairman of the Board of Directors and to the

CEO (in charge of supervising the functionality of the internal control system) for the subsequent review by the Board of Directors. During the year, the Plan is updated anytime it becomes necessary to do so.

During 2012, the Head of the Internal Audit Function:

- had direct access to all information useful for performance of his office;
- constantly interacted with the Internal Audit Committee (now Control and Risks Committee), with the Board of Statutory Auditors and with the Supervisory Body as per Legislative Decree no. 231/2001 (of which he is a member), also reporting on his work;
- forwarded the summarized minutes of all activities (“investigations” or “inspections”) to the Committee, to the Board of Statutory Auditors and to the director in charge of the internal control and risk management system;
- reported on his work on a 6 monthly basis to the Board of Directors, specifying the methods used to perform, in the sectors which are the object of audit, the risk management and providing the follow-up in compliance with the plans defined for their containment, in addition to the evaluations on controls and on the level of risk contextualized with regards to the processes and/or the areas object of the activities;
- did not carry out specific activities, during the course of 2012, concerning the reliability of information systems and on accounting systems.

During approval of the 2012 Audit Plan, the Board of Directors had also confirmed the decision-making autonomy of the Internal Audit Officer concerning training of the Department’s staff, purchase of publications and payment of association dues, as well as assignment of further economic resources of 50,000 Euro, that can be drawn upon independently by the Head of the Internal Audit Function.

The main activities performed by the Head of the Internal Audit Function during 2012, based on said Audit Plan, concerned, with varying levels of depth depending on the level of risk, the following organizational components:

- subsidiaries (IFIS Finance and the incorporated Fast Finance S.p.A.);
- Italian and foreign branches;
- management areas/services.

The main areas concerned were:

- company liquidity;
- workplace safety and health;
- ICAAP process;
- non-performing loans;
- credit management;
- online funding;
- tax receivables;
- compliance;
- business continuity.

Besides the interim Reports on the work done, in compliance with the requirements of Supervisory Bodies, the Head of the Internal Audit Function also prepared specific reports concerning:

- assessments of the subsidiaries;
- audits of the foreign branch;
- remuneration policies;
- the ICAAP process.

He also interacted with Level 2 control units with reference to the areas of risk covered by such units.

The Internal Audit Function availed itself of the collaboration of BDO Sp. z o.o. for the performance of audit activities on the Polish subsidiary.

### **11.3. Organizational Model as per Legislative Decree no. 231/2001**

Banca IFIS, sensitive to the need to ensure conditions of transparency and fairness in conducting its business, in order to safeguard its institutional role and image, the expectations of shareholders and of those who work for and with the Bank, has deemed it consistent with its corporate policies to implement the Organizational & Management Model envisaged by Legislative Decree 231/2001.

This initiative was taken also in the conviction that application of the Organizational Model is a sound means of increasing the sensitivity of those who work for the Bank, spurring them to apply, in performing and conducting their activities, fair and linear conduct, such as to prevent the risk of perpetration of the crimes contemplated in Legislative Decree no. 231/2001.

The Bank condemns conduct contrary to current legislative requirements and to the ethical principles also stated in the Bank's Code of Ethics. In this respect, application and effective implementation of the Model improves the Bank's Corporate Governance, limiting the risk of crimes being committed.

In preparing its Organizational Model, Banca IFIS has based itself on the guidelines issued by the ABI (Italian Banking Association) for the adoption of organizational models in relation to banks' administrative liability". These guidelines provide orientation for the interpretation and analysis of the legal and organizational implications stemming from introduction of Legislative Decree no. 231/2001.

#### **Crimes pursuant to Legislative Decree no. 231/2001**

As regards the crimes to which the set of rules in question is applicable, at present they consist of the following types:

- crimes in dealings with Public Administration;
- computer crimes and unlawful processing of data;
- organized crime;
- counterfeiting of coins, legal tenders, government stamps and identification instruments or signs;
- crimes against industry and trade;
- some types of corporate crimes;
- crimes with terrorist intent or aiming to subvert the democratic order;
- mutilation of female genitals;

- crimes against the person;
- market abuses;
- crimes (manslaughter and negligently causing serious or grievous bodily harm) committed with breach of occupational health and safety regulations;
- receiving, laundering and use of cash, assets or other benefits of unlawful provenance;
- copyright breaches;
- convincing people to be reticent or to make false statements to the court authorities;
- environmental crimes;
- crimes on the subject of employment of third-country citizens with no regular work permits;
- crimes of corruption between private individuals.

For full observance and interpretation of the Organization Model, a Supervisory Body has been set up. The Supervisory Body is a collective body formed by members of the Board of Directors, chosen from among the non-executive Directors, and the Internal Audit Officer. Following resolution of the Board of Directors appointed by the Shareholders' Meeting of 29 April 2010 the Body is currently chaired by the director Andrea Martin and is composed of another two permanent members: the director Leopoldo Conti and the Internal Audit Officer Ruggero Miceli. Membership is the same as in the previous 3-year period.

During its meeting held on 19 December 2012, the Board of Directors resolved not to assign to the Board of Statutory Auditors the functions of Body as per Italian Leg. Decree 231/2001, postponing a more thorough analysis of the corporate governance structures, if necessary, to the end of its term.

