

Q&A

ON CAI PROPOSAL TO POSTPONE THE BOARD APPOINTMENT

What is the proposal about?

On 31 March 2021, Crédit Agricole Italia S.p.A. (“CAI”) submitted a proposal for resolution related to Credito Valtellinese S.p.A. (“CreVal” or the “Bank”) Annual Shareholders’ Meeting called for 19 April 2021. The proposal concerns the **postponement of the appointment** of the Board of Directors of CreVal to the first available date following the conclusion of the voluntary tender offer launched by CAI on CreVal’s shares (the “Offer”).

What is the rationale of the proposal?

The rationale of the proposal is to defer to CreVal’s shareholders the decision on whether to (a) proceed with the appointment of the new CreVal’s Board of Directors for the next **three-year period** in a situation where the Offer is still pending (and will end two days after the Meeting) or (b) as sound governance principles and the interest of CreVal suggest, postpone such appointment after the end of the Offer.

Were CreVal’s directors forced to submit to the Meeting the renewal of the Board within the end of April?

Although various options and technical solutions were available to act differently (*inter alia*, a recent Italian law, that allow companies to approve the financial statement within 180 days from the end of the fiscal year), the current Board decided to convene the Meeting for the renewal of the Board of Directors on a date which inevitably **overlapped** with the Offer period (indeed CreVal’s Shareholders are asked to vote on the renewal of the Board of Directors just **two days** before the end of the Offer).

Why did CAI uphold in its press release that the renewal of the Board contradicts good governance principles?

- The decision of CreVal’s Board to propose the renewal of the Board pending the Offer **contradicts sound governance principles** given that (a) the Bank’s ownership structure may undergo **significant changes** shortly after the Meeting in both scenarios where the Offer is successful or unsuccessful, and (b) appointing a new Board two days before the expiration of the Offer may result in a **substantial and useless misalignment** between the composition of the newly renewed Board and the ownership structure of the Bank, which can easily be avoided by postponing the renewal of the Board for a limited period of time, as proposed by CAI.
- CAI’s proposal to postpone the renewal of the Board for a limited period of time while leaving in office the current Board is **plain, neutral** and **in the interest of the Bank** and of the **generality of the shareholders**, irrespective of whether they intend or not to accept the Offer.

Why did CAI uphold in its press release that the renewal of the Board will expose the Bank to material costs, thus being an antitakeover measure?

- Appointing a new Board pending the Offer may **expose the Bank to material burdens and costs** in the event that the Offer is successful, given that (a) the offeror CAI would be **forced** to revoke the newly-appointed Board to effect the change of control in compliance with the requirements of the Supervisory Authority and (b) under Italian law, directors who are revoked without just cause are entitled to **claim damages** against the company in an amount corresponding to the overall compensation they would have been entitled to until expiration of their 3-years mandate (note that the overall compensation of CreVal’s directors, including the CEO, in 2020 amounted to Euro 4.8 million ⁽¹⁾).
- In the event that the Offer is successful, these burdens and costs would be ultimately placed on the Offeror CAI and would be **materially increased** when combined with the “2021 Bonus Pool”. Indeed, the new “2021 Bonus Pool”, which the incumbent directors (all of whom but two stand for re-election) have submitted for approval to the Meeting, contain amendments specifically aimed at ensuring that the beneficiaries preserve the benefits associated with it in the context of the Offer and, if approved and implemented, would result in granting the management the equivalent of a “**golden parachute**” ⁽²⁾.

Why did CAI indicated in its press release that it expects the Board of CreVal to support its proposal?

- CAI emphasized that the present context, where all but two of the incumbent directors stand for re-election and the Board is concurrently submitting to the Meeting **material amendments** to the “2021 Bonus Pool” discussed above, require all those involved to behave with the **utmost fairness** and **transparency** in order to avoid even the slightest suspicion of potential conflict of interests on the part of the Board.
- CAI’s proposal is plain and neutral, as it is simply aimed at leaving to the shareholders who own CreVal to decide **first** on the Offer and **second** on the appointment of the Board, as **common sense** and **sound governance principles** command.
- Absent any legitimate reason or objective capable of justifying a decision to force the renewal of the board of CreVal two days before the expiry of the Offer, CAI believes that sound governance principles and the duties of correctness and neutrality in the context of the Offer should make it **mandatory** for the Board to support its proposal. Any different course of action fostered by the current

⁽¹⁾ Source: CreVal annual report on remuneration published on 29 March 2020, § 1.3.3, pages 60-61.

⁽²⁾ For example, (a) a specific reference to tender offers has been added among the circumstances which allow for changes in the terms and conditions of the bonus pool plan aimed at preserving the plan’s rationale and economics from the beneficiaries stand point, (b) the circumstances in which, in case of termination, the beneficiaries would preserve their economic rights as “good leaver” has been materially expanded to (i) include also termination of directorship and not only of employment, (ii) explicitly refer to the “*termination without just cause*” of a director, i.e. the situation in which – in case the Offer is successful – CAI would be forced to replace the incumbent directors, (iii) include the termination of employment for “*objective reasons*” and/or for “*objective justification*”.

board would signal an **inherent conflict of interests** and amount to a **frustrating** action in the context of the Offer.