

*Courtesy translation*

---

## **BOARD OF DIRECTORS REPORT ON ITEM SEVEN ON THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING**

(DRAFTED PURSUANT TO ARTICLE 125-TER OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS)

(CONVENED FOR 18 APRIL 2024 ON SINGLE CALL)

### **7. Appointment of the Board of Directors. Related resolutions.**

---

## REPORT OF THE BOARD OF DIRECTORS

### Introduction

Dear Shareholders,

This is to remind you that, at the Annual General Meeting convened to endorse the financial statements for the year ended on 31 December 2023, to be held on 18 April 2021 at 11.00 hours conventionally at the registered offices of BFF Bank S.p.A. (the "**Bank**" or the "**Company**") in Milan at Via Domenichino, No. 5 (the "**Corporate Headquarters**"), on single notice (the "**General Meeting**"), the Bank's Board of Directors term will expire

The Board of Directors has, therefore, resolved to call the General Meeting to debate the following item on the agenda:

- 7. ***Appointment of the Board of Directors. Related resolutions.***
  - 7.1 ***Determination of the number of members of the Board of Directors.***
  - 7.2 ***Determination of the term of office of the Board of Directors.***
  - 7.3 ***Appointment of the members of the Board of Directors.***
  - 7.4 ***Appointment of the Chairman of the Board of Directors.***
  - 7.5 ***Determination of the remuneration of members of the Board of Directors.***

This report (the "**Report**") is prepared pursuant to Articles 125-ter of Legislative Decree No. 58 of 24 February 1998, as amended (the "**TUF**") and 84-ter of the Regulation adopted by Consob Resolution No. 11971 of 14 May 1999, as amended (the "**Issuers' Regulation**"). Within the deadline for the publication of the notice of call of the shareholders' meeting, the Report will be made available to the public at the Company's registered office, on the Company's website and with the other modalities provided for by Consob regulations.

With reference to the aforementioned obligation, please note that this Report relates to the seventh item on the agenda of the Shareholders' Meeting "Appointment of the Board of Directors. Related and consequent resolutions" and related sub-items and was approved by the Board of Directors on 7 March 2024.

The Report has been filed at the Company's registered office and at Borsa Italiana S.p.A. within the term provided for by Article 125-ter of the Consolidated Law on Finance, with the right for Shareholders to request a copy, and can also be found in the "Governance/General Meeting Documents" section of the Bank's website ([www.bffgroup.com](http://www.bffgroup.com), the "**Website**"), as well as at the centralised storage mechanism called "iinfo", managed by Computershare S.p.A., available at [www.iinfo.it](http://www.iinfo.it) ("**iinfo**").

In order to submit proposals regarding the deliberative points illustrated in the Report, Shareholders are invited to take into account the considerations and indications expressed in the guidelines to Shareholders on the future size and composition of the Company's Board of Directors, as illustrated in the "**Guidelines for Shareholders on the Qualitative and Quantitative Composition of the Board of Directors and for the Preparation of the List of the Board of Directors**", approved by the Board of Directors on 26 October 2023 and made available to Shareholders in the "Governance/ Shareholders' Meeting Documents" section of the Website (the "**Guidelines**").

That said, the Shareholders retain the right to express different assessments on the optimal composition of the Board of Directors, without prejudice to the need to justify any deviations from the indications contained in the Guidelines.

It should also be noted that the Board of Directors will avail itself of the power, expressly provided for in Article 15 of the Bank's Articles of Association, which can be consulted on the Bank's website, in the section "Investors/Governance/Corporate Documents" (the "**Articles**

of Association"), to submit its own list of candidates (the "**BoD List**"). This BoD List, which will be published within 30 days from the date of the Shareholders' Meeting, will be prepared with the contribution of the Bank's Appointments Committee, subject to its evaluation by Spencer Stuart, a leading independent executive search firm, in order to certify its overall consistency with the Guidelines and the regulations referred to therein. The Board List shall take into account, in addition to the regulatory provisions better specified in paragraph 5.3 below, the findings of the annual self-assessment process of the Board of Directors, overseen by the Appointments Committee in coordination with the Chairman of the Board of Directors, and conducted with the support of Parente & Partners S.r.l., an independent external professional specialised in this matter (the "**Board Review**").

