



**Policy-on-remuneration  
report and payouts  
awarded of Banco BPM  
Group's staff 2023**







# Policy-on-remuneration report and payouts awarded of Banco BPM Group's staff 2023

## SECTION I

### 2023 Policy-on-remuneration report

Prepared in accordance with the Bank of Italy Supervisory Regulations (Circular no. 285/2013, 37th update, First Part, Title IV, Chapter 2 "Remuneration and incentive policies and practices"), with art. 123-ter, Legislative Decree 58/1998, as amended, with art. 84-quater of the Issuers' Regulation (Consob resolution no. 11971/1999, as amended) and with IVASS Regulation 38/2018 and related Guidelines

Published on the Group website [gruppo.bancobpm.it](https://gruppo.bancobpm.it)  
(Section Corporate Governance - Remuneration Policies)

For approval, to the extent of their sphere of authority, by the Corporate Bodies of the Parent Company – Ordinary Shareholders' Meeting on 20 April 2023

(This document is a translation into English of the original document. In case of any discrepancies between the English and the Italian version, the Italian version shall prevail).

# Index

LETTER FROM THE CHAIRWOMAN OF THE REMUNERATION COMMITTEE .....	5
EXECUTIVE SUMMARY .....	7
SECTION I – 2023 POLICY-ON-REMUNERATION REPORT .....	23
DEFINITIONS .....	24
1. REFERENCE LEGISLATIVE FRAMEWORK .....	25
2. PURPOSE AND PRINCIPLES OF THE 2023 POLICY .....	26
3. PROCESS OF ADOPTION AND MONITORING OF THE BANCO BPM GROUP REMUNERATION POLICY .....	28
3.1. ADOPTION PROCESS .....	28
3.1.1 Shareholders' Meeting .....	28
3.1.2 Parent Company Board of Directors .....	29
3.1.3 Parent Company Chief Executive Officer .....	29
3.1.4 Remuneration Committee .....	30
3.1.5 Internal Control, Risks and Sustainability Committee .....	31
3.1.6 Parent Company's corporate functions involved in the process of definition of remuneration policies .....	32
3.2 MONITORING PROCESS .....	32
3.3 SUBSIDIARIES .....	32
4. IDENTIFICATION OF THE IDENTIFIED STAFF OF THE GROUP .....	33
5. COMPONENTS OF REMUNERATION .....	36
5.1 REMUNERATION OF THE GROUP'S CORPORATE BODIES .....	36
5.1.1 Remuneration of the Parent Company's Board of Directors members ...	36
5.1.2 Remuneration of the Parent Company's Board of Statutory Auditors ....	37
5.1.3 Remuneration of members of Corporate Bodies of subsidiary companies .....	38
5.2 REMUNERATION OF THE GROUP'S EMPLOYEES .....	38
5.3 REMUNERATION OF EXTERNAL NON-EMPLOYED STAFF .....	42
6. CHARACTERISTICS OF THE REMUNERATION AND INCENTIVE SYSTEM .....	43
6.1 RATIO BETWEEN VARIABLE AND FIXED COMPONENTS OF REMUNERATION .....	43
6.2 DETERMINATION OF THE BONUS POOL .....	44
6.3 CONNECTION TO RESULTS .....	44
6.4 ADJUSTMENT FACTOR .....	45
6.4.1 Financial adjustment factor .....	46
6.4.2 Non-financial adjustment factor .....	46
6.4.3 Equalisation mechanism .....	47

6.5	SHORT-TERM INCENTIVE PLAN.....	48
6.5.1	Short term incentive plan of the Parent Company's Chief Executive Officer.....	50
6.5.2	Short-term Incentive Plan of General Management and other executives with strategic responsibilities of the Parent Company .....	51
6.6	PAYMENT OF INCENTIVES .....	53
6.6.1	Payment of incentives of other staff.....	53
6.6.2	Payment of incentives of identified staff.....	53
6.7	MALUS AND CLAW-BACK MECHANISMS.....	57
6.8	LONG TERM INCENTIVE (LTI).....	58
6.8.1	Operating mechanism of the LTI plan.....	58
6.8.1.1	<i>LTI plan conditions</i> .....	59
6.8.1.2	<i>Performance objectives</i> .....	59
6.8.1.3	<i>Payment of the LTI</i> .....	61
6.8.1.4	<i>Malus and claw-back mechanisms</i> .....	64
6.8.2	Treatment in the case of extraordinary events .....	64
6.9	ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) OBJECTIVES IN THE CONTEXT OF VARIABLE REMUNERATION.....	64
6.10	AMOUNTS FOR EARLY TERMINATION OF EMPLOYMENT .....	66
6.11	LIMITS TO DISTRIBUTION.....	70



# Letter from the Chairwoman of the Remuneration Committee

Dear shareholders,

as Chairwoman of the Remuneration Committee, I propose to you the 2023 remuneration policy, which is in line with the highest market standards for listed companies and the regulatory framework.

In order to make the supervision, control and challenging of the remuneration framework even more effective, the Committee systematically consulted with the bank's structures and took advice from internationally recognised leading consultancy firms for independent opinions.

Attracting, motivating and retaining staff, pursuing sustainable success by supporting the 2021-2024 Strategic Plan, guiding behaviour: these are the rationales that guided the definition of the remuneration policy over the years.

The pursuit of internal equity in remuneration and the comparison with the external labour market in terms of competitiveness of remuneration had been the main management levers that enabled the Group not only to motivate its staff, but also to recruit more than a thousand people in the last three years, supporting a strong generational turnover.

The remuneration policy is one of the enabling factors that, in compliance with the pay-for-performance principle, has oriented and is orienting the management's choices towards the achievement of the ambitious objectives of the Strategic Plan and the integration of Environmental, Social, Governance issues in the corporate strategy. The policy has thus favoured a structural change towards the development of an inclusive culture and attention to socially relevant issues.

Banco BPM's results for the three-year period 2020-2022 show a generalised trend of improvement in terms of profitability generated, de-risking, total return and positioning in terms of sustainability. In particular, despite the difficult macroeconomic situation, positive operating results were recorded in 2022, with profitability representing the best result since the Banco BPM Group was founded, while maintaining a constant focus on the cost-to-income ratio.

The coverage of ESG metrics in the short-term and long-term incentive plans was gradually expanded to include a focus on aspects related to the Thematic Review and the promotion of corporate culture. During 2022, the achievement of sustainability goals was on average above target, demonstrating the sensitivity acquired by the staff, with positive effects also on customers and suppliers.

Particular attention was paid to the issue of gender neutrality and inclusion. The Group is driving a cultural change that, through respect for the person regardless of role, leads to the recognition and appreciation of diversity in all its meanings (e.g. gender, age, culture). The initiatives implemented have led, in about 18 months, to an increase of about 31% of women in managerial roles, who now represent more than 27% of the total.

The remuneration policy has been the framework for achieving these results and will continue to be so in the future, also taking into account the expectations emerged from the dialogue and discussion with you, the shareholders, whom I would like to thank for your willingness and trust.

Manuela Soffientini







Executive summary  
2023 Policy-on-remuneration  
report

# Executive summary

## 2023 Remuneration policy

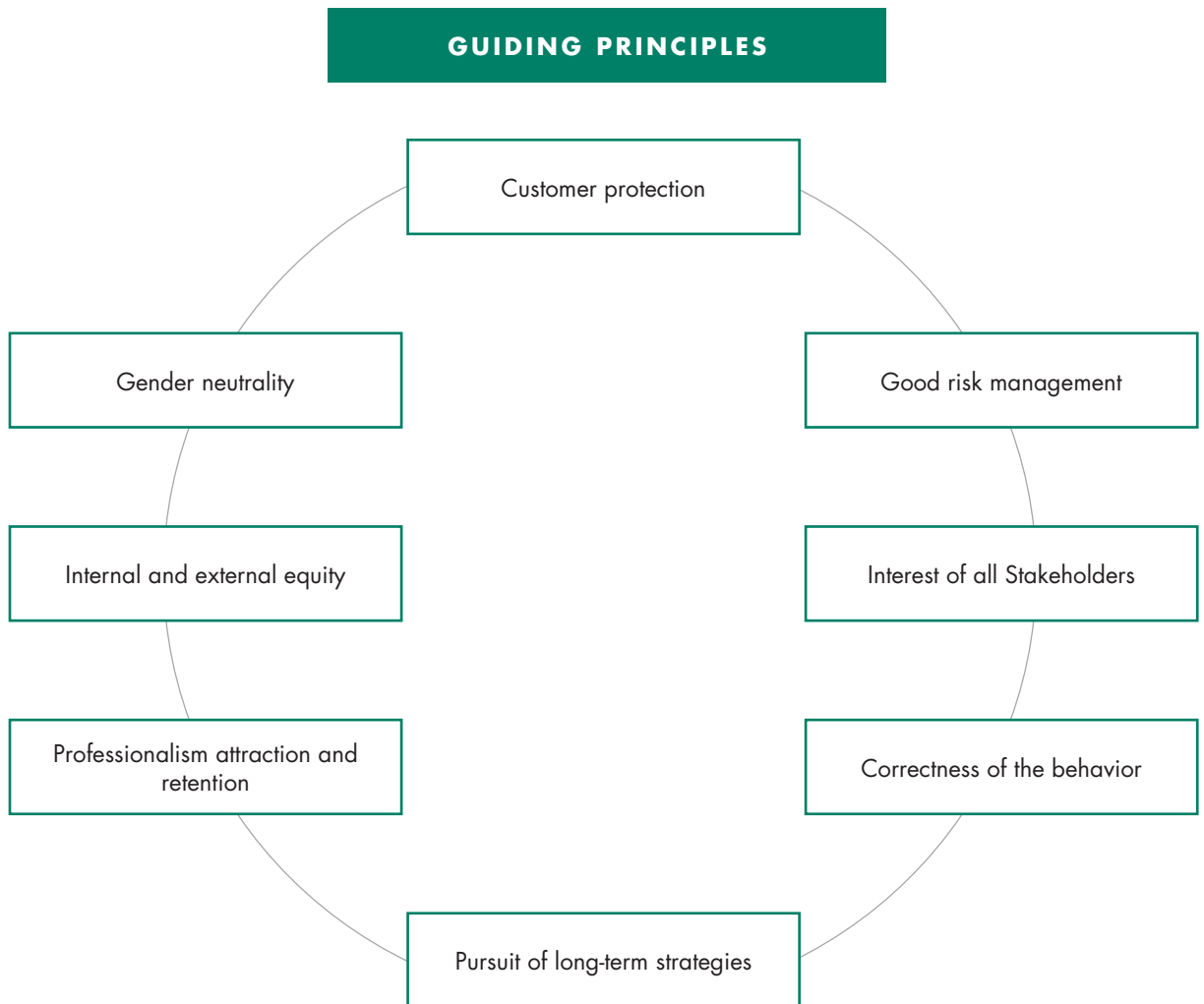
### PURPOSE

The remuneration policy represents an important management lever to attract, motivate and retain management and staff. It steers behaviour towards the containment of the risks taken on (including legal and reputational) and customers protection and loyalty, with attention to the management of conflicts of interest. The policy also pursues sustainable success, which produces long-term value for the benefit of shareholders in the interest of the Group's stakeholders.

The 2023 Policy defines the remuneration system guidelines to pursue the long-term strategies, objectives and results, in accordance with the risk management and governance policies.

The correlation between variable remuneration of staff and ESG (Environmental, Social, Governance) factors is a key element of the 2023 Policy. Variable remuneration is therefore related to strategic actions concerning environmental issues, health and safety, human resource management, with particular attention to inclusiveness and gender neutrality.

