

# EQUITA GROUP

Pillar 3

Public Disclosure

2022

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# PUBLIC DISCLOSURE OF STATUS AS AT 31 DECEMBER 2022

## Scope of Application

EQUITA GROUP S.p.A. has been listed on the Borsa Italiana's MTA market, in the STAR segment, since 23/10/2018 and is the parent company of a group of SIMs as of 10/11/2017. The registered office, in Milan at Via Turati 9, is the only headquarters, as the company has no other branches.

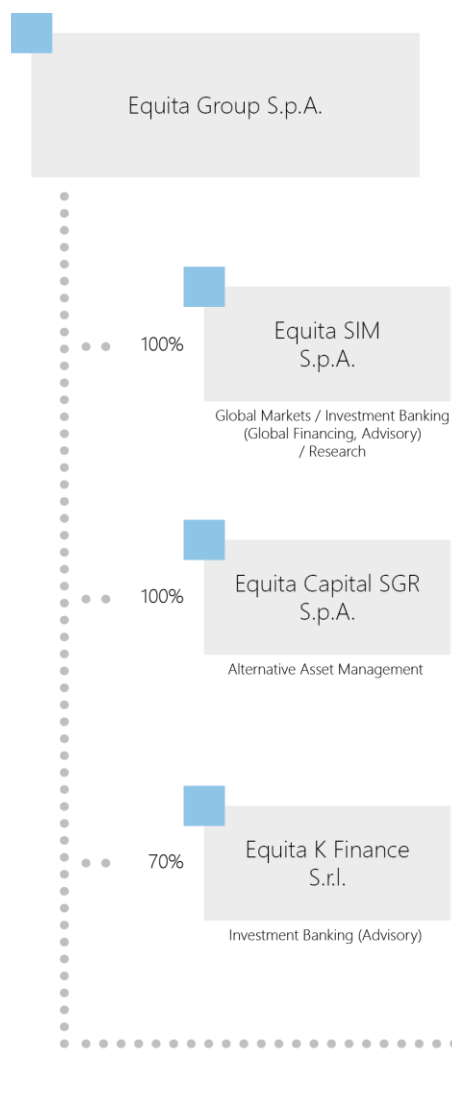
EQUITA GROUP S.p.A. main corporate purpose is the acquisition of holdings or sharing in other companies, entities or businesses, as well as the technical, administrative and financial coordination of the investees falling within the scope of this activity and/or, at any rate, belonging to the same group.

At 31 December 2022 EQUITA GROUP S.p.A. holds:

- 100% of EQUITA SIM S.p.A., a company authorized to provide investment services;
- 100% of EQUITA Capital SGR S.p.A., formed in 2019, a company authorized to provide collective asset management services, which includes the Group's alternative asset management activities;
- 100% of Equita Investimenti S.p.A., formerly EPS SPAC 2;
- 70% of EQUITA K Finance, a company specialized in corporate finance advisory for small and medium-sized enterprises, acquired in July 2020.

The corporate structure of EQUITA GROUP at 31 December 2022 is shown below.

## EQUITA GROUP: Corporate structure



### Equita Group

EQUITA Group is the holding company of the Group and it is listed on the Italian Stock Exchange. The Company was admitted on the AIM Italia market in 2017 (today Euronext Growth Milan) and one year later moved to the STAR segment of Borsa Italiana main market (today Euronext Milan).

### Equita SIM

EQUITA SIM is the Group's securities brokerage house and historically accounted for a large part of the Group's Net Revenues and operations. As a brokerage house, EQUITA SIM has always stood out for its sales and trading business, its investment banking activities and its research on both equity as well as fixed income instruments.

### Equita Capital SGR

EQUITA Capital SGR is the Group's platform launched in 2019 to offer institutional investors and banks looking for highly personalized solutions for their retail clientele, asset management services, with a tilt on alternative and illiquid assets.

### Equita K Finance

EQUITA K Finance, with more than 20 years of experience in M&A and one of the founding partners of Clairfield International (global partnership of M&A boutiques with offices in more than 20 countries), joined the Group in 2020 and is now 70% controlled by Equita Group. The company has a solid track-record in M&A and corporate finance transactions involving entrepreneurs, corporates and private equity funds.

The businesses subject to authorization are managed by EQUITA SIM and EQUITA Capital SGR.

EQUITA Capital SGR S.p.A. is authorized by the Bank of Italy to provide collective asset management services through both UCITS and AIF, portfolio management and investment advisory pursuant to Art. 34 of Legislative Decree n. 58 of 24 February 1998, (resolution n. 422 of 23 July 2019). As of 16/06/2020, the SGR is also authorized to manage an ELTIF as per Art. 5 of EU Regulation 2015/760 and Art. 4-quinquies.1 of TUF.

EQUITA SIM (hereinafter also referred to as “the SIM”) is authorized to provide investment services including:

- Dealing on own account (registration resolution n. 11761 of 22/12/1998)
- Execution of orders on behalf of clients (registration resolution n. 11761 of 22/12/1998)
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis (registration resolution n. 19402 of 08/10/2015)
- Placing of financial instruments without a firm commitment basis (registration resolution n. 11761 of 22/12/1998)
- Reception and transmission of orders in relation to one or more financial instruments (registration resolution n. 15204 of 25/10/2005)
- Investment advice (D.lgs. n. 164 of 17/09/2007)

In addition to investment services, the SIM may provide the public with the ancillary services envisaged under Legislative Decree 58/1998 and carry out related and instrumental activities permitted under the primary and secondary regulations in force, including the marketing of research and/or information on investments and/or markets, including electronically.

The SIM is also active abroad and offers the following services:

- Dealing on own account;
- Execution of orders on behalf of clients;
- Reception and transmission of orders;
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
- Placing of financial instruments without a firm commitment basis.

The services are offered in the following EU member states: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Luxembourg, Norway, the Netherlands, Portugal, Spain and Sweden.

The services are also offered in the United Kingdom in accordance with the OPE (Overseas Person) regime, and in the USA, thanks to an agreement with a local chaperone.

