

Guidelines on the  
**qualitative and quantitative**  
composition of the **Board of Directors**

Shareholders' Meeting

12/13 April 2019

## **CONTENTS**

- 1. Introduction and regulatory context**
- 2.1 Quantitative composition**
- 2.2 Guidelines for Shareholders on the quantitative composition of the Board of Directors**
- 3.1 Qualitative composition**
- 3.2 Guidelines for Shareholders on the qualitative composition of the Board of Directors**

## 1. Introduction and regulatory context

According to Art. 5, paragraph 2, letter z), of IVASS Regulation no. 38 of 3 July 3 2018, the administrative body of insurance companies, within the scope of its strategic and organisational addressing activities, is assigned the task of carrying out, at least on an annual basis, “an assessment of the size, composition and effective functioning of the administrative body as a whole, as well as its committees, expressing guidelines on the professional figures whose presence on the administrative body is deemed appropriate and proposing possible corrective actions. In carrying out this self-evaluation, it verifies that there is a numerically adequate presence, in relation to the activity carried out, of independent members”.

Substantially similar aims are also pursued by the Corporate Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by *Borsa Italiana SpA*, ABI, ANIA, *Assogestioni*, *Assonime* and *Confindustria* (hereinafter the "Corporate Governance Code"), in the a measure in which it asks administrative bodies to carry out, at least once a year, an assessment of their size and composition, also taking into account elements such as the professional, experience, even managerial, and gender characteristics of its members, as well as of their seniority in office, and expressing to the Shareholders, prior to the appointment of the new board, guidelines on the managerial and professional profiles of directors whose presence is deemed appropriate.

In compliance with the above, the Board of Directors of *Società Cattolica di Assicurazione Società Cooperativa* (hereinafter, also, the "Board") has initiated a self-assessment process since 2013 concerning its structural and operating structures, replicating it annually.

As part of the latest self-assessment carried out, the Board of Directors on 10 March 2019 updated this document (approved on 2 March 2016 in view of the renewal of the administrative body for the 2016 - 2018 three-year period and revised in March 2018 during the appointment of the managing director), which, on the basis of the considerations set out below, contains the recommendations deemed necessary for purposes of an optimal composition of the latter according to the appointment of the new Administrative Body envisaged during the Shareholders' Meeting called for 12/13 April 2019.

In this regard, it must be noted that the Board of Directors availed itself of the advice of the company Russell Reynolds Associates S.r.l., which assisted it in the self-assessment process, in reviewing the results of this process as well as in drafting the quantitative guidelines of the Board itself.

The above regarded the Company's new governance structure which will explain its full effectiveness at the next renewal of the administrative body, envisaged with the Shareholders' Meeting for the approval of the financial statements at 31 December 2018.

In the hope that Shareholders, during the presentation of the lists for the appointment of the Board of Directors, will assess, also in consideration of the guidelines expressed by the outgoing Board, the personal, professional, experience and gender characteristics of candidates, having regard to the Company's characteristics and size, to the complexity and specificity of the sector of activity in which it operates, as well as to the size of the Administrative Body and to the specific governance system adopted.

## 2.1 Quantitative composition

The provisions of Art. 29 of the By-laws, as amended by the Shareholders' Meeting held in extraordinary session on 28 April 2018, which provides that: " The Company is managed, according to the one-tier management and control system, by a Board of Directors composed of 17 members, within which the Management Control Committee consisting of 3 members is constituted. "

In this regard, it must be noted that the Shareholders' Meeting, also in the aforementioned meeting of 28 April 2018, approved a new governance model, adopting the one-tier system as a form of corporate governance.

The above choice leads to an overall decrease in the number of members with respect to the current structure, however capable of ensuring an adequate contribution in terms of management activities proportionate to the nature and size of the business, while at the same time making the Company's organisational profiles and management functionalities more efficient, in the wake of the synergies already launched within the 2018 - 2020 Business Plan.

The new statutory provision concerning the numerical size of the Board of Directors, which will come into force with the next Shareholders' Meeting called, among other things, to appoint the new Board of Directors, was assessed as being consistent and in line with the practice of financial institutions ( banks, insurance companies) listed, also considered the "cooperative" nature of the Company. This also had regard to the role of *Cattolica Assicurazioni* as a listed parent company, and therefore:

- (1) the type of activity carried out, subject to deep and comprehensive regulation, and to the listing on a regulated market, which is characterised by complex governance profiles and issues from an operational / organisational point of view;
- (2) integration into the Parent Company of both the management and coordination functions of a holding company and the direct exercise of the activities of an insurance company;
- (3) to the internal structure of the Board in committees, several of which provide for the majority or total presence of independent directors;
- (4) to the need for adequate representativeness of the corporate base and stakeholders, also in view of the aforementioned cooperative nature of the Company and the absence of controlling or reference shareholders;
- (5) to the need for a variety of "data" and experience organised in the various personal and professional profiles.