The List of the Board of Directors will be made available to the public at the Company's registered office, Borsa Italiana S.p.A. and on the Website, in the section "Governance/General Meeting Documents", as well as on [Info](#).

\*\*\* \* \*\*\*

#### **7.1 Determination of the number of members of the Board of Directors**

Article 14(1) and (2) of the Articles of Association provides that '1. The Company shall be administered by a Board of Directors consisting of 5 (five) to 13 (thirteen) members, who [...] may be re-elected. 2. The Shareholders' Meeting shall determine the number of members of the Board of Directors, which number shall remain unchanged until otherwise resolved".

The Board of Directors, referring to the Guidelines with regard to the composition of the Board of Directors deemed optimal, therefore invites you to determine the number of members of the Board of Directors at 9 (nine), as this size, also following the Board Review, was deemed appropriate to ensure the proper performance of corporate functions.

Accordingly, we submit the following proposed resolution for your approval:

*"The Shareholders' Meeting of BFF Bank S.p.A.:*

- i) having examined the illustrative report of the Board of Directors*
- ii) considering the provisions of Article 14 of the Articles of Association concerning the size of the Board of Directors;*
- iii) considering what was recommended by the expiring Board of Directors, with respect to the present agenda item, in the specific indications contained in the "Guidelines for*

*Shareholders on the Qualitative and Quantitative Composition of the Board of Directors and for the Preparation of the List of the Board of Directors" prepared in accordance with the "Supervisory Provisions for Banks", as set forth in Circular no. 285 of 17 December 2013 of the Bank of Italy, as subsequently amended, and the indications set forth in the Corporate Governance Code approved by the Corporate Governance Committee established by the Business Associations (ABI, ANIA, Assonime, Confindustria), Borsa Italiana S.p.A. and the Association of Professional Investors (Assogestioni), to which the Bank adheres,*

***resolves***

*to set to No. 9 (nine) the number of members of the Board of Directors.*

**7.2 Determination of the term of office of the Board of Directors**

Article 14(1) of the Articles of Association provides, inter alia, that the term of office of the Board of Directors shall be 'three financial years (unless a shorter period is established by the Shareholders' Meeting upon appointment)'.

That being said, it is proposed to confirm the current term of office of the Directors, equal to 3 (three) financial years. This term is deemed adequate to ensure that the new Directors have a sufficient time horizon to justify the initial investment of time and energy required, in order to acquire a suitable knowledge of the company and the sector in which the Group operates. Accordingly, the following proposed resolution is submitted for your approval:

*"The General Meeting of BFF Bank S.p.A.:*

- i) having examined the Report of the Board of Directors;*
- ii) taking into account the provisions of Article 14 of the By-Laws regarding the term of office of the Board of Directors,*

***resolves***

*to set the term of office of the Board of Directors in a period of No. 3 (three) financial years (2024, 2025, 2026), expiring on the occasion of the General Meeting that shall be convened to approve the financial statements for the year 2026*

**7.3 Appointment of the members of the Board of Directors**

The appointment of the Board of Directors takes place, pursuant to and in accordance with the procedures set forth in Article 15 of the Articles of Association, on the basis of lists submitted by the outgoing Board of Directors and/or Shareholders, each of which may contain a number of candidates not exceeding the number of Directors to be elected, listed by means of a sequential number.

It should also be noted that Shareholders who, alone or together with other Shareholders, hold a total number of shares representing at least 1% of the Bank's share capital are entitled to submit lists. Ownership of the minimum shareholding required to submit a list is determined by taking into account the shares registered in the Shareholder's favour on the day on which the lists are filed with the Company, together with the appropriate certification issued by the authorised intermediary. Ownership of the shareholding held on the day on which the lists are filed with the Bank may also be attested subsequently, by sending the aforementioned certification issued by the authorised intermediaries to the Company, provided that it is within the deadline set for the publication of the list itself (i.e. **by 28 March 2024**).

Each Shareholder (even if through a third party or trust company), as well as Shareholders who are parties to a Shareholders' Agreement pursuant to Article 122 of the Consolidated Law on Finance, Shareholders belonging to the same group (meaning the parent company, subsidiaries, and companies subject to joint control) may submit - or participate in the submission of - and vote for only one list. Endorsements and votes cast in violation of this prohibition shall not be attributed to any list.