The information appearing in this Disclosure refers to the area of prudential consolidation as defined by article 4(1)(11) of EU Regulation 2033/2019, i.e. “the situation that results from applying the requirements of this Regulation in accordance with Article 7 to a Union parent investment firm, Union parent investment holding company or Union parent mixed financial holding company as if that undertaking formed, together with all the investment firms, financial institutions, ancillary services undertakings and tied agents in the investment firm group, a single investment firm; for the purpose of this definition, the terms ‘investment firm’, ‘financial institution’, ‘ancillary services undertaking’ and ‘tied agent’ shall also apply to undertakings established in third countries, which, were they established in the Union, would fulfil the definitions of those terms”.

## Investment Firms Regulatory Framework

The legislative decree of 5 November 2021, n. 201, implements at national level the provisions of EU Directive 2019/2034 (IFD) on prudential supervision of investment firms and the provisions of the EU Regulation 2019/2033 (IFR), relating to prudential requirements of investment firms. The regulatory framework was completed, at a national level, by the issuance by the Bank of Italy of the Provision 23 December 2022, "Regulation on SIMs' supervision " (which incorporates into Italian law the provisions contained in the IFD/IFR package and exercises national discretions in terms of prudential requirements) and by the update of the Regulation implementing articles 4-undecies and 6, paragraph 1, letters b) and c-bis), of the TUF.

EQUITA GROUP S.p.A. qualifies as a "Class 2" firm and, therefore, must comply with parts two (Own Funds), three (Capital Requirements), four (Concentration Risk), five (Liquidity), six (Disclosure by Investment Firms) and seven (Reporting by Investment Firms) of the IFR.

The new classes for investment companies identified in IFR/IFD and the main criteria used to classify the intermediaries are summarized below.

Investment Firm Class	Definition	Regulatory Framework
Class 1 (Systemically relevant)	Consolidated assets of more than €30 billion and a risk profile similar to that of a bank	CRD IV/ CRR 2
Class 1 minus (Systemically relevant)	Consolidated assets of between €15 and €30 billion	CRD IV/ CRR 2
Class 2 (Non-systemically relevant)	Investment firms which provide one or more of the MIFID services listed in Annex 1, Section A and/or exceed certain quantitative thresholds (i.e.: annual gross revenue, on- and off- balance sheet assets)	IFR/ IFD
Class 3 (small and non-interconnected investment firms)	Investment firms which provide one or more of the MIFID services listed in Annex 1, Section A and/or not exceeding certain quantitative thresholds	IFR/ IFD

This document complies with the disclosure requirements contained in part six of the IFR.

More in detail, for a description of the risk management objectives and policies refer to the section "Risk management objectives and policies" - Art. 47 IFR and for detailed information on each risk refer to the specific sections.

Information about the types of risks to which the Group is exposed can also be found in the notes to the financial statements of the 2022 Annual Report, in accordance with the applicable law.

This Public Disclosure is available on EQUITA Group S.p.A.'s website [www.equita.eu](http://www.equita.eu).

All the amounts shown in the tables below are expressed in Euros, unless otherwise indicated.

## Risk Management Objectives and Policies (Art. 47 IFR)

*Statement of the corporate bodies attesting to the adequacy of capital, the corporate governance system and liquidity risk management.*

Pursuant to Art. 24 of the IFD (Investment Firm Directive - EU 2019/2034), EQUITA Group SpA, as parent of a group of Class 2 SIMs, must define a process to assess capital adequacy, the corporate governance system and liquidity risk management.

Toward this end, EQUITA Group prepares and submits the assessment of the adequacy of the Group's capital and liquidity to the Supervisory Authority.

The process described in this Report was developed in accordance with the "Regulation on SIMs' Supervision" and the Bank of Italy Notice of 16/03/2023 "Obligations regarding the Internal Capital Adequacy and Risk Assessment Process (ICARAP) for SIMs".

The content of this Report was first submitted for evaluation to Internal Audit, the Control and Risk Committee, the Board of Statutory Auditors and, subsequently, presented to and approved by the Board of Directors which, during the meeting held on 11 May 2023, granted the Chief Executive Officer the powers needed to proceed with the filing of this document, along with support documents and annexes, to the Supervisory Authority.

More specifically, the Board of Directors and the Board of Statutory Auditors, to the extent of their respective responsibilities, have a full understanding as to the adequacy of the capital, the corporate governance and liquidity risk management, the risk factors and vulnerabilities taken into account, along with the data and parameters used, the results of the ICAAP and ILAAP processes and the consistency of the latter with the strategic plans.

The results of the ICAAP/ILAAP process show, for the time period considered, a capital adequacy situation and profile, as well as liquidity and funding, that are "largely adequate". This opinion is supported by the qualitative and quantitative evidence detailed in the ICAAP/ILAAP Report.

EQUITA GROUP will make any organizational, procedural changes needed, as well as adjust processes accordingly, in order to improve overall structural adequacy, consistent with the content of this report.

Milan, 11 May 2023  
EQUITA GROUP S.p.A.  
Board Chairman

Sara Biglieri  


### *Objectives, management policies, systems, tools, control processes and first pillar risk management*

In order to manage the risks to which it might be exposed, the Group puts in place appropriate corporate governance mechanisms, as well as management and control systems, that are formalized in the context of the corporate procedures and the ICARAP process. The primary responsibility for the latter lies with the Parent Company's corporate bodies. More in detail, the bodies party to this process include the Board of Directors, the Chief Executive Officer and the Board of Statutory Auditors. In order to cover every facet of the Group's activities, risk identification activities are carried out by these bodies together with the subsidiaries.

The Board of Directors:

- defines and approves general process guidelines;
- ensures that the process is updated to reflect any significant changes in the strategies, organizational structure and the operating environment in a timely manner;
- promotes full use of ICARAP results for strategic purposes and receives periodic reports on key risk indicators that could affect business decisions.