The Body holds office for three years and meets at least once a quarter. Meetings are regularly documented in minutes, which are recorded in the minutes register. The Committee reports on its work to the Board of Directors every six months. This Body is in possession of independent powers of initiative and control, as per Legislative Decree no. 231/2001 "Rules for the administrative liability of legal entities, companies and associations, including those without legal personality".

Insofar as it is applicable, the Organizational Model adopted by the Bank also refers to the subsidiary, considering the current Group structure, particularly as regards:

- Group regulations;
- Code of Ethics;
- Group Accounting Manual;
- System of delegated powers;
- Business procedures (where present).

The Regulations of the Supervisory Body are available on the Bank's website, in the section "Corporate Governance – Corporate Documents – Supervisory Body Regulations".

## 11.4. Auditing firm

The Shareholders' Meeting of 30 April 2007 appointed KPMG S.p.A. to audit the Company's financial statements and the Group's consolidated financial statements as well as Banca IFIS'

interim report for the financial years 2008-2013 and until approval of the financial statements as at 31 December 2013.

The audit of the financial statements of the subsidiary IFIS Finance Sp z o.o. has been assigned to a KPMG network company.

## 11.5. Corporate accounting reporting officer

On 27 September 2007, the Board of Directors appointed Carlo Sirombo as Corporate Accounting Reporting Officer, effective from 1 October 2007. Mr. Sirombo is also Head of the Administration and General Affairs Area.

Pursuant to Article 19 of the Articles of Association:

- the Board of Directors, pursuant to Article 154-*bis* of Legislative Decree no. 58/1998, appoints, after having received the mandatory opinion of the Board of Statutory Auditors, a corporate accounting reporting officer;
- the Corporate Accounting Reporting Officer must meet the requirements of integrity established for election as a statutory auditor by Article 2 of Ministry Decree no. 162 of 30 March 2000 and the requirements of professionalism established for election as a director of Banks that are joint-stock companies by Article 1, paragraph 1, of Ministry Decree no. 161 of 18 March 1998.

Following a proposal made by the Control and Risks Committee, the Board of Directors allocated a budget of 100,000 Euro to the Corporate Accounting Reporting Officer with the obligation to report to the Board concerning how the funds are utilised. The Accounting Reporting Officer may exceed the approved budget limits in the case of specific and proven needs, pursuant to the general provisions laid down by the “Regulation of the Corporate Accounting Reporting Officer” approved by the BoD on 7 March 2011.

Please find below the Heads of the other company functions who have been assigned specific tasks on the subject of internal control and risk management:

- The Position of *Chief Risk Officer* (CRO) has been assigned to Mr. Kristian Tomasini, following a resolution adopted by the Board of Directors during the month of January 2013 which defined tasks and responsibilities within the Bank’s General Regulations. The *Chief Risk Officer*, in staff to the CEO, has been assigned responsibility over the *Risk Management* Function, the Compliance Function, the Anti-money laundering Function (set within the Compliance Function) in connection to which it ensures the needed coordination, in view of a constant improvement in the overall internal control and risk management system;
- The Position of Head of the Compliance Function (which also includes the Anti-money laundering Function) has been assigned, through resolution adopted by the Board during the meeting of 23 October 2008, to Mr. Vincenzo Schiazzano, who is provided with an annual budget of € 25,000. The Function’s duties and responsibilities are in line with supervisory provisions for banks on the subject of compliance issued by the Bank of Italy on 9 July 2007 (identifying regulatory non-compliance risks, evaluating their impact and propose mitigation initiatives through preliminary analysis and monitoring of the regulations included within the reference perimeter, and of their effect on the company processes and structures);
- The Position of Head of the Risk Management Function has been assigned to Mr. Luca Mozzato. The *Risk Management* Function aims at defining the methods, instruments and procedures for identifying, measuring, monitoring and controlling the various types of risks, as well as for:



- ▶ monitoring compliance with the risk policies defined by the Board of Directors through the detection of any warning and risk thresholds identified for the various types of risk;
- ▶ controlling certain types of risks (such as the liquidity risk and the operative risk) also through the production of reports intended for the Corporate Bodies.

## 11.6. Coordination between subjects involved in the internal control and risk management system

The *cross-membership* mechanisms and the non-excessive composition of committees, bodies and structures facilitate coordination between the subjects involved in the internal control and risk management system. During the course of its meetings, the Control and Risks Committee and the Board of Statutory Auditors interact frequently, subject to agreement and to discuss individual topics, with the CEO, with the Corporate Financial Reporting Officer, with the Auditing Firm, with the Chief Risk Officer and with the Head of the *Risk Management* Function. They also systematically interact with the Head of the Internal Audit Function and with the Head of the Compliance Function, which usually take part in the meetings.

The Supervisory Body as per Italian Leg. Decree 231/2001 also benefits from the same *cross-membership* mechanisms and similar systematic methods during comparisons.

## 12. Directors' interests and related-party transactions

During 2012, the Board of Directors approved – following approval of the Control and Risks Committee (composed solely of independent directors), the Board of Statutory Auditors and the Corporate Accounting Reporting Officer – the adaptation of the “Procedure for related-party transactions” to the “New prudential supervisory provisions for banks” dated 9 December 2011. The new procedure became effective on 31 December 2012.

