

Ordinary Shareholders' Meeting
13/14 May 2021

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

Approved by the Board of Directors
on 1 April 2021

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1. Introduction and regulatory environment

The legislation currently in force, particularly IVASS Regulation No. 38 of 3 July 2018 and the guidelines on the governance system issued by EIOPA, assigns to the management bodies of insurance companies, as part of their strategic and organisational activities, the task of issuing guidelines on the number and composition of professionals whose presence in the management body is deemed appropriate, proposing any corrective actions to improve its effectiveness. Pursuant to Article 5, paragraph 2, letter z), these guidelines are based on the annual self-assessment process, which, *inter alia*, ascertains the adequacy of the number of independent members in relation to the company's activity.

Similarly, the Corporate Governance Code for Listed Companies (the "Code") recommends that the board of directors express its opinion to shareholders on the quantitative and qualitative composition of the board of directors, also taking into account the results of the self-assessment process. These guidelines "identify the managerial and professional profiles and expertise deemed necessary, also in the light of the sectoral characteristics of the company, considering the criteria of diversity [...] and the guidelines issued on the maximum number of positions" held by directors. In particular, the Code recommends that the number and expertise of independent directors be appropriate for the needs of the company and the functioning of the management body, as well as for the establishment of the relevant committees. Lastly, it recommends that the guidelines of the board of directors be published sufficiently in advance of the shareholders' meeting called to discuss the renewal of the Board in order to provide adequate information to shareholders.

In this context, the key contents of the Company's new Articles of Association should be recalled. These will enter into force on 1 April 2021, the date of Cattolica's transformation into a limited company. In this context, it is useful to refer to

- Article 19, paragraph 1, which identifies the one-tier governance system as the company's reference system and establishes the number of directors as 13 to 15, within which the three-member Management Control Committee is established;
- Article 36, paragraph 1, which defines the constitution of 5 internal board committees within the Board of Directors and establishes the number of members, i.e. the Control and Risks Committee (3-5), the Remuneration Committee (3-5), the Appointments Committee (3-5), the Related Parties Committee (3) and the Corporate Governance, Sustainability and Value Generation Committee (3-5).

It should also be noted that with regard to the integrity requirements for company representatives, particularly for members of the Board of Directors, Cattolica has issued a company policy to which explicit reference is made in the relevant sections of this document and which forms an integral part of the guidelines to shareholders on the qualitative composition of the Board of Directors.

This document was prepared in order to enable Shareholders submitting slates for the appointment of the Board of Directors to assess the personal, professional, experience and diversity of the candidates, having regard to the characteristics and size of the Company, the complexity and specificity of the business sector in which it operates, the size of the Management Body and the specific governance system adopted.

2. Guidelines for shareholders on the quantitative composition of the Board of Directors

The guidelines on the quantitative composition of the Board of Directors are required to take into account a series of factors that include the aforementioned determinations in the Articles of Association concerning the number of directors, particularly independent directors, the structure of the internal board committees, national and international best market practices and the nature and complexity of the underlying business and corporate organisation, to enable the effective oversight of all company operations in both management and control terms.

The balance between all these bodies is delicate: a large number of directors does not favour the effectiveness and efficiency of the Board of Directors as it may cause the Board's activities to be less clearly defined. On the other hand, a small number of directors may deprive the Board of some of the expertise necessary to carry out its guidance and control function fully and for the adequate composition of the internal board committees. This is particularly relevant in this case, as the Articles of Association provide for the constitution of five committees.

In this context, it is useful to make a comparison with other entities in the national insurance landscape¹, with the appropriate care given the adoption by Cattolica of the one-tier model, which provides for the existence within the Board of directors of the Management Control Committee which, in the case of Cattolica, has 3 members. In particular, the benchmarking shows the prevalence of the traditional government system over the one-tier system adopted by Cattolica and a number of directors ranging from 7 (Poste Vita) to 19 (Unipol). It should be noted in this context that, if the sample is limited to parent companies only, the lowest number of directors is 12 (Reale Mutua) and that the comparison between bodies must obviously take into account the corporate governance system adopted (under Cattolica's system, the Management Control Committee has 3 members).

In view of the benchmarking evidence, the structure of the Committees, the provisions of the Articles of Association, the requirements laid down by the current regulations and the Code and the nature and complexity of Cattolica's business and organisational structure, the Board's guideline is for the appointment of 15 (fifteen) members, including 3 members of the Management Control Committee.

Reference is also made to the provisions of Article 20.2 of the Articles of Association of Cattolica S.p.A. which, on the subject of directors' independence, states that: "At least 10 directors must also meet the independence requirements established for statutory auditors under Article 148, paragraph 3 of Legislative Decree No. 58 of 24 February 1998 as amended (the Italian Consolidated Law on Finance or "TUF"), without prejudice to the additional independence requirements imposed on directors for application of the governance or supervisory rules."