The Chief Executive Officer is in charge of implementing the process used to calculate total internal capital, ensuring that it complies with the strategic guidelines defined by the Board of Directors and meets the following requirements:

- takes into account all relevant risks;
- incorporates forward looking assessments;
- uses appropriate measurement and stress testing methods;
- is understood and shared with the internal structures;
- is properly formalized and documented;
- is carried out with due regard for the roles and responsibilities assigned to the functions and corporate structures by the Board of Directors.

The Board of Statutory Auditors oversees the compliance of the entire ICARAP process, as well as the risk management and control system, with regulations. In performing its functions, the Board of Statutory Auditors makes use of all the organizational structures that have a control function, Internal Audit above all. In performing controls, the Board of Statutory Auditors assesses any anomalies that may point to malfunctions of the bodies in charge.

The corporate structures most involved in the process are listed below:

- The internal Working Group, comprised of Risk Management, Compliance and the Financial Department which, on behalf of the Chief Executive Officer, identifies the range of risks to which EQUITA Group is or could be exposed to and assists in the preparation and formalization of the ICARAP Report;
- Risk Management is in charge of implementing most phases of the risk identification process, by making use of the data and information made available by the other corporate divisions (including the Finance Department), and defining the methods and tools used to identify, measure, assess, control, manage and mitigate significant risks. It also determines the scenarios for each risk category to be used when carrying out sensitivity analyses and stress tests;
- Finance Department manages liquidity risk by checking the available cash position and the company's needs daily, oversees supervisory reporting, prepares long-term plans and the budget while determining the impact on capital and liquidity requirements;
- Internal Audit performs regular audits of the process used to assess internal capital adequacy and makes public disclosures, identifying any areas in need of improvement in the annual report on the ICARAP process, which is submitted to the Board of Directors.

Equita Group S.p.A. has appointed a "Risk Manager". The Risk Manager carries out his duties autonomously and independently and is not subject to reporting lines and hierarchical constraints with respect to the areas of activity being assessed. The Risk Manager is tasked with monitoring compliance with the approved limits.

When selecting the risks to be assessed EQUITA Group's core business was taken into account, along with the reference markets and the guidelines found in the Bank of Italy Notice of 16/03/2023 "Obligations regarding the Internal Capital Adequacy and Risk Assessment Process (ICARAP) for SIMs", as long with the new Regulation on SIMs' Supervision, entered into force on 13 January 2023.

The risks are broken down in two sub-categories:

- measurable risks – namely those for which the Group has methods in place (either regulatory or managerial) for calculating internal capital requirements;
- unmeasurable risks - for which the Group does not quantify internal capital absorbed but has assessment and management policies in place.

The risks that have been assessed and could potentially impact the Group are shown below.

Pillar 1 Risks	Pillar 2 Risks
<b>Risk-To-Client [RtC]</b>	Liquidity risk
Assets Under Management K-AUM	Credit risk
Client Money Held K-CMH	Interest rate risk
Assets Safeguarded and Administered K-ASA	Strategic and business risk
Client Orders Handled K-COH	Money laundering and terrorist financing risk (AML)
<b>Risk-to-Market [RtM]</b>	Operational Risk
Net position risk K-NPR	Reputational risk
<b>Risk-to-Firm [RtF]</b>	IT risk
Trading Counterparty Default K-TCDF	Other operational risks
Daily Trading Flow K-DTF	Behavioral risk
Concentration Risk K-CON	

With regard to Pillar 1 risks, the Group quantifies capital requirements using the methods envisaged in Part Three of the new IFR regulation.

More specifically, EQUITA Group complies with the following requirements for own funds:

$$(a) \frac{\text{Common Equity Tier 1 capital}}{D} \geq 56 \%$$

$$(b) \frac{\text{Common Equity Tier 1 capital} + \text{Additional Tier 1 capital}}{D} \geq 75 \%$$

$$(c) \frac{\text{Common Equity Tier 1 capital} + \text{Additional Tier 1 capital} + \text{Tier 2 capital}}{D} \geq 100 \%$$

Where *D* represents the greater of:

- fixed overhead requirement (own funds equal to at least ¼ of the previous year's fixed overhead – Art. 13 IFR);
- permanent minimum capital requirement (refers to Directive 2014/49/EU which calls for €750 thousand versus €1 million - Art. 14 IFR, transposed by Regulation on SIMs' Supervision, entered into force in 13 January 2023);
- sum of the K factors (Art. 15 et seq. IFR)

Own funds– composition, requirements and ratios	Amount
Own funds	50.293.075
Own funds Requirements	10.279.998
1) Permanent minimum capital requirement	1.000.000
2) Fixed overhead requirement	9.639.927
3) Total K-factors requirement	10.279.998
Risk to Client	333.259
Risk to Market	9.363.056
Risk to Firm	583.683
<b>Capital adequacy ratio</b>	<b>489%</b>

Please note that currently the CET1, Tier 1 and Own Funds are of the same amount.



Moreover, according to Part Five of the IFR, investment firms must comply with liquidity requirement on a consolidated basis.

More in detail, investment firms must maintain a level of liquid assets consistent with the fixed overhead recorded in the prior year and any guarantees provided to clients. The assets, classified in three different levels based on the degree of liquidity, must comply with EU Regulation 61/2015 and are subject to haircuts based on the degree of liquidity. For a description of liquidity management and controls refer to the specific section in this report.

Liquidity requirement at 31/12/2022	Amount
Liquidity requirement	3.213.277
Total liquid assets	68.195.234
Exceeding liquid assets	64.981.957

The Group's capital adequacy assessment takes into account proportionality, the Group's specific characteristics, the level of the Total SREP Capital Requirement (TSCR) Ratio and the targets communicated to EQUITA Group by the Bank of Italy in a letter dated 04 February 2019, recalculated based on the new regulatory framework. For the sake of better understanding the old thresholds, which were based on Risk Weighted Assets (RWA) and the current, new ones, based on capital requirements, are provided below.