The remuneration policy is gender neutral.



*Guarantee an adequate remuneration  
for lasting performance*

## GOVERNANCE

The approval of the remuneration policy is reserved to the Shareholders' Meeting. Corporate Bodies, internal board committees and company functions are involved in the process of drafting, preparing and approving the policy:

- the Human Resources function provides technical support to the Corporate Bodies and prepares the supporting documentation;
- the Chief Risk Officer and the Planning and Control function identify the strategic and performance objectives to ensure that the remuneration system is consistent with the Company's risk appetite, long-term strategies and objectives;
- the Compliance function verifies the compliance of the remuneration policy with the reference legislative framework;
- the Audit function verifies the correct implementation of the remuneration policy;
- the Board of Directors draws up the remuneration policy, with the assistance of the Chief Executive Officer and the internal Board committees.

### PARENT COMPANY

#### Corporate bodies

- Shareholders' Meeting
- Board of Directors
- Chief Executive Officer
- Board of Statutory Auditors

#### Internal Board Committees

- Remuneration Committee
- Internal Control, Risks and Sustainability Committee

#### Corporate functions

- Human Resources
- Planning and Control
- Administration and Budget
- Secretariat Corporate Affairs
- Participations

#### Internal control functions

- Chief Risk Officer
- Compliance
- Audit

## MAIN NEW FEATURES OF THE 2023 REMUNERATION POLICY

Since its establishment, Banco BPM has adopted an engagement process with the bank's main investors and proxy advisors, to provide an overall framework of the aspects relating to the remuneration policy and to incorporate the related feedback. The bank also provides a timely response to the questions asked by the shareholders, both during the year and at the Shareholders' Meeting to which the Policy-on-remuneration report and payouts awarded is subject to approval. The Shareholders' Meeting approved the 2022 remuneration policy with over 94% of favourable votes.

The 2023 Policy is defined on a continuous basis and has considered the assessments expressed by the shareholders on the 2022 Policy. It aligns the provisions with the new structure of the Group. The new features concern:

- extension of the remuneration policy to insurance companies acquired from July 2022, in compliance with European and national provisions governing the sector;
- review of the remuneration for the Chief Executive Officer and consequent update of the total for any amounts to be granted in the event of early termination of the employment, in consideration of the maximum limit of 24 months of fixed remuneration, which has remained unchanged;
- greater oversight of ESG metrics in the mechanisms governing variable remuneration. The Chief Executive Officer is assigned additional sustainability objectives with respect to those of 2022, related to Thematic Review, operational and reputational risk and promotion of corporate culture.

## IDENTIFIED STAFF

The perimeter of the Group's identified staff is redefined in line with the Group's new organisational structure. The percentage incidence with respect to the Group staff is almost the same.

### Identified Staff

<b>193</b>	persons
<b>1%</b>	Group staff
<b>17</b>	new persons compared to 2022



- Identified staff of Group 123
- Identified staff of legal entity 70

### Top Identified Staff

#### For Parent Company:

Chief Executive Officer, General Manager (where appointed), CFO Joint General Manager, CBO Joint General Manager, senior operational and executive managers, CRO and First-line managers

#### For Banca Akros and Banca Aletti:

Chief Executive Officer, General Manager, Joint General Manager and Deputy General Manager (where present)

#### For Banco BPM Vita and Banco BPM Assicurazioni:

Chief Executive Officer

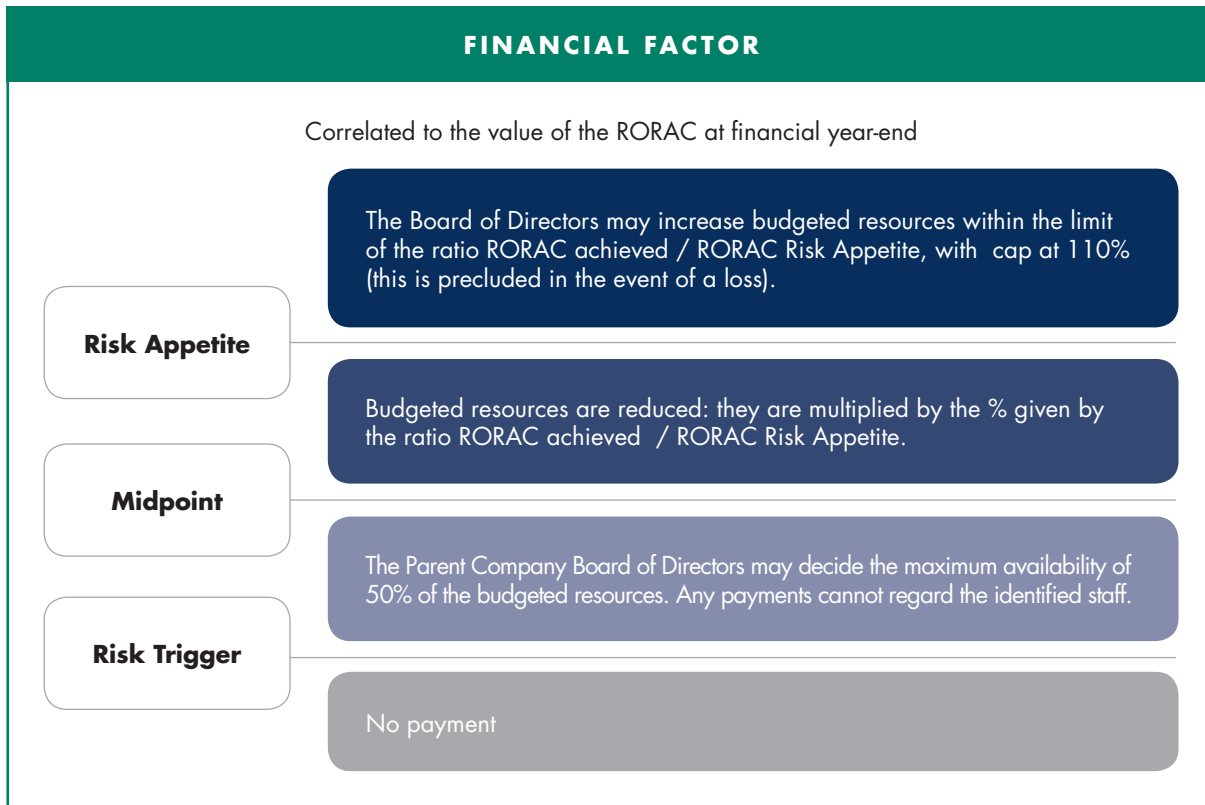
## PAY FOR PERFORMANCE (SHORT-TERM INCENTIVE PLAN FOCUS)

The award of the short-term incentive (STI) takes into account the profitability, the necessary levels of capital resources and liquidity (entry gates). For the identified staff of functions with control tasks, the award is not subject to profitability indicators in order to avoid that the incentive is linked to economic results, as envisaged by the Bank of Italy Supervisory Regulations.

ENTRY GATES	
<p><b>Consolidated entry gates</b></p> <ul style="list-style-type: none"> <li>• CET1 ratio</li> <li>• MDA buffer &gt; RAF Risk Trigger threshold</li> <li>• LCR regulatory</li> <li>• NSFR regulatory</li> </ul> <ul style="list-style-type: none"> <li>• UOC &gt; 0</li> </ul>	<p><b>Company entry gates</b> in addition to consolidated ones</p> <p>For Banca Akros and Banca Aletti</p> <ul style="list-style-type: none"> <li>• UOC &gt; 0</li> </ul> <p>For Banco BPM Vita and Banco BPM Assicurazioni</p> <ul style="list-style-type: none"> <li>• Solvency ratio &gt; RAF Risk Trigger threshold</li> </ul>

The final amount of economic resources available is determined by applying **pre-established rules**, through:

- the **financial adjustment factor**, which compares the result of the consolidated risk adjusted Return on Risk adjusted Capital (RORAC) profitability indicator with the relative Risk Trigger and Risk Appetite thresholds defined within the Risk Appetite Framework. It acts also as an entry gate: **results equal to or lower than the Risk Trigger eliminate economic resources**. In case of successful fulfilment of the entry gates and concomitant consolidated loss, the economic resources provided for in the budget are automatically reduced in advance with respect to the application of the financial adjustment factor;
- the **non-financial adjustment factor**, related to the results of the consolidated ECAP Reputational Risk and Anti Money Laundering (AML) indicators with respect to the related Risk Trigger thresholds defined within the Risk Appetite Framework. **This mechanism can reduce the economic resources**.



The **ECAP Reputational Risk** indicator represents the amount of economic capital against reputational risk estimated through an internal model. The status of the Group’s reputation is monitored through the collection and analysis of indicators, both of a quantitative and qualitative nature, that may influence, on the basis of their characteristics, the Group’s reputation in regard to the main stakeholders (customers, shareholders, market counter parties, regulators, employees, and the financial community) in an actual, prospective and stressed perspective. The indicators refer to the macro-areas of market risk, litigation or sanctioning, IT services, Corporate Social Responsibility and regulatory affairs. To understand the reputation of the Group discussed on Internet platforms, the internal model also considers a measure relating to the sentiment in the social-media arena, based on machine learning and artificial intelligence techniques and tools. The estimation methodology also includes the assessment of potential negative economic and financial impacts originating from a sudden deterioration of the Group’s image in relation to the possible occurrence of ESG risks.

The **AML** represents the ratio between total high-risk customers (maximum classification in the internal model for the management of the money laundering risk) and total customers.

### NON-FINANCIAL FACTOR

Can reduce the economic resources

		ECAP Reputational Risk	
		Result < Risk Trigger	Result ≥ Risk Trigger
AML	Result < Risk Trigger	No reduction	-10%
	Result ≥ Risk Trigger	-10%	-20%

## VARIABLE TO FIXED RATIO

The limit of 2:1 for the ratio between the variable and fixed component of the remuneration for selected figures deemed strategic is confirmed (increase approved by the Shareholders' Meeting of 7 April 2018). Such limit may regard a maximum of 125 people.

<b>2:1</b>	specific strategic persons selected from top identified staff and finance, corporate, investment banking, private banking staff
<b>70%</b>	manager responsible for preparing the Company's financial reports
<b>1/3</b>	other staff of functions with control tasks
<b>1:1</b>	other staff

## PAY OUT FOR IDENTIFIED STAFF

The variable remuneration of identified staff is paid over six or five years, divided into an up-front portion and five or four annual deferred portions **subject to the positive verification of future conditions**.

The **up-front portion** is equal to 60%, if the annual variable remuneration is less than Euro 435,000, or 40%, if it is equal to or greater than Euro 435,000. 50% of the up-front portion is awarded in Banco BPM ordinary shares.

The **deferred portions** consist of:

- five annual portions of the same amount, deferred in the five-year period following the year of vesting of the up-front portion, for 55% in Banco BPM ordinary shares, for:
  - senior identified staff;
  - the heads of the main business lines of Banca Akros or Banca Aletti directly reporting to the Chief Executive Officer or to senior management of Banca Akros or Banca Aletti, if the annual variable remuneration amount awarded is equal to or greater than Euro 435,000;
- four annual portions of the same amount, deferred in the four-year period following the year of vesting of the up-front portion, for 50% in Banco BPM ordinary shares, for identified staff not included in the previous point.

For the vested shares, a one-year retention period (selling restriction) is envisaged for both up-front and deferred portions. The vesting of each deferred portion is subject to fulfilment of the consolidated entry gates envisaged for the short-term incentive plan of the financial year preceding the vesting of the same (malus mechanism).