The “Procedure”, which describes the criteria for identifying the transactions that must be approved by the Board after receiving the opinion (or after involvement) of the Control and Risks Committee, is available on the Website [www.bancaifis.it](http://www.bancaifis.it) (in the section “Corporate Governance – Corporate documents”).

The Board has not found any need for further operating solutions to facilitate identification and appropriate management of situations in which a director has an interest on his/her own account or that of third parties.

## 13. Appointment of statutory auditors

The appointment of members of the Board of Statutory Auditors is regulated by Article 21 of the Articles of Association and takes place based on lists presented by shareholders on which candidates are listed in sequential order and with a number of candidates not exceeding the



members to be elected. Each list consists of two sections: one for candidates for the office of standing auditor and the other for candidates for the office of substitute auditor.

A list can be presented by the shareholder or shareholders who, at the time of submittal of the list, own an equity interest equal to at least 1% of ordinary shares, or to another lower ownership threshold that –pursuant to current regulations – must be indicated in the notice convening the Shareholders' Meeting called to resolve the appointment of Statutory Auditors.

A shareholder can neither submit nor vote for more than one list, not even via agents or fiduciary companies. Shareholders belonging to the same group and shareholders forming part of a shareholder agreement concerning the Company's shares cannot submit or vote for more than one list, not even via agents or fiduciary companies. A candidate can be present only on one list, on pain of ineligibility.

Two standing auditors and one substitute auditor from the list that obtained the highest number of votes are elected, based on the progressive order in which they appear on said list; from the list that obtained the highest number of votes among the lists presented and voted upon by shareholders who are not associated with the reference shareholders pursuant to art. 148, paragraph 2 of Italian Leg. Decree no. 58/1998, the candidate indicated in first position of the relevant section of said list is elected as standing auditor; from the same list, the candidate indicated in first position of the relevant section of said list is elected as substitute auditor.

In the case of a tie between two or more lists, the oldest candidates will be elected as statutory auditors.

If said selection criteria do not ensure the presence within the Board of at least one standing auditor and one substitute auditor belonging to the least represented gender, a sliding mechanism is applied to the selection from the list which obtained, during the Shareholders' Meeting, the highest number of votes based on the consecutive order with which the candidates are indicated. Such mechanism excludes the candidate or candidates of the more represented gender and reselects the candidate or candidates of the missing gender.

Chairmanship of the Board of Statutory Auditors is the prerogative of the Standing Auditor elected from the minority list mentioned above.

Outgoing statutory auditors can be re-elected.

If, notwithstanding the provisions of the Articles of Association, as indicated above, only one list is presented or only one list receives votes, three standing and two substitute auditors will be elected – on condition that the list in question receives the majority of the votes represented at the Shareholders' Meeting – in the order in which they are indicated for the respective office on that list. The candidate for the office of standing auditor indicated in the first position on the list will be appointed Chairman of the Board of Statutory Auditors.

In case of substitution of a standing auditor, his/her place is taken over by the substitute auditor belonging to the same list as the auditor who has ceased to hold office.

If it is necessary to appoint standing and/or substitute auditors in order to reconstitute the Board of Statutory Auditors following auditors' early cessation from office, the Shareholders' Meeting will proceed as follows: if it is necessary to substitute auditors elected from the majority list, appointment of the statutory auditor(s) takes place on the basis of a majority vote, without the constraint of lists. If instead it is necessary to substitute a statutory auditor designated by the minority, the Shareholders'

Meeting will substitute him/her, with a relative majority vote, choosing the candidate from among the candidates indicated in the list to which the auditor to be replaced belonged, who have confirmed their candidacy at least 25 days before the date set for the Shareholders' Meeting in first call, together with statements concerning the absence of causes of ineligibility or incompatibility, as well as possession of the requirements needed to hold the office.

The lists must be submitted to the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting in first call, and are made available to the public at the registered office, on the Company's website and according to other methods provided for by regulations in force at least twenty-one days prior to the date of the Shareholders' Meeting in first call.

The ownership of the minimum number of shares needed for presentation of the lists is determined by taking into account the shares recorded in favour of the individual shareholder or multiple shareholders jointly on the day in which the lists are submitted to the Company. In order to substantiate the ownership of the number of shares necessary for presentation of the lists, the shareholders may exhibit the relevant certification even subsequent to the submission of the lists, provided it is within the term set for publication of the lists by the Company.

The lists must be accompanied by:

- information relating to the identity of shareholders who have presented the lists, stating the percentage of shares held as a whole;
- a declaration by shareholders other than those who own, also jointly, a controlling or relative majority interest, certifying the absence of connections provided for by art. 144-*quinquies* of the "Regulations implementing Italian Leg. Decree no. 58/1998 concerning the Issuers' regulations" with the latter as well as of any other significant relationships;
- exhaustive information on candidates' personal and professional characteristics, as well as a declaration by the candidates themselves certifying possession of the requirements established by law and acceptance of their candidacy.

Those candidates who already cover auditor positions in five other listed companies or who do not possess the honourableness, professionalism and independence requirements set forth by applicable regulations or that fall within the cases referred to in art. 148, para. 3 of Italian Leg. Decree no. 58/1998.

Each list has to indicate at least one candidate for the office of standing auditor and at least one candidate for the office of substitute auditor belonging to the least represented gender.

Such requirement does not apply to lists with less than three candidates.

