



**GUIDELINES ON THE OPTIMAL QUALITATIVE AND  
QUANTITATIVE COMPOSITION OF THE BOARD OF  
DIRECTORS**

**8 March 2018**

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## **1. Introduction: composition of bank governance bodies in the current regulatory-legislative framework**

As provided by the Supervisory Regulations of the Bank of Italy (Circular no. 285 dated 17 December 2013 – 1st update dated 6 May 2014 – First Part, Title IV, Chapter 1), organisational and corporate governance aspects must, for banks, be effective, not only to pursue their business objectives but also to guarantee sound and prudent corporate management.

In view of this, the composition of the strategic supervision body (*i.e.* the Board of Directors, in companies that adopt the so-called “traditional” corporate governance system) is given particular significance, as its responsibilities are of fundamental importance, to fulfil the duties entrusted to it by Law, by the aforementioned Supervisory Provisions and by the Articles of Association.

Based upon the cited rules, a bank's Board of Directors should consist:

1. from the quantitative perspective, of a non-plethoric number of members, with the aim of not reducing each Director's incentive to take action in performing his/her duties and not to hinder the functionality of the management body, but, rather, adequate to the bank's dimensions and organisational complexities, with the aim of effectively overseeing its operations, in relation to management and controls;
2. from the qualitative perspective, of persons:
  - fully aware of the powers and obligations relating to the roles they are asked to perform (supervision and management; executive and other functions, independent members, etc.);
  - equipped with professionalism and experience adequate to the role covered, even in board committees, and suited to the bank's operational and dimensional characteristics, as well as personal characteristics in line with requirements of good corporate governance;
  - with skills spread widely between the members and appropriately diversified, so as to allow each of the members, both within committees of which they are part and in board decisions, to contribute effectively and to ensure effective governance of the risks in all areas of the bank;
  - who dedicate adequate time and resources to the complexities of their role, also in light of additional roles covered in other companies internal or external to the same banking group;
  - who direct their action to the pursuit of the overall interest of the bank, irrespective of which shareholders voted for them or the list from which they were taken, acting with autonomy of judgment, also in light of any conflicts of interest.

In addition, to define the composition of the Board of Directors in respect of regulatory and statutory provisions, it is necessary to ensure the presence of members with technical expertise, social and gender representation as well as, with the aim of ensuring internal dialectics within the corporate body, representatives of the different business areas.

There must also be an adequate number of non-executive members, who effectively perform the function of counterweight to the bank's executives and management, thereby encouraging internal dialectics within the relevant body.

As prescribed by the Supervisory Provisions of the Bank of Italy, the non-executive directors are jointly involved in the decisions made by the entire Board of Directors and asked to perform an important dialectic role and one of monitoring on the decisions made by the executive representatives.

Again in accordance with the Supervisory Provisions, the members of a bank's strategic supervision body must include independent directors (whose requirements are identified by the articles of association and existing regulations), who oversee, with autonomy of judgment, the corporate management, contributing to ensuring that it is performed in the company's interest and coherently with the objectives of sound and prudent management. It is also advisable to have independent directors on the board committees, having investigative, advisory and proactive duties, so as to encourage the adoption of more weighted decisions, particularly with reference to more complex business sectors or in which there is a higher risk of conflict of interest situations occurring.

For the purposes of appointing the directors, those Supervisory Provisions assign to the Board of Directors the duty to identify, with the contribution of the Appointments Committee, its optimal qualitative and quantitative composition for the purposes of correctly fulfilling the responsibilities entrusted to it and establishing the respective principles and application guidelines; in addition, the results of those activities must be brought to the attention of the shareholders, in useful time for the choice of candidates to take account of the required professionalisms. This is obviously subject to the possibility for the shareholders to make their own assessments on the optimal composition of the boards and to present candidates coherent with this, motivating any differences as to the analyses performed by the expiring Board of Directors.