Equita Group minimum ratios [%]	CET1 Ratio		T1 Ratio		OF Ratio	
	Old	New	Old	New	Old	New
Pillar 1	4.50	56.25	6.00	75.00	8.00	100.00
Pillar 2	0.56	7.00	0.75	9.38	1.00	12.50
<b>TSCR (Total SREP Capital Requirement)</b>	<b>5.06</b>	<b>63.25</b>	<b>6.75</b>	<b>84.38</b>	<b>9.00</b>	<b>112.50</b>
Capital conservation buffer	2.50	N/A	2.50	N/A	2.50	N/A
P2G - Pillar 2 Guidance	2.80	35.00	2.80	35.00	2.80	35.00
<b>OSCR (Overall SREP Capital Requirement)</b>	<b>10.36</b>	<b>98.25</b>	<b>12.05</b>	<b>119.38</b>	<b>14.30</b>	<b>147.50</b>

The tools used to control and mitigate the main risks identified based on the new regulatory framework are described below.

**RISK TO CLIENT:** reflects the risk relating to assets under management (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA) and the client orders handled (K-COH).

The K-RTC factors governed by Part Three, Title II, Chapter II of the IFR are risk measures aimed at estimating the damage that the intermediary may cause to its clients in the exercise of the MiFID services provided.

The first K-factor of the RtC category is **K-AUM** which stems from the damage that could be incurred by the client if the client's portfolio is managed incorrectly or execution is poor and the intermediary's risk when managing the clients' assets under both discretionary portfolio management and nondiscretionary arrangements constituting investment advice of an ongoing nature.

The EQUITA Group has its own K-AUM requirement related to the activities of the subsidiary EQUITA Capital SGR which recently began providing its discretionary and non-discretionary accounts with specific risk control products.

The purpose of the controls defined by the SGR and implemented by the RM division is to monitor:

- the composition of the portfolios in order to verify that the operational limits defined as per the law, the mandate, relative rules, the prospectus, the Board of Directors and the Investment Management Committee, are complied with;
- that the investments comply with the criteria established in EQUITA Capital SGR's Responsible Investment Policy.

All risk indicators are monitored weekly by the Risk Management Division and reports are provided to the relative corporate bodies which met regularly in 2022.

The second K-factor of the RtC category is **K-ASA** which stems from the risk intrinsic in safeguarding and administering client assets and ensures that investment firms have enough capital to cover the corresponding balances, regardless of whether the assets are included in their balance sheets or in third party accounts.

The third K-factor of the RtC category is **K-CMH** which stems from the potential damage that could be incurred when an investment firm holds client money, both directly on the investment firm's balance sheet or in third party accounts, and the applicable domestic law requires that the money has to be protected in the event the investment firm is subject to bankruptcy, insolvency, liquidation or receivership.

The risks described above pertain to the subsidiary EQUITA SIM, which can hold third party financial instruments and liquidity through its custodian in the course of the services provided.

The cornerstone of the SIM's control system is to safeguard and administer the client assets by separating client assets from the Company's assets.

Lastly, **K-COH** which is the potential risk for the investment firm's clients when the investment firm handles the clients' orders (on behalf of the client and not in the name of the investment firm), for example as part of services involving order execution, reception and transmission.

The services are supervised by EQUITA SIM, which has adopted an authorization process for transactions with third parties and market counterparties. Based on the procedure each client/counterparty is assigned an operating ceiling which is compared to the daily risk position. The ceilings are assigned through an IT procedure and are confirmed/amended during the first opportune meeting of the Operational Risk Committee. The procedures and ceilings are approved by the Board of Directors.

**RISK TO MARKET:** the risk that losses will be recorded by the trading book (financial instruments traded linked to positions, as well as for trading and dealing purposes) due to adverse changes in risk factors (interest rates, volatility, prices, exchange rates).

Under the IFR, risk-to-market may be assessed in two different ways, based on:

- the net position risk (K-NPR) calculated in accordance with CRR2;
- the clearing margin given (K-CMG) when the conditions indicated in Art. 23 have been met and reference is made to margins generated by operations.

EQUITA Group opted for K- NPR, which under the IFR is applied in accordance with the CRR2.

With regard to risk to market specifically, based on the standardized method capital requirements are determined by looking at generic risk and the risk specific to the financial instruments, an additional risk element for the trading of options, as well as any foreign exchange risk.

At the assessment date, the Parent Company had no trading positions so the measurement of risk to market and the description of the controls/procedures in place relate to the subsidiary EQUITA SIM.

The latter combines the calculation of regulatory capital ratios with a model used to manage and gauge the market risks described in the Corporate Procedures Manual which involves the Company's entire management structure and contains the operating ceilings approved by the Board of Directors.

VaR - Value at Risk – with historical simulation, based on a confidence interval of 99% with a one-day horizon, is used to monitor the risk of the entire trading portfolio. The Parent Company also formed an internal "Operational Risk Committee" which assists the Chief Executive Officer in defining limits and managing specific situations involving the unwinding of positions which exceed the applicable limits. Risk Management is tasked with verifying compliance with the limits. Activities on regulated markets account for almost all of the SIM's activities. Trading of over-the-counter options on listed shares is also permitted.

**RISK TO FIRM:** the risk of exposure to trading counterparty default (K-TCD), concentration risk linked to the investment firm's large trading exposures to certain counterparties as defined by the IFR (K-CON) and the operating risks stemming from the investment firm's daily proprietary trading flows (K-DTF).

The first risk component, namely **K-TCD**, is defined and measured in accordance with Articles 25 through 32 of the IFR.

In addition to calculating Pillar 1 requirement, internal procedures have been defined to monitor operations and exposure to default risks.

This risk pertains to the subsidiary EQUITA SIM. The scope of this risk includes the following:

- OTC derivatives, insofar as they are not cleared through a central counterparty (CCP);
- long settlement transactions;
- securities or commodities lending or borrowing transactions;
- credits and loans referred to in point (2) of Section B of Annex I to Directive 2014/65/EU, if the investment firm is executing the trade in the name of the client or receiving and transmitting the order without executing it.