As envisaged by the Bank of Italy Supervisory Regulation, if the annual individual variable remuneration is lower than or equal to Euro 50,000 and at the same time lower than or equal to 1/3 of the total annual individual remuneration, the relative amount will be paid in cash and in a lump sum.



Payment of the incentive awarded in the case of:

- A: Senior identified staff, variable remuneration < 435,000 €  
 B: Senior identified staff or heads of main business lines of Banca Akros or Banca Aletti, directly reporting to the CEO or to the senior management of Banca Akros or Banca Aletti, variable remuneration ≥ 435,000 €  
 C: Identified staff included in the heads of main business lines of Banca Akros or Banca Aletti, directly reporting to the CEO or to the senior management of Banca Akros or Banca Aletti, and other identified staff, variable remuneration < 435,000 €  
 D: Other identified staff, variable remuneration ≥ 435,000 €

## MALUS AND CLAW-BACK PROVISIONS

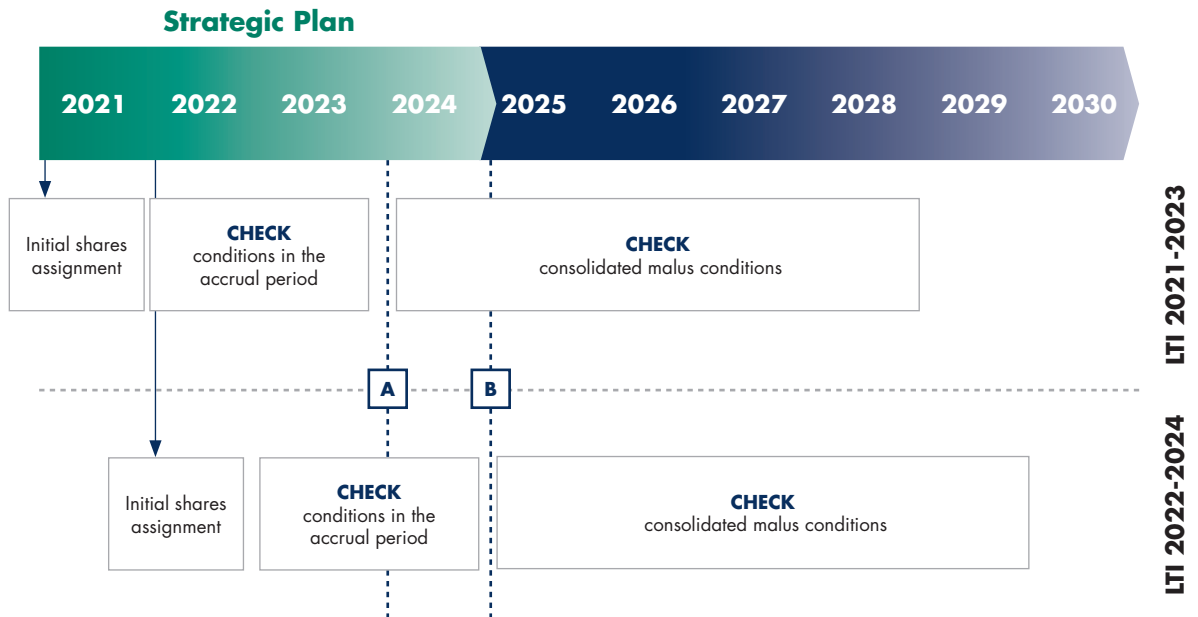
If, during the year, any misconduct is ascertained, the action to take is assessed, which may reduce or cancel the variable remuneration for the financial year and may activate mechanisms to return the variable remuneration already vested (claw-back clause), from the time of its vesting up to the following five years.

### MISCONDUCT

- suspension from office
- non-compliant behavior which resulted in a loss deemed significant
- breaches of the requirements stated pursuant to art. 26 or, when the person is an interested party, pursuant to art. 53 of the Consolidated Bank Law, or pursuant to art. 76 of the Code of Private Insurance
- violation of the obligation not to use personal hedging strategies or insurance on remuneration
- fraudulent or grossly negligent conduct to the detriment of the Group or which resulted in a significant damage to customer

## LONG TERM INCENTIVE (LTI)

The long-term incentive plan supports the 2021-2024 Strategic Plan, to pursue results that create long-term value for all relevant stakeholders, and envisages two accrual periods (LTI 2021-2023 and LTI 2022-2024).



### CHECK gates and CHECK performance objectives

- A LTI 2021-2023
- B LTI 2022-2024

The plan is consistent with the framework for determining risk appetite and with risk governance and management policies. It is related to financial and non-financial indicators, including ESG objectives.

The LTI incentive is paid in full in Banco BPM ordinary shares and commensurate with the conditions and long-term performance objectives of the Group.

After the three years of the accrual period, upon the occurrence of all conditions, the LTI incentive to be awarded is paid in an up-front portion (40%) and in deferred portions which will be paid after the positive verification of all the conditions envisaged in the vesting period.

The same malus and claw-back conditions as the short-term incentive plan are envisaged.

### PLAN CONDITIONS AT CONSOLIDATED LEVEL

INDICATOR	LTI 21-23	LTI 22-24	COMPARISON VALUE
CET 1 ratio fully loaded (*)	✓	✓	
Leverage ratio fully loaded (*)	✓		> Risk Trigger threshold defined under the RAF in the last year of the performance period (*)
MDA buffer (*)		✓	
NSFR regulatory (*)	✓	✓	
UOC (*)	✓	✓	> 0
(*) 2023 for 2021-2023 LTI, 2024 for 2022-2024 LTI.			
Failure to fulfil a single condition does not allow the corresponding LTI incentive to be awarded.			
For each year, if consolidated CET1 ratio < threshold envisaged for the short-term incentive plan: -10% shares			



## PERFORMANCE OBJECTIVES

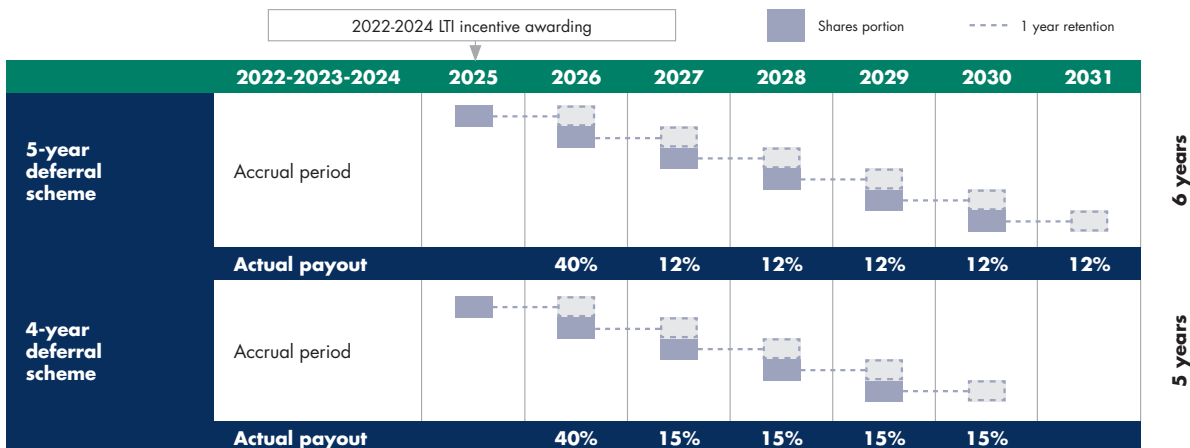
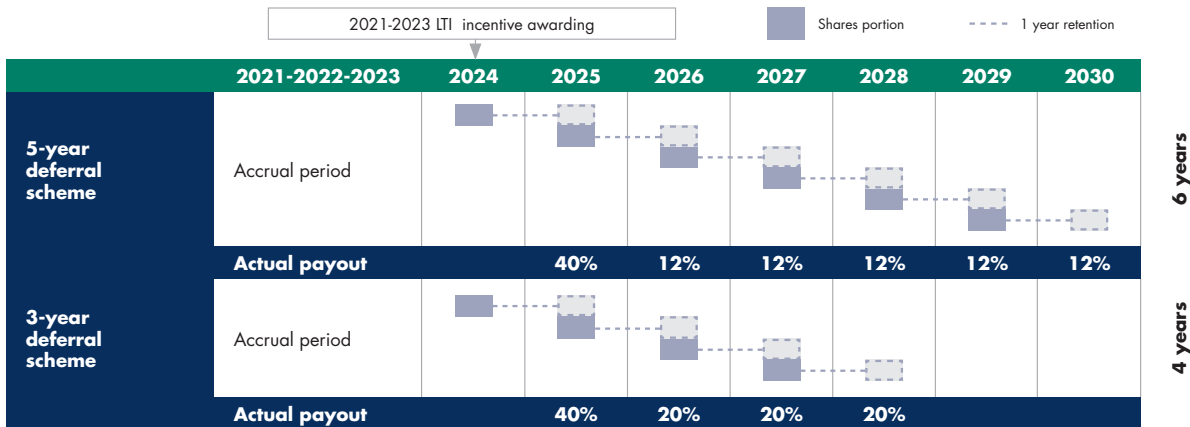
No shares are awarded below the minimum levels (floor).  
The number of shares to be awarded does not increase further above the maximum levels (cap).

LTI 2021-2023	WEIGHT	FLOOR	CAP
ROTE at 2023	35%	5%	7%
Gross NPE ratio at 2023	35%	6.9%	5.4%
TSR vs peers	15%	median	> 70%ile
Rating Standard Ethics		EE	EE+
Increase of women in managerial positions as at 31/12/2023	15%	+15%	+33%
Emissions of CO <sub>2</sub>		-50%	carbon neutrality
Voluntary work (number of hours)		6,000	8,000

LTI 2022-2024	WEIGHT	FLOOR	CAP
ROTE at 2024	35%	7%	9%
Gross NPE ratio at 2024	35%	6.3%	4.8%
TSR	15%	18%	48%
Rating Standard Ethics		EE+	EEE-
Women in managerial positions as at 31/12/2024	15%	28%	30%
Voluntary work (number of hours)		10,000	12,000

## CONDITIONS DURING THE VESTING PERIOD

For each year: consolidated malus conditions of the short-term incentive



## PARENT COMPANY CHIEF EXECUTIVE OFFICER

### Total remuneration

The Chief Executive Officer's remuneration envisages a balanced mix of fixed and variable components. The variable component is divided between the short-term one (short-term incentive plan, STI) and the long-term one (long-term incentive plan, LTI) for each year of the 2021-2024 Strategic Plan.

At the meeting held on 7 March 2023, the Board of Directors determined the Chief Executive Officer's fixed remuneration, on the proposal of the Remuneration Committee and with the opinion of the Board of Statutory Auditors. The report prepared by the Remuneration Committee considered the evolution of Banco BPM's economic results over the last three years, which showed a significant trend of improvement in terms of profitability generated, cost-to-income ratio, de-risking, total return and positioning in terms of sustainability.

