

# PROCEDURE FOR THE MANAGEMENT OF TRANSACTIONS WITH PERSONS IN CONFLICT OF INTEREST

Pursuant to the CONSOB Regulation adopted by Resolution no. 17221/2010

Bank of Italy Circular no. 263/2006

Article 136 of Italian Legislative Decree no. 385/1993

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## Introduction

### 1.1 Purpose of the document

Banca Sistema S.p.A. (hereinafter the “**Bank**”), in its capacity as a bank and as an issuer of shares listed on the market organised and managed by Borsa Italiana S.p.A., shall guarantee the substantial and procedural impartiality, correctness of those transactions carried out by the Bank itself, or by the companies belonging to the banking group it heads (hereinafter the “**Banking Group**” or “**Group**”), with so-called persons in conflict of interest (as defined below), and shall guarantee the transparency of such transactions by:

- adopting specific procedures for such purpose;
- presenting shareholders and the market with adequate information regarding those transactions carried out with Persons in Conflict of Interest.

The purpose of this Procedure for the management of transactions with Persons in Conflict of Interest (hereinafter the “**Procedure**”) is to establish, within the context of the operations of the Bank, and of the Group in general, the principles and rules to be observed for the purpose of providing a safeguard against the risk deriving from situations of potential conflict of interest resulting from the proximity of certain persons to the decision-making centres of the Bank and Group.

The Procedure – drafted as a systematic compendium dealing in an organic manner with all aspects of governance and the scope of such, as well as with procedural and organisation aspects – contains the provisions to be observed when managing:

- transactions with related parties pursuant to the regulation adopted by CONSOB with its resolution no. 17221 of 12 March 2010 (hereinafter the “**CONSOB Regulation**”);
- transactions with related parties pursuant to the rules governing “Risk activities and conflict of interest with Associated Persons” (hereinafter the “**Bank of Italy Rules**”) set out in Title V, Chapter 5 of Bank of Italy Circular no. 263 of 27 December 2006 “New supervisory provisions for Banks” and subsequent amendments (hereinafter the “**Bank of Italy Circular**”);
- the obligations of banks’ corporate officers pursuant to Article 136 of Italian Legislative Decree no. 385 of 1 September 1993 (the Consolidated Law on Banking– hereinafter “**Legislative Decree no. 385/1993**”).

For the purposes of the Procedure, the CONSOB Related Parties, the Bank of Italy Associated Persons and the Banks’ Corporate Officers, when considered collectively, shall be referred to as “**Persons in Conflict of Interest**”.

This document thus aims to implement the aforementioned regulations by introducing rules, valid for the entire Group, regarding transactions with Persons in Conflict of Interest, that govern the preliminary examination of such cases, and the decisional, reporting and disclosure duties. Thus the guidelines set out herein are valid for the entire organisation of the Bank and of the other companies belonging to the Group.

## 1.2 Regulatory framework

### ***CONSOB Regulation (Transactions with Related Parties):***

- establish the principles that listed Italian companies have to comply with in order to guarantee substantial and procedural transparency and correctness in transactions with their own related parties, conducted either directly or through subsidiaries;
- require, in the case of transactions with related parties, the adoption of specific procedures, and assign duties to the Committee constituted by the Independent directors (prior assessment of procedures and transactions with related parties, and issue of the corresponding opinions);
- indicate the minimum contents of the procedures, which among other things, must identify: the transactions of greater relevance, cases of exemption, directors' independence requirements, the manner in which transactions are to be prepared and approved, the manner/timescale according to which the Independent Directors bound to give their opinions, and the administration and control bodies, are to be provided with information regarding the transactions, prior to the resolution, and during and after the passing of same;
- require, among other things, that the procedures be approved by the Board of Directors, with the prior favourable opinion of the committee composed exclusively of Independent Directors.

### ***The Bank of Italy Rules (Transactions with Associated Persons)***

- establish rules for transactions conducted by Italian banks/bank groups with associated persons (related parties as defined by the Rules and the corresponding persons associated with such), designed to safeguard against the risk that the proximity of such persons to the Bank's decision-making centres could compromise the objectivity and impartiality of decisions concerning the granting of loans and concerning other transactions conducted with said persons, and could result in the distortion of the process of assignment of resources, the exposure of the bank to risks that have not been adequately measured or safeguarded against, and potential damage to depositing customers and shareholders;
- require specific decisional procedures to be adopted in the management of transactions with associated persons, and assign duties to Independent Directors similar to those provided for by CONSOB Regulation, albeit simplified in the case of smaller or non-listed banks. The Bank of Italy Circular provides for the involvement, in certain cases, of the Board of Statutory Auditors as well;
- indicate the minimum contents of the procedure (basically similar to the procedure required by CONSOB Regulation);
- require the approval of the procedures by the Board of Directors, with the prior favourable opinion of the committee of Independent Directors and of the Board of Statutory Auditors.

### ***Article 136 of Italian Legislative Decree no. 385/1993 (Obligations of Banks' Corporate Officers)***

- prevents anyone involved in the administration, management or control of an Italian bank from entering into obligations of any kind, including purchase and sales agreements, either directly or indirectly, with the bank they administer, manage or control, unless authorised to do so by a unanimous decision of the Board of Directors and with the approval of all members of the Board of Statutory Auditors, without prejudice to the obligations set out in the Italian Civil Code on directors' interests and transactions with related parties (resulting in the application of CONSOB and Bank of Italy provisions on transactions with related parties and associated persons, within the limits and according to the methods set out in the procedure). The Board of Directors may delegate power to approve such transactions, in accordance with the methods set out therein.

***Other applicable provisions***

The question is also governed by:

- Articles 2391 and 2391-bis of the Italian Civil Code, concerning directors' interests and transactions with associated parties;
- Article 2634 of the Italian Civil Code, concerning the criminal offence of breach of trust;
- Italian Legislative Decree no. 385 of 1 September 1993 ("**Consolidated Law on Banking**"), Articles 53, 67, 136 and 137;
- Italian Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions ("**Consolidated Law on Finance**");
- International Accounting Standard (IAS) 24 – Related Party Disclosures;
- EC Regulation no. 1126/2008, directives 2006/48/EC and 2006/49/EC;
- Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates;
- The Inter-ministerial Committee for Credit and Savings' (CICR) Resolution no. 277 of 29 July 2008, regarding the rules governing risk activities and other conflicts of interest of banks and banking groups in relation to associated persons ;
- The document entitled "Core Principles for Effective Banking Supervision", originally published by the Basel Committee on banking supervision in September 1997 and last updated in October 2006, with specific regard to "Principle 11 – Exposures to related parties";
- CONSOB Communications nos. DEM/10078683 of 24 September 2010 and DEM/10094530 of 15 November 2010.

***Internal provisions***

- Code of Ethics;
- The Bank's General Regulations;
- "Policy on Conflicts of interest – Formalities pursuant to Article 136 Consolidated Law on Banking".

**1.3 Approval**

The Procedure was approved by the Board of Directors at its meeting of 28 April 2015, with the prior favourable opinion of the Board of Auditors, and subject to the favourable opinion of the Committee composed exclusively by Independent Directors (at the date of approval of the procedure, the Internal Control Committee, and as of the first day of trading, the Internal Auditing and Risk Control Committee—hereinafter the "**Committee**"), by means of a resolution subject to the listing of the Company's shares on the market organised and managed by Borsa Italiana S.p.A., and shall be deemed effective starting from the first day of trading of the aforementioned shares. This updates and replaces the "Procedure governing Transactions with Associated Persons" approved by the Board of Directors' meeting of 28 June 2012 and subsequently updated at the meeting of 20 September 2013.

The Procedure was then updated by the Board of Directors on 15 December 2016, after receiving the favourable opinions of the Internal Auditing and Risk Control Committee and the Board of Auditors

## 1.4 Publicising the Procedure

The constantly updated Procedure is available in the “Governance - related parties and associated persons” section of the Bank’s website at: [www.bancasistema.it](http://www.bancasistema.it).

The Procedure shall be publicised, also by reference to the website itself, in the annual management report, pursuant to Article 2391-bis of the Italian Civil Code.

## 1.5 Validity

The guidelines set out in this Procedure shall be valid for the Bank’s entire organisation and for that of the other companies belonging to the Banking Group.

## 2. Definitions

For the purposes of this Procedure, the following definitions have been adopted unless otherwise specified:

**Independent Director (Bank of Italy):** according to Bank of Italy Rules, an Independent Director is a director who meets the requirements of independence established by the Bank’s existing articles of association and who is not a counterparty or an associated person, and has no interest in the transaction pursuant to Article 2391 of the Italian Civil Code. The definition of required independence is the same definition adopted by the bank for the purposes of its provisions regarding corporate governance.

**Independent Director (CONSOB):** according to CONSOB Regulation, an Independent director is a director who meets the requirements of independence established by the Corporate Governance Code. Should the Bank cease complying with the Corporate Governance Code, that is, should CONSOB declare that the independence requirements provided for therein are not at least the equivalent of those established by Article 148, paragraph 3, of the Consolidated Law on Finance, then any directors that meet the independence requirements established by Article 148, paragraph 3, of the Consolidated Law on Finance, shall be deemed to be Independent Directors.

**Unrelated Directors (CONSOB):** according to CONSOB Regulation, this refers to those directors other than the counterparty of a given transaction with Related Parties or its related parties.

**Risk activities (Bank of Italy):** according to Bank of Italy Rules, risk activities are net exposures as defined for the purposes of the regulations governing risk concentration.