OTC derivatives involves Italian equities and banking counterparties; Long-term transactions are very rare and with no significant impact.

When involved in securities lending, EQUITA SIM operates mainly as a guarantor and borrows securities to cover proprietary short positions or temporary settlement fails during trading/order execution on behalf of clients. Contracts with counterparties are issued in accordance with the Global Master Securities Lending Agreement (GMSLA) and require a daily collateralization assessment which calls for the exposure to be aligned with the securities' market value.

The last source of K-TCD is referred to in Article 25(1)(g) IFR. When trading on behalf of the client, it can happen that loans are granted to the client. In addition to Pillar 1, Risk Management must report regularly to the Operational Risk Committee on the status of the loans granted by EQUITA SIM to corporate counterparties relative to margins on derivatives and any breaches of the clients' limits.

The second type of Risk-to-Firm is **K-CON** or concentration risk with respect to single counterparties or groups of connected clients which exceeds 25% of the investment firm's own funds or other specific thresholds if the counterparty is a credit institution or an investment firm.

This includes:

- net long trading positions;
- the value of the K-TCD exposures (Art. 25) and, more specifically, Art. 27 "exposure value".

The last K-factor of the Risk-to-Firm group is the **K-DTF**, which includes proprietary transactions and those executed on behalf of a client but on its own name.

K-DTF reflects the investment firm's operating risks on large volumes of proprietary and third party trades made in one day which could stem from inadequate or malfunctioning processes, human resources and internal systems or external events, based on the notional value of the daily trades, adjusted to reflect the residual life of interest rate derivatives, in order to limit the need to mandatorily increase own funds, particularly for short-term contracts for which the perceived operational risks are lower.

**LIQUIDITY RISK:** in the short-term, the risk that an investment firm is unable to meet obligations due to a mismatch in cash flows or noticeably adverse changes in price due to exogenous and endogenous factors which result in losses on the sale of liquid assets. In the long-term (more than one year) this risk is defined as the Group's inability to find sustainable and stable sources of the funding needed to maintain an adequate balance between long-term assets and liabilities.

Regulation 2019/2033 introduced a regulatory indicator comprised of two components:

- one governed by Art. 43 based on which liquidity must be equivalent to at least one third of the fixed overhead requirement calculated in accordance with Article 13;
- one governed by Art. 45 based on which liquidity must be increased by 1.6% of the total amount of guarantees provided to clients.

The liquidity requirement is met by holding the "liquid assets" identified as follows (Art. 43):

- a) the assets referred to in Articles 10 to 13 of Delegated Regulation (EU) 2015/61, subject to the same conditions regarding eligibility criteria and the same applicable haircuts as those laid down therein;
- b) the assets referred to in Article 15 of Delegated Regulation (EU) 2015/61, up to an amount of EUR 50 million or the equivalent amount in domestic currency, subject to the same conditions for eligibility,

- with the exception of the EUR 500 million threshold amount referred to in Article 15(1) of this regulation, and the same applicable haircuts as those laid down therein;
- c) financial instruments not covered by points (a) and (b) of this subparagraph, traded on a trading venue for which there is a liquid market as defined in point (17) of Article 2(1) of Regulation (EU) No 600/2014 and in Articles 1 to 5 of Commission Delegated Regulation (EU) 2017/567 (26), subject to a haircut of 55%;
  - d) unencumbered short-term deposits at a credit institution.

Based on EQUITA Group's activities, liquidity risk stems from the following:

- mismatch risk: the risk that cash inflows do not match cash outflows (this mainly refers to brokering and proprietary trading);
- contingency risk: the risk that unforeseen circumstances impact financial planning (this stems mainly from failed settlement of client transactions);
- market risk: the risk that the Group is not able to sell assets in order to prevent significant losses due to the market conditions (this relates mainly to proprietary trading);
- operational risk: the risk that the Group cannot make/receive payments due to a shut-down of the IT systems resulting in defaults which do not depend on the Group's real financial situation;
- funding risk: the risk that lenders cancel the Group's outstanding loans, refuse to grant ones or worsen the conditions;
- margin call risk: the risk that the Group cannot meet the clearing house's margin calls (rarely with other counterparties) for proprietary trading or brokerage.

The Finance Division is responsible for ensuring a systematic control of cash flows, maintaining relationships with banks and the daily monitoring of the Group's overall available liquidity and funding needs.

In order to monitor the liquidity reserves and identify any problem areas or need to activate credit lines, a software was developed which is used by the administration and risk management. Results are summarized in a report and shared with the Finance Division, as well as control bodies and management.

## Corporate Governance (Art. 48 IFR)

Pursuant to the Bylaw in effect at 31 December 2021, the Parent Company is managed by a Board of Directors comprised of 7 (seven) to 11 (eleven) members. All the directors must satisfy the requirements of eligibility, professionalism and integrity provided by law and other applicable regulations.

Furthermore, the Board of Directors must include a number of directors possessing the independence requirements as per Article 148, paragraph 3, of the TUF, as referred to by Article 147-ter, paragraph 4, of the TUF, at least equal to the minimum number required by applicable legal and regulatory provisions.

The directors are appointed for a term of 3 (three) years, or for a period which, at any rate, does not exceed 3 (three) years, as determined at the time of appointment, and are eligible for re-election. The directors' term of office expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their term, except in the instances of termination and revocation envisaged by law and the Bylaw.

The members of the Board of Directors are appointed on the basis of lists submitted by the shareholders, in accordance with the provisions of Article 13 of the Bylaw.

Shareholders candidate the Board of Directors' members presenting lists, in accordance with the provisions of Article 12 of the Bylaw.

Referring to qualitative criteria, only candidates who fulfill all legal and regulatory requirements may be included in the list. The Board of Directors must verify that its members meet these requirements.

On 13 February 2020, the Company's Board of Directors approved a policy for diversity in administrative and control bodies in order to promote diversity within the Company's Board of Directors and the Board of Statutory Auditors which recognized diversity as a company asset which can ensure that informed decisions will be made and promote the exchange of different points of view and professional experiences, consistent with the Stakeholders' expectations. Toward this end, refer to the summary included in the corporate governance report published on the corporate website [www.equita.eu](http://www.equita.eu), Corporate Documents section.