Each person entitled to vote may only vote for one list. Endorsements and votes cast in violation of this prohibition shall not be attributed to any list.

Each candidate may only be presented on one list under penalty of ineligibility, pursuant to current legislation.

Having regard to: (i) the content of the Decree of the Ministry of Economy and Finance No. 169, dated 23 November 2020 (the "**Fit & Proper Regulation**") issued in implementation of, inter alia, Article 26 of Legislative Decree No. 385, dated 1 September 1993, as subsequently amended; and (ii) the provisions of the Guidelines, each list must comply with the following requirements:

- candidates may not be included in the lists if they do not meet the requirements of:
  - integrity and who do not meet the criteria of fairness set forth in Articles 3 and 4 of the Fit&Proper Regulation, respectively;
  - professionalism and who do not meet the competence criteria as per articles 7 and 10 of the Fit&Proper Regulation, respectively, as well as the criteria of adequate collective composition of the bodies as per article 11 of the Fit&Proper Regulation;
  - independence as per art. 13 of the Fit&Proper Regulation, where applicable.

Each candidate must also: (i) comply with the limits on the accumulation of offices provided for in Article 17 of the Fit&Proper Regulation; and (ii) ensure adequate time availability to carry out the office, pursuant to Article 16 of the Fit&Proper Regulation, considering, inter alia, the possibility of serving on endoconsiliar committees. With reference to the details of the number of meetings held during the financial years 2021-2024, please refer to paragraph 6.1 of the Guidelines;

- as indicated in the Guidelines, the Board of Directors shall include at least 5 (five) independent directors, excluding the Chairman of the Board, if the Board is composed of 9 (nine) members, in order to ensure a proper composition of the Committees (also taking into account that, pursuant to the Corporate Governance Code, the Chairman assessed as independent cannot chair the Remuneration Committee and the Control and Risk Committee), as well as in consideration of the characteristics of the Bank's shareholding structure and its nature as a public company;
- Pursuant to Article 15 of the Bylaws, the lists containing a number of candidates equal to or greater than three must include: (i) candidates in the majority meeting the independence requirements provided for by the laws in force at the time; and (ii) candidates of a different gender, at least to the minimum extent required by the law in relation to the composition of the Board of Directors, currently equal to two-fifths (the number of candidates is rounded up to the next higher unit, except for lists consisting of three candidates for which the rounding down is to the next lower unit);

Lists containing a number of candidates exceeding half the number of directors must indicate the candidate for the office of Chairman of the Board of Directors.

In addition, according to the results of the Board Review, the Bank considers it appropriate to ensure the presence of Directors with adequate experience in the following areas (a) regulation and risk management in the banking sector; (b) international markets, preferably with reference to the markets in which the Group operates and, in particular, Eastern Europe (i. e..g. Poland, Czech Republic, Slovakia, Croatia); (c) corporate finance and acquisition valuation; (d) AML; (e) ESG; and (f) in the specific business areas of custodian bank, payment services and ancillary services, information and communication technologies, including digital innovation - fintech - and cybersecurity. On this point, please refer to paragraphs 5.3.4 and 7 of the Guidelines).

Together with each list, the following documents must be deposited at the registered office by the submission deadline:

- information on the identity of the shareholders submitting the lists, with an indication of the total percentage of shareholding held;
- a declaration by the Shareholders other than those who hold, even jointly, a controlling or relative majority interest, certifying the absence of any relationship: (i) pursuant to Article 147-ter, paragraph 3, of the Consolidated Law on Finance and Article 144-quinquies of the "Regulation implementing Legislative Decree No. 58 of 24 February 1998, concerning the regulation of issuers" (adopted by Consob with resolution No. 11971 of 14 May 1999, as amended, the "Issuers' Regulation") with the latter; and 58, concerning the regulation of issuers" (adopted by Consob with resolution No. 11971 of 14 May 1999, as amended and supplemented, the "Issuers' Regulation") with the latter; and (ii) pursuant to Attention Notice 1/22 issued by Consob on 21 January 2022;
- declarations - in Italian and English - in which the individual candidates: (i) accept the candidature; and (ii) certify, under their own responsibility, the non-existence of grounds for ineligibility and incompatibility, as well as the existence of the requirements prescribed by law and by the Articles of Association (a facsimile of which is attached as Annex B to the Guidelines);
- the curriculum vitae - in Italian and English - of each candidate, signed and dated not earlier than one month, containing a comprehensive disclosure of his or her personal and professional characteristics, as well as the skills acquired in the banking, financial



and/or other relevant fields, as better indicated by the Guidelines.