## **14. Composition and functioning of the board of statutory auditors** (as per art. 123-bis, para. 2, letter d), CFA)

The membership of the Board of Statutory Auditors in office as at FY2012 year-end date, as is also shown in Table 3 attached to this Report, is as follows:

- Chairman: Mauro Roviato,
- Standing auditor: Erasmo Santesso,

- Standing auditor: Dario Stevanato,
- Substitute auditor: Luca Giacometti,
- Substitute auditor: Francesca Rapetti.

The Shareholders' Meeting that made the appointment took place on 29 April 2010 according to the Articles of Association rules in force at the time. The election for the 3-year period 2010-2012 took place based on a list vote. Two lists of candidates were submitted: one by the majority shareholder "LA SCOGLIERA S.p.A." and one by the shareholder "PREVE COSTRUZIONI S.p.A." (which certified the absence of connections with the controlling shareholder). Below we show, for both of them, the list of candidates, the list of those elected and the percentage of votes obtained in relation to voting capital:

| List of candidates presented by the majority shareholder "La Scogliera S.p.A." |                       |                              |
|--|-----------------------|------------------------------|
| Candidates for the office of standing auditor                                  | List of those elected | Percentage of votes obtained |
| Erasmus Santesso   | Erasmus Santesso      | 96.39 %                      |
| Dario Stevanato  | Dario Stevanato       |                              |
| Candidates for the office of substitute auditor                                |                       |                              |
| Francesca Rapetti  | Francesca Rapetti     |                              |

| List of candidates presented by the shareholder "PREVE COSTRUZIONI S.p.A." |                       |                              |
|--|-----------------------|------------------------------|
| Candidates for the office of standing auditor                              | List of those elected | Percentage of votes obtained |
| Mauro Carlo Rovida   | Mauro Carlo Rovida    | 3.49 %                       |
| Candidates for the office of substitute auditor                            |                       |                              |
| Luca Giacometti  | Luca Giacometti       |                              |

Below we summarize the personal and professional characteristics of each standing auditor (pursuant to Article 144-*decies* of the Consob Issuers' Regulation) based on the statements provided by each of them and attached to the lists, as well as on any subsequent updates notified by those concerned.

## **Chairman of the Board of Statutory Auditors – Mauro Rovida**

Mauro Rovida graduated in Economics & Commerce in 1973, was research fellow in the Economic Politics department of the Economics & Commerce Faculty at the University of Genoa, has been a licensed Professional Accountant since 1975, External Auditor, enrolled in the register of technical consultants of the Court of Genoa. He works as a consultant, mainly in Genoa, in the corporate, litigation and tendering fields. He is a consultant for various companies and groups in Genoa involved in construction, maritime tourism services, port cargo handling services, industrial companies connected with shipping business, real estate trading, mechanical industry, clothing, information technology and services. He is a member of various Boards of Directors and Boards of Statutory Auditors.

## **Standing auditor – Erasmo Santesso**

Erasmo Santesso graduated in Economics & Commerce at the University of Venice in 1971, is registered as an officially approved Statutory Auditor and was Full Professor of Business Economics at the University of Venice until 2012. He has performed consultancy and training activities in the field of planning and control, organisation and finance in various companies and entities. He is currently a member of the Board of Directors of Inipress S.p.A., R.p.m. S.p.A. and Aermec S.p.A., as well as of the Board of Statutory Auditors of Acciaierie Venete S.p.A.

## **Standing auditor – Dario Stevanato**

Dario Stevanato is a lawyer and licensed Professional Accountant in Venice. He is also Full Professor of Tax Law and International Tax Law at the University of Trieste.

He participates as a speaker in numerous conferences, courses, seminars and training initiatives concerning tax matters, organised by public and private entities.

He has published three monographs and several hundred articles and papers on tax matters. He is part of the scientific management team of the journals *'Dialoghi tributari'*, *'Corriere Tributario'* and *'Diritto e Pratica Tributaria'*.

## **Substitute Auditor – Francesca Rapetti**

Francesca Rapetti graduated in Economics and Business Management Sciences. Since 1988 she has been a member of the Board of Certified Public Accountants and Expert Bookkeepers. Since 1995 she has been an Auditor enrolled in the register of technical consultants of the Court of Genoa.

She has acquired in-depth knowledge and experience in the tax, accounting, corporate and fiscal fields; she also provides consulting services for companies operating abroad. Lastly, she holds the office of director and member of the Board of Statutory Auditors at several service, manufacturing and construction companies.

## **Substitute Auditor – Luca Giacometti**

Luca Giacometti graduated in Economics & Commerce. He has been a Certified Public Accountant since 1995, and since 1999 has been a member of the register of external auditors; he is also enrolled in the register of technical consultants of the Court of Genoa. He is a member of the Board of Certified Public Accountants and Expert Bookkeepers for the circumscription of the Court of Genoa.

He has acquired in-depth knowledge and experience in the corporate, tax, accounting, administrative and financial fields; moreover, he provides consulting services for companies and groups of companies mainly located in the area of Genoa and operating in the sector of construction and of maritime and harbour tourist services, for which he also holds the office of director and member of the board of statutory auditors.