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¹ The benchmarking exercise includes Generali, Poste Vita, Unipol, Reale Mutua and IntesaSanPaolo Vita

3. Guidelines for shareholders on the qualitative composition of the Board of Directors

It should first be recalled that, before the combined provisions of IVASS Regulation 38 (in particular, pursuant to Article 5, paragraph 2, letter n), having regard to Article 76 of the Private Insurance Code, Article 273 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 (Delegated Acts) as well as the guidelines on the system of governance issued by EIOPA (BoS-14/253) and the provisions of Decree of the Ministry of Economic Development No. 220 of 11 November 2011, specific requirements of professionalism, integrity and independence are laid down for members of the management bodies of insurance companies, as well as specific impediments and reasons for incompatibility.

In this context, the Board of Directors has established an approach to defining the composition and the optimal qualitative mix to ensure the overall suitability of the management body, structured according to the following aspects:

1. Expertise and professional background;
2. Time commitment and number of positions;
3. Diversity requirements;
4. Integrity, independence and incompatibility.

The specifications for each of the above points are detailed below.

3.1 Expertise and professional background

The Board of Directors of Cattolica has defined guidelines for qualitative composition that ensure complementarity in terms of professional experience and expertise, with the aim of ensuring, *inter alia*, the presence of the expertise necessary for the appropriate composition of the internal board committees. In particular, the Board makes the following recommendations:

- The collective experience of the Board should be instrumental to serving the Company's strategic priorities in the short, medium and long term in line with the rolling 2021-2023 Strategic Plan recently updated by the Company and to completing the measures envisaged following the inspections carried out between 18 December 2019 and 24 July 2020 (see the press release of 5 March 2021 "Board of Directors approves the IVASS remedial plan within the established time limits");
- The Board should include individuals with a mixture of knowledge, skills and experience in insurance and/or banking/finance and the risks underlying the Company's core business;
- The Board should include an adequate number of directors, at least equal to 1/3 of its members, with experience as directors or statutory auditors or senior managers with strategic responsibility in sizeable insurance, banking or financial companies that are as complex or more complex than Cattolica for at least six years in total during the last 12 years preceding their appointment at the Company. The gaining of specific experience of more than six years in the time frame under consideration will be a particularly important element.

In line with these considerations and given the existing regulatory and legislative requirements, the Board recommends that each of the candidates for the role of director of the Cattolica Group should possess at least one of the following skills as a distinctive feature and should possibly have specific experience in at least one of the other areas of expertise indicated below:

- **Insurance and/or banking/financial business** expertise acquired by one or more of the following methods:
 - A strong track record in very senior executive roles (such as, for example, the head of a company or a department manager reporting directly to the same), having gained significant experience instrumental to the business challenges of a sizeable insurance group;
 - One or more non-executive roles, such as chairman of the board of directors/director and/or chairman/member of the board of a sizeable insurance and/or banking/financial group;
 - Experience gained in the professional, academic and/or institutional sphere, if relevant to the insurance sector.

- **Corporate governance, legal and regulatory** experience acquired by one or more of the following methods:
 - A strong track record in very senior non-executive roles (such as, for example, the head of a company or a department manager reporting directly to the same) in a listed insurance and/or banking/financial institution such as, for example, chairman of the board of directors, chairman/member of the relevant internal board committee, or chairman/member of the board of statutory auditors;
 - One or more operational leadership roles in an insurance and/or banking/financial group in departments such as legal, corporate, audit and compliance;
 - Experience gained in the professional, academic and/or institutional sphere relating to corporate law/business economics, in the context of insurance and/or financial intermediaries in the broad sense.

- **Risk management and controls** experience, acquired by one or more of the following methods:
 - A strong track record in operational leadership roles in an insurance and/or banking/financial institution in departments such as risk management, audit and compliance;
 - One or more non-executive roles, such as the chairman or member of the board committee for controls and risks in an insurance and/or banking/financial institution, chairman/member of the board of statutory auditors in an insurance and/or banking/financial institution and/or listed company.
 - Experience gained in the professional, academic and/or institutional sphere relating to risk management and control systems in the insurance and/or banking/financial sector.