**Bank/Parent Company:** Banca Sistema S.p.A., parent company of the Banking Group.

**Bank of Italy Circular:** Bank of Italy Circular no. 263 of 27 December 2006, entitled “New regulations for the prudential supervision of banks”.

**Corporate Governance Code:** the Corporate Governance Code of Listed Companies drafted by the Corporate Governance Committee, and promoted by Borsa Italiana S.p.A..

**Board of Auditors:** the Bank’s Board of Auditors.

**Comparable to Market or Standard Conditions:** conditions comparable to market or standard conditions means those conditions similar to those normally applied to unrelated parties for transactions of a corresponding nature, entity or risk, that is, based on regulated tariffs or on prices applied to, or employed in relation to, parties with whom the issuer is legally obliged to contract at a given price.

**Board of Directors:** the Bank’s Board of Directors.

**CONSOB:** the Italian Companies and Stock Exchange Commission.

**Control (Bank of Italy):** according to Bank of Italy's Rules "control, pursuant to Article 23 of Italian Legislative Decree no. 385/1993, is the control provided for by Article 2359, paragraphs 1 and 2, of the Italian Civil Code; control arising from contracts or provisions of the articles of association that establish or effectively entail the power to exercise management and coordination functions; the cases of control in the form of dominant influence. Control also refers to situations of joint control, that is where control over an economic activity is shared on the basis of a contract (Joint Control). In such cases, the controlling parties shall be:

- (a) those parties capable of exercising a dominant influence on strategic financial and operating decisions of a business;
- (b) any other parties able to influence the management of a business based on the stake held, or any agreements, whatever the form, or provisions of the articles of association that establish or effectively entail control.

Control also exists when exercised indirectly, through subsidiaries, trust companies, or mediating bodies or persons (Indirect Control). Companies controlled by entities subject to joint control shall not be deemed to be indirectly controlled".

**Control (CONSOB):** according to CONSOB Regulation, control is the power to determine the financial and operating policies of an entity in order to benefit from its activities. It is assumed that control exists when a person owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when a person owns half or less of the voting rights exercisable at shareholders' meeting if they have:

- (a) control of more than half of the voting rights by virtue of agreement with other investors;
- (b) the power to govern the financial and operating policies of the entity under the articles of association or agreement;
- (c) the power to appoint or remove the majority of the members of the board of directors or equivalent body of corporate governance, and control of the entity held by that board or body;
- (d) the power to cast the majority of the voting rights at meetings of the board of directors or equivalent body for corporate governance, and control of the entity held by that board or body.

**Joint Control (Bank of Italy):** see the definition of Control (Bank of Italy).

**Joint Control (CONSOB):** according to CONSOB Regulation, joint control is the contractually-agreed sharing of control over any economic activity.

**Indirect Control (Bank of Italy):** see the definition of Control (Bank of Italy).

**Key management personnel (CONSOB):** according to CONSOB Regulation, key management personnel are those persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling activities of the Company, including directors (whether executive or otherwise) and auditors (whether statutory or alternate) of the company.

**Bank of Italy Rules:** the rules governing "Risk activities and conflicts of interest in regard to associated persons" as per Title V, Chapter 5, of the Bank of Italy Circular.



**Legislative Decree no. 385/1993 or Consolidated Law on Banking:** Italian Legislative Decree no. 385 of 1 September 1993 - the Consolidated Law on Banking and Lending.

**Legislative Decree no. 58/1998 or Consolidated Law on Finance:** Italian Legislative Decree no. 58 of 24 February 1998 – the Consolidated Law on Financial Intermediation.

**Corporate Officers (Bank of Italy):** according to Bank of Italy Rules, corporate officers are those persons who hold office on managerial, supervisory or control bodies at the bank, a financial holding company or a supervised intermediary. The definition specifically includes within the traditional management and control system, the bank's directors and statutory auditors. The definition also covers the general manager and anyone whose tasks are equivalent to those of the general manager;

**A Bank's Corporate Officers:** those addressed by the restriction established by Article 136 of Italian Legislative Decree no. 385/93 (persons performing administrative, management and control duties). In Banca Sistema S.p.A., such persons are the bank's directors and its regular and alternate statutory auditors.

**Group/Banking Group:** the Bank and the companies that it controls and that are members of the banking group it heads.

**Relevance ratios:** the equivalent value, asset and liabilities relevance ratios (as defined by this Procedure) for the quantification of the Transactions with members of the Combined Perimeter.

**Significant Influence (Bank of Italy):** according to Bank of Italy Rules, significant influence is the power to participate in the determination of the financial and operating policies of an investee company, without having control. Significant influence is presumed to exist in the case of possession of a 20% or greater stake in the capital stock or the voting rights exercisable at the ordinary shareholders' meeting, or at the meeting of an equivalent body of the investee company, or of a 10% stake in the case of companies with shares listed in regulated markets. In the event of possession of a smaller stake, a specific analysis must be conducted in order to ascertain whether a significant influence exists at least in the presence of the following indexes, and considering all other relevant circumstances:

- (a) representation on the management body or the body responsible for strategic supervision at the investee; is not automatic if a party is able to appoint the minorities' representative pursuant to the rules governing issuers listed on regulated markets;
- (b) participation in strategic decision making for a business, especially when the party holds the decisive vote for general meeting resolutions on financial statements, dividends, or other distribution of profits, even if the party does not appear to be in a situation of joint control;
- (c) the presence of significant transactions, meaning "transactions of greater importance" as defined in this section, the exchange of managerial staff or the provision of essential technical information.

Significant influence also occurs when exercised indirectly, through subsidiaries, trust companies, intermediary bodies or persons. Investee companies where the stake is owned by entities that are, in turn, subject to joint control are not considered to be under indirect significant influence.

**Significant Influence (CONSOB):** according to CONSOB Regulation, significant influence is the power to participate in the determination of the financial and operating policies of an entity without having control. Significant influence may be gained through share ownership, provisions of the articles of association or agreements. If a person owns, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed to have significant influence, unless it can be clearly demonstrated otherwise. Conversely, if the person owns, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the investor has not significant influence, unless such influence cannot be clearly demonstrated. The presence of a person in possession of absolute or relative majority of voting rights does not necessarily preclude another person from having significant influence.

The existence of significant influence is usually evidenced in one or more of the following circumstances:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in decision making, including participation in decisions about the dividend or other distribution of profits;
- (c) the presence of significant transactions between the investor and the investee;
- (d) exchange of managerial personnel;
- (e) the provision of essential technical information.

**Indirect Significant Influence (Bank of Italy):** the Significant Influence exercised through subsidiaries, trust companies, intermediary bodies or persons.

**Joint venture (CONSOB):** according to CONSOB Regulation, a joint venture is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control.

**Obligations of Banks' Corporate Officers:** the direct and indirect obligations of banks' corporate officers pursuant to Article 136 of Italian Legislative Decree no. 385/1993.

**Transactions for Smaller Amounts:** pursuant to paragraph 5.5 letter (j) of this Procedure, those transactions with an upper limit of no more than Euro 250,000.00.

**Intra-group Transactions:** those transactions in which the only counterparties are companies within the Group.

**Transactions of Greater Relevance:** those transactions referred to in paragraph 5.3 of this Procedure.

**Transactions of Lesser Relevance:** those transactions referred to in paragraph 5.4 of this Procedure.

**Regular Transactions:** transactions of lesser relevance with associated persons, that come within the Bank's ordinary operations and are executed at market or standard conditions.

**Urgent Transactions:** those transactions referred to in paragraph 5.5.2 of this Procedure.

**Participant (Bank of Italy):** for the purposes of the Bank of Italy Rules, Participants are parties that have to obtain Bank of Italy authorisation to hold the capital of banks, pursuant to Article 19 and following of the Consolidated Law on Banking.

**Bank of Italy Related Parties:** all those related parties as defined by the Bank of Italy Rules, as per paragraph 4 of this Procedure.

**CONSOB Related Parties:** all those related parties as defined by the CONSOB Regulation, as per paragraph 4 of this Procedure.

**Non-Financial Related Parties (Bank of Italy):** under the Bank of Italy Rules, Non-Financial Related Parties are those parties identified as such in paragraph 4 of this Procedure.

**Regulatory Capital (Bank of Italy):** under the Bank of Italy Rules, Regulatory Capital is the amount of capital required by the regulations governing risk concentration.

**Combined Perimeter:** the combination of all CONSOB Related Parties and all Bank of Italy Associated Persons as defined in paragraph 4 of this Procedure.

**Key Personnel (Bank of Italy):** the categories of persons whose professional activities has, or may have, a significant influence on the risk profile of the Bank or of the Banking Group, in accordance with the provisions on remuneration and incentive policies and practices, contained in Bank of Italy Circular no. 285 of 17 December 2013.

**Remuneration Policies:** the policies approved by the Ordinary Shareholders' Meeting of 26 March 2015, adopted by the Bank in compliance with the provisions introduced by the 7<sup>th</sup> update of 18 November 2014, in the First Part, Title IV, Chapter 2, entitled "Remuneration and incentive policies and practices" of Circular no. 285 of 17 December 2013.

**Procedure:** this Procedure for the management of transactions with persons in conflict of interest.

**CONSOB Regulation:** the CONSOB Regulation containing provisions on transactions with Related Parties (adopted by resolution no. 17221 of 12 March 2010).

**Issuers' Regulation:** the regulation adopted by CONSOB Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions.

**Associated Company (CONSOB):** according to CONSOB Regulation, an associated company is an entity, even without legal personality, as in the case of a partnership, in which a shareholder exercises significant influence but not control or joint control.

**Subsidiary Company (CONSOB):** according to CONSOB Regulation, a subsidiary company is an entity, even without legal personality, as in the case of a partnership, controlled by another entity..