#### Three-year period 2020 - 2022

UOC (*)	ROTE (*)	Cost to income ratio (*)	Stock NPE (*)	Total return in the three-year period	Appreciation of the share
+54%	+43%	-3%	-22%	+77%	+64.4%

(\*) Compound annual growth (decrease) rate over the three-year period

Standard Ethics		Bloomberg Gender Equality Index		Green or social bonds issues	
2021	2022	2021	2022	2021	2022
EE-	EE	73.9	79.66	0.5 bln	2.050 bln

The Remuneration Committee report also concerned the verification of the level of competitiveness of the remuneration components. The verification showed a misalignment of about -30% with respect to the market median for the fixed component, which, moreover, has remained unchanged in the last six years. Also considering the recent interventions, for a total of about Euro 38 million, in favour of staff in the professional areas and middle management categories to enhance their commitment and dedication, the Board of Directors therefore decided to determine the fixed gross annual remuneration (GAR) as Euro 1.45 million, amount that remains below the median market value (about -11%). The Board of Directors also determined to associate a maximum incentive equal to the GAR with the 2023 short-term incentive plan, to be awarded in correspondence with the maximum performance.

In consideration of the maximum incentive of the long-term incentive plan (annual pro-rata), assigned at the launch, the increase of the total annual remuneration is less than 14%.

# 183%

The 2023 variable component can reach a maximum of 183% of the fixed component, a percentage lower than the 200% upper limit established by the Shareholders' Meeting.

### Remuneration components - Percentage of maximum limit (2:1)

- fixed remuneration 33%
- STI 33%
- LTI (annual pro rata) 28%



The maximum number of awardable shares for the LTI plan was determined ex ante on the basis of the maximum opportunity and the arithmetic average of the official prices of the thirty days prior to the Shareholders' Meeting which approved it. Such number is equal to 1,490,498 for the 2021-2023 LTI plan and 444,339 for the 2022-2024 LTI plan. For the 2023 STI plan, the number of shares is estimated at 184,602 (based on the official closing price of 7 March 2023, equal to Euro 4.1630).

### CEO's share ownership as of 31/12/2022 (number of shares)

**1,337,235**

The value amounts to about 4 times the GAR (based on the official closing price of 7/3/2023).

Considering also about 600,000 shares that vested as of 31/12/2022 and are not yet in the CEO's possession, the countervalue rises to about 5.6 times the GAR

### The appreciation of the Banco BPM share did not result in any windfall situations.

In 2020, considering the healthcare emergency situation, the bank postponed the start of the 2021 long-term incentive plan to contain the variable remuneration for the year. This decision reduced the number of shares assigned in 2020. For the Chief Executive Officer, only 6% of all the shares assigned and vesting is related to 2020.

### Short term incentive (goal setting STI)

For the Chief Executive Officer of the Parent Company, the same provisions envisaged for the identified staff not belonging to functions with control tasks are applied (consolidated entry gates and financial and non-financial adjustment factors).

The objectives assigned for 2023 concern the areas of profitability, credit and asset quality, liquidity, capital adequacy and ESG (Environmental, Social and Governance). The ROTE KPI is not proposed again, differently than in 2022, to avoid a double award for achieving the same objective since it was already provided for in the LTI 2021-2023 plan. The objectives represent a combination of quantitative and qualitative criteria, relating to the Group's results. The risk-based indicators represent 60% of the total, the ESG indicators represent 20%. The methodology for the definition of the objectives approved by the Board of Directors is strongly linked to the Appetite, ensuring full consistency with the RAF framework. The weighted score attributed to each KPI amounts to 80% of the weight assigned in the case of a minimum result and 120% in the case of a maximum result. The amount of the incentive is quantified in proportion to the performance achieved, only if the sum of the weighted scores of the individual KPIs is at least equal to 80% (in that case, the incentive amounts to 80% of the target incentive), otherwise the incentive is not awarded. If the maximum performance of 120% is achieved, the incentive amounts to 120% of the target incentive.

#### Consolidated entry gates

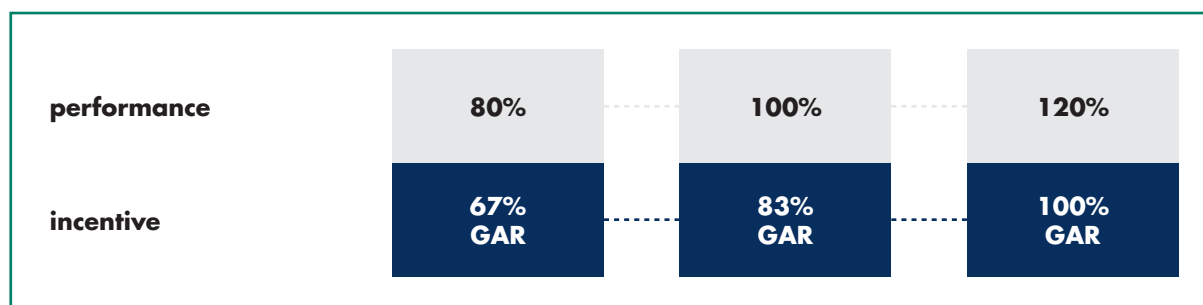
- CET1 ratio
- MDA buffer
- LCR regulatory
- NSFR regulatory
- UOC

#### Financial factor

- RORAC with prior reduction in case of a consolidated accounting loss

#### Non-financial factor

- ECAP Reputational Risk
- AML



	AREA	OBJECTIVE	WEIGHT	MIN	TARGET	MAX
Financial KPIs	Profitability	Consolidated RORAC (*)	20%	-10%		+10%
		Consolidated Cost to Income ratio (**)	20%	+3%		-3%
	Credit and asset quality	Credit Policies Indicator (*)	10%	-2.5%	Risk Appetite	+2.5%
	Capital adequacy	Maximum Distributable Amount (MDA) buffer (*)	20%	-5%		+5%
	Liquidity	Regulatory consolidated Net Stable Funding Ratio (NSFR) (*)	10%	-5%		+2%
Non-financial KPIs	ESG	- Share of new disbursements in green and low-risk transition sectors	10%	-5%	58%	+5%
		- Share of ESG Corporate bond in own portfolio		-5%	27%	+5%
		- Green or social bonds issues		KPI gate: € 800 millions		
	Sustainability	Qualitative assessment drawn up by the Board of Directors, after consultation with the Remuneration Committee, on the following drivers: - supervision and development of the areas related to the Thematic Review - operational and reputational risk management - promotion of values and behaviors in line with the corporate culture	10%	in line with expectations	above expectations	excellent

(\*) Objective Risk based, calculated according to the RAF methodology. (\*\*) Objective calculated according to the RAF methodology.

### Short-term incentive (goal setting STI)

The provisions for the identified staff of the reference category (i.e., belonging or not to the functions with control tasks) apply to executives with strategic responsibilities. The variable remuneration is defined within the maximum limit envisaged, having as reference the level of the position, the type of activity carried out also in relation to proximity to the business, the overall individual remuneration with reference to market benchmarks and the need for differentiation for purposes of retention. The objectives assigned represent a combination of quantitative and qualitative criteria.

The weighted score attributed to each KPI amounts to 80% of the weight assigned in the case of a minimum result and 120% in the case of a maximum result. The amount of the incentive is quantified in proportion to the performance achieved, only if the sum of the weighted scores of the individual KPIs is at least equal to 80% (in that case, the incentive amounts to 80% of the target incentive), otherwise the incentive is not awarded. If the maximum performance of 120% is achieved, the incentive amounts to 120% of the target incentive.

### Functions without control tasks

The objectives assigned to executives with strategic responsibilities not belonging to functions with control tasks, including the Joint General Managers of the Parent Company, regard the areas of profitability, credit and asset quality, liquidity, capital adequacy and qualitative aspects, with reference to the implementation of ESG initiatives and to operational and reputational risk.

<p><b>Consolidated entry gates</b></p> <ul style="list-style-type: none"> <li>• CET1 ratio</li> <li>• MDA buffer</li> <li>• LCR regulatory</li> <li>• NSFR regulatory</li> <li>• UOC</li> </ul>	<p><b>Financial factor</b></p> <ul style="list-style-type: none"> <li>• RORAC with prior reduction in case of a consolidated accounting loss</li> </ul> <p><b>Non-financial factor</b></p> <ul style="list-style-type: none"> <li>• ECAP Reputational Risk</li> <li>• AML</li> </ul>
---	--

AREA	INDICATORS	WEIGHTS RANGE
Risk based (*)	Indicators related to a first or second pillar risk measurement or included in the Risk Appetite Framework insofar as linked, even indirectly, to the management of credit risk and financial risk or indicators related to the management of regulatory, legal, operational and conduct risk.	20%-45%
ESG	Indicators related to the Environmental, Social and Governance dimension, such as for example relating to the annual declination of ESG objectives of the Strategic Plan.	10%
Structur objectives	Indicators related to growth, profitability, productivity or to strategic actions directly relating to the scope of responsibility.	35%-60%
Qualitative performance	Assessment by the manager, on specific drivers also referred to the area of sustainability.	10%

(\*) The indicators taken from the Risk Appetite Framework are calculated according to the RAF methodology.

### Components of remuneration - Average incidence compared the cap (2:1)

- fixed remuneration 33%
- STI 27%
- LTI (annual pro rata) 18%



## Functions with control tasks

The objectives assigned to executives with strategic responsibilities belonging to functions with control tasks relate to the verification activities in the areas of competence, risk management and qualitative aspects, with reference to the resolution of findings.

Consolidated entry gates	Non-financial factor
<ul style="list-style-type: none"> <li>• CET1 ratio</li> <li>• MDA buffer</li> <li>• LCR regulatory</li> <li>• NSFR regulatory</li> </ul>	<ul style="list-style-type: none"> <li>• ECAP Reputational Risk</li> <li>• AML</li> </ul>

AREA	INDICATORS	WEIGHTS RANGE
Risk based (*)	Indicators related to a first or second pillar risk measurement or included in the Risk Appetite Framework insofar as linked, even indirectly, to the management of credit risk and financial risk or indicators related to the management of regulatory, legal, operational and conduct risk.	25%
Operational excellence and compliance	Indicators related to the effectiveness of the control activity and to the resolution of findings, for internal control functions.	15%
Structur objectives	KPIs related to the area of responsibility or to the activities carried out in relation to the position, also with reference to the ESG area.	50%-65%
Qualitative performance	Assessment by the manager, on specific drivers also referred to the area of sustainability.	10%

(\*) The indicators taken from the Risk Appetite Framework are calculated according to the RAF methodology.

## Components of remuneration - Average incidence compared to the cap

- fixed remuneration 75%
- STI 25%



## SEVERANCE PAYMENTS

Amounts for early termination of employment can be awarded up to a maximum limit of 24 months of fixed remuneration (excluding indemnity for lack of notice, determined by legislative provisions) and for up to a maximum value of Euro 2.9 million (employee gross amount). The combination of such maximum limit, the indemnity for lack of notice and any non-competition clauses upon termination of employment gives rise to an amount that falls within the limit of 24 months of remuneration including the short-term variable amount, a criterion commonly used in the Italian market.

The award is made upon termination, even in the case of individual agreements signed in view of the early termination of employment. **It is subject to the positive verification of the capital adequacy and liquidity conditions at consolidated level**, with reference to the previous year, related to the Common Equity Tier 1 (CET1) ratio and the regulatory Liquidity Coverage Ratio (LCR).

The amount is determined considering each relevant element, and in any event:

- the positive results achieved over time;
- the circumstances that led to the termination, taking into account the interests of the company also to avoid the threat of legal proceedings;
- the tasks performed and/or positions held in the course of the employment relationship, also in the sense of risks assumed by the person;
- the duration of the employment relationship and of the position;
- savings as a result of early termination of employment.

For identified staff, any golden parachute awarded is paid according to the same methods as for the short-term incentive plan, i.e., over six or five years and partly in shares subject to retention periods.