During FY2012, the Board of Statutory Auditors met at the Bank 16 times, during which it had contacts with Top Management, the Internal Audit Committee (now Control and Risks Committee), the Supervisory Body as per Legislative Decree no. 231/2001, the auditing firm, the Head of Internal Audit, the Accounting Reporting Officer and other control departments, as well as with numerous managers and employees of the Bank. The meetings and/or audits lasted about 2 hours and a half on average.

Since the beginning of 2013 until the date of approval of this Report, the Board of Statutory Auditors has met at the Bank during the course of 2 days, working with the Control and Risks Committee, the auditing firm, the Control Functions and some of the Heads of operating areas or Services. The Board of Statutory Auditors is likely to hold a number of meetings in 2013 in line with those held in the previous year.

There have been no changes in the Board of Statutory Auditors' composition as of the closing of the period.

The Board of Directors of 27 May 2010 has checked statutory auditors' possession of the requirements of integrity, professional skill/repute and independence, as per Article 148, paragraph 3 of Legislative Decree no. 58/1998, based on the Substitute Declarations envisaged by Italian Presidential Decree no. 445 of 28 December 2000.

In addition, the Board of Statutory Auditors periodically checks the suitability of its members to perform the functions of the control body in terms of professionalism, availability of time and independence, as well as its own adequacy in terms of powers, functioning and composition, taking into account the entity and complexity of Banca IFIS and of its business activities. During this verification, it has been confirmed from time to time that the members of the Board of Statutory Auditors continue to meet the independence requirements as per all the criteria established by the Corporate Governance Code for directors' independence. For the 2013 period, the verification of independence requirements possessed by the individual members will be carried out after the appointment of the new Board of Statutory Auditors by the Shareholders' Meeting.

During the course of 2012, no induction initiatives aimed at auditors were carried out, since none of them is covering their office for the first time and due to the satisfactory level of their skills and professionalism.

Consistently with the provisions of the Corporate Governance Code, and also pursuant to the provisions of Article 136, para. 1 of the Consolidated Banking Act ("Obligations of banking officers"), if a statutory auditor either directly or on third parties' account has an interest in a certain transaction of the Issuer, he/she must inform the other statutory auditors and the Chairman of the Board promptly and exhaustively about the nature, terms, origin and extent of his/her interest. The Statutory Auditors also fall within the field of application of the "Procedure for related-party transactions" discussed in Section 12.

As part of the coordination with the other players of the Internal Control and Risk Management System, the Board of Statutory Auditors had primarily relations, as envisaged by the Corporate Governance Code, with the Internal Audit Department, whose Head normally attends the Board of Statutory Auditors' meetings, and with the Internal Audit Committee (since the end of 2012 Control and Risks Committee) as well as with the Remuneration Committee (since the end of 2012 Appointment and Remuneration Committee), whose meetings are normally attended by the

Chairman of the Board of Statutory Auditors. In addition, during 2012 five joint meetings of the Board of Statutory Auditors and Internal Audit Committee were held.

## 15. Relations with shareholders

The Bank has created a specific section on its Website, easy to identify and access by clicking on the item “Corporate Governance” in the menu at the top of the home page, which makes available information of importance to shareholders in order to enable them to exercise their rights knowledgeably.

The CEO had been put in charge of managing relations with shareholders (*Investor Relations Manager*) by virtue of the Board resolution passed on 29 April 2010. With Board resolution of 19 January 2012 the office was assigned to the Head of Communications Mara Di Giorgio.

The Investor Relations Function reporting to the CEO was also resolved and set up.

## 16. Shareholders’ meetings (as per Art. 123-bis, para. 2, letter c), CFA)

The duties of the Shareholders’ Meeting are similar to those found in the majority of listed Italian banks. Specifically, the Shareholders’ Meeting:

- approves financial statements;
- appoints, applying the list vote mechanism, and revokes members of the Board of Directors, establishing their remuneration;
- appoints, applying the list vote mechanism, and revokes members and the Chairman of the Board of Statutory Auditors, establishing their remuneration;
- resolves on remuneration policies for directors, employees and outside staff members and receives reports on the same;
- resolves on remuneration plans based on financial instruments;
- resolves on transactions that involve amendments to the Articles of Association;
- resolves on the other matters reserved for it by the Articles of Association or by law.

Shareholders’ Meetings can also be held outside the Company’s registered office, as long as the venue is in Italy. The Shareholders’ Meeting is held at least once a year, within 120 days after the end of the corporate financial year.

Shareholder’s Meeting may be attended by holders of voting rights for whom the Company has received the notification by the intermediary at the end of the third day of open trading preceding the date set for the Shareholders’ Meeting in first call. The communication is made based on the evidence at the end of the seventh accounting day of open trading set for the Shareholders’ Meeting in first call.

The above is without prejudice to legitimate attendance and the exercise of the right to vote should such communication be received by the Company beyond the aforementioned term, provided that this is before the start of the Shareholders’ Meeting of the single call.

Those who are entitled to vote may have themselves represented at the Shareholders’ Meeting, pursuant to the law, by means of written proxy or proxy granted by electronic means.



The electronic notification of the proxy may be made using the special form available on the Company website.

The Company designates for each Shareholders' Meeting, indicating it in the notice to convene, one or more individuals to whom the holders of voting rights can grant, following the methods established by applicable normative provisions, a proxy with voting instructions on all or some of the proposals on the agenda. The Proxy has effect only with regards to the proposals for which voting instructions have been provided.