**Unrelated Shareholder (CONSOB):** according to CONSOB Regulation, an Unrelated Shareholder is the person that holds the right to vote other than the counterparty in a particular transaction, and other than subjects related to either the counterparty in a particular transaction or to the Bank itself.

**Associated Persons:** all Bank of Italy Related Parties, Non-Financial Related Parties (Bank of Italy) and Related Persons.

**Related Persons:** according to Bank of Italy Rules, those persons referred to in paragraph 4 of this Procedure.

**Persons in conflict of interest:** all members of the Combined Perimeter together with all of the Bank's Corporate Officers.

**Close Relatives:** according to Bank of Italy Rules, close relatives are those family members of up to the second degree, together with the spouse or partner, of a related party, and the children and dependants of the latter, of the not legally separated spouse or of the partner.

### **3. The management of transactions with the members of the Combined Perimeter**

The main steps of the process of management of transactions with the members of the Combined Perimeter may be summarised as follows:

- I. identification of the perimeter of CONSOB Related Parties and Associated Persons (the "**Combined Perimeter**") on the basis of criteria established by regulations (a one-off activity, to be reviewed if necessary) and a systematic census;
- II. prior to carrying out a transaction, verification of the presence of the counterparty within the Combined Perimeter;

- III. involvement of the Internal Auditing and Risk Control Committee, and contribution of the main functions involved, as described more fully in this Procedure;
- IV. quantification of the entity of the transaction by applying the thresholds established by this Procedure, and the subsequent classification of the transaction as a “Transaction of Greater or Lesser Relevance” (see paragraphs 5.3 and 5.4) and as a transaction subject to exemptions and exclusions (see paragraph 5.5);
- V. during the preliminary negotiation phase, involvement of the Internal Auditing and Risk Control Committee in regard to transactions of greater relevance, through the receipt of complete, prompt information and with the option to request information and to formulate observations, and to draft an opinion concerning the transaction; in regard to transactions of lesser relevance, the Committee must receive complete, detailed suitable information in advance, in order to express its own opinion;
- VI. for transactions of greater relevance, acquisition of the mandatory, binding opinion of the Internal Auditing and Risk Control Committee;
- VII. for transactions of lesser relevance, the acquisition of the mandatory, non-binding advisory opinion of the Internal Auditing and Risk Control Committee;
- VIII. in both cases, the opinion shall be formalised and supported by suitable documents accompanying the checks carried out and the observations made;
- IX. the transmission of the file to the body appointed to make a decision, depending on the type of transaction and/or counterparty in question;
- X. where applicable, disclosure of the transaction to the public and to the Corporate Bodies;
- XI. supervisory and monitoring reports on any risk activities;

#### **4. Identification, update and monitoring of the Combined Perimeter**

The correct management of Transactions with CONSOB Related Parties and Associated Persons, in terms of shared decisional procedures and of application of the specific measures for CONSOB and Bank of Italy purposes, is based on the full, prompt identification of “CONSOB Related Parties” and of “Associated Persons”.

Given the numerous, significant similarities between CONSOB Regulation and Bank of Italy Rules, Banca Sistema, in its capacity as listed issuer leading the Banking Group, has established a Combined Perimeter composed specifically of the combination of CONSOB Related Parties and the Associated Persons of Banca Sistema S.p.A., as reflected in the definitions of related parties and associated persons to be found in CONSOB Regulation and in Bank of Italy Rules, respectively.

Each transaction completed by the Bank or its Subsidiaries, with a member of the Combined Perimeter, is of relevance for the purposes both of CONSOB and of the Bank of Italy, without prejudice to those cases of exclusion expressly indicated in the Procedure, or to compliance with the specific, separate requirements of CONSOB and of the Bank of Italy, for Transactions with CONSOB Related Parties and for Transactions with Associated Persons, respectively.

As regards the specific requirements established by CONSOB regarding transparency obligations, and by the Bank of Italy regarding supervisory and monitoring reports on risk activities, see the subsequent provisions concerning CONSOB Related Parties and Bank of Italy Associated Persons.

CONSOB Related Parties:

- (a) parties that directly or indirectly, through subsidiaries, trustees or an intermediary:
  - (i) control the Bank, are controlled by it, or are subject to joint control;
  - (ii) hold a stake in the Bank that allows them to exert significant influence over such;
  - (iii) exercise control over the Bank jointly with others;
- (b) associates of the Bank;
- (c) joint ventures in which the Bank is a participant;
- (d) key management personnel of the Bank, or of its parent company insofar as such exists (including Directors – executive or otherwise – and regular and alternate statutory auditors);
- (e) close relatives of a person referred to in paragraphs (a) or (d);
- (f) entities in which a person referred to in paragraphs (d) or (e) exercises control, joint control or significant influence, or owns, directly or indirectly, a significant portion, but not less than 20 %, of voting rights;
- (g) supplementary, collective or individual, Italian or foreign pension funds, established or promoted by the Bank, or any other funds over which the Bank is capable of exercising influence.

Associated Persons: the combined Bank of Italy Related Parties, Bank of Italy Non-Financial Related Parties, and Related Persons of the Bank of Italy Related Parties.

**(i) Bank of Italy Related Parties**

- (a) Corporate Officers of the Bank, of other banks or of supervised intermediaries belonging to the Group;
- (b) Shareholders of the Bank, of other banks or of supervised intermediaries belonging to the Group (as defined above);
- (c) those parties other than shareholders who are able to appoint, by themselves, one or more members of the management or strategic supervision bodies of the Bank, or of other banks or of supervised intermediaries belonging to the Group, including on the basis of agreements, whatever the form, or statutory clauses that explicitly or effectively cover the use of such rights or powers;
- (d) Companies or businesses, even if not incorporated as a company, over which the Bank or a company of the Banking Group can exercise control or significant influence.

**(ii) Bank of Italy Non-Financial Related Parties**

- (a) Related Parties that mainly carry out, either directly or through subsidiaries, non-financial business activities (which, in exclusively or prevalently carrying out the activity of acquiring shareholdings, mainly hold interests in non-financial businesses with the aim of managing such and coordinating their activities; or companies whose sole corporate purpose is the holding of shares, and that hold investments in one single non-financial company);
- (b) Non-Financial Related Parties whose banking, financial and insurance business represents more than 50% of their total business;

- (c) Shareholders and one of the Related Parties as per points (c) and (d) of the definition of Bank of Italy Related Parties (see above), that are holding companies classifiable as non-financial businesses pursuant to the provisions governing those holdings that banks and banking groups may possess according to the Bank of Italy Circular.

**(iii) Related Persons of the Bank of Italy Related Parties**

- (a) companies and businesses, even if not incorporated as businesses, that are controlled by a related party;
- (b) parties that control a Related Party as indicated in points (b) and (c) of the definition of Bank of Italy Related Parties, or the parties subject, either directly or indirectly, to common control jointly with the same Related Party.
- (c) Close Relatives of a Related Party, or the businesses controlled by the latter.

In the light of the Bank of Italy Rules, the Bank and the Group in general, consider as members of the perimeter those Related Persons of the Related Parties, in addition to the corporate officers (as persons potentially capable of exercising significant influence on the Bank's more relevant transactions), also the Key Management Personnel. In regard to said persons, the Bank and/or the Banking Group shall duly supervise those transactions in which such persons may have their own separate interest, either directly or indirectly, insofar as such persons whose professional activity has, or may have, a significant influence on the Bank's risk profile.

It is the responsibility of the Compliance and Anti-Money Laundering Function, with the assistance of the Legal and Corporate Affairs Department, to draft and constantly update an internal document containing details of all those persons who fall within the definition of the Combined Perimeter, with details of their specific regulatory relevance, and said Function shall avail itself of the information gathered, including that collected by means of a specific questionnaire, together with the information provided during the establishment of the facilities, and subsequently on occasion of renewal of any overdraft or of the review of the contracts (hereinafter the "List").

Should an operating unit of either the Bank or of another company within the Group, in performing its existing activities, gather information leading to the conviction that a person has to be included on the List, said unit shall promptly inform the Compliance and Anti-Money Laundering Function and the Legal and Corporate Affairs Department of such, and the latter shall see to asking the person in question, , [each insofar as it concerns them](#), for confirmation of the information gathered.

The gathering, monitoring and regular updating of the relevant information, for the purpose of identifying those persons coming within the definition of the Combined Perimeter, shall be carried out by means of specific computerised procedures managed by the Operations Department on the basis of the list supplied by the Compliance and Anti-Money Laundering Function.

Those persons deemed as coming within the Combined Perimeter, are requested to cooperate in order to enable the Bank and the Banking Group to correctly conduct a full census of relevant persons for the purpose of this Procedure, with a specific focus on the identification of related persons. It is also their duty to promptly report any intervening circumstances they are aware of that may result in changes to the perimeter in question. More specifically, the Corporate officers included on the List are informed that in the event that the information they provided during census operations has changed, they are bound to report this immediately to the Compliance and Anti-Money Laundering Function, thus enabling the Bank to fulfil its obligations under this Procedure.

For the purpose of application of this Procedure, the Combined Perimeter shall be established by the Parent Company on behalf of the entire Banking Group; the individual companies belonging to the Banking Group must therefore refer to the List drawn up by the Parent Company.

The List is suitably disclosed within the Bank and the other Companies in the Group, through its publication on the company's intranet site by the Organisation Function and is submitted at least once a year to the Bank's Board of Directors.

Each subsequent update of the List shall be notified by the Group's Organisation Function.