The provisions of Art. 30.2 of the By-laws which, with regard to the independence of directors, provide that: " At least 10 Directors must meet the independence requirements established for statutory auditors by Article 148, paragraph 3, Italian Legislative Decree no. 58 of 24 February 1998 and subsequent amendments ("TUF"), without prejudice to the additional independence requirements required of Directors for the purpose of applying the self-regulatory or supervisory regulations.

The Shareholders' Meeting held in April 2018, also with regard to the opportunity to ensure the participation of directors in board committees, avoiding situations of concentration of duties and overlapping of commitments, in fact intended to raise the minimum statutory limit to 10 for the presence, in terms of the composition of the Board of Directors, of independent directors (previously this statutory limit was set at 2), without prejudice to legislative and regulatory provisions, including self-regulation, on this matter.

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## 2.2 Guidelines for Shareholders on the quantitative composition of the Board of Directors

*Taking into account the above, the outgoing Board of Directors, also in light of the results of the self-assessment process carried out pursuant to IVASS Regulation no. 38, considers the quantitative composition of the Board of Directors to be adequate according to the recently approved statutory regulations (**17 members, of which 3 are members of the Management Control Committee**), consistent with the goal of guaranteeing efficiency and effectiveness in the functioning of the body, breadth of cultural contributions and of experiences and possibilities to set out views on the matter.*

*It also refers to the statutory provisions mentioned and notes that the lists of candidates must take into account the presence, in the composition of the new administrative body, of at least 10 independent directors pursuant to Article 148, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998 and of at least 3 directors registered in the Register of statutory auditors (at least 1 member of the Management Control Committee must be registered in the Register of Statutory Auditors).*

\* \* \*

### 3.1 Qualitative composition

As a preliminary point, it must be noted that, in accordance with the combined provisions of IVASS Regulation no. 38 (in particular, pursuant to Article 5, paragraph 2, letter n), having regard to Art. 76 of the Private Insurance Code, to Art. 273 of the Delegated Regulation (EU) 2015/35 of the Commission of 10 October 2014 (Delegated Acts) as well as the Guidelines on the governance system issued by EIOPA (BoS-14/253) and the provisions of the Decree of the Ministry of Economic Development no. 220 of 11 November 2011, members of the administrative body of insurance companies must meet specific requirements of professionalism, integrity and independence, as well as specific situations in terms of no impediments and incompatibility.

In addition to this, the Company By-laws expressly provide that:

- At least 10 Directors must meet the independence requirements established for statutory auditors by Article 148, paragraph 3, Italian Legislative Decree no. 58 of 24 February 1998.
- At least 3 Directors must be registered in the Register of Statutory Auditors (at least 1 member of the Management Control Committee must be registered in the Register of Statutory Auditors).
- Those who are:
  - a) members of administrative bodies in more than 5 listed companies or companies controlled by them;
  - b) members of corporate bodies or top officials, who hold the position of general manager or perform equivalent functions, of other insurance companies, not subsidiaries or associates, in competition with the Company, as well as of companies or groups of competing companies, as well as of companies controlling the insurance companies themselves and competitors.
- Members of the Management Control Committee must meet the requirements of integrity and professionalism, as well as comply with the limits on the number of offices required by the regulations in force for members of control bodies of insurance companies issuing shares listed on regulated markets. They must also meet the independence requirements established for statutory auditors by Article 148, paragraph 3, TUF or by other supervisory provisions.

The Board of Directors must also be composed in compliance with the balance between genders pursuant to Law no. 120/2011 and the By-laws.