The current Board, which was appointed based on the lists submitted by shareholders during the Shareholders' Meeting held on 7 May 2020, comprises seven members. The only member who was not appointed based on the list procedure is Marzio Perrelli as he was coopted by the Board on 17 December 2020 after Massimo Ferrari resigned.

In 2021 the Chairman of the Board of Directors changed. On 9 September 2021 Mr. Perilli resigned as Chairman and the Board of Directors appointed Sara Biglieri as the new Chairman of the Board effective 9 September 2021. The resignation of Mr. Perilli as Chairman did not, however, affect his position as director which is still held by the latter. Toward this end, during the same Board of Directors' meeting Mr. Perilli was granted certain mandates including the management of relationships between the Company and significant shareholders and/or majority shareholders, the management of the relationships between the Company and the shareholders party to any Shareholders' Agreements signed and support in finding investment and/or business opportunities for EQUITA Group.

The mandate of the aforementioned Board of Directors ended - due to the expiration of the term - with the approval, by the Shareholders' Meeting of 20 April 2023, of the financial statements at 31 December 2022. Therefore, in accordance with the law and the Bylaw, the Board of Directors proceeded to appoint a new Board of Directors, composed of 7 members, through a list vote procedure, that will be in charge until the approval of the financial statements at 31 December 2025.

The number of assignments - in addition to those held in EQUITA Group S.p.A.- as director of Italian and foreign companies held by each of EQUITA Group S.p.A.'s directors, updated at 31 December 2022, are shown below.

Member	Total assignments at 31 December 2022
Francesco Perilli	2
Andrea Attilio Mario Vismara	5
Michela Zeme	2
Silvia Demartini	8
Paolo Colonna	19
Sara Biglieri	1
Marzio Perrelli	2

On 20 July 2017 EQUITA Group's Board of Directors resolved to form a Control and Risk Committee and approved the relative rules which were drawn up in accordance with Circular 285 of the Bank of Italy. Following the appointment of the new Board of Directors, in May 2020, EQUITA Group's Board of Directors reconstituted the Board Committees, including the Control and Risk Committee, and appointed the members, as well as assigned the relative duties, based on both Bank of Italy's Circular 285 and the Corporate Governance Code. The rules for the Risk and Control Committee were also updated in order to comply with the new Corporate Governance Code for Listed Companies.

The Control and Risk Committee met five times in 2022 and reported to the Board of Directors on its activities, which relate primarily to the advisory support provided to the Board, during the first appropriate meeting. Lastly, the Committee also presented a half-year report on its activities during the meeting held on 8 September 2022 and a second half-year report during the meeting held on 16 March 2023.

## Own funds (Art. 49 IFR)

According to the current capital structure, the Group's own funds comprise solely Tier 1 capital.

As at 31 December 2022, share capital amounted to €11,587,376.30, fully subscribed and paid-up, consisting of 50,925,028 shares without a stated par value, exclusive of 3,901,490 own shares equal to €3,926,926.

During 2022, the Parent Company carried out five free capital increases involving the issuance of Equita Group ordinary shares. These capital increases were carried out to proceed with the assignment of shares to the beneficiaries of the "Equita Group Plan based on financial instruments 2019-2021" to whom both performance shares and stock options had been assigned.

Below are summarized the changes in share capital of Equita Group.

### Changes in Equita Group's share capital

Period	N. of Shares	Amount	New Share Capital	Share Capital Amount
1 <sup>st</sup> February 2022 – 13 <sup>th</sup> February 2022	273	62	50,497,000	11,489,983 €
1 <sup>st</sup> April 2022 – 13 <sup>th</sup> April 2022	169	39	50,666,296	11,528,505 €
1 <sup>st</sup> June 2022 – 15 <sup>th</sup> June 2022	141	32	50,807,581	11,560,653 €
1 <sup>st</sup> October 2022 – 14 <sup>th</sup> October 2022	33	8	50,840,918	11,568,238 €
1 <sup>st</sup> December 2022 – 9 <sup>th</sup> December 2022	84	19	50,925,028	11,587,376 €
<b>Total</b>	<b>701</b>	<b>159</b>		

On 12 July 2022 Bank of Italy granted to Equita SIM the authorization for a buy-back plan of treasury shares listed on Euronext STAR Milan market (hereinafter "buy-back plan") for a maximum of 1,000,000 shares, for a maximum counter value of €6,000,000, with expiration on 28 October 2023.

The reason for the request for the authorization to purchase and/or sell treasury shares is to provide the Company with a strategic flexibility tool to be used, including in several tranches, in compliance with the applicable laws and regulations in force from time to time, for one or more of the following purposes:

- I. support the liquidity of Equita Group shares, favouring the regular course of trading and avoiding price changes not in line with market trends, while normalizing trading and price trends vis-à-vis temporary distorting factors linked to excess volatility or poor trading liquidity, also pursuant to the relevant market practices admitted by Consob, in accordance with article 13 of Regulation (EU) 596/2014;
- II. operate with a view to medium- and long-term investment, acting either on the market or by means of a public purchase offer – in relation to the purchase of treasury shares – or on the market or even off-the market, including by means of accelerated book building or blocks – in relation to the sale of treasury shares -, at any time, in whole or in part, in one or more tranches;
- III. set up a securities portfolio, to sell, dispose of and/or use treasury shares at any time, in whole or in part, in one or more tranches, provided that this is in line with the Company's strategic guidelines, as part of the framework of strategic partnership agreements and/or corporate/financial transactions, including, without limitation, acquisitions, mergers, equity transactions, third-party equity investment transactions, exchange, contribution, swap, financing transactions or other transactions, in relation to which the assignment or other act of sale of treasury shares is necessary or appropriate;
- IV. implement incentive plans or schemes based on financial instruments (including, without limitation, stock options, stock grants, performance shares, instruments convertible into company shares, etc.), against consideration or free of charge, in favor of corporate officers, employees and/or collaborators of the Company and/or its subsidiaries; and
- V. award shares to motivate, retain and/or attract resources/employees/collaborators/corporate officers of the Company and/or its subsidiaries discretionarily chosen by the Board of Directors or the Managing Director.