With regards to the majorities for the validity of resolutions and the drafting of the minutes, reference is made to the provisions of the law, to applicable regulations, to the Articles of Association and to the Shareholders' Meeting Regulations.

Only shareholders who, alone or together with others, own at least 1% of ordinary shares at the time of submittal have the right to submit lists for the appointment of members of the Board of Directors. A lower ownership threshold is possible – if allowed by current legislation – and must be indicated in the meeting notice convening the Shareholders' Meeting called to vote on appointment of the members of the Board of Directors. A shareholder can neither submit nor vote for more than one list, not even via agents or fiduciary companies. Shareholders belonging to the same group and shareholders forming part of a shareholder agreement concerning the Company's shares cannot submit or vote for more than one list, not even via agents or fiduciary companies. A candidate can be present only on one list, on pain of ineligibility. One director is taken from a list other than the one receiving the most votes. In the event of the latter's cessation from office during the mandate, the Board will first check the continued availability of the candidates listed on the list concerned, according to the latter's sequential order, and will proceed with cooptation based on this criterion of preference.

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No proposals were made to the Shareholders' Meeting by Shareholders who control the Issuer with regards to topics for which a specific proposal was not formulated by the directors.

\*\*\*

The "Shareholders' Meeting Regulations", the current version of which was approved by the Shareholders' Meeting on 20 September 2004, is undergoing revision in order to bring it fully in line with the provisions introduced by Legislative Decree no. 27 of 27 January 2010 which transposed in Italy Directive 2007/36/EC regarding the exercise of the rights of shareholders of listed companies, and a proposed adaptation is currently being drafted.

The regulation governs the manner in which meetings are held and function. The Regulation specifies the maximum duration of individual contributions by attendees, their order, the voting procedure, the contributions of Directors and Statutory Auditors, and also the powers to settle and prevent the occurrence of conflict during Shareholders' Meetings.

Pursuant to the Shareholders' Meeting Regulations, the Meeting's Chairman, also drawing on the assistance of Company personnel, checks that proxies are correct, the right of attendees to take part in the Meeting and the latter's proper constitution.

All those who attend have the right to take the floor on each of the topics discussed. Shareholders may ask questions on the items on the agenda even before the Meeting takes place, within the terms set forth by the law and indicated in the notice to convene. The questions received within the

term indicated in the notice will be answered during the Meeting, at the latest. A single answer may be given to questions with the same content. Those who intend to speak must ask the Chairman, by raising their hand, after the Chairman has read out the agenda items and until he declares discussion of the topic to which the request to speak refers closed. As a rule, the Chairman gives permission to speak according to the chronological order in which requests are submitted. If two or more requests are submitted simultaneously, the Chairman gives permission to speak according to the alphabetical order of the requesters' surnames. The Chairman can authorize the submission of requests to speak by a show of hands. In such case, the Chairman gives permission to speak according to the alphabetical order of requesters' surnames. Members of the Board of Directors, of the Board of Statutory Auditors and of Top Management of the Bank or of other Group companies, as well as the representatives of the Firm assigned the task of the legal auditing of the accounts, Company and Group personnel may ask to join the discussion when the Chairman deems it useful in connection with the topic to be discussed.

\*\*\*

During the Ordinary and Extraordinary Shareholders' Meeting held on 27 April 2012, two members of the Board of Directors were absent. Consequently, the total number of attending directors was equal to 7. The entire Board of Statutory Auditors was on hand.

During the Shareholders' Meetings the CEO, on behalf of the Board of Directors, makes himself available to report on the activity performed and planned by the Board, while in any case observing the rules for privileged information. The Board, also by means of the reports made available to shareholders in the terms established by the CFA and through ongoing fine-tuning of the organization of institutional communication via the Website, commits itself to ensure that shareholders receive sufficient information on the items necessary to enable them to take informed decisions as regards the resolutions that are the prerogative of the Shareholders' Meeting.

\*\*\*

During the Ordinary and Extraordinary Shareholders' Meeting held on 27 April 2012, two members of the Remuneration Committee, were present, specifically Sebastien Egon Fürstenberg and Andrea Martin. Shareholders were informed with regards to the methods used to exercise the Committee's functions as part of the Remuneration Report as per art. 123-ter of the CFA.

\*\*\*

During the financial year, no significant changes occurred in the control structure of Banca IFIS S.p.A. and the market capitalisation of shares recorded the following values at the beginning and end of the period:

| Date             | Share price (€) | No. of shares forming share capital | Capitalization (€) |
|------------------|-----------------|-------------------------------------|--------------------|
| 30 December 2011 | 4.000           | 53,811,095.00                       | 215,244,380.00     |
| 28 December 2012 | 5.530           | 53,811,095.00                       | 297,575,355.35     |

Source: Bloomberg, closing price (PX-LAST)

The increase in capitalisation reflects the trend of Stock Exchange indices and, in particular, of banking stocks.

## **17. Further corporate governance practices** (as per Art. 123-bis, para. 2, letter a), CFA)

No further committees have been appointed other than those described in the previous sections. Adoption of the Organizational Model pursuant to Legislative Decree no. 231/2001 is discussed in the third paragraph of Section 11.