The Articles of Association of doBank S.p.A. (hereafter, the “**Bank**”) provide, inter alia, that it is managed by a Board of Directors made up of no less than 7 and no more than 11 members, the actual number being established by the Shareholders' Meeting before the appointment and may vary later. The Bank's Articles of Association require in addition: that the composition of the Board of Directors must ensure gender balance,

in respect of existing regulations; that the directors must possess the requirements provided by the applicable rules; that a number of directors no less than that provided by existing regulations is in possession of the requirements of independence established by the law and by the regulations in force.

With regard to the appointment of the directors, the Bank's Articles of Association provide, at Art. 13, that this is resolved upon by the Shareholders' Meeting, based upon lists submitted by the shareholders or by the Board of Directors in office, listing the candidates, in a number no more than 11, each combined with a sequential number.

Each list must be made up of a number of candidates in possession of the prescribed requirements of independence as stated above, such as to ensure the presence of the minimum number of directors who, according to the applicable legal and regulatory provisions, must possess those requirements.

In addition, each list, which presents a number of candidates equal to or greater than 3, must be made up of candidates belonging to both genders, so as to ensure respect of gender balance, at least to the minimum extent required by existing laws.

The lists must be accompanied:

- a) by information on the identity of the shareholders who submitted them, indicating the overall percentage of shareholdings;
- b) by a declaration of the shareholders, other than those that hold, even jointly, a controlling or relative majority investment, certifying the absence of relationships of connection, even indirect, in accordance with existing regulations, with the latter;
- c) by comprehensive information on the personal and professional characteristics of the candidates, indicating any suitability to be classified as independent directors in accordance with existing regulations, as well as a declaration by the candidates themselves, certifying possession of the requirements laid down by existing regulations and by the articles of association and their acceptance of the candidacy and the role, if elected;
- d) by any other additional or different declaration, information and/or document, required by existing regulations.

The Bank's Articles of Association attribute to the Board of Directors the responsibility to elect from its members a Chairman and the right to appoint a Chief Executive Officer, determining their powers.

## **2. Purpose of this document**

In concomitance with the next Shareholders' Meeting, convened for 19 April 2018, the Bank's Board of Directors currently in office will complete its mandate and must be reconstituted.

In view of that expiry, with this document, the expiring Board of Directors intends to offer guidance, suggestions and useful indications, so that the lists of candidates submitted for the appointment of the new management body of the Bank may be adequate to the responsibilities that the respective members will assume, also possibly within board committees.

The indications contained in this document have been provided having obtained the opinion and support of the Appointment Committee and are based upon the results of the self-assessment conducted by the Board of Directors with regard to the period from 15 July 2016 (i.e. the completion date of the current composition of the Board of Directors) to 14 July 2017 (date of commencing trading of the Bank's shares on the "MTA" screen-based stock exchange run by Borsa Italiana S.p.A.), and approved at the meeting on 17 October 2017.

The paragraphs below indicate the ideal characteristics of candidates for appointment to the Bank's new management body, as identified by the expiring Board of Directors, to guarantee its optimal composition, in all relevant aspects.

The assessments and orientations, expressed in this document, take into consideration the guidelines on the assessment of suitability of directors, issued jointly on 26 September 2017 by the European Banking Authority (EBA) and by the European Securities and Markets Authority (ESMA).

Finally, it is specified that this document is also prepared in compliance with the application principles and criteria provided by the most recent version (July 2015) of the Corporate Governance Code for listed companies, promoted by Borsa Italiana S.p.A..

## **3. Requirements of professionalism and experience**

The Board of Directors intends the composition of the Bank's new management body to reflect the knowledge, skills and experience necessary to fulfil its responsibilities, so as to ensure full comprehension in all areas in which the directors are collectively responsible and the best management and supervision of the Bank.