It is understood that if the reasons for the purchase no longer apply, the treasury shares purchased as part of this authorization may be used for one of the other purposes indicated above.

From the approval of the plan until 31 December 2022, purchases were executed on four days (29, 30 September, 3 and 6 October) for a total of 11,688 shares, equal to €37,087. As of the reference date, therefore, the remaining commitment arising from the buy-back plan is equal to 988,312 shares, for an amount of €5,929,872. This last amount has been deducted from the Own funds, in addition to the €3,926,926 of treasury shares already in the portfolio (the details of the reconciliation between the Own funds and the civil quantities registered in the balance sheet are reported in the IF CC1.01 table).

Please refer to the website for further information on the capital and related updates:  
<https://www.equita.eu/en/corporate-governance/share-capital-and-shareholders.html>

Following are the tables provided for in Annex six of Regulation 2284/2021.



**Model IF CC1.01 – BREAKDOWN OF REGULATORY OWN FUNDS.**

		a)	b)
		Amount	Based on the item numbers included in the audited statement of financial position
<b>Common Equity Tier 1 (CET1): instruments and reserves (in Euros)</b>			
1	OWN FUNDS	50,293,075	
2	TIER ONE CAPITAL	50,293,075	
3	COMMON EQUITY TIER 1	50,293,075	
4	Fully paid-up capital	11,587,376	Item 110 Liabilities – Share Capital
5	Share premium	20,446,452	Item 140 Liabilities – Share premium reserve
6	Retained earnings	27,800,961	Item 150 Liabilities – Reserves, of which Retained earnings
7	Accumulated other comprehensive income	(39,606)	Item 150 Liabilities – Reserves, of which Valuation reserves (only if eligible)
8	Other reserves	26,900,174	Item 150 Liabilities – Reserves, of which “Other reserves” eligible as own funds
10	Adjustment to CET1 due to prudential filters	(127,254)	Regulation EU 101/2016 – 0.1 % of the absolute value of the assets and liabilities measured at fair value (Item 20 Assets and Item 20 Liabilities)
12	<b>(-) TOTAL DEDUCTIONS FROM CET1</b>	<b>(36,275,028)</b>	
13	(-) Own CET1 capital instruments	(9,856,798)	
14	(-) Direct holdings of CET1 instruments	(9,856,798)	Item 120 Liabilities – Treasury shares and residual buy-back commitment
18	(-) Goodwill	(23,459,489)	Item 90 Assets – intangible assets – Goodwill
19	(-) Other intangible assets	(2,748,926)	Item 90 Assets – Intangible assets – Other intangible assets net of Item 60.b Liabilities – Deferred tax liabilities pertaining to intangible assets
23	(-) CET1 instruments of financial sector entities where the investment firm does not have a significant investment	(46,267)	Art. 36(1)(h) EU Regulation n. 575/2013
26	(-) Other deductions	(163,548)	Art. 36(1)(m) EU Regulation n. 575/2013
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Model IF CC2.00 – Own funds: reconciliation of the regulatory own funds with the audited statement of financial position.				
		a	b	c
		Statement of financial position included in the financial statements published/subject to financial audit	In the regulated perimeter of consolidation	Cross-reference to EU IF CC1
		At the end of the period	At the end of the period	
<b>Assets — Breakdown of assets recognized in the statement of financial position published/subject to financial audit</b>				
1	10. Cash and cash equivalents	107,944,782		
2	20. Financial assets measured at fair value through profit and loss	111,713,663		LINE 10 (0.1%)
3	30. Financial assets measured at fair value through comprehensive income	-		
4	40. Financial assets measured at amortized cost	99,550,332		
5	50. Hedging derivatives	146,474		
6	60. Changes in value of hedged financial assets (+/-)	-		
7	70. Equity investments	46,267		LINE 28
8	80. Property, plant, and equipment	4,140,864		
9	90. Intangible assets	26,901,934		LINES 18 and 19, net of DTL pertaining to intangible assets
10	100. Tax assets	7,520,436		
11	110. Non-current assets and disposal groups classified as held for sale	-		
12	120. Other assets	41,566,005		
13	<b>Total assets</b>	<b>399,530,757</b>		
<b>Liabilities — Breakdown of liabilities recognized in the statement of financial position published/subject to financial audit</b>				
1	10. Financial liabilities measured at amortized cost	205,731,240		
2	20. Financial liabilities held for trading	15,540,760		LINE 10 (0,1%)
3	30. Financial liabilities designated at fair value	-		
4	40. Hedging derivatives	-		
5	50. Changes in value of financial liabilities	-		
6	60. Tax liabilities	3,626,449		LINE 19 as for DTL for intangible assets
7	70. Liabilities associated with held for sale assets	-		
8	80. Other liabilities	64,428,329		
9	90. Employee severance	2,069,142		
10	100. Provisions for risks and charges	3,833,991		
11	<b>Total liabilities</b>	<b>295,229,911</b>		
<b>Own share capital</b>				
1	110. Share capital	11,587,376		LINE 4
2	120. Treasury shares (-)	(3,926,926)		LINE 14 of which Treasury Shares
3	130. Redeemable shares	-		
4	140. Share premium reserve	20,446,452		LINE 5
5	150. Reserves	58,819,101		LINES: 6,7,8 (net of not eligible reserves)
6	160. Valuation reserves	106,868		LINE 10 (only if eligible)
7	170. Net profit (loss) for the reporting period	17,267,975		
8	180. Minorities' portion of shareholders' equity	-		
9	<b>Total own share capital</b>	<b>104,300,846</b>		