## **18. Changes since end of financial year concerned**

Since FY2012 year-end up to the date of approval of this Report there have been no changes in the corporate governance structure.

## Tables

### TABLE 1: INFORMATION ON SHAREHOLDING STRUCTURE

| STRUCTURE OF SHARE CAPITAL        |               |                    |  |  |
|-----------------------------------|---------------|--------------------|--|--|
|                                   | No. of shares | % of share capital | Listed (market) / unlisted                       | Rights and obligations                               |
| Ordinary shares                   | 53,811,095    | 100%               | Listed (on MTA – Milan electronic equity market) | Each ordinary share attributes the right to one vote |
| Shares with limited voting rights | -             | -                  | -  | -  |
| Shares without voting rights      | -             | -                  | -  | -  |

| OTHER FINANCIAL INSTRUMENTS<br>(giving right to subscribe newly issued shares) |                            |                                |  |   |
|--|----------------------------|--------------------------------|--|---|
|  | Listed (market) / unlisted | No. of instruments outstanding | Share category servicing conversion/exercise | No. of shares servicing conversion/exercise |
| Convertible bonds  | -                          | -                              | -  | -   |
| Warrants   | -                          | -                              | -  | -   |

### SIGNIFICANT SHAREHOLDINGS

| Declarant                  | % of share capital | Direct shareholder                          | Possession status |
|----------------------------|--------------------|---|-------------------|
| FÜRSTENBERG SEBASTIEN EGON | 68.928             | La Scogliera S.p.A.: 68.893                 | Ownership         |
|                            |                    | Fürstenberg Sebastien Egon:0.035            | Ownership         |
|                            |                    | Total: 68.928                               |                   |
| INTESA SANPAOLO S.P.A. (1) | 2.710              | Cassa di Risparmio del Veneto S.p.A.: 1.983 | Pledge            |
|                            |                    | Banca Fideuram S.p.A.: 0.002                | Pledge            |
|                            |                    | Banco di Napoli S.p.A. 0.004                |                   |
|                            |                    | Intesa Sanpaolo S.p.A.: 0.720               | Pledge            |
| Total 2.710                |                    |   |                   |
| PREVE RICCARDO             | 2.399              | Preve Costruzioni S.p.A.:                   | Ownership         |

|                |       |   |           |
|----------------|-------|---|-----------|
|                |       | 2.242<br>Preve Riccardo: 0.157<br>Total 2.399 |           |
| BOSSI GIOVANNI | 3.549 | Bossi, Giovanni                               | Ownership |

(1) The percentages declared by Intesa Sanpaolo S.p.A as per Article 120 CFA can be fully attributed to pledges held by this banking group. According to the declaration received from Banca IFIS, no. 1,065,447 shares, equal to 1.980% are in pledge at Cassa di Risparmio del Veneto S.p.A., and are owned by Alchimia S.p.A. which, moreover, has no voting rights only in the case of extraordinary shareholders' meetings (subject to waiver of the pledge holder).

TABLE 2: STRUCTURE OF BOARD OF DIRECTORS AND BOARD COMMITTEES

| Board of Directors  |                                 |                 |                 |                         |      |           |                    |                   |        |                                     | Control and Risks Committee |      | Appoint. & Remun. Comm. |      |  |
|---|---------------------------------|-----------------|-----------------|-------------------------|------|-----------|--------------------|-------------------|--------|-------------------------------------|-----------------------------|------|-------------------------|------|--|
| Office  | Members                         | In office since | In office until | List (M/m) <sup>*</sup> | Exec | Non-exec. | Indep. as per Code | Indep. as per CFA | ** (%) | No. of other offices <sup>***</sup> | ***<br>*                    | **   | ****                    | ***  |  |
| Chairman  | Fürstenberg, Sebastien Egon     | 2010            | 2012            | M                       |      | X         |                    |                   | 100%   | -                                   |                             |      | X                       | 100% |  |
| Deputy Chairman   | Csillaghy, Alessandro           | 2010            | 2012            | M                       | X    |           |                    |                   | 100%   | -                                   |                             |      |                         |      |  |
| CEO   | Bossi, Giovanni                 | 2010            | 2012            | M                       | X    |           |                    |                   | 100%   | -                                   |                             |      |                         |      |  |
| Director  | Conti, Leopoldo                 | 2010            | 2012            | M                       |      | X         |                    |                   | 83%    | -                                   | X                           | 62 % |                         |      |  |
| Director (LID)  | Martin, Andrea <sup>1</sup>     | 2010            | 2012            | M                       |      | X         | X                  | X                 | 100%   | -                                   | X                           | 77%  | X                       | 100% |  |
| Director  | Preve Riccardo                  | 2010            | 2012            | m                       |      | X         | X                  | X                 | 100%   | -                                   | X                           | 92%  |                         |      |  |
| Director  | Salamon, Marina                 | 2010            | 2012            | M                       |      | X         |                    |                   | 83%    | 1                                   |                             |      |                         |      |  |
| Director  | Maderna, Francesca <sup>2</sup> | 2010            | 2012            | M                       |      | X         | X                  | X                 | 89%    | -                                   | X                           | 100% | X                       | -    |  |
| <b>DIRECTORS TERMINATED DURING 2012</b>                                       |                                 |                 |                 |                         |      |           |                    |                   |        |                                     |                             |      |                         |      |  |
| Director (LID)  | Cravero Roberto <sup>3</sup>    | 2010            | 2012            | M                       |      | X         | X                  | X                 | 83%    | 6                                   | X                           | 100% | X                       | 100% |  |
| Quorum required for presentation of lists on occasion of last appointment: 1% |                                 |                 |                 |                         |      |           |                    |                   |        |                                     |                             |      |                         |      |  |
| No. of meetings held during FY concerned:                                     |                                 |                 |                 |                         |      | BoD: 18   | ICC: 13            | RC: 2             |        |                                     |                             |      |                         |      |  |

**NOTES**

\* In this column "M/m" indicates whether the member was elected from the list voted by the majority (M) or by the minority (m).