## **5. Transactions with members of the Combined Perimeter**

### **5.1 Criteria for the identification of transactions with members of the Combined Perimeter**

In completing Transactions with members of the Combined Perimeter, either directly or through Subsidiaries, the Bank and the Companies belonging to the Group, shall comply with this Procedure, established in order to guarantee that said transactions are carried out in accordance with the principles of equity and fairness, from both the substantial and the procedural points of view.

Transactions with members of the Combined Perimeter are those transactions that the Bank and the Subsidiaries complete with such persons and that entail risk activities, the transfer of resources, services or obligations regardless of whether any fee for such has been agreed. The Bank, through those bodies involved in examining and approving the transactions, and those bodies entrusted with monitoring compliance with this Procedure, each insofar as it is concerned, places the emphasis on the substance of the relationship and not just on the legal form of such, for the identification of those transactions in question. In any case, such transactions shall include:

- (a) mergers, demergers by incorporation or demergers in the strict, non-proportional sense, when concluded with members of the Combined Perimeter (with the exception of demergers in the strict, proportional sense, as such transactions are aimed at all shareholders indifferently, all conditions being equal), and transactions involving capital increases (only those capital increases that exclude option rights in favour of a member of the Combined Perimeter shall be considered relevant, whereas those transactions with option rights are excluded in that they are aimed, all conditions being equal, both at any members of the Combined Perimeter owning financial instruments, and at all other holders of such instruments;
- (b) all decisions regarding the assignment of financial remuneration and benefits of any kind, to the members of the governing and control bodies, and to Key Management Personnel, and not concerning the "cases for exclusion" set out below:

For the mere sake of example, Transactions with members of the Combined Perimeter shall include:

- arrangements for the disposal, also gratuitously, of real or personal property;
- banking transactions, involving either depositing or lending;
- the provisions of works and services;
- the provision of principal and additional investment services;
- the distribution of financial and insurance products;
- the granting or obtaining of loans and guarantees;
- contractual agreements of any kind other than those referred to in the previous points;
- any other action concerning financial rights;
- the granting of new credit facilities, the modification and the regular review of such (loans and credit lines) and other transactions involving the assumption of credit risk (such as the issue of guarantees, undertakings to provide funds, and the deposit of third-party securities).

## 5.2 The Relevance of Transactions

Transactions with members of the Combined Perimeter may be subdivided, on the basis of their relevance, into the following categories:

- Transactions of Greater Relevance;
- Transactions of Lesser Relevance;
- Transactions pertaining to cases of exclusion or exemption.

Transactions of Greater Relevance, Transactions of Lesser Relevance, and also those Transactions pursuant to Article 136 of the Consolidated Law on Banking insofar as they are classifiable among the list of transactions with Associated Persons, are all subject to the authorising procedure as per this Procedure.

Transactions pertaining to cases of exclusion, referred to in paragraph 5.5 below, are governed by standard decisional procedures.

## 5.3 Transactions of Greater Relevance: Relevance ratios

A transaction shall be deemed to be a Transaction of Greater Relevance if one of the following relevance ratios, applicable depending on the nature of the specific transaction, exceeds the threshold of 5% of Regulatory Capital (hereinafter “**Transaction of Greater Relevance**”).

In evaluating whether the ratios in question have been exceeded, reference shall only be made to the consolidated Regulatory Capital for all Companies within the Group.

Equivalent-value relevance ratio: the ratio between the equivalent value of the Transaction and the Regulatory Capital obtained from the latest published consolidated balance sheet. If the economic terms of the Transaction **have** been determined the equivalent value of the transaction shall be:

- for cash components, the amount paid to/by the contractual counterparty;
- for the component in financial instruments, the fair value determined at the date of the transaction, in accordance with international accounting standards adopted by Regulation (EC) No. 1606/2002;
- for funding transactions or guarantees given, the maximum amount payable.

If the economic terms of the transaction depend in whole or in part on amounts not yet known, the equivalent value of the transaction shall be the maximum amount receivable or payable under the agreement (in the case of multiyear services paid for in the form of fees/rental instalments, the equivalent value shall be represented by their current value).

1. Asset relevance ratio: the ratio between the total assets of the entity in the transaction and the total assets of the Group, obtained from the latest consolidated financial statements published by the Group: whenever possible, similar data should be used for determining the total assets of the entity involved in the transaction.

For transactions involving the acquisition/divestment of holdings in companies that have an impact on the area of consolidation, the value of the numerator shall be the total assets of the investee company, regardless of the percentage of capital available.

For transactions involving the acquisition/divestment of holdings in companies that have no effect on the area of consolidation, the value of the numerator shall be:



- in the case of acquisitions, the equivalent value of the transaction plus any liabilities of the acquired company which are assumed by the purchaser;
- in the case of disposals, the consideration for the divested business.

For transactions involving the acquisition and disposal of other assets (other than the purchase of a holding), the value of the numerator is:

- in the case of acquisitions, the greater of the consideration and the carrying amount that will be attributed to the asset;
- in the case of disposals, the carrying amount of the asset.

2. Liabilities relevance ratio: the ratio between the total liabilities of the entity acquired and the total assets of the Group, obtained from the latest consolidated financial statements published by the Group: whenever possible, similar data must be used to determine the total liabilities of the company or business unit acquired.

Transactions of Greater Relevance shall also include transactions which although not classifiable as such individually, are nevertheless homogenous or are made under a unified design, and which are concluded in the same financial year and with the same member of the Combined Perimeter or with CONSOB Related Parties and/or Bank of Italy Associated Persons associated with both the latter and with the Bank, which when considered cumulatively (the “**Cumulative Total**”) exceed the aforementioned relevance thresholds. For the purposes of this calculation, account shall also be taken of those transactions conducted by companies controlled by the Bank. The Compliance and Anti-Money Laundering Function shall trace all transactions deemed to be of Lesser Relevance, in order to monitor whether such aggregate and other transactions lead to the threshold being exceeded. The Compliance and Anti-Money Laundering Function shall take steps to ensure that the disclosure obligations for Transactions of Greater Relevance are met within the terms set out in paragraph 6.1 of the Procedure.

Without prejudice to the opportunity to identify, from time to time, transactions to be governed by the rules governing Transactions of Greater Relevance, even if these transactions fall below the aforementioned relevance thresholds.

#### **5.4 Transactions of Lesser Relevance**

The Bank considers Transactions of Lesser Relevance to be those transactions concluded with members of the Combined Perimeter other than the Transactions of Greater Relevance and the transactions in cases of exclusion and exemption as per paragraph 5.5 below (hereinafter the “**Transactions of Lesser Importance**”).

The Transactions of Lesser Importance concluded during a given financial year, even if concluded by subsidiaries, that cumulatively (summed together) exceed the relevance threshold established for Transactions of Greater Relevance, shall be the subject of a document containing information about all of the transactions taken into account for cumulative purposes, drawn up in accordance with Article 5 of the CONSOB Regulation.

The following transactions concluded during the financial year shall be considered cumulatively:

- transactions with the same Related Party;
- transactions with persons related either to said Related Party or to the Company;
- transactions that are homogeneous;
- transactions made under a unified design.

## 5.5 Cases of exclusion and exemption

The provisions of this Procedure shall not apply to:

- (a) Shareholders' Meeting resolutions relating to fees payable to members of the Board of Directors, (see Article 2389, paragraph 1, of the Italian Civil Code);
- (b) Shareholders' Meeting resolutions relating to remuneration of Directors holding particular offices included in the total amount determined in advance by the Shareholders' Meeting (see Article 2389, paragraph 3, of the Italian Civil Code);
- (c) Shareholders' Meeting resolutions relating to remuneration for members of the Board of Auditors (see Article 2402 of the Italian Civil Code);
- (d) the remuneration of Key Management Personnel, assuming that it is in line with the supervisory provisions regarding the banks' remuneration and incentives schemes, in observance of CONSOB's specific requirements;
- (e) remuneration schemes based on financial instruments approved by the shareholders' meeting pursuant to Article 114-bis of Italian Legislative Decree no. 58/1998, and the corresponding executive operations;
- (f) resolutions, other than those mentioned above, concerning the remuneration of those Directors assigned specific duties, and of other Executive Managers with Strategic Responsibilities, adopted in conformity with the supervisory provisions governing banks' remuneration and incentives schemes, assuming that:
  - the Bank has adopted a remuneration scheme;
  - the formulation of a remuneration policy involved a committee made up exclusively of non-executive directors, the majority of which independent;
  - a report illustrating the remuneration policy has been submitted to the shareholders' meeting for approval;
  - all remuneration is in keeping with said policy;
- (g) transactions between members of the Banking Group, when they are bound by a relationship of total control, even if joint, if other members of the Combined Perimeter have no significant interests in such;
- (h) intra-group transfers of funds or collateral, conducted within the context of the liquidity risk management system at group level, if other members of the Combined Perimeter have no significant interests in such;
- (i) transactions to be carried out on the basis of instructions aimed at establishing stability, given by the Supervisory Authorities, or on the basis of provisions issued by the Bank in implementation of instructions received from the Supervisory Authorities in the interests of the Group's stability, without prejudice to the provisions of Article 5 (*public information on transactions with Related Parties*) of the CONSOB Regulation (see paragraph 6 of this Procedure);
- (j) Transactions for Smaller Amounts, meaning Transactions with members of the Combined Perimeter subject to a ceiling of no more than 250,000.00 Euro; in the event of transactions concerning the granting of loans, the "value" of the Transaction for this purpose is given by the sum of the loans concerning the individual member of the Combined Perimeter and to the respective business group to which said member belongs;

- (k) Regular Transactions, as defined in paragraph 5.5.1 below, completed under Market-Equivalent or Standard terms;
- (l) Urgent Transactions in conformity with the provisions set out in paragraph 5.5.2 of the Procedure below, and with the Bank's articles of association, without prejudice to the disclosure obligations provided for by Article 5 of the CONSOB Regulation.