It must be noted that, once a year, the Board of Directors assesses the size, composition and effective functioning of the administrative body as a whole, as well as its committees, expressing guidelines on the professional figures whose presence in the administrative body is considered appropriate and proposing possible corrective actions, with particular reference to the need for members of the administrative body to collectively possess adequate skills (qualifications, experience and knowledge) at least with regard to:

- insurance and financial markets
- management and control of large companies
- business strategies and business models
- governance systems
- financial and actuarial analysis
- regulatory framework and relevant requirements

- external relations with Partners, stakeholders and the market

In this regard, reference is made to the guidelines provided by the Supervisory Authority in the letter to the market dated 5 June 2018 on Solvency II assessment issues, which states that, in order to take informed and in-depth strategic decisions that comply with the new solvency regulatory framework, it is necessary to take into account the professionalism and interdisciplinary nature of members of the administrative bodies that must supervise a solid system of governance, detection and measurement of risks.

Finally, it must be noted that the Company, since March 2006, has adopted the principles of the Code of Conduct for listed companies, incorporating the various published editions over time, with appropriate adjustments mainly connected to its institutional and operational specificities.

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### 3.2 Guidelines for Shareholders on the qualitative composition of the Board of Directors

*Given the above, the outgoing Board of Directors, also in light of the results of the self-assessment process carried out pursuant to IVASS Regulation 38, believes that the qualifications, experience and knowledge of members of the Board of Directors must be fairly and validly present and represented within the new administrative body as a varied mix of skills and professional profiles to ensure the effectiveness and efficiency of the Board itself, taking into account both the new form of governance adopted and the 2018 - 2020 Business Plan, which require the presence of Directors able to assess and take decisions also with reference to particularly technical and innovative aspects.*

#### **Requirements**

*The mix of experiences and knowledge must relate to both previous experience and technical and sectorial knowledge which, in the specific case of an insurance company such as Cattolica Assicurazioni, can be described and summarised as follows:*

##### **Background**

- *Non-executive positions*
- *Managerial experience*
- *External relations with partners, stakeholders and the market*
- *International experience*

##### **Industry / Sector**

- *Banking / Finance*
- *Insurance*
- *Commercial and business strategies*

##### **Expertise**

- *Technical and insurance analysis and characteristic management of the company*
- *Financial analysis*
- *Governance*
- *Regulatory / Legal*

*without prejudice to what is stated in paragraph 3.1 above regarding adequate skills (qualifications, experience and knowledge) with reference to:*

- *insurance and financial markets*
- *management and control of large companies*
- *business strategies and business models*
- *governance systems*
- *financial and actuarial analysis*
- *regulatory framework and relevant requirements*
- *external relations with Partners, stakeholders and the market*

*In particular, a high overall level of financial, technical-insurance and technological skills of the new Board of Directors is recommended.*

*Specifically, it is hoped that the new Board will include, in its composition, technological, digital and innovation skills in order to create a stimulus and a comparison with the management on the important challenges that Cattolica Assicurazioni intends to address, also with regard to the 2018 - 2020 business plan.*

*Furthermore, it is recalled that, pursuant to the Corporate Governance Code, at least one member of the Control and Risk Committee and the Remuneration Committee must possess, respectively, adequate (i) experience in accounting and finance or risk management, (ii) knowledge and experience in financial matters or remuneration policies.*

*Subject to meeting the requirements of legislative suitability required for the role of Director of the Company, having held corporate positions in insurance companies for an adequate period of time is a requirement of specific and underlined quality for top management positions, also with regard to committees.*

*It must be noted that, for purposes of the specific role of the Management Control Committee, the office of its chairman must require adequate professional skills, duly documented and motivated.*

*The essentially domestic operating scope of the Group suggests that the presence of non-Italian members in the Board is not essential, although it is desirable that individuals who have gained professional experience also on an international level and / or on foreign markets, in connection, among other things, with the opening to institutional and capital shareholders (including collective bodies and UCIs) as per the statutory changes approved by the Shareholders' Meeting of 28 April 2018.*

*Reference is also made to the statutory amendment approved last April 2018 which eliminated from the By-laws the territorial requirement of a part of the members of the administrative body, also in order to simplify the formation of lists and the appointment of directors.*

## **Diversity of criteria**

*On the subject of gender composition, it is believed that the current provisions on "gender representation" within the Administrative Body, as listed in the current By-laws, ensure an adequate composition of the Body, also in relation to the benefits that Gender diversity can provide. Please note that at least one third of the members of the Board of Directors must express the less represented gender.*

*Moreover, in order to allow a gradual and balanced change of the composition of the administrative body, the factors of age and seniority of the office must also be taken into consideration, having regard to the appropriate variety of the latter, by factoring in professional types.*