In this perspective, subject to the requirements of professionalism established by the applicable regulations, the Board of Directors, taking into due consideration the guidelines issued by the European Authorities and the best practice widely applied in

the relevant sector, recommends that the candidates to the role of Bank director are in possession of one or more of the following competences:

- **knowledge of the banking sector and techniques of assessment and management of risks connected to the exercise of banking activity**, acquired through long-term experience in administration, management and control in the financial sector (specialist experience in the credit sector, lasting at least three years, is preferred);
- **experience of business management and organisation**, acquired through long-term administration, management and control activity in companies or entities of significant economic dimensions and proven standing (e.g. universities or research bodies);
- **capacity to read and interpret financial statements data of companies or entities**, acquired through long-term administration and control experience or the exercise of professional activities or university teaching;
- **expertise of corporate nature** (audit, compliance, legal, corporate, etc.): acquired through long-term auditing or management control experience, performed within enterprises of significant dimensions or the exercise of professional activities or university teaching;
- **knowledge of the regulation of banking or financial activities**, acquired through specific long-term experiences within financial enterprises or supervisory bodies or the exercise of professional activities or university teaching;
- **knowledge of global dynamics of the economic-financial system**, acquired through significant experiences performed within research bodies, business studies offices, international organisations or supervisory authorities;
- **experience or knowledge of the markets**, acquired through studies or investigations performed at research bodies or through long-term involvement in business or professional activities performed at institutions or bodies, groups or enterprises (public or private) even of international vocation.

As provided by the Supervisory Regulations of the Bank of Italy, it is also essential for the set of non-executive directors to possess and express adequate knowledge: of banking business, of the dynamics of the economic-financial system, of banking and financial regulations and, above all, of risk management and control methods.

In line with the provisions of the Ministry of the Treasury, Budget and Economic Planning no. 161 dated 18 March 1998, the expiring Board of Directors assesses that the professional experience, required for directors not having specific roles, has been accrued through the exercise, for at least three years, of administration or control activity, managerial duties or professional activities, at banks and/or enterprises, even public, operating in the financial sector or university teaching activity in legal or

economic subjects. The Chairman must have accrued that experience for at least five years. For at least the same duration, the Chief Executive Officer must have acquired specific expertise in credit and/or financial matters, accrued through work experiences in a position of adequate responsibility or in enterprises of dimensions comparable with those of the Bank.

The expiring Board of Directors stresses the need for the Bank's new management body to have a broad range of professionalisms and skills and for the respective members to be suitable to perform the assigned duties collegially and to assume the relevant decisions.

Therefore, the lists of candidates submitted should be made up of persons with proven expertise and experience for each of the identified areas, so as to guarantee the possibility of analysis, development of internal dialectics, efficient functioning and overall suitability, as well as adequate constitution and functionality of the board committees.

The information on the personal and professional characteristics of each candidate, to be filed at the same time as submitting the lists, must include, in application of the contents of the Supervisory Provisions cited above, a sufficiently detailed *curriculum vitae*, aimed at identifying the areas of expertise identified above for which each candidate is deemed suitable.

#### **4. Aptitude requirements**

In addition to the foregoing, as provided by the cited guidelines issued jointly by the EBA and ESMA, the Board of Directors in office has identified the following aptitude requirements, which it believes the members of the new management body must possess:

- **authenticity**: capacity to act in coherence with the declared principles and values; to communicate openly his/her ideas and assessments; to encourage an atmosphere of openness and honesty; to inform the supervisor of the current situation, jointly assessing the risks and problems;
- **language**: capacity to communicate in an ordered manner and to write in the national language or in the business language of the Bank;
- **resoluteness**: capacity to assume decisions in a timely and informed manner, acting promptly or taking a certain stance, for example, expressing opinions without delays;
- **communication**: capacity to convey a message comprehensibly and adequately, seeking reciprocal clarity and transparency and actively encouraging feedback;