Finally, it is recommended that candidates provide the additional information requested in the questionnaire in Appendix D to the Guidelines, which the Bank expects to receive at the same time as the filing of the lists, in order to allow the Board of Directors to carry out its own evaluations, in consideration of the fact that the "Fit&Proper" examination of each Director and of the Board as a whole represents one of the first tasks of the newly appointed Board of Directors.

Shareholders are also invited to take into account:

- the recommendations set out in Consob Communication DEM/9017893 of 26 February 2009<sup>1</sup>, in particular with reference to the declaration relating to the absence of relations of connection, even indirect, pursuant to Article 147-ter, paragraph 3, of the Consolidated Law on Finance and Article 144-quinquies of the Issuers' Regulation, with Shareholders who hold, even jointly, a controlling or relative majority interest, where identifiable on the basis of the communications of significant shareholdings pursuant to Article 120 of the Consolidated Law on Finance or the publication of shareholders' agreements pursuant to Article 122 of the Consolidated Law on Finance
- of the Attention Notice 1/22 issued by Consob on 21 January 2022<sup>2</sup>, in particular, with reference to the declaration relating to the absence of relations of connection with the list presented by the Board of Directors, as well as to specify any significant relations that may exist and the reasons why such relations have not been considered relevant to the existence of a connection, or the absence of the said relations.

Lists submitted without complying with the above provisions shall be considered as not submitted.

Further information on the presentation, filing and publication of the lists can be found in Article 15 of the Articles of Association and in the Notice of Shareholders' Meeting, which are available on the Website in the sections "Investors/Governance/Corporate Documents" and "Investors/Governance/Meeting Documents", respectively.

---

<sup>1</sup> Available at <http://www.consob.it/documents/46180/46181/c9017893.pdf/ddb9abda-gee8-4880-88f8-f9083da6f9d7>.

<sup>2</sup> Available at [ra.2022.01\(consob.it\)](http://ra.2022.01.consob.it)

In this regard, it should be noted - for the sake of greater clarity and in the spirit of facilitating the submission of so-called "minority lists" for the appointment of the Board of Directors - that lists with fewer than two independent directors are also allowed if the list itself contains a single name. This can be deduced from a combined reading of Paragraphs 1 and 7 of Article 15 of the Articles of Association and is consistent with Paragraph 10(b) of Article 15 of the Articles of Association, which reserves only one Director for the so-called 'minority list'.

The lists duly submitted by the Shareholders will be made available to the public at the Company's registered office, Borsa Italiana S.p.A. and on the Website in the section "Governance/General Meeting Documents" and on 1Info, by 28 March 2024, coinciding with the twenty-first day prior to the date of the Shareholders' Meeting.

With regard to the mechanism for the appointment of the Board of Directors, it should be noted that - pursuant to Article 15, Section 10, of the Articles of Association - the election of the members of the Board of Directors will be carried out as follows:

*"At the end of the vote, the candidates from the two lists with the highest number of votes are elected, according to the following criteria:*

- (a) a number of Directors equal to the total number of members to be elected, except for 1 (one), shall be drawn from the list that obtained the majority of votes cast (the "majority list"), in the sequential order in which they are listed thereon;*
- (b) the remaining director is taken from the second list that obtained the highest number of votes in the shareholders' meeting (the so-called 'minority list'), which is not connected in any way, not even indirectly, with those who submitted or voted for the majority list;*
- (c) in the event that the majority list does not include a sufficient number of candidates to ensure that the number of directors to be elected pursuant to letter (a) above is reached, all the candidates listed therein shall be drawn from that list, in the sequential order in which they are indicated after having then drawn the other director from the minority list pursuant to letter (b), the remaining directors shall be drawn, for the positions not covered by the majority list, from the minority list that obtained the highest number of votes among the minority lists, in relation to the capacity of such list. In the event of insufficient capacity, the remaining directors shall be drawn, in the same manner, from the following*

*list or, if necessary, from subsequent lists, depending on the number of votes and the capacity of those lists".*

Please note that if several lists obtain the same number of votes, a new ballot shall be held between those lists by all those entitled to vote present at the meeting, with the candidates of the list obtaining a simple majority of votes being elected.