		LCR REGULATORY		
		R > RISK TOLERANCE	MIDPOINT (*) ≤ R ≤ RISK TOLERANCE	R < MIDPOINT (*)
CET1 RATIO	R > RISK TOLERANCE	Proceed with award.	The Parent Company Board of Directors can decide the potential availability of economic resources.	No award.
	MIDPOINT (*) ≤ R ≤ RISK TOLERANCE	The Parent Company Board of Directors can decide the potential availability of economic resources.	The Parent Company Board of Directors can decide the potential availability of economic resources.	No award.
	R < MIDPOINT (*)	No award.	No award.	No award.

(\*) Midpoint between the Risk Capacity and Risk Tolerance thresholds.







Section I  
2023 Policy-on-remuneration  
report

## Section I

# 2023 Policy-on-remuneration report

### DEFINITIONS

The following definitions are used in this document, notwithstanding that covered by the Supervisory Regulations:

- Parent Company, Banco BPM parent company of the Banco BPM Group;
- Group companies, the Parent Company and subsidiary companies (the Banco BPM Banking Group companies and the insurance companies);
- the Bank of Italy Supervisory Regulations, Circular no. 285/2013 "Supervisory Provisions for Banks", update 37 of 24 November 2021, First Part, Title IV, Chapter 2 "Remuneration and Incentive Policies and Procedures";
- Staff, where not otherwise specified, the members of Bodies with supervisory, management and control functions, employees and non-employed staff (including financial agents, insurance agents and financial advisers available for outside offers);
- identified staff, the individuals whose professional activity has, or could have, a significant impact on the risk profile of the Group, the bank or the insurance company;
- other staff, all those not included among the identified staff;
- internal control functions, the functions and structures of the Parent Company: compliance with regulations (Compliance), anti-money laundering, internal audit (Audit), risk control (Chief Risk Officer), validation (Internal Validation);
- key functions, the functions and structures of the insurance companies: Compliance, internal Audit, Risk Management, actuarial;
- functions with control tasks, the internal control functions and the manager responsible for preparing the Company's financial reports, the key functions and the anti-money laundering function of the insurance companies;
- incentive, the amount of variable remuneration linked to the short-term incentive plan (STI);
- long-term incentive, the amount of variable remuneration linked to the long-term incentive plan (LTI);
- bonus pool, the consolidated financial resources provided in the budget for the year to pay the incentive, the company bonus (Credit National Labour Collective Agreement) and the production company bonus (ANIA National Labour Collective Agreement);
- award, the granting of variable remuneration for a specific accrual period, regardless of the actual point in time when the awarded amount is paid;
- vesting, the effect by which the member of staff becomes the legal owner of the awarded variable remuneration, regardless of the instrument used for payment or the fact that the payment is subject to further retention periods or to return mechanisms;
- share assignment, the bank's commitment to an individual to award shares subject to the fulfilment of specific conditions envisaged in the short-term and long-term incentive plans;
- deferral, any form of postponement, in an established time frame, of the vesting of part of the variable remuneration;

- UOC, profit from current operating activities before tax net of non-recurring items identified for the purpose of complying with Consob Communication no. DEM/6064293 of 28 July 2006 and reported in the Directors' Report on Group Management for the year 2023, as well as without any gains or losses resulting from the fair value measurement of the certificates issued. The method used to calculate the UOC is regulated by an internal process rule;
- Risk Appetite Framework (RAF), the Group's reference framework that defines risk appetite, tolerance thresholds, limits of risk, risk management policies and the processes needed to define and implement them.

## 1. REFERENCE LEGISLATIVE FRAMEWORK

In the banking area, on 24 November 2021, the Bank of Italy issued provisions on remuneration policies and practices in banks and banking groups (update 37 of Circular no. 285/2013, hereinafter Bank of Italy Supervisory Regulations), to implement the new contents of Directive 2019/878/EU (CRDV) and the "Guidelines for sound remuneration policies"<sup>1</sup> of the European Banking Authority (EBA), which implement the Directive.

On 19 March 2019, the Bank of Italy updated the "Provisions regarding the transparency of banking and financial transactions and services. Fairness of relations between intermediaries and customers" (Transparency Provisions) with which, inter alia, the "Guidelines on remuneration policies and practices for staff responsible for offering banking products and for third parties employed in the banking network sale" were implemented, issued by the EBA in September 2016<sup>2</sup>.

With regard to investment services, the Intermediaries Regulation applies, adopted by Consob with resolution no. 20307/2018 (art. 93) and most recently updated with Resolution of 28 July 2022, as well as Delegated Regulation 2017/565/EU which supplements Directive 2014/65/EU (MIFID II).

With reference to the insurance sector, on 3 July 2018 the Italian Insurance Authority (IVASS) issued IVASS Regulation no. 38 on the corporate governance of companies and insurance groups, which implements Directive 2009/138/EU (Solvency II), implements the Guidelines of the European Insurance and Occupational Pensions Authority (EIOPA) on the corporate governance system and contains the provisions relating to the remuneration policy.

With regard to listed companies, Articles 123-ter of Legislative Decree 58/1998 and 84-quater of the Issuers' Regulation (Consob Resolution no. 11971/1999) apply, which have implemented the provisions contained in the Shareholder Rights Directive 2 (2017/828/EU). In addition, in terms of self-regulation, the Corporate Governance Code of January 2020 applies.

The 2023 Policy complies with the above-mentioned regulatory framework of reference and transposes Delegated Regulation (EU) no. 923/2021 of 25 March 2021, published on 9 June 2021, concerning the technical regulatory standards for the identified staff, and Regulation (EU) 2021/637, concerning the technical standards for drawing up the information on the main elements of the remuneration policy and its related implementation methods.

<sup>1</sup> Issued on 2 July 2021.

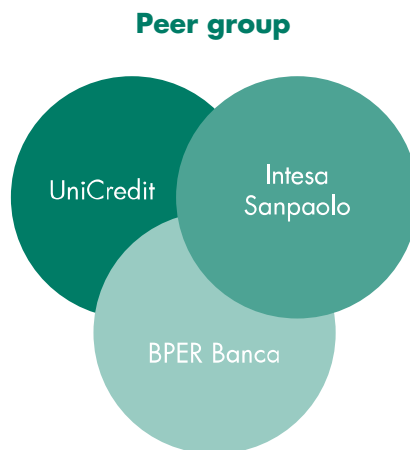
<sup>2</sup> In December 2016 in the Italian version.

Please refer to the sections implementing the transparency provisions: par. 2 Purpose and Principles of the 2023 Policy, par. 5.3 Remuneration of External Non-Employed Staff, par. 6.5 Short-term Incentive Plan, par. 6.7 Malus and Claw-Back Mechanisms.

## 2. PURPOSE AND PRINCIPLES OF THE 2023 POLICY

The remuneration policy represents an important management lever to attract, motivate and retain staff. It steers behaviour towards the containment of the risks taken on (including legal and reputational), protecting customers and increasing loyalty while also being careful to manage conflicts of interest. The policy also pursues sustainable success, which produces long-term value for the benefit of shareholders in the interest of the Group's key stakeholders.

The 2023 Policy defines the guidelines of the remuneration systems to pursue long-term strategies, objectives and results, in line with governance and risk management policies. The 2023 Policy strengthens the correlation between the variable remuneration of management and staff and the ESG (Environmental, Social, Governance) factors. Variable remuneration is therefore related to strategic actions concerning environmental issues, health and safety, human resource management, with particular attention to inclusiveness and gender neutrality.



The 2023 Policy was also drawn up in accordance with the results of the analysis of the remuneration policies of the main competitors to identify the best market practices and establish mechanisms which, in compliance with the legislative framework, enable the Group to attract and retain individuals whose professionalism and expertise meet the Company's needs, with a view to achieving a competitive advantage and good governance.

Pursuing internal fairness as regards remuneration has a profound impact on staff motivation and therefore, on performance; evaluating it with respect to the external labour market enables the best talents to be retained as well as attracting external ones.

For this purpose, the Group has implemented a system for assessing positions with the support of a leading consultancy company using the international IPE (International Position Evaluation) methodology.

Banco BPM’s staff remuneration policy is gender neutral.

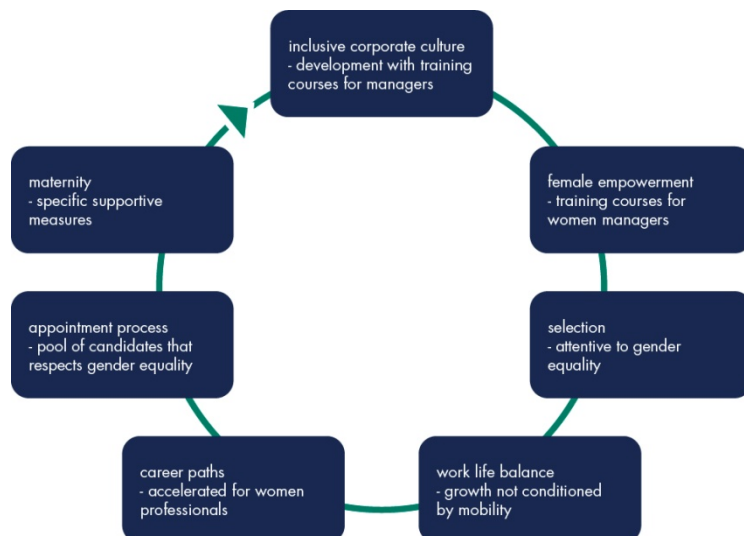
This principle is part of the Group’s people strategy: the objective of promoting inclusion and the enhancement of talent and diversity of each individual is one of the enabling factors of the 2021-2024 Strategic Plan which rests upon a people-oriented approach to develop skills and competences.

**“WOMEN IN BANK”:  
ENHANCE GENDER DIVERSITY**

In June 2019, we joined the ABI (Italian Banking Authority) initiative aimed to:

- **promote an inclusive work environment** and open to the values of diversity also gender;
- **strengthen the methods of selection and development** to promote equal gender opportunities;
- **spreading the full and effective participation of women** at every levels of the company;
- **promoting gender equality even outside the bank**, for the benefit of the reference community;
- **carry out initiatives to guide and enhance company policies** as regards gender equality.

Since 2021, the Group, in advance of the regulatory requirements, has implemented actions aimed at increasing the representativeness of female roles in managerial positions; a specific objective has been established related to the growth of female staff in managerial roles within the long-term incentive plan and a target as part of the 2021-2024 Strategic Plan. In addition, to ensure the neutrality of the remuneration policy with respect to gender, the Group has adopted measures concerning the selection, training and development processes. These include a program dedicated to women to encourage the development of managers and professionals, with personalised growth paths that include training, mentoring and coaching, management actions, shadowing and job rotation useful for integrating the knowledge acquired with diversified experiences.



The Group is carrying out a cultural change that, through respect for the person regardless of role, leads to the recognition and enhancement of diversity in all its meanings (e.g. gender, age, culture). The initiatives implemented led to a significant increase in female staff in managerial roles which, in approximately 18 months, stood at around +31%.

The analysis of the neutrality of the remuneration policy with respect to gender is carried out by means of a methodology that correlates the remuneration data to the positions held: for managers, responsibilities and managerial complexity is considered (according to the international IPE methodology) and, for the remaining staff, the type of activities performed. This system makes it possible to verify that staff have an equal level of remuneration for the same value of the managerial position or activity carried out, and to identify any gender pay misalignments, in order to define actions to implement. The holistic approach adopted by Banco BPM, which includes actions related to the various elements of the people strategy, makes it possible to pursue and maintain the neutrality of the remuneration policy with respect to gender over time.