- customer and quality orientation: concentration on striving for quality and, where possible, on improving the same. In particular, contrariness to the development and marketing of products, services and investments (for example: products, properties or investments) when it is not possible to assess the risks correctly due to incomplete knowledge of the fundamentals. Capacity to identify and study the objectives and requirements of customers and to ensure that they do not incur unnecessary risks or receive correct and complete information;
- leadership: capacity to provide guidance and direction to a group, to develop and support teamwork, to motivate and encourage resources, to ensure that team members have the professional skills to achieve certain objectives; to be open to criticism and to encourage open debate;
- loyalty: identification with the company and sense of participation. Demonstration of being able to dedicate sufficient time to the role and to fulfil the duties correctly, defending the company interest and acting objectively and critically. Recognition and preventive management of potential personal and business conflicts of interest;
- external awareness: monitoring of behaviours and interactions within the business. Information on financial, economic, social and general affairs, at national and international level, which may have an impact on the company as well as on the interests of the shareholders; capacity to use this information effectively;
- negotiation: in pursuing objectives, capacity to identify and highlight the common interests to build consent;
- authority: capacity to influence the opinions of others with persuasiveness, authority and diplomacy. Possession of a strong personality capable of firmness;
- strategic vision: capacity to develop a realistic vision of future developments and to translate it into long-term objectives, for example, by way of scenario analyses; in that way, adequately considering the risks to which the company is exposed and adopt the appropriate measures for their management;
- stress resistance: capacity to bring to a conclusion his/her duties in every circumstance, even in situations of strong pressure and uncertainty;
- sense of responsibility: understanding and close assessment of internal and external interests; capacity to learn and understand the impact of his/her actions on the interests of the stakeholders;
- capacity to chair meetings: capacity to chair meetings efficiently and effectively, creating an open climate that encourages participation by everyone on an equal basis; awareness of the duties and responsibilities of others.

The ceasing Board of Directors, in commenting on the aspect of its overall suitability and, therefore, the importance that its members, executive and non-executive, are able to make decisions collegially, invites the Shareholders to submit lists containing

candidates with those aptitudes that allow for the optimal combination of profiles having the characteristics described above, so as to guarantee the development of internal dialectics, the efficient functioning and overall suitability of the Board of Directors, as well as the board committees.

## **5. Integrity requirements**

The ceasing Board of Directors recommends that candidates to the role of director are in possession of the integrity requirements provided by Ministerial Decrees no. 161 dated 18 March 1998 and no. 162 dated 30 March 2000.

In particular, the same must not:

- be in one of the conditions of ineligibility or forfeiture provided by Art. 2382 of the Italian Civil Code;
- have been subjected to prevention measures ordered by the judicial authority in accordance with Italian Legislative Decree no. 159 dated 6 September 2011 (known as “Anti-Mafia Code”) as amended and supplemented, subject to the effects of rehabilitation;
- have been convicted, with irrevocable judgment, subject to the effects of rehabilitation:
  - a) to imprisonment for one of the crimes provided by the rules regulating banking, financial and insurance activity and by the rules on the markets and financial instruments, in tax and payment instrument matters;
  - b) to imprisonment for one of the crimes provided in title XI of book V of the Italian Civil Code and in Royal Decree no. 267 dated 16 March 1942;
  - c) to imprisonment for a period equal to or greater than six months for a crime against the public administration, public faith, property, public order, public economy or for a crime in tax matters;
  - d) to imprisonment for a period equal to or greater than one year for any offence committed with criminal intent;
- have been convicted by final ruling applying the plea bargain, subject to the case of extinction of the crime:
  - a) to imprisonment for one of the crimes provided by the rules regulating banking, financial and insurance activity and by the rules on the markets and financial instruments, on tax and payment instrument matters;
  - b) to imprisonment for one of the crimes provided in title XI of book V of the Italian Civil Code and in Royal Decree no. 267 dated 16 March 1942;

- c) to imprisonment for a period equal to or greater than six months for a crime against the public administration, public faith, property, public order, public economic or for a crime in tax matters;
- d) to imprisonment for a period equal to or greater than one year for any offence committed with criminal intent;
- have been subject in foreign States to criminal convictions or other sanction measures for circumstances corresponding to those that involve, according to Italian law, the loss of integrity requirements.