If the application of the list voting mechanism does not ensure the minimum number of directors belonging to the less represented gender, as envisaged by the law, the candidate belonging to the most represented gender, elected as the last in progressive order in the majority list, shall be replaced by the first candidate belonging to the less represented and not elected gender, taken from the same list, according to the progressive order of presentation, or, failing that, by the first candidate of the less represented and not elected gender, taken from the other lists, according to the number of votes obtained by each. This replacement procedure shall take place (limited to lists containing a number of candidates equal to or greater than three) until the composition of the Board of Directors complies with the laws and regulations in force on gender balance.

Finally, in the event that said procedure does not ensure the result last mentioned, the replacement shall take place by resolution passed by the Shareholders' Meeting by relative majority, subject to the submission of nominations of persons belonging to the less represented gender.

If the application of the list voting mechanism does not ensure the minimum number of independent Directors required by law and/or regulations, the non-independent candidate elected as the last in progressive order in the majority list shall be replaced by the first independent candidate not elected, taken from the same list, according to the progressive order of presentation or, failing that, by the first independent candidate not elected, taken from the other lists, according to the number of votes obtained by each. This replacement procedure is carried out (limited to lists that contain a number of candidates equal to or greater than three) until the minimum number of independent directors required by the regulations is completed and without prejudice, in any case, to compliance with the balance between genders.

If said procedure does not ensure the result last mentioned, the replacement takes place by resolution passed by the Shareholders' Meeting by relative majority, subject to the submission of nominations of persons who meet the independence requirements provided for by the regulations.

Please note that the lists, signed by the submitting Shareholder(s), must be deposited by Shareholders at the Company's Registered Office - to the attention of the O.U. Corporate Affairs Secretary - or by sending them to the certified e-mail address [assemblea@pec.bffgroup.com](mailto:assemblea@pec.bffgroup.com), together with the aforementioned documentation required by law and the Articles of Association, under penalty of forfeiture, by March 25, 2024, considering that March 24, 2024, coinciding with the twenty-fifth day prior to the date of the Shareholders' Meeting, is a holiday and that the deadline is not expected to be reopened.

Considering the above, Shareholders are requested to appoint the members of the Board of Directors based on the lists of candidates for the office of members of the Board of Directors that will be submitted and published in compliance with the aforementioned provisions, including the Board of Directors List.

#### **7.4 Appointment of the Chairman of the Board of Directors**

Pursuant to Article 15, Section 24, of the Articles of Association, the Shareholders' Meeting has the power to appoint the Chairman of the Board of Directors.

Referring expressly to the guidance on the personal and professional requirements and characteristics of the Chairman of the Board of Directors as outlined in the Guidelines, we invite you to make the appointment of the Chairman of the Board of Directors.

In particular, the Chairman of the Board, in accordance with the Fit&Proper Regulations, must be chosen from among candidates who have exercised, for at least five years, including alternately:

- a. administrative or supervisory activities or managerial duties in the credit, financial, securities or insurance industry;
- b. administrative or supervisory activities or managerial duties in companies listed or having a size and complexity greater than or comparable (in terms of turnover, nature and complexity of the organization or activity carried out) to that of the Bank,

or

- a. professional activities in matters pertaining to the credit, financial, securities, insurance sector or, in any case, functional to the Bank's activities. The professional activity must be characterized by adequate levels of complexity, also with reference to the recipients of the services provided, and must be carried out on a continuous and relevant basis in the above-mentioned sectors;
- b. university teaching activities, as a first or second level lecturer, in legal or economic subjects or in other subjects that are in any case functional to the activity of the credit, financial, securities or insurance sector;
- c. executive, management or top management functions, however denominated, in public entities or public administrations related to the credit, financial, securities or insurance sector and provided that the entity at which the exponent performed such functions is of a size and complexity comparable to that of the Bank.