### **5.5.1 Regular Transactions**

"Regular Transactions" means Transactions of Lesser Relevance conducted with members of the Combined Perimeter (other than those for Smaller Amounts) of an ordinary nature (falling within the regular performance of the Bank's operating activities or of the related financial activities), and conducted at market/standard conditions. The Transactions of Greater Relevance, although coming within the limits of such regular operations, do not benefit from any form of exemption from the point of view of procedural regulations, of regular financial reporting as specified in paragraph 6 below, or of annual reporting to the Corporate Bodies; however, instead of being subject to the drafting and publication of the Information Document referred to in paragraph 6.1, they shall be communicated to CONSOB in the manner described in paragraph 6.3.

Thus the regularity of such transactions depends on the meeting of two criteria: i) the transaction must be ascribable to *operating activities*, or alternatively to the *financial activities* related to such; ii) the transaction must come within the regular performance of the company's operating activities or of the related financial activities:

- the term *operating activities* means the company's principal income-generating activities plus other management activities that cannot be classified as investment or financial activities;
- the reference to the financial activities related to the operating activities, regards those transactions which, although in theory classifiable as of a financial nature, basically supplement operating activities.

For the purposes of classifying a transaction as a Regular Transaction, the following factors may be taken into account:

- the object of the transaction;
- the inclusion of the transaction among the company's regular activities (the recurrence of the type of transaction among the company's activities)
- the objective nature of conditions;
- the simplicity of the economic-contractual framework;
- the entity of the transaction, with specific regard to its limited quantitative relevance;
- the type of counterparty;
- contractual terms and conditions, also with regard to the nature of consideration;
- the timing of the transaction's approval and completion.

"Comparable to Market or Standard Conditions" means conditions comparable to those normally applied vis-à-vis unrelated parties, for transactions of a corresponding nature, entity and risk, or based on regulated tariffs, or on set prices, or on those prices applied to persons in relation to whom the Bank is bound, by law, to contract at a given price.

It is also presumed that market conditions also include those applied as a result of a competitive purchase/sale procedure conducted in accordance with any applicable company procedures.

Comparable to Market or Standard Conditions must be documented, and must result from objective evidence.

Regular Transactions are not subject to the decisional procedures provided for by this Procedure, as it is sufficient to:

- indicate, in the resolution, the evidence proving the ordinary character of the transaction, based on the criteria set out below;
- arrange for flows of aggregate information capable of enabling this type of transaction to be suitably monitored, for the purposes of any necessary corrective measures.

To this end, both the Internal Auditing and Risk Control Committee and the Board of Directors must be annually provided with information enabling them to suitably monitor such transactions, in order to adopt any corrective measures that prove necessary.

### **5.5.2 Urgent Transactions**

Should the Company wish to avail itself of the exemption as per paragraph 5.5, letter (l) above (i.e. regarding Urgent Transactions), then it must comply with the following requirements:

#### **(A) Transactions that are neither the responsibility of the shareholders' meeting, nor require authorisation from said meeting:**

- (i) should the transaction to be conducted be the responsibility of a chief operating officer, the chairman of the Board of directors must be informed of the urgent reasons prior to completion of the transaction;
- (ii) the Transactions, subject to their effectiveness, must subsequently constitute the subject of a non-binding resolution adopted by the ordinary shareholders' meeting at the first available opportunity;
- (iii) the body that convenes the shareholders' meeting called upon to decide as per the previous point (ii), must draw up a report containing suitable grounds for defining the transaction as urgent;
- (iv) the control body must report its assessment of the existence of reasons of urgency, to the shareholders' meeting;
- (v) the report and the assessment as per points (iii) and (iv) above, must be made public (at least twenty-one days prior to the date set for the shareholders' meeting as per point (iii) above) at the company's registered office, in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations, by the Investor Relator with the assistance of the Legal and Corporate Affairs Department. Said documents may be contained in the information document referred to in Article 5, paragraph 1, of the CONSOB Regulation;
- (vi) by the day after the date of the shareholders' meeting as per point (ii) above, the public shall be provided (in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations) with the information on the outcome of voting, with particular regard to the total number of votes cast by unrelated shareholders.

#### **(B) Transactions that are either the responsibility of the shareholders' meeting, or require authorisation from said meeting:**

This category includes those urgent cases associated with situations of company crisis, such as, for example:

- (i) cases of substantial losses pursuant to Articles 2446 and 2447 of the Italian Civil Code;
- (ii) situations in which the Company is subject to insolvency proceedings, or situations in which the Company or its auditor expresses uncertainty regarding business continuity;
- (iii) situations of financial distress that may be expected to result, in the short term, in a significant reduction in capital pursuant to the aforementioned Articles 2446 and 2447 of the Italian Civil Code.

The following measures are foreseen in urgent cases:

- (i) the body responsible for calling the shareholders' meeting shall draft a report containing a suitable explanation of the reasons for the urgency;
- (ii) the control body shall inform the shareholders' meeting of its own assessment of the existence of any grounds for urgency;
- (iii) the report and the assessment as per points (i) and (ii) above, must be made public (at least twenty-one days prior to the date set for the shareholders' meeting as per point (iii) above) at the company's registered office, in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations, by the Investor Relator with the assistance of the Legal and Corporate Affairs Department. Said documents may be contained in the information document referred to in Article 5, paragraph 1, of the CONSOB Regulation;
- (iv) should the control body's assessment as per point (ii) above be negative, the shareholders' meeting shall decide on the basis of the so-called *whitewash* mechanism;
- (v) if the assessment is positive, on the other hand, then the day after the shareholders' meeting, details of the outcome of voting, with specific regard to the total number of votes cast by unrelated shareholders, shall be made public (in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations) by the Investor Relator with the assistance of the Legal and Corporate Affairs Department.

#### **5.6 Transactions with, and between, subsidiaries, associated companies, and companies subject to Significant Influence**

Those Transactions with subsidiaries, including such joint transactions, or with associated companies, or with companies subject to Significant Influence, shall not be subject to the same decisional procedures that apply to transactions concluded with members of the Combined Perimeter, provided for below, if no other member of the Combined Perimeter has any significant interest in the transaction or the counterparty.

Nevertheless, information at least of an aggregate nature must be provided annually that enables such transactions to be adequately monitored, also by Independent Directors, for the purposes of taking corrective actions.

Exemption shall apply:

- in the absence of any significant interest on the part of other members of the Combined Perimeter;
- should the transaction be ascribable, directly and/or indirectly, to implementation of the Group's single strategic design.

These are transactions decided on in the interests of each contracting company, on the basis of the articles

of association and the existing regulations governing operational powers.

The exclusion of such transactions is subordinate to the absence of any interest on the part of those persons from the Combined Perimeter involved, such as to render the transfer of resources from one company to another beneficial (“**Significant Interests**”).

An interest may be defined as a “Significant Interest” if a person controlling, or exercising a dominant influence over, the Bank, owns a holding in the Subsidiary or Associated Company, counterparty in the transaction, which when summed to the holding owned by the Bank, renders the transfer of resources beneficial.

“Significant Interests” does not include the mere sharing of one or more directors or Key Management Personnel, by the Company, subsidiaries and associated companies, provided such personnel do not benefit from incentive schemes whereby a variable part of remuneration is based directly, and significantly, on the performance of said Subsidiary or Associated Company.

The evaluation of the existence, or otherwise, of a significant interest in the operations of other members of the Combined Perimeter, must be fully documented in the procedures that each bank has to establish beforehand, in keeping with the guidelines provided by the Parent Company.

## **5.7 Framework Resolutions**

In order to ensure that transactions with persons included on the List of members of the Combined Perimeter are conducted in an optimal and transparent manner, Framework Resolutions pertaining to the following matters may be adopted, as provided for by both the CONSOB Regulation and by the Bank of Italy Rules, and in accordance with this Procedure:

- (a) transactions entailing execution of contracts of limited duration for the supply of goods and/or services (for example, computer services) at set economic conditions (should the contracts be for more than one year, the framework resolution must be renewed from one year to the next);
  - (b) transactions that come within the scope of other “framework agreements”, that is, agreements covering a series of transactions, already existent at the time of approval of this document, or determined by the Board of Directors after approval of this document;
- transactions conducted at specific, pre-established economic conditions, recognised by certain customer segments (for example, employees of an Entity or of a specific company).

This Procedure established that:

- approval of the resolutions is subject to the formalities governing Transactions of Greater Relevance, on the basis of the maximum amount permitted for transactions pursuant to resolutions (considered cumulatively);
- Framework Resolutions shall not be effective for more than a year;
- Framework Resolutions shall refer to sufficiently determined transactions, reporting full details of the foreseeable nature of the transactions they cover, and at least the foreseeable maximum amount of transactions to be performed during the reporting period;
- Framework Resolutions shall adequately illustrate the conditions at which the transactions are to be conducted, and indicate the economic convenience of such.

Approval of a Framework Resolution, depending on the expected maximum amount of transactions subject to resolution, considered collectively, shall follow rules in keeping with the decisional procedures for Transactions of Greater Relevance or of Lesser Relevance, and thus individual transactions completed in implementation of the Framework Agreement, shall not be subject to the same decisional procedures that apply to Transactions of Greater Relevance or of Lesser Relevance, as provided for in this Procedure.