## **6. Independence requirements**

Based upon the cited Supervisory Provisions issued by the Bank of Italy, at least one-quarter of the members of the Board of Directors must possess the independence requirements based upon applicable regulations, as cited also by the Articles of Association. If this ratio is not a whole number, it is approximated to the lower whole number, if the first decimal is equal to or less than 5; otherwise, it is approximated to the higher whole number.

In addition, based upon Art. 147-ter of Italian Legislative Decree no. 58 dated 24 February 1998 (hereafter: “**Consolidated Law on Finance**”), at least 1 of the members of the Board of Directors (or 2, in the presence of more than 7 members), must be in possession of the independence requirements indicated in Art. 148, third paragraph of that decree.

The Corporate Governance Code for listed companies, at Art. 3, provides that independent directors do not hold, and have not recently held, even indirectly, with the issuer or with entities linked to the issuer, relationships that affect their autonomy of judgment. The cited code also indicates the application criteria for assessing the concrete existence of the independence requirement.

The Board of Directors in office currently believes that, subject to the foregoing, all members of the management body, executive and non-executive, must act with autonomy of judgment and therefore invites attention to be paid to situations that may create conflicts of interest and potentially hinder the directors' autonomy of judgment.

The Board also recommends that the candidates are not found in one of the situations indicated in Art. 2390 of the Italian Civil Code, i.e. that they are not shareholders with unlimited liability or directors or general managers of companies competing with the Bank, or exercise on their own behalf or that of third parties activities in competition with those exercised by the Bank.

## **7. Incompatibility**

In citing the content of the many rules that involve causes of incompatibility and conditions that may affect eligibility, provided by the existing legal system (by way of example, Art. 2382 of the Italian Civil Code, Art. 10 of Italian Legislative Decree no. 29 dated 27 January 2010, no. 39 and Art. 187-*quater* of the Consolidated Law on Finance), particular attention is given to the prohibition, provided by Art. 36 of Italian Law no. 214 dated 22 December 2011, against holders of roles in management, supervision and control bodies and senior officers in enterprises or groups of enterprises operating in the credit, insurance and financial markets, on assuming or exercising similar roles in competing enterprises or groups of enterprises (known as *interlocking* prohibition).

## **8. Time availability and accumulation of roles**

The Board of Directors in office recommends that the candidates, included in the lists submitted for the appointment of the new management body, guarantee full availability to participate, physically or, at least, by way of video or audio-conference, in board meetings and board committee meetings, as well as taking part in informal meetings with other directors, to analyse the documentation in support of the meetings as well as to participate in training sessions.

By virtue of the provisions of the cited Supervisory Regulations of the Bank of Italy, persons proposed for the role of Director must guarantee adequate time availability for the conduct of their assignment, taking account of the nature of the necessary commitment, also in light of the Bank's operational complexity and other roles covered in companies or entities, as well as commitments deriving from the working activity, in respect of the limits, provided by provisions of law and regulations, on the accumulation of roles that may be covered simultaneously by the directors.

The ceasing Board of Directors believes that the participation of the directors in meetings of the management body and those of the board committees should not be less than 75%, and that they should preferably attend in person.

In that regard, in the 2017 financial year, the following meetings were held:

- no. 17 meetings of the Board of Directors, lasting, on average, 2 hours and 25 minutes, in addition to two “off-agenda” investigation and analysis meetings on significant issues;
- no. 9 meetings of the Appointment and Remuneration Committee (active until 14 July 2017), lasting, on average, 1 hour;
- no. 2 meetings of the Appointment Committee (active from 14 July 2017), lasting,

on average, about 45 minutes;

- no. 4 meetings of the Remuneration Committee (active from 14 July 2017), lasting, on average, about 35 minutes;
- no. 18 meetings of the Risks and Transactions with Related Parties Committee, lasting, on average, about 1 hour and 20 minutes.
- no. 1 training session for directors, lasting one day.