As part of the periodic review of the remuneration policy, the Board of Directors, with the support of the Remuneration Committee, evaluates the neutrality of the remuneration policy with respect to gender, and verifies the gender pay gap and its evolution over time.

For the second consecutive year, Banco BPM was included in the Bloomberg Gender Equality Index, with a score of 79.66, higher than the previous year and above the average of 74.11 for the global financial sector, which includes 153 companies.

### **3. PROCESS OF ADOPTION AND MONITORING OF THE BANCO BPM GROUP REMUNERATION POLICY**

#### **3.1. Adoption process**

The approval of remuneration policies is reserved to the Shareholders' Meeting for companies that adopt the traditional system of management and supervision, such as Banco BPM.

The decision-making process followed to define the policy, bodies and individuals involved in the drafting, preparation and approval thereof are set out below along with the bodies and parties responsible for its correct implementation.

##### *3.1.1 Shareholder's Meeting*

For companies governed with the traditional management and supervision model, the law gives the Shareholders' Meeting the power to establish the remuneration of the members of the Board of Directors<sup>3</sup>, and the remuneration of the statutory auditors.<sup>4</sup> The Shareholders' Meeting is also responsible for approving remuneration policy for members of the Board of Directors, statutory auditors and other staff.

In particular, in accordance with the Bank of Italy Supervisory Regulations, the Shareholders' Meeting decides on the approval: (i) of the remuneration policy, including any proposal by the Board of Directors to establish a limit to the ratio between the variable and fixed components of the individual remuneration of identified staff, higher than 1:1, but not exceeding the limit established by the regulations in force from time to time; (ii) remuneration plans based on financial instruments; (iii) criteria for determining payment to be agreed in the case of early termination of employment or office, including fixed limits such as payment in terms of years of fixed remuneration

<sup>3</sup> Articles 2364 and 2389 of the Italian Civil Code.

<sup>4</sup> Article 2402 of the Italian Civil Code.

and the maximum amount that results from the implementation thereof, pursuant to the applicable statutory provisions.<sup>5</sup>

Pursuant to the Bank of Italy Supervisory Regulations, the Shareholders' Meeting receives a report, at least annually, on remuneration systems and procedures as well as the way in which remuneration policies are implemented.

The Shareholders' Meeting gives an opinion, in favour or against, on the first section (with a binding decision) and on the second section (with a non-binding decision) of the Report<sup>6</sup>.

### *3.1.2 Parent Company Board of Directors*

Pursuant to the Bylaws<sup>7</sup>, the Board of Directors is responsible for supervising business strategy and management.

Pursuant to the Bylaws<sup>8</sup>, and subject to the Shareholders' Meeting's responsibilities<sup>9</sup>, the Board of Directors establishes - at the suggestion of the Remuneration Committee and taking account of the Board of Statutory Auditors' opinion - the remuneration of members of the Board of Directors appointed to particular offices or responsibilities or delegated responsibilities, or those that are assigned to committees in accordance with the Bylaws.

Without prejudice to the Remuneration Committee's advisory and proposal powers as outlined in paragraph 3.1.4 below, the Board of Directors: (i) shall draw up the remuneration policy at least annually, submit them to the Shareholders' Meeting and re-examine them, and is responsible for their correct implementation, (ii) shall ensure that the remuneration policy is documented and accessible to staff and that they are aware of the consequences of any breaches of regulations or of codes of ethics or of conduct; (iii) shall ensure that the remuneration and incentive systems guarantee compliance with legislation, statutory regulations and any codes of ethics or of conduct, promoting the adoption of behaviour in compliance with the aforementioned; (iv) shall define the remuneration and incentive systems, at least for the executive directors, members of general management (and similar figures), those responsible for main business lines, corporate functions or geographical areas, those who report directly to the Corporate Bodies, the management and staff of higher-level internal control functions (and, specifically, ensure that these systems are consistent with the Bank's decisions in terms of risk exposure, strategy, long-term objectives, framework of corporate governance and internal control).

### *3.1.3 Parent Company Chief Executive Officer*

Pursuant to the Bylaws, the Board of Directors appoints a Chief Executive Officer<sup>10</sup> from among its members and confers specific responsibilities and powers upon the appointed person.

The Chief Executive Officer, among other things, supervises and manages staff, applying the Parent Company's and the Group's human resource policies.<sup>11</sup> In this regard, and with reference to this report, on the basis of powers awarded to the Chief Executive Officer, he/she shall have the power - which may be delegated to others - to: (i) make proposals with regard to staff development and management policies as well as to the incentive systems of the Parent Company and subsidiary companies to submit to the approval of the Parent Company's Board of Directors; (ii) hire, promote and define the economic position of the staff of the Parent Company and the subsidiaries

<sup>5</sup> Pursuant to article 11.3. letter (g) of the Bylaws.

<sup>6</sup> Pursuant to article 123-ter of the Consolidated Law on Finance.

<sup>7</sup> Article 24.1.

<sup>8</sup> Article 22.1.

<sup>9</sup> Article 11.3. of the Bylaws.

<sup>10</sup> Article 28.1.

<sup>11</sup> Pursuant to article 28.2 of the Bylaws.

(apart from appointments under the control of the Board of Directors of the Parent Company or the subsidiaries) in accordance with the remuneration and incentive systems in force at the time.

### 3.1.4 Remuneration Committee

Pursuant to the Bylaws<sup>12</sup>, the Board of Directors shall establish a Remuneration Committee internally, approving the Regulations, which determine its responsibilities and operation, in accordance with the supervisory regulations.

The Remuneration Committee comprises three non-executive Directors, the majority of whom (one shall be chair) meet the independence requirements provided by article 20.1.6. of the Bylaws. At least one member of the Committee must have suitable knowledge and experience in the financial field or of remuneration policies.

The Remuneration Committee is responsible for the functions and tasks assigned by the Corporate Governance Code (which the Bank resolved to observe with board resolution of 14 December 2020) and by the applicable supervisory regulations (in particular Section II, par. 2 of Bank of Italy Supervisory Regulations).

In accordance with the provisions of the Bank of Italy Supervisory Regulations currently in force, the Bylaws and the specific Regulation, specifically, the Remuneration Committee, performs the following duties for the Parent Company, subsidiary banks and the Group's main non-banking companies:

- provides advice and makes proposals regarding the remuneration of directors, statutory auditors, general managers, joint general managers, deputy general managers, the manager responsible for preparing the Company's financial reports, heads of internal control functions and other staff, whose remuneration and incentive systems are decided by the Board of Directors;
- provides advice and makes proposals regarding the determination of the criteria for the remuneration of other identified staff;
- expresses opinions, also based on information received from specialist corporate functions and, specifically, the Human Resources function, on the achievement of performance objectives of the incentive plans and on the fulfilment of the other conditions for payment of remuneration.

For the performance of the assigned tasks, where appropriate, the Committee collaborates and coordinates with the other internal committees of the Board of Directors of the Parent Company and with the similar internal committees of the Boards of Directors of the other Group companies, also through joint meetings, without prejudice to the responsibilities of each committee.

The Committee also carries out the tasks assigned with the support of experts in risk management, capital and liquidity. To this end, the Committee makes use of the corporate risk control structures and, in particular, the Chief Risk Officer and the Head of Compliance. The Committee also has access to all business areas and functions of the Group and has the right to obtain any information, data or copy of documentation necessary for the performance of its duties. The Committee has a budget for specialist consultants with recognised experience, to perform its duties and exercise its powers in an independent manner.

Further information relating to the Remuneration Committee, including information referring to its operation, is available in the "Report on Corporate Governance and Ownership Structures," published on the website [gruppo.bancobpm.it](http://gruppo.bancobpm.it).

Between the end of 2022 and early 2023, the Committee met thirteen times (up to the date of approval of this Report) and performed evaluation, advice and/or proposal activities - depending on the case - in particular for: (i) the assessment of the impact of

---

<sup>12</sup> Article 24.4.1.



non-recurring components on profit from current operating activities before tax and on the Key Performance Indicators, as well as the verification of the conditions of access to the variable components of the remuneration vesting in 2023, on the basis of the results of 2022, implementing the provisions of the reference remuneration policies; (ii) the assessment of the performance of the Chief Executive Officer of the Parent Company in relation to the objectives assigned for the year 2022; (iii) the identified staff identification policy for 2023 and the results of its implementation; (iv) the definition of the remuneration policy proposal for the year 2023; (v) the proposal on the criteria for determining the amount possibly to be granted in the event of early termination of the employment relationship of staff, including the limits set in terms of annual fixed remuneration and the maximum amount resulting from their application; (vi) the criteria for defining the objective sheets of the 2023 Short-Term Incentive plan; (vii) the objectives to assign to the Chief Executive Officer of the Parent Company for the 2023 Short-Term Incentive Plan and his/her remuneration; (viii) the analysis of the neutrality of the remuneration policy with respect to gender and the verification of the gender pay gap with the support of a leading consultancy firm.

### *3.1.5 Internal Control, Risks and Sustainability Committee*

Pursuant to the Bylaws, the Board of Directors establishes an Internal Control, Risks and Sustainability Committee from among its members, approving the Regulations which determine its responsibilities and functioning in compliance with supervisory provisions.<sup>13</sup>

The Internal Control, Risks and Sustainability Committee comprises five non-executive Directors, the majority of whom (including the Chair) meet the independence requisites provided for in the Bylaws.<sup>14</sup> The members of the Committee must have the knowledge, expertise and experience to be able to fully understand and monitor the Group's risk strategies and guidelines; at least one member must have suitable experience in accounting and financial matters, or in risk management.

The Internal Control, Risk and Sustainability Committee is responsible for the functions envisaged by the supervisory provisions of the Bank of Italy in force from time to time, the Bylaws and the Corporate Governance Code. In particular, it provides support to the Board of Directors of the Parent Company with regard to risks and the internal control system, with responsibility for the banking group.

With reference to the authority of the Committee regarding remuneration systems, notwithstanding the authority of the Remuneration Committee, it verifies that the incentives included in the remuneration and incentive system are consistent with the RAF (Risk Appetite Framework) and formulates its own opinion on remuneration for the heads of the internal control functions, consistent with corporate policies.

Further information relating to the Internal Control, Risks and Sustainability Committee is available in the "Report on Corporate Governance and Ownership Structures," published on the website [gruppo.bancobpm.it](http://gruppo.bancobpm.it).

In 2023, the Committee examined (i) the impacts of non-recurring components on profit from current operating activities before tax and on Key Performance Indicators and the verification of the conditions of access to the variable components of remuneration vesting in 2023 in relation to the results of 2022, in implementation of the provisions of the reference remuneration policies; (ii) the consistency of the conditions proposed in the 2023 remuneration policy for access to the variable components of remuneration with respect to the RAF approved by the Board of Directors of the Parent Company; (iii) the objectives to be assigned to the Chief Executive Officer of the Parent Company for the 2023 short-term incentive plan.

---

<sup>13</sup> Article 24.4.1.

<sup>14</sup> Art. 20.1.6.

### *3.1.6 Parent Company's corporate functions involved in the process of definition of remuneration policies*

In the process of defining the remuneration policy, the Human Resources Department of the Parent Company guarantees technical assistance to the corporate Bodies and prepares the support material for the development of the policy, with the support, each according to their specific purview, of the Chief Risk Officer and the Compliance, Planning and Control, Administration and Budget, Corporate Affairs Secretariat and Shareholdings Functions.

The Chief Risk Officer, with the assistance of the Planning and Control function, identifies comparative indicators and values for the strategic and performance objectives, relating to the variable components of remuneration, in order to ensure the consistency of the remuneration and incentive system with respect to the Group's Risk Appetite Framework, the long-term corporate strategies and objectives, linked to the risk-adjusted company results, consistent with the levels of capital and liquidity needed to meet the activities undertaken.