## **Independence criteria**

*With regard to independence, in order to comply with the requirements of the Corporate Governance Code adopted by the Company, it is recommended that an adequate number of independent directors always be present in the Board, with particular regard to the constraints on the composition of the internal committees of the Board. In this regard, we recall the specific provision of the By-laws pursuant to Art. 30.2 which states that "At least 10 Directors must meet the independence requirements established for*

*statutory auditors by Article 148, paragraph 3, Italian Legislative Decree no. 58 of 24 February 1998 and subsequent amendments ("TUF"), without prejudice to the additional independence requirements required of Directors for the purpose of applying the self-regulatory or supervisory regulations".*

*Finally, it is noted that skills cannot be separated from the independence of thought and from an adequate availability of time to devote to the fulfilment of the assignment, with relevant consideration of the possible accumulation of commitments and offices.*

*In summary, the outgoing Board of Directors recommends:*

- *that all areas of responsibility stated above are represented within the newly appointed Administrative Body, as the co-presence of diversified skills and experience ensures the complementarity of the professional profiles and favours the dialectics and the efficient and effective functioning of the Board. The diversification and the speciality of responsibilities also allows to assign to directors, tasks related to the responsibilities themselves within the scope of the Board and in board committees;*
- *a high overall level of financial, technical-insurance and technological skills of the new Board of Directors;*
- *that the new Board include, in its composition, technological, digital and innovation skills;*
- *in accordance with the provisions of the Corporate Governance Code regarding board committees, the presence in the Board of experiences in (i) accounting and financial matters or risk management, (ii) knowledge and experience in financial matters or remuneration policies;*
- *that at least one third of the members of the Board of Directors must express the less represented gender;*
- *that the factors of age and seniority of the office, by factoring in professional types, are taken into consideration, having regard to the appropriate variety of the Board of Directors;*
- *in compliance with the requirements of the Corporate Governance Code adopted by the Company and the statutory provisions (Art. 30.2 of the By-laws), that an adequate number of independent directors are always present in the Board;*
- *that the members of the Management Control Committee, taking into account the particular duties assigned, meet specific professional requirements with respect to those for other directors.*

Verona, 10 March 2019

The Board of Directors

Annex: extract of company policy on the requirements of integrity, professionalism and independence of company representatives

**Extract of company policy on the requirements of integrity, professionalism and independence of company representatives**

[...]

**Respectability:**

The respectability requirement does not apply if Interested Parties are in one of the following situations:

- a) state of legal disqualification or temporary prohibition from the management offices of legal entities and companies and, in any case, all the situations envisaged by Art. 2382 of the Italian Civil Code;
- b) being subject to preventive measures ordered by the judicial authority pursuant to Law no. 1423 of 27 December 1956, or of Law no. 575 of 31 May 1965 and of Law no. 646 of 13 September 1982, and subsequent modifications and additions, without prejudice to the effects of discharge from bankruptcy;
- c) condemned with a final ruling, without prejudice to the effects of discharge from bankruptcy:
  - 1) imprisoned for one of the crimes provided for in the special legislation governing insurance, financial, credit, securities and securities markets and by Italian Legislative Decree no. 231 of 21 November 2007 and subsequent amendments and additions;
  - 2) Imprisoned for one of the crimes provided for in Title XI of Book V of the Italian Civil Code and in Royal Decree no. 267 of 16 March 1942;
  - 3) to imprisonment for a period of no less than one year for a crime against the public administration, against public faith, against property, against public order, against the public economy or for a crime in tax matters;
  - 4) to imprisonment for a period of no less than two years for any crime committed without criminal intent

The offices of Director, member of the Management Control Committee and General Manager cannot also be held by those to whom one of the penalties provided for in letter c) above has been applied upon the request of the parties, except in the case of extinction of the offence. In the event that the penalties provided for in letter c) above, numbers 1) and 2) have been applied at the request of the parties, they are not taken into account if they are less than one year<sup>1</sup>.

The assessment of respectability, pursuant to Art. 273, paragraph 4 of the Delegated Acts, includes the assessment of honesty and financial soundness of Interested Parties, to be carried out on the basis of objective elements relating to the character, personal behaviour and conduct in affairs of the assessed party, including the criminal and financial aspects and supervision relevant to the assessment.

In this sense, in view of the Guidelines on the governance system issued by EIOPA, as well as on the basis of interpretation lines that emerged, for the assessment referred to above, potentially relevant situations as below will be taken into account:

- judicial decisions and court proceedings in progress;
- on-going investigations;

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<sup>1</sup> With reference to the cases governed in whole or in part by foreign jurisdictions, the verification of the existence of the conditions described in sections 1 and 2 above will be carried out on the basis of a substantial equivalence assessment.