For the purpose of meeting the requirements of the above points, experience gained during the twenty years prior to taking office shall be taken into account. Experience gained at the same time in more than one function shall be counted only for the period of time in which they were held, without accumulating them.

As stated in the Diversity Policy of the Board of Directors of BFF Bank S.p.A.<sup>3</sup>, the Chairman must have legal and economic/financial expertise, and expertise in managing issues of strategic importance within the board.

In addition, the Chairman's Succession Plan requires, among other things:

- experience in coordinating, directing or managing human resources is also assessed, such as to ensure effective performance of its functions of coordinating and directing the work of the Board of Directors, promoting its proper functioning, including in terms of circulation of information, effectiveness of comparison and stimulation of internal dialectic as well as of adequate overall composition of the body (this assessment, in accordance with the Fit&Proper Regulations, may be omitted if it has the previous professionalism requirements, when they have accrued for a duration of at least 10 years and in the last 13), and preferably possess, an adequate level of internationality;

---

<sup>3</sup> Approved by the Board of Directors on July 28, 2021.

- if non-Italian, necessarily has a good knowledge of the Italian language, taking into account the continuous interaction with the Supervisory Authorities. Preferably, is fluent in the English language;
- Possesses in-depth experience of the industry regulatory environment, of which is familiar with regulatory developments and the impacts that regulations have on risk and capital management, and key competencies, including, interpersonal style and board leadership skills, integrity and reputation, openness to change, and sensitivity to sustainability profiles;
- In case of first appointment, his age is not more than 68 years old.

In addition, he represents a **super partes figure**, such as to ensure the proper, efficient and effective management of the functioning of the Board of Directors, where he is responsible for creating a strong spirit of cohesion, while representing a guaranteed figure for all Shareholders.

The Board Review found that the chairperson must also possess the following attitudinal characteristics (so-called "soft skills") i.e., the ability to manage time, the ability to handle conflict constructively, and decision-making aptitude.

#### **7.5 Determination of the remuneration of members of the Board of Directors**

Pursuant to Article 21(1) of the Articles of Incorporation, "Directors are entitled, in addition to reimbursement of expenses incurred in the performance of their duties, to compensation to be determined by the Ordinary Shareholders' Meeting."

It is recalled that: (i) the Shareholders' Meeting of March 25, 2021 resolved to award, pursuant to Article 2389, paragraph 1 of the Civil Code, the Board of Directors a total gross annual remuneration of Euro 450,000; and (ii) the Board of Directors, on the same date, resolved to award each Director a gross annual remuneration of Euro 50,000, in addition to reimbursement of expenses.

As recommended by the Corporate Governance Code, directors' compensation is set at a level sufficient to attract, retain and motivate people with the professional qualities required by their role in the Company in order to contribute to the sustainable success of the Company.

The Board of Directors invited the Remuneration Committee to undertake an analysis of directors' compensation with reference to a selected sample of other companies operating in similar industries or of comparable size.

On the basis of the analysis carried out by the Remuneration Committee, it emerged, in particular: (i) that the average remuneration for the office of director - which from the benchmark turns out to be up to Euro 65,000 - is higher than the remuneration recognized by the Bank; and (ii) the substantial alignment of the remuneration currently due to the Chairman of the Board with the average.

That being said, the Board of Directors currently in office, in view of the commitment and work required for the performance of the office and in light of the findings of the market benchmark, proposes to the Shareholders to increase by 20% the total amount of the remuneration to be allocated to the Directors pursuant to Article 2389, first paragraph, of the Civil Code, which would thus increase from a total of Euro 450,000 to Euro 540,000, to be distributed among the members of the Board of Directors in accordance with the resolutions to be made in this regard by the Board in compliance with the Company's Remuneration Policy, to be disbursed pro rata temporis, and on the basis of the proposals that may also be made by the Shareholders at the Shareholders' Meeting..

It is understood that the compensation for directors holding special offices, again in accordance with the aforementioned Company Remuneration Policy, will be determined by the Board of Directors.

\*\*\* \* \*\*\*

All of the above, it is recommended that any proposals on this agenda item, and related sub-items, be submitted by Shareholders well in advance of the date of the Meeting.

Milan, 7 march 2024

For the Board of Directors  
THE CHAIRMAN  
(Salvatore Messina)