Full information on implementation of the Framework Resolutions shall be provided at least quarterly to the Board of Directors, by the Compliance and Anti-Money Laundering Function.

At the time of their approval, Framework Resolutions must be published (for transparency purposes) through an information document, in keeping with the CONSOB Regulation, should the foreseeable maximum amount of transactions subject to the Framework Resolution, considered collectively, exceed the threshold established for Transactions of Greater Relevance (see paragraph 5.2 of the Procedure). Transactions completed in implementation of a framework resolution for which an information document is required, shall not be calculated as transactions considered cumulatively.

A transaction that although initially related to a Framework Resolution, fails to meet the requirements of specificity, homogeneity and determinateness underlying the resolution itself, shall not be counted for the purpose of implementation of said Framework Resolution. Thus such a transaction shall be governed by the rules established for each Transaction with members of the Combined Perimeter.

## **6. Disclosure obligations regarding transactions with CONSOB Related Parties**

### **6.1 Disclosure on Transactions of Greater Relevance**

Pursuant to Article 5, paragraphs 1 to 7, of the CONSOB Regulation, for (i) each Transaction of Greater Relevance, and for (ii) several homogeneous transactions or transactions made under a unified design that collectively exceed the Relevance Ratios indicated in paragraph 5.3 of the Procedure, the Bank is bound to draft an information document in compliance with the provisions of the CONSOB Regulation (the “**Information Document**”).

More specifically, the Information Document shall be drafted by the Compliance and Anti-Money Laundering Function, with the assistance of the Legal and Corporate Affairs Department, in accordance with Annex 4 to the CONSOB Regulation, and shall contain at least the information indicated therein. The Information Document shall have attached thereto any opinions given by the Internal Auditing and Risk Control Committee, and those of the independent experts should the Company decide not to publish such on its own website, by the same deadline.

For the purpose of formulation of the Information Document, the Parent Company shall provide the necessary instructions in order that the Subsidiaries supply the information required in order that said Document be drawn up. The Subsidiaries shall promptly supply such information.

The Information Document must be made available to the public at the Bank’s registered offices and on the Bank’s website, in the manner described in Title II, Chapter I of the Issuers’ Regulations, within 7 days (or within 15 days when considered cumulatively):

- of approval of the transaction, or of the proposal to be submitted to the shareholders’ meeting (in the case of transactions that are the shareholders’ meeting’s concern);
- or – of conclusion of the contract, even if of a preliminary nature (in the event that the appointed body has resolved to submit a contractual proposal).

At the same time as the Information Document is made public, the Company, through the Investor Relator, with the assistance of the Legal and Corporate Affairs Department shall transmit the Information Document and the opinions to CONSOB through the connection with the authorised storage mechanism, pursuant to

Article 65-septies, paragraph 3, of the Issuers' Regulations.

In the event that, with regard to a Transaction of Greater Relevance, the Bank is also bound to prepare an information document in accordance with Article 70, paragraph 4 and Article 71, of the Issuers' Regulations, it may publish a single document containing the information required by Annex 4 of the CONSOB Regulation, and by the aforesaid Articles 70 and 71 themselves. In this case, the document shall be made available to the public at the Bank's registered offices, in the manner indicated in Title II, Chapter I, of the Issuers' Regulations, by the shortest of the deadlines provided for by each of the applicable provisions. Should separate documents be published, the Bank may include previously published information by means of reference to such.

The Compliance and Anti-Money Laundering Function shall transmit to the Executive Manager Responsible for the Drafting of Accounting Documents, upon specific request from such, all useful information in its possession, in order that the latter sees to providing due information, in the interim management report and in the annual management report, regarding individual Transactions of Greater Relevance.

## **6.2 Disclosure on Transactions of Lesser Relevance**

Pursuant to Article 154 of the Consolidated Law on Finance, the Compliance and Anti-Money Laundering Function shall transmit to the Executive Manager Responsible for the Drafting of Accounting Documents, upon specific request from such, all useful information in its possession, in order that the latter sees to providing due information, in the interim management report and in the annual management report, regarding individual transactions with related parties that have had a significant influence on the Bank's financial situation or performance, and on any modification or development of the transactions with related parties described in the most recent annual report, that has had a significant effect on the Bank's financial situation or performance during the reference period.

Without prejudice to the provisions of Article 114, paragraph 1, of Italian Legislative Decree no. 58/1998, the Bank shall provide the public, within fifteen days of the closing of each quarter, at the Bank's registered office and in the manner provided for by the Issuers' Regulations, a document containing details of the counterparty, of the object of, and the consideration for, the Transactions of Lesser Relevance approved during the reference quarter, accompanied by a negative opinion from the Internal Auditing and Risk Control Committee, and of the reasons why said opinion is not shared. By the same deadline, the opinion shall be made available to the public as an attachment to the information document, or on the company's website.

## **6.3 Disclosure on Regular Transactions of Greater Relevance, carried out at Comparable to Market or Standard conditions**

Although the corresponding decisional process is not substantially different from that established for Transactions of Greater Relevance, the CONSOB Regulation provides for a simplification in regard to disclosure requirements.

More specifically, in departure from the transparency obligations under Article 5, paragraphs 1 to 7, of the CONSOB Regulation (concerning the Information Document), in the case of Transactions of Greater Relevance carried out at comparable to market or standard conditions there is an obligation to see to the following forms of notification, without prejudice to the provisions of Article 114, paragraph 1, of Italian Legislative Decree no. 58/1998;

- CONSOB shall be notified, by the deadline set out in Article 5, paragraph 3 of the CONSOB Regulation, of the identity of the counterparty, and of the object and the price, of those transactions that have benefited from exclusion;



- specific information shall be provided in the interim and annual management reports, regarding those transactions carried out, whereby the notifying party shall avail itself of the aforementioned simplification.

Pursuant to Article 6 of the CONSOB Regulation, should a transaction with related parties be subject to the disclosure requirements of Article 114, paragraph 1, of Italian Legislative Decree no. 58/1998, or come within the category of “Price Sensitive” transactions, then the information provided to the public shall include, in addition to the other information to be disclosed pursuant to the aforementioned provision of Italian Legislative Decree no. 58/1998, the following:

- an indication that the counterparty to the transaction is a related party, and details of the nature of such relationship;
- the name or company name of the counterparty to the transaction;
- an indication of whether the transaction is to be classified as a Transaction of Greater Relevance, and of any subsequent disclosure of the aforementioned Information Document;
- details of the procedure that has been, or is to be, followed for approval of the transaction, and of whether the Bank has availed itself of a case of exclusion provided for in this Procedure;
- details of any approval of the transaction despite the contrary opinion of the Independent Directors.

On the basis of the information received from the Compliance and Anti-Money Laundering Function, the related Function shall evaluate whether it is necessary to comply with the aforementioned formalities.

#### **6.4 Prudential limits to risk activities carried out with Associated Persons**

The Bank of Italy Rules set limits to risk activities, differentiating these according to the various types of Bank of Italy Related Parties, in a manner proportional to the intensity of these relations and the relevance of the consequent risks for sound and prudent management.

According to the provisions contained in the Bank of Italy Rules, the carrying out of risk activities in respect of Associated Persons, must be contained within specific limits linked to the consolidated Regulatory Capital of the Bank and of the other companies within the Group, as follows:

- in respect of a Non-Financial Related Party and the corresponding Associated Persons:
  - (a) 5% in the case of a Bank of Italy Related Party that is a Corporate Officer, a Controlling Stakeholder or a Party able to exercise Significant Influence;
  - (b) 7.5% in the case of a Bank of Italy Related Party that is a stakeholder other than those indicated in point (a) above, or a person, other than the stakeholder, by itself capable of nominating one or more members of the corporate bodies;
  - (c) 15% in all other cases;
- in respect of a Bank of Italy Related Party and the corresponding Associated Persons:
  - (a) 5% in the case of a Bank of Italy Related Party that is a Corporate Officer;
  - (b) 7.5% in the case of a Bank of Italy Related Party that is a Controlling Stakeholder or a Party able to exercise Significant Influence;
  - (c) 10% in the case of a Bank of Italy Related Party that is a stakeholder other than those indicated in point (b) above, or a person, other than the stakeholder, by itself capable of

nominating one or more members of the corporate bodies;

- (d) 20% in all other cases.

Within the consolidated limits, each company in the Group can carry on risk activities in respect to the same group of Associated Persons (identified at Group level) up to the aforementioned 20% limit of individual Regulatory Capital (risk concentration limit).

The calculation of the prudential limit to risk concentration does not include risk activities relating to transactions conducted between companies belonging to the Banking Group.

The risk activities must be weighted by specific factors that take account of the risk level associated with the nature of the counterparty, and of any forms of credit protection.

The weighting factors, together with the conditions for the admissibility of risk-curbing methods established by the regulations governing risk concentration, shall be applied.

Risk activities may not include shareholdings and other activities that can be inferred from the Regulatory Capital.

In the event of several relations existing between the Bank, or Banking Group, and a Bank of Italy Related Party, entailing the application of diverse prudential limits, the lower limit shall apply.

The Risk Management Department shall monitor observance of the prudential limits before any transactions are carried out entailing risk activities.

#### **6.4.1 Recovery**

The Parent Company must constantly guarantee observance of the prudential limits on risk activities carried out with Associated Persons.

In the event that one or more of the aforesaid limits are exceeded, without the Parent Company intending or being responsible for such, then the activities involving risk must be reduced to within the limits in the shortest period possible. Consequently, the Parent Company shall draft a proposal for the normalisation of the exposure within 45 days that has to be approved by the Board of Directors after consultation with the Board of Auditors. This recovery plan shall be sent to the Bank of Italy within 20 days of its approval, along with the minutes from the meetings of the relevant corporate bodies.