## **3.2 Monitoring Process**

The Parent Company's Compliance function verifies ex ante the consistency of incentive policies and plans with that provided for in the existing legal and supervisory requirements, the Parent Company's Bylaws, internal Group regulations, the Code of Ethics or other standards of conduct applicable to entities of the Group.

The Chief Risk Officer expresses an opinion on the correct activation of risk indicators of a financial and non-financial nature, used for adjustment mechanisms (ex ante and ex post), in the incentive systems, ensuring the reconciliation and consistency with the Group's risk governance.

The Parent Company's Audit function verifies compliance of the procedures implemented by Banco BPM and the Group companies with the approved remuneration policy and the regulations in force at the time. It informs the Board of Directors, the Board of Statutory Auditors of the Parent Company and each subsidiary of the Banking Group and the Shareholders' Meeting of the Parent Company of the results of the checks.

The Parent Company's Board of Statutory Auditors shall assess the relevance of any shortcomings revealed by the above-illustrated monitoring process in order to promptly report the same to the Supervisory Authorities.

## **3.3 Subsidiaries**

Pursuant to the Bank of Italy Supervisory Regulations, subject to the provisions of paragraph 8.1 (First Part, Title IV, Chapter 2, Section I)<sup>15</sup>, the Parent Company establishes the remuneration policy for the banking Group, it ensures its overall consistency, provides the guidelines necessary for its implementation and monitors its correct application; therefore, given that the Parent Company establishes and approves policies as illustrated in the previous paragraphs, within their respective scopes of responsibility, the Board of Directors of each subsidiary incorporates, and the Shareholders' Meeting of each subsidiary bank approves, the Policy-on-remuneration report and payouts awarded.

---

<sup>15</sup> In the event of application of this paragraph, the Parent Company will use of the option of derogation provided therein.

The Board of Directors of the insurance companies defines the remuneration policy in line with the criteria and principles established by the Parent Company and in compliance with European and national provisions governing the sector. The respective Shareholders' Meetings approve the remuneration policy to the extent of their competence.

The key functions of the insurance companies carry out the control activities referred to in paragraph 3.2 above and report to the Board of Directors and the Shareholders' Meeting to the extent of their competence.

#### **4. IDENTIFICATION OF THE IDENTIFIED STAFF OF THE GROUP**

The process for the identification of identified staff is defined based on the Supervisory Provisions of the Bank of Italy and the Regulatory Technical Standards (RTS) issued by the European Banking Authority and provided for in Delegated Regulation (EU) no. 923/2021 (Regulation) of 14/6/2021, as well as on the application of additional criteria intended to identify any further persons who assume relevant risks for the Group. For the insurance Group, the process is also outlined in compliance with the provisions of IVASS Regulation no. 38 (IVASS Regulation) of 3/7/2018.

The Parent Company's Human Resources function coordinates and formalises the process for the identification of identified staff for the Group on an annual basis, justifying outcomes and ensuring overall coherence, involving, to the extent required, among others in the Parent Company, Enterprise Risk Management, Planning and Control, Budget Strategies and Capital Planning and Organisation.

The control process is implemented by the Compliance and Audit functions, according to the scopes as described in paragraph 3.2.

Subject to the opinion of the Remuneration Committee, the Board of Directors of the Parent Company defines the policy relating to the identification process as an integral part of the year's remuneration policy.

The identification process, governed by internal regulations and implemented for all Group companies, provides for an assessment on an individual basis for Italian banks and insurance companies and on a consolidated basis for all other subsidiaries. This process in the banking Group is carried out by the Parent Company by virtue of the outsourcing contracts in place, with the active collaboration of the structures of Banca Aletti and Banca Akros, and in the insurance Group it is carried out by Banco BPM Vita with the coordination of the Parent Company, in application of the specific provisions of the IVASS Regulation.

The key principle underlying the process consists in the assessment of the relevance of each subject in terms of substantial risk-taking, on the basis of the individual position (responsibilities, hierarchical and resolution levels are evaluated, among others, in terms of qualitative criteria, considering the internal organisation of the Group), or of the overall remuneration (quantitative criteria).

The qualitative criteria apply both at the consolidated level and at the legal entity level for the companies that are required to carry out the assessments on an individual basis according to the regulations applicable to them.

The application of the qualitative criteria envisaged in the Supervisory Provisions and in the Regulations to identify the identified staff at Group or legal entity level, taking into account in the latter case the organisational and operational structure of the individual bank, determined the identification of the following positions:

- the members of the management body of the Group's Italian banks;
- the members of Senior Management: the General Manager, where appointed, the CFO Joint General Manager in the area of strategic planning and finance, the CBO Joint General Manager in the commercial area, the Chief Lending Officer, the Chief Innovation Officer and the Corporate & Investment Banking Manager of the Parent Company, the General Manager, the Joint General Manager and the Deputy General Manager (where appointed) of Banca Aletti and Banca Akros;
- the Chief Risk Officer and the directors of the Compliance and Audit functions of the Parent Company, the staff directly reporting to them<sup>16</sup> (including the director of Internal Validation) and the Director of Anti-Money Laundering;
- the managers responsible for preparing the financial reports of the Italian banks of the Group;
- the Chief Executive Officer or, if not present, the General Manager of the relevant non-banking legal entities<sup>17</sup>;
- the managers of the relevant operating units<sup>18</sup> and the main business lines;
- the directors of the first managerial line of the Parent Company functions, which include legal affairs, finances, taxation, budgeting, economic analysis, human resources, information technologies and information security;
- members with voting rights, as well as any participant with voting rights, of Parent Company Steering Committees for Finance, New Products and Markets, Risks, Crisis, Investments and ESG;
- the roles with the power to adopt, approve or veto credit risk exposures that correspond to at least 0.5% of the primary Class 1 capital (CET1) of the Group or of the individual Italian banks or the minimum threshold provided for by the Regulation equal to Euro 5 million. The members with voting rights, as well as any participants with voting rights, of the Credit Committee and the NPE Committee of the Parent Company or of any Committees set up in subsidiaries with a similar decision-making function have also been identified;
- positions awarded proxies which can determine market risk exposure pertaining to trading portfolio amounting to at least 5% of Value at Risk (VaR) on a time to time basis, as provided at a single Italian Bank of the Group level;
- managers of groups of persons whose total power is equivalent to or higher than levels defined with reference to credit or market risk;
- financial advisors to whom, also due to the coordination of other advisors, managed assets of at least Euro 50 million and equal to or greater than 15% of the Total Financial Asset of Banca Aletti's network of financial advisors.

The application of the qualitative criteria to the insurance Group in compliance with the IVASS Regulation has determined the identified staff, in addition to the Chief Executive Officer of Banco BPM Vita and Banco BPM Assicurazioni and the heads of the key functions (Internal Audit, Risk Management, Compliance and Actuarial), the heads of the functions reporting directly to the Chief Executive Officer<sup>19</sup> and the head of the Anti-Money Laundering function.

In application of the quantitative criteria, those who carry out a professional activity with a significant impact on the risk profile of the legal entity or the relevant business

<sup>16</sup> The Managers of staff structures are not included in the parameter.

<sup>17</sup> We refer, in particular, to those to which at least 2% of the Group's internal capital has been distributed or deemed as such on the basis of qualitative elements.

<sup>18</sup> For these purposes: (i) those to which at least 2% of the Group's internal capital has been distributed with reference to the assessment at consolidated level, or (ii) those to which at least 2% of the internal capital of the relevant legal entity with reference to the individual assessment has been distributed, or (iii) deemed as such on the basis of qualitative elements.

<sup>19</sup> The managers of staff structures are not included.

unit in which they operate were identified, and who meet one of the following conditions:

- the total remuneration is equal to or greater than Euro 500,000<sup>20</sup>;
- fall within 0.3% of the Parent Company's staff, who were awarded the highest overall remuneration in the previous financial year.

In order to calculate the overall remuneration, we considered the remuneration paid during the previous year<sup>21</sup>.

In line with the regulatory provisions in force, if there are subjects whose total remuneration meets the quantitative criteria and for which it is necessary to request the prior authorisation of the Supervisory Authority regarding the non-inclusion of key staff in the perimeter, the Parent Company initiates the related administrative procedure.

Despite the distinction between staff belonging and not belonging to the internal control functions considered by the Bank of Italy Supervisory Regulations, the identified staff are classified as:

- Identified staff of the Group, which includes the
  - top identified staff: Chief Executive Officer, General Manager (where appointed), CFO Joint General Manager, CBO Joint General Manager, senior operational and executive managers<sup>22</sup>, Chief Risk Officer and heads of the first managerial line of the Parent Company, Chief Executive Officer, General Manager, Joint General Manager and Deputy General Manager (if any) of Banca Aletti and Banca Akros, Chief Executive Officer of Banco BPM Vita and of Banco BPM Assicurazioni.  
Top identified staff include the
    - senior identified staff: executive members of the Management Body<sup>23</sup> and senior management members<sup>24</sup> of the Parent Company, Banca Akros and Banca Aletti, and managers of the main business lines of the Parent Company<sup>25</sup>;
  - identified staff of legal entity identified staff not included in the previous category, with a substantial impact on the risk profile of a bank or an insurance company.

In 2023, the process put in place led to the identification of 193 persons<sup>26</sup>, amounting to approximately 1% of Group staff at 1 January 2023.

The process implemented in 2022 involved the identification of 195 people<sup>27</sup>. Therefore, in the comparison with the results of 2022, for 2023 17 people are identified who were not in 2022, of which 11 for the first time, and 19 people are no

<sup>20</sup> The average remuneration paid to members of the management body and senior management is below the threshold of Euro 500,000 and, therefore, is not relevant.

<sup>21</sup> In order to identify the identified staff for 2023, it is the 2022 fixed remuneration, the variable remuneration related to the entire 2021 incentive awarded in 2022 and the other variable components of the remuneration paid in 2022.

<sup>22</sup> Chief Innovation Officer, Head of Corporate & Investment Banking and Chief Lending Officer.

<sup>23</sup> Chief Executive Officer of the Parent Company, Chief Executive Officer of Banca Akros (if appointed) and Chief Executive Officer of Banca Aletti.

<sup>24</sup> General Manager (if appointed), the CFO Joint General Manager, the CBO Joint General Manager, the Chief Lending Officer, the Chief Innovation Officer and the Head of Corporate & Investment Banking of the Parent Company, the General Manager, the Joint General Manager and the Deputy General Manager (if appointed) of Banca Aletti and Banca Akros.

<sup>25</sup> Commercial Manager, Corporate Manager and Finance Manager.

<sup>26</sup> 198 positions. At present, the responsibility for five positions is being identified.

<sup>27</sup> For further information on the identified staff for 2022, please refer to Section II, Part 2 (Qualitative disclosure), paragraph "A description of the staff or categories of staff whose professional activities have a material impact on the risk profile of the entity".

longer identified by virtue of termination of the employment relationship or office or due to a change in role or responsibility.

The Group's identified staff<sup>28</sup> includes 123 people, those of the legal entity includes 70. In Banca Akros 18 people are identified and in Banca Aletti 9.