- **Strategic planning** experience, acquired by one or more of the following methods:
 - A strong track record in very senior and predominantly executive roles in a company that is as complex or more complex than Cattolica regardless of

- the sector (i.e. general management, senior positions in finance, management of significant business areas in listed companies);
 - Academic and/or professional experience (investment banking and/or strategic consultancy).
- **Administration, accounting or actuarial** experience, acquired by one or more of the following methods:
 - A strong track record in very senior executive roles in an insurance and/or banking/financial institution in departments such as finance, accounting, audit and actuarial;
 - One or more non-executive roles, such as the chairman or member of the board committee for controls and risks in an insurance and/or banking/financial institution, or chairman/member of the board of statutory auditors in a listed company/company operating in the financial sphere. The accumulation of specific experience in the insurance field will be a distinguishing feature.
 - Experience gained in the professional and/or academic sphere relating to accounting, bookkeeping and financial statements, and actuarial experience in the insurance sector and/or the banking/financial sector in the broad sense. A strong track record with leading auditing companies will be a distinguishing feature.

In addition to the above, it is worth emphasising the importance that sustainability issues now have for the insurance business and for Cattolica in particular, demonstrated, for example, by the role of ESG (Environmental, Social and Governance) issues in the 2021-2023 Rolling Plan recently approved by Cattolica. In this context, and also to ensure that the Board can effectively fulfil its tasks of guidance and control and that the appointed Committee has adequate skills within it, the fact of having been involved in **sustainability** issues is a highly distinctive element to be considered when assessing candidates for the Board of Directors.

In addition, given the business challenges and operational transformation that insurance companies face, particular emphasis will be placed on the expertise of candidate directors in **technological and digital** matters. These skills may have been acquired in sectors whose core business is the development of technological and/or digital solutions.

In relation to the composition of the Management Control Committee, Article 21 of the Articles of Association of Cattolica S.p.A. requires at least one member of the Committee to be registered in the Register of Statutory Auditors. In view of the above, in order to ensure greater oversight of the specific issues managed by the above Committee, it is recommended that all members of the Committee be registered in the Register of Statutory Auditors or hold equivalent qualifications in European jurisdictions.

In addition to the above provisions in terms of specific requirements, the outgoing Board also recommends that the persons who will hold the positions of Chairman of the Board of Directors and Chief Executive Officer, where appointed, should, in addition to the characteristics relevant to all directors and the specific requirements requested, correspond in principle to the following target profiles, within the framework of full compliance with applicable legislation (including corporate governance legislation) and the Articles of Association:

a) The Chairman of the Board of Directors:

- excellent knowledge and experience of the Italian corporate governance system;
- authority and independence in the interest of all shareholders;
- solid management skills gained at the highest level in structured organisations as a key requirement for the candidate, irrespective of the sector (private/public/ institutional), comparable to Cattolica in terms of scale and size;
- proven experience on boards of directors, with a track record that demonstrates the ability to effectively manage the chairmanship of a board of directors of a listed company.

b) Chief Executive Officer, where appointed:

- specific know-how and experience in the insurance sector;
- experience as a chief executive officer or at the top of companies that are comparable to Cattolica in terms of size and complexity;
- a high level of credibility and authority in the key markets and the strategic vision to enable the Company to capture development opportunities;
- clear leadership skills and a management style that fosters teamwork and team spirit among staff;
- a committed and balanced approach to seeking consensus.

The Board also stresses the importance of a complementary relationship between the positions of Chairman and Chief Executive Officer in order to ensure the effective functioning of the Board and, more generally, the governance of the Company.

To enable the Shareholders to assess the skills of each of the potential directors, the Board requests that, when the slates are submitted, the *curriculum vitae* of each candidate be attached to provide analytical evidence of their experience.

3.2 Time commitment and number of positions

The role of member of the Board of Directors requires a prior assessment of the actual possibility of being able to devote enough time to the performance of duties to ensure the effectiveness of each member's actions, also taking into account the number of management positions held as members of the boards of directors or statutory auditors of other companies. In this context, we refer to the Articles of Association of Cattolica S.p.A., and in particular to Article 30.5:

“Without prejudice to other legal and supervisory provisions regarding incompatibility, requirements and prohibitions on holding office, directors may not be elected if they are: members of the boards of directors of more than five listed companies or their subsidiaries;

members of corporate bodies or senior executives, who hold the position of general manager or carry out equivalent duties, of other insurance companies, not subsidiaries or affiliates, in competition with the Company, as well as competitor companies or

groups of competitors, and companies controlling the same insurance companies and competitors.”

As part of these requirements, it should be noted that the time commitment demanded of directors does not end with attendance of meetings of the Board of Directors and participation in the relevant Committees, but also includes the prior study of the supporting documentation for Board meetings and Committee meetings, as well as availability for informal strategic and/or training meetings.