Until the risk activities have not been reduced to within the aforesaid limits, an excess amount shall be used when calculating total capital requirements.

If the exceeded limit relates to a Bank of Italy Related Party in virtue of the stake it has in the Bank or a Group company, then the administrative rights linked to that stake shall be suspended.

#### **6.4.2 Banking Group**

In order to enable the Parent Company to guarantee constant observance of the consolidated limit to risk activities, suitable flows of information are required regarding those transactions with Associated Persons carried out by individual members of the Banking Group.

Should the Parent Company examine or approve the transactions with Associated Persons carried out by individual members of the Banking Group, it shall adopt suitable safeguards designed to guarantee the substantial and procedural fairness of the transactions.

The Parent Company shall also supply the necessary guidelines required to ensure the coherence of those decisions taken by individual Group companies wishing to avail themselves of the exception option

provided for by paragraph 5.6, with particular regard to the evaluation of the existence or otherwise of significant interests on the part of Associated Persons.

Said guidelines, following their prior establishment and approval by the Parent Company, must be reflected in the procedures adopted by each Group company.

### **6.4.3 Monitoring**

The Risk Management Department shall be responsible for monitoring the quantitative limits (also in regard to the aggregation of transactions and, on a quarterly basis, of framework resolutions), while the Group's Central Finance and Administration Department shall be responsible for the correct updating of figures for Regulatory Capital, and of total assets approved.

The Risk Management Department shall promptly report to the Chief Executive Officer on the fact that the relevance limits are about to be exceeded for those transactions of a homogeneous character or made under a unified design, carried out during the course of the same year with the same member of the Combined Perimeter, or with persons related to the latter or to the Bank, or to other companies within the Group.

### **6.4.4 Supervisory Reporting**

According to Bank of Italy Rules, risk activities carried out with Associated Persons shall be reported to the Supervisory Authorities by the Supervisory Reporting Function on a quarterly basis as far as Transactions of Greater Relevance are concerned, and on an annual basis as far as Transactions of Lesser Relevance are concerned.

In general, reports shall be made at consolidated level by the Parent Company, and at individual level by the Bank, unless specific exemption from such duty is granted by the Group.

## **7. Procedure**

### **7.1 Recitals and general principles**

For the purposes of application of the provisions of this paragraph, the Bank and each company belonging to the Banking Group, must refer to the concept of Combined Perimeter referred to in paragraph 4 of this Procedure.

In the case of transactions carried out by Group companies, the Bank, in its capacity as Parent Company, shall provide such companies with specific instructions and guidelines, and if necessary shall require the application of measures in line with those provided for herein, in proportion to the effective relevance of the conflicts of interest.

The Banking Group, in implementing the provisions of the CONSOB Regulation and of the Bank of Italy Rules, shall follow the procedures for Transactions with members of the Combined Perimeter described in this Procedure.

In order to preserve the integrity of the decisional processes, the Transactions with members of the Combined Perimeter must be approved, in the case of greater relevance, subject to the opinion of the Internal Auditing and Risk Control Committee.

In the event that at any one moment, the number of non-executive, unrelated and/or independent directors is insufficient, an opinion shall be given by the Board of Auditors, or by an independent Expert ("**Equivalent Safeguards**"). Should any members of the Board of auditors have an interest in the transaction, either on their own account or on that of third parties, they shall notify the other Auditors of such, and in doing so shall specify the nature, terms, origin and scope thereof.

The preliminary documents and the opinions (given by the Committee or within the context of the Equivalent Safeguards) may be transmitted by electronic means and/or fax. The opinions must be justified, formalised and supported by suitable documentation accompanying any checks carried out or observations made.

The Committee, and anyone acting in place of the Committee when the latter is not able to operate, may be assisted by one or more independent experts of its choice, at the Bank's expense.

The Board of Directors reserves the right to resolve in regard to Transactions of Greater Relevance (unless such transactions are the responsibility of the Shareholder's Meeting).

Responsibility for the adoption of resolutions in regard to Transactions of Lesser Relevance, lies with the body (or department) appointed on the basis of the system of delegated powers adopted by the Bank or by the Group's companies.

Transactions of Greater Relevance with members of the Combined Perimeter that the companies within the Group intend to carry out, must be authorised beforehand by the Parent Company. In this regard, the Group's companies are bound to promptly provide the Parent Company with the information and documents needed in order to approve the transaction that they intend to carry out.

In order to identify Transactions of Greater Relevance, for the purpose of calculating the relevance ratios, the Group's companies must refer to their own most recent consolidated financial statements and financial reports filed (in the case of the equivalent-value relevance ratio, reference shall be made to shareholders' equity).

## **7.2 Assessment**

The assessment of the Transactions with members of the Combined Perimeter, must meet the criteria of substantial fairness underlying the regulations governing this matter; specifically, a detailed examination must be made of the grounds of, and the interests in, the transaction, together with the effects of the transaction itself from the equity, economic and financial points of view.

Should the assessment conclude that the economic conditions applied to the transaction are equivalent to the market conditions offered to unrelated parties and non-associated persons of a comparable nature and risk, or standard, the prepared documents must contain details capable of proving such.

In the event that transactions are not conducted at market-equivalent or standard conditions, despite being carried out to the mutual benefit of the contracting parties, an indication must be given of whether such transactions are typical or usual, and an explanation given of any conditions applied and of the reasons for their convenience and fairness, bearing in mind all circumstances, the specific characteristics of the transaction, and the company's interest in such.

Proposed resolutions must clearly state that they concern Transactions with members of the Combined Perimeter, and must contain the findings of the assessment of the aforementioned items.

In the case of Transactions of Greater Relevance, and of transactions for which the shareholders' meeting is responsible, the members of the Internal Auditing and Risk Control Committee must be involved in the negotiation and assessment phases, through the prompt receipt of complete information, and with the power to request information and to submit observations to the appointed bodies and to the persons entrusted with carrying out the negotiations or assessment.

## **7.3 Pre-Resolution**

Both in the case of a transaction of Greater Relevance, and in that of a Transaction of Lesser Relevance, complete adequate information regarding the various aspects of the transaction being resolved on, drafted by the proposer of the transaction and complete with any opinions provided for and given by other

appointed corporate functions, shall be shared with the Risk and ALM Committee and then transmitted to the body appointed to decide on the transaction (which in the case of a Transaction of Greater Relevance shall be the Board of Directors) and to the Internal Auditing Committee and Risk Control, suitably prior to the date on which such are called upon to resolve on the matter. Should the conditions of the transaction be deemed equivalent to market or standard conditions, the documents prepared must contain objective evidence of such.

The aforementioned documents may also be transmitted by electronic means or via fax.

The Committee may ask the proposer of the transaction for clarification, and said proposer must provide such by the deadlines indicated, and in any case in good time to enable the proposed transaction to be examined prior to the passing of the resolution by the appointed body.

As already specified, the Committee (in addition to the body appointed to decide on the matter) may seek the assistance of one or more independent experts of its own choice, at the Bank's expense and in accordance with the annual expenditure budget determined by the Board of Directors, subject to the opinion of the Board of Auditors.

In the case of Transactions of Lesser Relevance, prior to their approval the Committee must express its reasoned, non-binding opinion on the Bank's interest in completion of the transaction, and on the convenience and substantial fairness of the relative conditions.

In the case of Transactions of Greater Relevance, prior to their approval the Committee must express its reasoned, favourable opinion on the Bank's interest in completion of the transaction, and on the convenience and substantial fairness of the relative conditions.

The aforementioned opinions may be transmitted to the appointed body also by electronic means and/or via fax.

The Board of directors may approve Transactions of Greater Relevance notwithstanding the contrary opinion of the Committee, provided that the carrying out of such transactions is authorised, pursuant to Article 2364, paragraph 1, number 5), of the Italian Civil Code, by the shareholders' meeting resolving, in accordance with Article 11, paragraph 1, of the CONSOB Regulation, in the following manner (on the basis of the so-called *whitewash* mechanism):

- (i) The shareholders' meeting shall adopt resolutions provided that:
  - (1) the meeting and voting quorums established by the Company's articles of association are formed; and
  - (2) the majority of unrelated shareholders present at the meeting do not vote against the resolution;
- (ii) condition (2) of point (i) above is contingent on the attendance at the meeting of a number of unrelated shareholders representing at least 10% of the Company's share capital.

In this case, the Board of Auditors must also be asked for its opinion, and said Board must be provided with due information. The Board of Auditors' opinion must be justified in regard to the Bank's interest in completion of the transaction, and in regard to the convenience and the substantial fairness of the relative conditions.

In the case of a transaction of Greater Relevance with an opinion conditioned by findings formulated by the Committee, the Board of Auditors must also be asked for its opinion prior to the Board of Directors' approval; information about these transactions is provided to the Shareholders on a yearly basis.

#### **7.4 Resolution**

The resolution approving the transaction must be suitably motivated in regard to:

- the Bank's interest in, and the suitability and economic convenience of, concluding the transaction;
- the convenience and substantial fairness of the relative conditions;
- the reasons for any divergence, in terms of the economic-contractual conditions and of other characteristic aspects of the transaction, from those of a market or standard nature, with suitable supporting documents attached to the resolution.

Without prejudice to the provisions of paragraph 7.3 above (in relation to the *whitewash* mechanism), in the event of a negative opinion, or an opinion conditioned by opinions formulated, the resolution approving the transaction must provide a detailed motivation of the grounds on which the transaction has been approved, and a prompt response to the observations formulated in the opinion.