**Model IF CCA – Own funds: main characteristics of the instruments issued by the firm**

1	<b>Issuer</b>	<b>Equita Group S.p.A</b>
2	Unique identification code (i.e. CUSIP, ISIN or Bloomberg for private placements) – without enhanced voting rights	IT0005312027
	Unique identification code (i.e. CUSIP, ISIN or Bloomberg for private placements) – with enhanced voting rights	IT0005356271
3	Private or public placement	Public
4	Law governing the instrument	Italian
5	Type of instrument (should be specified for each jurisdiction)	Ordinary shares - Art. 28 CRR
6	Amount recognized in regulatory capital (in millions, at the most recent reporting date)	11.587.376
7	Nominal amount of the instrument	N/A
8	Issue price	N/A
9	Redemption price	N/A
10	Accounting method	Equity
11	Original issue date	21/11/2017
12	Noncallable or at maturity	Noncallable
13	Original maturity date	N/A
14	Early redemption at the discretion of the issuer subject to prior approval of the supervisory authorities	N/A
15	Date of optional early redemption, dates of any early redemption and amount of the repayment	N/A
16	Dates subsequent to the early redemption, if applicable	N/A
	<i>Coupons/dividends</i>	
17	Fixed or variable rate coupons/dividends	Variable
18	Coupon rate and any linked index	N/A
19	Is there a "dividend stopper"	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	"Step up" mechanism or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or nonconvertible	N/A
25	If convertible, conversion trigger (s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify type of instrument convertible into	N/A
30	If convertible, specify the issuer of the converted instrument	N/A
31	Write-down mechanisms	N/A
32	If write-down, write-down triggers	N/A
33	If write-down, partial or total	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the complete version of the instrument's terms and conditions	<a href="https://www.equita.eu/en/corporate-governance/share-capital-and-shareholders.html">https://www.equita.eu/en/corporate-governance/share-capital-and-shareholders.html</a>

## Own funds Requirements (Art. 50 IFR)

As described above, based on the new prudential IFR/IFD regime the Group qualifies as a “Class 2” firm. EQUITA Group S.p.A. uses the methods envisaged in the regulations, as well as qualitative assessments, to determine Pillar 1 capital requirements while Pillar 2 risks unmeasurable are overseen by procedures. Total internal capital is determined by aggregating the capital requirements using the building block approach and addresses the adequacy of the assumptions underlying the business plan. Consolidated capital adequacy ratios are monitored daily, along with those of the subsidiary EQUITA Sim.

The own funds capital requirements at 31 December 2022 are summarized below.

Own funds – breakdown, capital requirements and ratio	Amount
<b>Own funds</b>	<b>50,293,074</b>
<i>CET 1 before regulatory adjustments</i>	86,695,357
<i>Total regulatory adjustments</i>	(36,402,282)
<b>Own funds – capital requirements</b>	<b>10,279,998</b>
1) Permanent minimum capital requirement	1,000,000
2) Fixed overhead requirement	9,639,927
3) Sum of the K factors requirement	10,279,998
Risk-to-Client	333,259
Assets under management	5,687
Client money held - segregated	13,798
Client money held – non segregated	93,954
Assets safeguarded and administered	4,206
Client orders handled – cash trades	215,447
Client orders handled – derivatives trades	166
Risk-to-Market	9,363,056
K-Net positions risk requirement	9,363,056
Clearing margin given	-
Risk-to-Firm	583,683
Trading counterparty default	523,203
Daily trading flow – cash trades	60,153
Daily trading flow – derivatives trades	327
K-Concentration risk requirement	-
<b>Capital adequacy ratio</b>	<b>489.23%</b>

## Remuneration Policy (Art. 51 IFR)

The Parent Company has prepared the documents relating to the remuneration and incentive policy and has formalized the operation of the Remuneration Committee, appointed by the Board of Directors and comprised of three directors. The documents identify the key personnel and regulate their remuneration, with specific regard to the criteria used to determine the variable component.

The role of the bodies and corporate functions is described below:

- a) Shareholders' Meeting: approves the Remuneration Policy and any incentive plans based on financial instruments; the Shareholders' Meeting receives information on the policies to adopt, as well as information on how the remuneration policies have been implemented;
- b) Board of Directors: prepares and submits the remuneration policy to the Shareholders' Meeting, reviews it at least once a year and is responsible for its correct implementation;
- c) Remuneration Committee: advises and assists the Board of Directors. The Committee meets at least once a year;
- d) the internal control functions are involved in the process of defining the Remuneration Policy in order to ensure its effectiveness and to preserve the independent judgement of the functions called to perform controls, including ex post.

With regard to identifying key personnel, the perimeter of the persons to be examined was expanded to include persons belonging to Equita Group S.p.A. (personnel and directors) and the subsidiaries' risk takers. Assessments were also made in order to understand if the latter could have a material impact on the Group's risk profile, consistent with the characteristics and size, as well as the risk and complexity of the activities carried out by each business line and taking into account the role held.

The Remuneration Committee met five times during the year.

With regard to the categories of personnel referred to above, whose professional activities have a material impact on the investment firm's risk profile, during the year no amounts were paid for severance indemnities recognized during 2022 or in previous years.

For further information on the Group's Remuneration and Incentive Policies please refer to the Remuneration Report published on [www.equita.eu](http://www.equita.eu).

## Investment Policy (Art. 52 IFR)

Following the internal assessments results, the subsidiary EQUITA SIM exercised the option provided in Art. 52, paragraph 2, of the IFR, and did not adopt an Investment Policy and, therefore, is not required to fulfill the relative obligations. The SIM made this choice because at the time this Disclosure was prepared it had no “material positions”, directly or indirectly, in shares of companies traded on the regulated market in Italy or another EU state, which exceeded 5% of the company's share capital.

### Company Information

Registered office:	Via Turati 9 - 20121 MILAN
Vat number:	09204170964
Identification number:	20070.9
Share capital (fully paid-up):	€11.587.376,30
Milan Corporate Registry No.	2075478
Market where listed:	Borsa Italiana S.p.A.'s MTA – STAR segment
Ticker symbol:	BIT: EQUI

### Equita Group S.p.A.

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