3.3 Diversity requirements

Cattolica's Board of Directors believes that diversity is a distinctive factor and value to be promoted as part of defining the optimal qualitative composition of the Company's management body. In this context, as well as considering the various areas of expertise and professionalism outlined in point 3.1 of this document, the Articles of Association of Cattolica include requirements not only relating to gender, but also to the experience and age of members. In particular, various articles of the Articles of Association of Cattolica S.p.A. stipulate that:

At least 2/5 of the members of the Board should belong to the gender that is not the most represented gender. In this context, it will be important for the Board to express in relation to both gender profiles that they can take on particular roles within the new Board structure by virtue of their specific seniority, skills and experience;

At least 1/3 of the members of the Board must have experience as directors or statutory auditors or senior executives with strategic responsibilities in major insurance, banking or financial companies for at least six of the 12 years prior to their appointment at the Company;

At least 1/3 of the members of the Board must be under 60 years of age at the time of their appointment.

3.4 Integrity, independence and incompatibility

Insurance legislation establishes, *inter alia*, specific integrity and independence requirements that must be met by members of the management body and that are needed for the sound and prudent management of companies and insurance groups. In this regard, what is specifically provided for in the company policy defined by Cattolica on this subject should be noted. A relevant extract on integrity is provided below.

“Integrity:

The requirement of integrity, pursuant to the provisions of Ministerial Decree 220/2011, already mentioned in paragraph 1.1., is not fulfilled when the persons concerned are in any of the following situations:

- a) *a state of legal or temporary disqualification from management positions in legal entities and companies and, in any case, all situations provided for in Article 2382 of the Italian Civil Code;*
- b) *subject to preventative measures issued by the judicial authorities pursuant to Law No. 1423 of 27 December 1956, or Law No. 575 of 31 May 1965 and Law No. 646 of 13 September 1982, as amended, except in the event of rehabilitation;*
- c) *conviction with a final sentence, except in the event of rehabilitation:*
 1. *to a custodial sentence for one of the offences provided for in special legislation relating to the insurance, financial, credit, securities and securities markets sector and in Legislative Decree No. 231 of 21 November 2007, as amended;*

2. to imprisonment for one of the offences 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 not less than one year for a crime against the public administration, public trust, property, public order, the public economy or for a tax offence;
 4. to imprisonment for not less than two years for any offence committed with criminal intent.
- d) The positions of Director, member of the Management Control Committee and General Manager cannot also be held by anyone to whom any of the penalties indicated in letter c) above has been applied at the request of the parties, except where the offence is extinguished. Moreover, if penalties 1) and 2) in letter c) have been applied at the request of the parties, they shall not be deemed to be relevant if less than one year².

The integrity assessment, pursuant to Article 273, paragraph 4 of the Delegated Acts, includes an assessment of the honesty and financial soundness of the persons concerned, to be made on the basis of objective elements relating to the character, personal conduct and business conduct of the person being assessed, including criminal, financial and supervisory aspects relevant for assessment purposes. In this sense, in the light of the guidelines on the system of governance issued by EIOPA, and on the basis of the interpretative guidelines that have been produced, the assessment will take into account potentially significant situations that may relate to:

- legal decisions and legal proceedings in progress;
- ongoing investigations;
- enforcement actions;
- being subject to administrative penalties for failure to comply with provisions relating to insurance, banking, financial intermediation, markets, investment services or financial services;

taking into account that "the period of limitation of a criminal offence or any other relevant offence under national law has expired".

The above situations will be assessed in each case, taking into account any reputational impact, with specific reference to the subjective position examined and the role held by the person concerned and subject to assessment".

In addition to the integrity requirements, requirements also exist in relation to interlocking directorates, to which the provisions of Article 36 of Law No. 214 of 22 December 2011 apply.

With regard to independence, in line with the regulatory and legislative requirements, the Articles of Association of Cattolica S.p.A. lay down the specific requirements in Article 20.2, which states:

"At least 10 directors must also meet the independence requirements established for statutory auditors under Article 148, paragraph 3 of Legislative Decree No. 58 of 24 February 1998 as amended ("TUF"), without prejudice to the additional independence requirements for directors for the purposes of application of the supervisory regulations or the governance rules if implemented by the Company.

² With regard to cases governed in whole or in part by foreign legislation, the existence of the conditions provided for in paragraphs 1 and 2 is ascertained on the basis of a substantial equivalence assessment by IVASS.

Notwithstanding the above, a director cannot be considered independent if he/she held the position of Director of the Company for a period exceeding 9 (nine) years continuously before the appointment or if he/she was an executive director or employee of the Company or of a subsidiary in the three years prior to the appointment or is a relation or relative by marriage, up to the fourth degree, of one of the aforementioned persons. The independence requirement must be declared by the person concerned at the time the slates are submitted and then verified after their appointment by the Board of Directors."

Verona, 1 April 2021

The Board of Directors