In the case of a Regular Transaction, the resolution must contain details proving the "regular" character of the transaction, with reference to the criteria set out in the Procedure, as specified.

The Transactions of Greater Relevance shall be the subject of resolutions adopted by the Board of Directors, except when they are the responsibility of the Shareholders' Meeting.

Responsibility for the adoption of resolutions in regard to Transactions of Lesser Relevance, lies with the body (or department) appointed on the basis of the system of delegated powers adopted by the Bank or by the Group's companies. It is understood that the delegated persons may always submit the Transactions of Lesser Relevance for which they are responsible, to the collective approval of the Board of Directors.

As regards the conclusion of Transactions with members of the Combined Perimeter, full information must be transmitted to the Board of Directors and to the Board of Auditors, at least quarterly, as specified in paragraph 9 below.

Without prejudice to the disclosure obligations set out in paragraph 6.

#### **7.5 Transactions to be approved by the Shareholders' Meeting**

For Transactions of Greater or Lesser Relevance to be approved by the Shareholders' Meeting, or that are subject to the latter's authorisation, the assessment and approval phases shall be conducted in accordance with the procedural provisions set out in this Procedure.

If responsibility for approving certain Transactions with members of the Combined Perimeter lies, by law or according to the articles of association, with the Shareholders' Meeting, the proposal that the decision-making body submits to the Shareholders' Meeting must be accompanied by the motivated opinion of the Internal Auditing and Risk Control Committee.

Transactions of Greater Relevance may be approved notwithstanding the contrary opinion of the aforesaid Committee, provided that:

- (1) the meeting and voting quorums established by the Company's articles of association are formed; and
- (2) the majority of unrelated shareholders present at the meeting do not vote against the resolution;

Condition (2) above is contingent on the attendance at the meeting of a number of unrelated shareholders representing at least 10% of the Company's share capital.

The Shareholders' Meeting resolution must be justified in regard to the Bank's interest in completion of the transaction, in regard to the convenience and the substantial fairness of the relative conditions, and in regard to the reasons for any divergence, in terms of the economic-contractual conditions and of other characteristic aspects of the transaction, from those of a market or standard nature, with suitable supporting documents attached to the resolution.

#### **7.6 Obligations of Bank Representatives pursuant to Article 136 of Italian Legislative Decree no. 385/1993**

Those transactions carried out with members of the Combined Perimeter who are also corporate representatives of Italian banks pursuant to Article 136 of Italian Legislative Decree no. 385/1993 ("Bank Representatives"), or are persons reporting to the latter, come within the scope of the aforementioned Article<sup>1</sup>, thus they are subject to the decisional procedure that said Article requires to be followed (i.e. the unanimous approval of the Board of Directors' voting members present, and the favourable opinion of all Auditors).

In the case of transactions with members of the Combined Perimeter that come within the scope of Article 136 of Italian Legislative Decree no. 385/1993, the Bank must transmit full, adequate information to the Internal Auditing and Risk Control Committee suitably in advance.

If the transaction in question is of Greater Relevance, the Committee must also be involved in the negotiation and assessment phases, through the prompt receipt of complete information.

Any resolution concerning a Transaction with a member of the Combined Perimeter that also comes within the scope of Article 136 of Italian Legislative Decree no. 385/1993, must contain an adequate explanation of:

- (a) the suitability and economic convenience of the transaction for the Bank;
- (b) the reasons for any divergence, in terms of the economic contractual conditions and of other characteristic aspects of the transaction, from those of a market or standard nature.

It should be noted that transactions coming within the scope of Article 136 of the Consolidated Law on Banking, are subject to the approval of the Board of Directors (Transactions of Greater Relevance). The management of the related activities is the responsibility of the Legal and Corporate Affairs Department.

If the transactions come within the scope of both Article 136 of the Consolidated Law on Banking, and of the CONSOB and Bank of Italy Combined Perimeter of Related Parties, the previously-described procedures shall apply.

#### **7.7 Transactions resulting in losses, reclassification of loans as non-performing, judicial and out-of-court settlements**

In the case of transactions concluded with members of the Combined Perimeter that result in losses, the reclassification of loans as non-performing, or judicial or out-of-court settlements, the Internal Auditing and Risk Control Committee must be involved through the prompt receipt of complete information, and with the power to request information and to submit observations to the appointed bodies.

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<sup>1</sup> The provisions of Section 136 only apply to relations between Italian banks and their own corporate representatives.

Responsibility for the adoption of resolutions in regard to such transactions, lies with the body (or department) appointed on the basis of the system of delegated powers adopted by the Bank or by the Group's companies.

## **8. Internal controls and the liability of corporate bodies**

The organisational structures and the system of internal controls together guarantee observance of the Prudential limits and of the decisional procedures established by this Procedure, and are designed to foresee and correctly deal with any potential conflicts of interest pertaining to all relations between the Persons in conflict of interest.

The Parent Company shall approve, and shall review at least once every quarter, those company policies regarding the monitoring of risk activities and conflicts of interest vis-à-vis Persons in conflict of interest.

The documents setting out the internal control policy shall be transmitted to the Shareholders' Meeting, and shall be kept available should the Bank of Italy require them.

The Bank, through its own control systems and through those of the Group:

- shall establish levels of risk appetite that are in line with the Banking Group's strategic profile and organisational characteristics;
- shall create and manage organisational processes designed to identify and fully classify the Associated Persons, and to identify and quantify the respective transitions during each phase of the relationship; and more specifically:
  - (i) the Operations Department shall classify, on the basis of the information received from the Compliance and Anti-Money Laundering Function and the Legal and Corporate Affairs Department, insofar as each is concerned (in that they are responsible, respectively, to identify, and to store and update records in regard to, relations with (a) CONSOB and Bank of Italy Related Parties, and with (b) relevant persons pursuant to Article 136 of Italian Legislative Decree no. 385/1993 as previously specified), relations among customers, and relations between customers and the Bank, the Parent Company or Group companies, which may entail a counterparty being classified as a Related Person considered also the phenomenon of business groups in order to control major risks reported. In performing this task, the Banking and Factoring Departments, together with all other corporate departments and available internal and external sources, shall specifically avail themselves of the support of the Compliance and Anti-Money Laundering Function and of the Risk Management Department, which is entrusted with supplementing and linking up the collected data and the information pertaining to the related persons, in such a manner as to acquire and preserve a complete view of the phenomena;
- shall adopt information systems (throughout the Bank's structures and the various members of the Banking Group) capable of classifying the relevant persons from the very start of relations, of providing each Group company with updated knowledge regarding such persons, of recording the corresponding movements and of monitoring the development and total amount of the related risk activities.
- shall create and regulate control processes designed to guarantee the correct measurement and management of the risks taken in regard to associated persons, and to verify the correct design and the effective application of internal policies. Within this context:
  - (a) the Risk Management Department shall deal with the verification of risks, including market risks underlying relations with Associated Persons, and with the observance of the limits assigned to the various structures and operating units, and shall control that the operations of each structure and unit is in line with the levels of risk appetite established in company policies;
  - (b) the Compliance and Anti-Money Laundering Department shall verify the existence and reliability of the procedures and systems capable of guaranteeing observance of all legal obligations and all



obligations established by internal regulations;

- (c) the Internal Auditing Department shall verify observance of internal policies, promptly report any anomalies to the Bank's control body and executive bodies; furthermore, it shall periodically report to the Company's bodies on the total exposure of the Bank and of the Banking Group to risks deriving from transactions with persons in conflict of interest and, if necessary, it shall suggest the changes to company policies and to the organisational and control structures, that it deems capable of strengthening safeguards against such risks;
- (d) the Parent Company's Independent Directors shall make assessments, provide support and submit proposals in regard to the organisation and performance of internal controls, and to the taking and management of risks in regard to persons in conflict of interest, and for the purposes of the general verification of activities designed to ensure that such remain in keeping with strategic and management guidelines.

Furthermore, the Control Body shall monitor the conformity of the adopted Procedure with the principles set out in the CONSOB Regulation and in the Bank of Italy Rules, together with the observance thereof, and shall report on the matter to the Shareholders' Meeting.

Within the context of the Board of Auditors' supervisory activity, said Board shall pay particular attention to the potential sidestepping of the rules due to the splitting up of transactions, which enables advantage to be taken of the exemption pertaining to the very low threshold, despite the total value of said transactions.

## **9. Internal disclosure to corporate bodies**

The Board of Directors and the Board of Auditors shall be provided with full information, at least once every three months, regarding the Transactions carried out with related parties and with associated persons, and their respective principal characteristics, including those transactions conducted within the context of the Framework Resolution.

The Compliance and Anti-Money Laundering Department shall prepare the documents required for the purposes of internal disclosure of the information in question.

Without prejudice to all other disclosure obligations provided for by this Procedure.

## **10. Final provisions**

Any substantial amendment or addition made to this Procedure must be approved by the Bank's Board of Directors, subject to the detailed, reasoned opinions of the Internal Auditing and Risk Control Committee and the Board of Auditors, regarding the overall capacity of the Procedure to achieve the regulatory objectives.

The Board of Directors shall proceed to review this Procedure at least once every three years, and subject to the detailed, favourable reasoned opinion of the Internal Auditing and Risk Control Committee and of the Board of Auditors, bearing in mind, among other things, any intervening changes made to the ownership structure, together with the efficacy of the Procedure when such is applied.

In regard to anything not expressly provided for by, or referred to in, this Procedure, reference should be made to the existing provisions governing such matters.

This Procedure, constantly updated, is published on the Bank's website, without prejudice to the obligation to disclose such, through reference to the website itself, in the annual management report.