Consideration must also be given to the commitment necessary to prepare for meetings, given the high number of subjects that are generally included on the agenda of board meetings, the significant volume of supporting documents that must be examined in relation to them as well as any travel time to the location fixed for the meetings.

Subject to the application - as soon as they are issued - of provisions relating to the limits on accumulation of roles for representatives of banks, implementing Art. 91 of Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2014 (known as "CRD IV"), the Board of Directors has developed, in that regard criteria, which it hopes will be taken into consideration when selecting the candidates for the renewal of the management body. In that sense, it recommends that the assignments covered overall by each Director of the Bank in Italian or foreign companies, listed on regulated markets, do not exceed the following limits:

- 1 executive role and 2 non-executive roles;
- 4 non-executive roles,

considering as a single role, inter alia, the set of roles covered within the same group and in companies in which doBank holds a qualifying holding, as defined by Art. 4 of (EU) Regulation no. 575/2013.

## **9. Gender quotas**

Italian Law no. 120 dated 12 July 2011 has imposed the obligation of reserving a certain share of the members of the Board of Directors of listed companies to the least represented gender.

The renewal of the Bank's Board of Directors, on which the Shareholders' Meeting is asked to decide, is the first mandate to which that regulation applies; considering also the provisions of Art. 2 of the law cited above, the expiring Board thus recommends that at least one-fifth of the members of the new management body is reserved to the least represented gender, and therefore, in the case of 9 Directors, at least 2 positions.

## **10. Conclusions**

The Board of Directors, given the outcomes of the self-assessment performed during the 2017 financial year and the opinion expressed by the Appointment Committee, believes it is advisable that the candidate lists, to be submitted for the Board renewal, provide:

- the maintenance of the current number of members, equal to 9;
- the presence of a Chairman without operational delegations and a Chief Executive Officer;
- a wide range of professional and aptitude profiles, in line with the best market practices;
- the presence of at least one-fifth of the members belonging to the least represented gender, also in compliance with the provisions of Italian Law no. 120 dated 12 July 2011;
- the presence of at least 3 members in possession of the independence requirements provided by Art. 148, paragraph 3 of the Consolidated Law on Finance as well as those provided by Art. 3 of the Corporate Governance Code for listed companies, in continuity with the current composition of the Board of Directors;
- the absence of directors for whom, in relation to the functions performed by them or to investments held by them in banks or asset management companies, causes of incompatibility may occur.

Moreover, the Board of Directors, taking also into account the fact that it is of recent configuration, recommends that the composition of the new management body is such to ensure continuity in the management of the company and development of the strategic plan adopted by the Bank, by confirming at least a part of the Board members currently in office and in particular its pivotal members.

## **11. Additional indications**

The Board of Directors recommends that in forming the candidate lists, the shareholders take into due consideration the recommendations set forth herein, originating from the experience and reflections of the current directors which partly, respond also to the applicable legal and regulatory dictates as well as to the guidelines of the competent authorities, without prejudice to the right for the Shareholders to make their own assessments on the optimal composition of the Board of Directors and to submit candidacies with profiles consistent with these, motivating any differences with respect to the analyses performed by the directors in office.

The new Board of Directors, elected by the Shareholders' Meeting, will be asked to perform, during the assessment of suitability of the new appointees and in accordance

with Art. 26 of the Consolidated Banking Law, a check – with the support of the Appointment Committee - of the compliance of the new body with the optimal composition within the terms represented in advance to the Shareholders.

The results of the analyses performed and the considerations of the Appointment Committee will be sent, for the relevant assessments, to the Supervisory Authorities, which will perform a careful analysis, assessing autonomously the existence of the requirements for the company representatives.

Finally, the lists for the renewal of the corporate bodies should be filed, in view of the Shareholders' Meeting, in due time for the Bank to perform the necessary completeness and regularity checks and to make them available to the public at least 25 days before the date fixed for the Shareholders' Meeting according to the terms set forth in the notice of convocation.