- enforcement actions;
- have been the recipients of administrative sanctions due to failure to comply with provisions regarding insurance, banking, financial intermediation, markets, investment services or financial services;

taking into account that "the limitation period for a criminal offence or any other relevant offence, based on national law, has expired".

These situations will be assessed specifically on a case by case basis, even considering the possible reputational impact with specific reference to the subjective position under review and the role covered by the interested party and subject to assessment.

#### Professionalism:

Professionalism requirements<sup>2</sup> are listed based on the position covered by the Interested Party, as follows:

- ☑ Directors / members of the Management Control Committee

Interested Parties are chosen according to criteria of professionalism and skills from among persons who have gained an overall experience of at least three years through the exercise of one or more of the following activities:

- administration, management or control activities in companies and bodies of the insurance, credit or financial sector;
- administration, management or control activities in public bodies or public administrations related to the insurance, credit or financial sector or even with other sectors if the duties performed have involved the management or control of the management of financial resources;
- administration, management or control activities in public and private companies of a size appropriate to those of the insurance or reinsurance company where the office is to be held;
- professional activities in matters pertaining to the insurance, credit or financial sector, or holding university teaching positions in legal, economic or actuarial subjects relevant to the insurance sector.

The Board of Directors must possess, as a whole, qualifications, experience and knowledge in the field of insurance and financial markets, governance systems, including staff incentive systems, financial and actuarial analysis, insurance regulatory framework, commercial strategies and business models.

**The Chairman of the Board of Directors and the Chief Executive Officer** must be chosen according to criteria of professionalism and skills from among persons who have acquired a total of at least five years of experience with reference exclusively to the provisions of letters a), c) and d) above.

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<sup>2</sup> According to Art. 273, paragraph 3 of the Delegated Acts: "The assessment of members of the administrative, management or supervisory body takes into account the tasks assigned to individual members in order to ensure an appropriate diversity of qualifications, knowledge and relevant experiences so as to ensure that the company is managed and supervised in a professional way "

[...]

Within the Management Control Committee, at least one member must be registered in the register of auditors.<sup>3</sup>

[...]

### Independence

The independence requirements are listed based on the position covered by the Interested Party, as follows:

➤ ***Directors / members of the Management Control Committee / GM***

In application of Italian Ministerial Decree 220/2011, the role of Director, Member of the Management Control Committee, General Manager, in an insurance or reinsurance undertaking is not compatible:

- with the performance of a similar duty,
- with the existence of employment contracts, on-going consultancy relationships or paid work,
- with the existence of other relationships of a financial nature

in other insurance or reinsurance companies, their subsidiaries or parent companies, such as to compromise their independence.

For purposes of assessing compatibility in order to verify meeting the independence requirement mentioned above, the varying relevance of duties and the different positions exercised by the interested parties are taken into account. In any case, independence and the relationships with companies belonging to the same insurance group are not considered to compromise independence.

In addition to this, in compliance with the provisions of Italian Legislative Decree n. 201/20114 (so-called "interlocking prohibition") it is forbidden to those who hold the aforementioned positions in companies or groups of companies operating in the credit, insurance and financial markets to assume or exercise similar positions in companies or groups of competitors.

For purposes of the "interlocking prohibition", companies or groups of companies, among which there are no control relationships pursuant to Article 7 of Law no. 287 of 10 October 1990 and operating in the same product and geographic markets.

The rules on independence and incompatibility in the role held at Cattolica as a listed company complete Art. 2399 of the Italian Civil Code, Art. 148 of the TUF, Art. 3 of the Corporate Governance Code of *Borsa Italiana*

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<sup>3</sup> See Art. 31.2 of the Company By-laws.

<sup>4</sup> Converted into Law no 214 dated 22 December

Lastly, reference is made to the wording of the By-laws, where, in Articles 30.2 and 31.1, it states that *at least 10 Directors [and among these, all members of the Management Control Committee] must meet the requisites of independence established for auditors by article 148, paragraph 3, Italian Legislative Decree no. 58 of 24 February 1998 and subsequent amendments ("TUF"), without prejudice to the additional independence requirements required of Directors for the purpose of applying self-regulatory or supervisory regulations; this also for purpose of allowing an adequate role of independent directors and in particular their participation in advisory committees.*