\*\* These columns show directors' percentage attendance of meetings, respectively of the BoD and committees (no. of attendances/no. of meetings held during effective period of office of person concerned).

\*\*\* This column shows the number of directorships or offices as statutory auditor held by the person concerned in other companies listed on regulated Italian and foreign markets, in financial, banking and insurance companies, or companies of significant size. The second paragraph of Section 4 lists these companies with reference to each director. None of the directors holds offices in the sole subsidiary of Banca IFIS S.p.A.

\*\*\*\*In this column "X" indicates that the BoD member belongs to the committee.

1. Following the resignation of Director Roberto Cravero during the course of 2012, the Board of Directors of Banca IFIS S.p.A. appointed, on 20 September 2012, the Director Andrea Martin as Lead Independent Director (LID) and Chairman of the Appointment and Remuneration Committee and of the Control and Risks Committee.

2. Following the resignation of Director Roberto Cravero during the course of 2012, the Board of Directors of Banca IFIS S.p.A. appointed, on 20 September 2012, the Director Francesca Maderna as member of the Appointment and Remuneration Committee. The Committees' percentage of attendance at meetings is in relation to the number of meetings held during the term of office.

3. The percentage of attendance at meetings is in relation to the number of meetings held during the term of office.

### TABLE 3: STRUCTURE OF BOARD OF STATUTORY AUDITORS

| Board of Statutory Auditors   |                    |                 |                 |             |                          |        |                          |
|---|--------------------|-----------------|-----------------|-------------|--------------------------|--------|--------------------------|
| Office  | Members            | In office since | In office until | List (M/m)* | Independence as per Code | ** (%) | No. of other offices *** |
| Chairman  | Rovida, Mauro      | 2010            | 2012            | m           | X                        | 100%   | 16                       |
| Standing auditor  | Santesso, Erasmo   | 2010            | 2012            | M           | X                        | 88%    | 4                        |
| Standing auditor  | Stevanato, Dario   | 2010            | 2012            | M           | X                        | 75%    | 4                        |
| Substitute auditor  | Giacometti, Luca   | 2010            | 2012            | m           | X                        |        |                          |
| Substitute auditor  | Rapetti, Francesca | 2010            | 2012            | M           | X                        |        |                          |
| -----STATUTORY AUDITORS WHO CEASED TO HOLD OFFICE DURING FY CONCERNED-----    |                    |                 |                 |             |                          |        |                          |
|   |                    |                 |                 |             |                          |        |                          |
| Quorum required for presentation of lists on occasion of last appointment: 1% |                    |                 |                 |             |                          |        |                          |
| Number of meetings held during FY concerned: 16 meetings                      |                    |                 |                 |             |                          |        |                          |

#### NOTES

\* In this column, as per the Borsa Italiana format, "M/m" indicates whether the member was elected from the list voted by the majority (M) or by the minority (m). The present membership of the Board of Statutory Auditors was resolved by the Ordinary Shareholders' Meeting on 29 April 2010 for the 3-year period 2010-2012, using the list-vote mechanism.

\*\* This column shows statutory auditors' percentage attendance of BSA meetings (no. of attendances/no. of meetings held during effective period of office of person concerned).

\*\*\* This column shows the number of directorships or offices as statutory auditor – relevant for the purposes of Article 148-bis of the CFA - held by the person concerned. The full list of offices is published by Consob on its own website, pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulations. Those who cover the office of member of the control body of a single Issuer are exempt from such information obligation.



## Glossary

**Code/Corporate Governance Code:** the Corporate Governance Code of listed companies approved in December 2011 by the *Corporate Governance* Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Civil Code / C. C.:** the Italian Civil Code.

**Board:** the Issuer's Board of Directors.

**Issuer:** the issuer of securities to which the Report refers.

**Financial Year/FY:** the corporate financial year to which the Report refers.

**Consob Issuers' Regulation:** the Regulation concerning issuers implemented with Consob (Italian securities & exchange commission) resolution no. 11971 of 1999 (as subsequently amended).

**Consob Market Regulation:** the Regulation concerning markets implemented with Consob resolution no. 16191 of 2007 (as subsequently amended).

**Regulations containing provisions relating to transactions with related parties:** the Regulation concerning related-party transactions implemented with Consob resolution no. 17221 of 12 March 2010 (as subsequently amended).

**Report:** the report on corporate governance and company structure that companies are required to prepare pursuant to Article 123-*bis* of the CFA.

**CFA/Consolidated Finance Act:** Legislative Decree no. 58 of 24 February 1998 (known in Italian as "*Testo Unico della Finanza*" – TUF).