## 5. COMPONENTS OF REMUNERATION

### 5.1 Remuneration of the Group's Corporate Bodies

#### 5.1.1 Remuneration of the Parent Company's Board of Directors members

The Shareholders' Meeting approves the remuneration policy for the members of the Board of Directors and determines their remuneration. Therefore, the members of the Board of Directors are due – aside from reimbursement of costs incurred – an annual remuneration that the Shareholders' Meeting establishes at the time of their appointment, for a fixed amount for their term in office. The Board of Directors establishes the distribution of remuneration approved by the Shareholders' Meeting, where not specified thereby. The Shareholders' Meeting of 20 April 2023, within the scope of the renewal of the Board of Directors, shall resolve on the fixed remuneration to award to the Members of the Board of Directors for financial years 2023-2024-2025 (until approval of the financial statements as at 31 December 2025), to be allocated on a pro rata temporis basis in relation to the actual term in office.

The Board of Directors shall determine the fees<sup>29</sup> to pay the directors with specific duties<sup>30</sup> on the basis of proposals by the Remuneration Committee and having obtained the opinion of the Board of Statutory Auditors.

At the meeting held on 7 March 2023, the Board of Directors determined the fixed remuneration of the Chief Executive Officer, on the proposal of the Remuneration Committee and with the opinion of the Board of Statutory Auditors<sup>31</sup>. The report prepared by the Remuneration Committee considered the evolution of the economic results of Banco BPM over the past three years, which showed a significant trend of improvement in terms of profitability generated, cost-to-income ratio, de-risking, total return and positioning in terms of sustainability. In particular, the compound annual growth (decrease) rate over the three-year period 2020 - 2022 is equal to +54% for the UOC, +43% for the ROTE, -3% for the Cost to income ratio, -22% for the stock of NPEs. The Total return in the three-year period 2020 - 2022 is +77%. The appreciation of the Banco BPM share, equal to 64.4%, did not result in any windfall situations. In 2020, considering the healthcare emergency situation, the Bank postponed the start of the 2021 long-term incentive plan to contain the variable remuneration for the year. This decision reduced the number of shares assigned in 2020. For the Chief Executive Officer, only 6% of all the shares assigned and vesting is related to 2020. The number of shares held by the Chief Executive Officer as of 31/12/2022 is 1,337,235. Their value amounts to about four times his fixed gross annual remuneration (based on the official closing price of 7/3/2023). Considering also about 600,000 shares that vested as of 31/12/2022 and are not yet in the Chief Executive Officer's possession, the countervalue rises to about 5.6 times the fixed gross annual remuneration.

The Remuneration Committee report also concerned the verification of the level of competitiveness of the remuneration components. The verification showed a

<sup>28</sup> Those holding a position in more than one Group company are listed once only.

<sup>29</sup> Pursuant to article 2389, paragraph 3, of the Italian Civil Code.

<sup>30</sup> Pursuant to article 22.1. of the Bylaws.

<sup>31</sup> In compliance with article 2389 of the Italian Civil Code and article 22.1. of the Bylaws.

misalignment of about -30% with respect to the market median for the fixed component, which, moreover, has remained unchanged in the last six years.

Also considering the recent interventions, for a total of about Euro 38 million, in favour of staff in the professional areas and middle management categories to enhance their commitment and dedication, the Board of Directors therefore decided to determine the fixed gross annual remuneration (GAR) as Euro 1.45 million, amount that remains below the median market value (about -11%). The Board of Directors has also decided to associate a maximum incentive equal to the GAR with the 2023 short-term incentive plan, to be awarded in correspondence with the maximum performance. In consideration of the maximum incentive of the long-term incentive plan (annual pro-rata), assigned at the launch, the increase of the total annual remuneration is less than 14%. The 2023 variable component can reach a maximum of 183% of the fixed component, a percentage lower than the 200% upper limit established by the Shareholders' Meeting.

The remuneration of the Chief Executive Officer originates from his/her contract of employment.

A third-party insurance policy and a cumulative occupational accidents policy are envisaged for members of the Board of Directors.

Neither variable components of the remuneration nor end-of-office payments are envisaged for members of the Board of Directors without individual contracts (Non-executive Directors).

The Chairman of the Board of Directors' remuneration does not exceed the fixed remuneration of the Chief Executive Officer or the General Manager, where appointed.

#### *5.1.2 Remuneration of the Parent Company's Board of Statutory Auditors*

The Shareholders' Meeting approves the remuneration policy for members of the Board of Statutory Auditors and determines the remuneration to be paid for the duration of their office.

Therefore, the Chairperson and the standing members of the Board of Statutory Auditors are entitled – in addition to reimbursement of expenses incurred due to their office – to an annual fee which is determined by the Shareholder's Meeting at the time of their appointment, as a fixed amount for their period of office.

The Shareholders' Meeting of 20 April 2023 shall decide upon the remuneration to award the members of the Board of Statutory Auditors for the financial years 2023-2024-2025 (until approval of the financial statements as at 31 December 2025), to be allocated on a pro rata temporis basis in relation to the actual term in office.

The outgoing Board of Statutory Auditors has made available to the Shareholders the document on the qualitative-quantitative composition of the Board of Statutory Auditors, aimed at identifying the qualitative-quantitative profile deemed optimal to ensure an adequate collective composition of the Control Body, in order to provide instructions and recommendations to the Shareholders' Meeting of Banco BPM in anticipation of the renewal for the years 2023-2025. The outgoing Board of Statutory Auditors paid attention to the proper functioning of the Body and the contribution of each member to the internal dialogue<sup>32</sup> and, confirming the previous assessments, made a reference estimate to assess the minimum time deemed necessary for the effective performance of the assignment. The estimate envisages 100 days per year for the Chair of the Board of Statutory Auditors and 80 for each Statutory Auditor.

A third-party insurance policy and cumulative occupational accidents policy are envisaged for members of the Board of Statutory Auditors.

<sup>32</sup> In compliance with article 16 of Ministerial Decree 169/2020.



With regard to the Bank of Italy Supervisory Regulations, members of the Board of Statutory Auditors shall not receive any variable remuneration.

The Board of Statutory Auditors is not currently assigned the powers pursuant to article 6, paragraph 1, letter b, Italian Legislative Decree no. 231/2001. The Board of Directors of Banco BPM, in its meeting of 10 January 2017, decided not to make use of the powers envisaged in paragraph 4-bis of said article, and actually appointed a specific Supervisory Body (SB) to which it assigned the duty to monitor, among other things, the compliance and functioning of the organisational, management and control model, as well as ensuring its update and of the consequent powers and duties. The Parent Company's SB provides for the appointment of a statutory auditor from among its members; an additional fee is therefore paid to this person for the office carried out in the Supervisory Body, as decided by the Board of Directors.

### *5.1.3 Remuneration of members of Corporate Bodies of subsidiary companies*

Provision is made for fixed remuneration differentiated in relation to their respective offices fulfilled within their respective organisations for members of Corporate Bodies of subsidiary companies, in addition to reimbursement for living expenses and possible attendance fees, where resolved by their respective Shareholders' Meetings.

This remuneration is approved by the respective General Shareholders' Meetings, according to the Bylaws, for members of the Board of Directors and the Board of Statutory Auditors of subsidiary companies.

No provision is made for variable remuneration components for members of the Boards of Directors without individual contracts.

In accordance with prevailing laws, the members of the Board of Statutory Auditors of the Group's subsidiaries shall not receive any variable remuneration. If they also hold the office as member of the Supervisory Body established pursuant to Legislative Decree 231/2001, additional remuneration shall be assigned for the office held, determined by the Board of Directors of the Parent Company.

The emolument of the Chairman of the Board of Directors of each subsidiary bank shall not exceed the fixed remuneration awarded to the head of the body with the function of managing the subsidiary company (Chief Executive Officer or General Manager).

Lastly, a policy for third-party liability is stipulated for representatives of subsidiary companies.

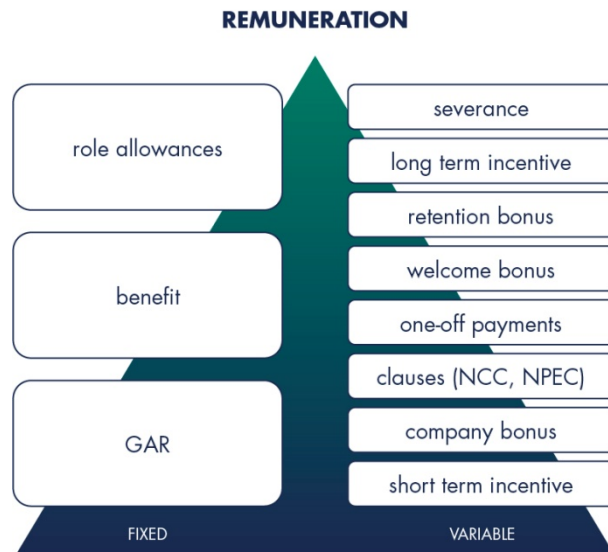
## **5.2 Remuneration of the Group's employees**

The remuneration of the Group's employees is divided into fixed and variable components.

The fixed component reflects professional experience, organisational responsibilities and technical expertise, according to a principle of equal opportunities and fair pay.

The variable component shall be related to performance and will give value to Staff, recognising the individual contribution towards the achievement of the results: the conditions needed for its payment shall be in compliance with the law, long-term results, conduct marked by diligence, transparency and fairness in relations with customers and sound and proper risk management.





To ensure competitiveness in the reference market in terms of the Group’s ability to attract and retain individuals whose professionalism and expertise meet the needs of the company, constant attention is paid to calibrating total compensation considering seniority and experience in the position, pursuing a balance between the objective of alignment with market values and the need to differentiate for the purpose of retention. The comparison with the external market is made by participating in surveys on remuneration and, for managerial positions, also through specific remuneration benchmarks that refer to competitors in the same sector, as provided by a prime consulting company.

**FIXED REMUNERATION**

<p><b>GAR</b></p>	<p>The gross annual remuneration components, determined by the relative labour contracts based on the National Labour Collective Agreement (CCNL) and any second-level contracts in force at the time or any agreements with stakeholders.</p> <p>Changes to the fixed component are represented by promotions to a higher level of remuneration or to a higher category, based on an actual increase in responsibilities, and by personal allowances, awarded ad personam for continuing deserving performance.</p>
<p><b>Role allowances</b></p>	<p>It is possible to assign role allowances, consisting of an increase in remuneration, paid on a monthly basis and subject to holding a specific position. This remuneration is predetermined, permanent, until the recipient changes the position for which the allowance was granted, does not provide incentives for risk-taking and is not revocable, is not discretionary, and reflects the level of professional experience and seniority. It is therefore assigned on the basis of predefined criteria, governed by company rules.</p>
<p><b>Benefits</b></p>	<p>Benefits for personal and family use granted by the Parent Company and its subsidiary companies to their employees, resulting from national agreements and/or from second-level contracts and/or related to specific internal reference policies.</p> <p>The most important benefits concern the following areas: corporate welfare, supplementary pensions and healthcare. The Group’s employees, according to the specific nature of the company to which they belong and/or the company of origin, also benefit from advantages when using bank services and insurance coverage.</p>

**VARIABLE REMUNERATION**

<p><b>Incentives</b></p>	<p>Incentives linked to the short-term incentive plan on an annual basis, awarded in accordance with that provided in chapter 6.</p>
<p><b>LTI incentive</b></p>	<p>Incentives linked to long-term incentive plans, referred to in paragraph 6.8.</p>

**VARIABLE REMUNERATION**

<b>Company Bonus - National Labour Collective Agreement</b>	Variable component linked to economic results and/or specific objectives, for non-executive staff of the banking Group companies that apply the National Credit Agreement. This payment shall depend on full compliance with the following conditions identified on 31/12/2023 on a consolidated basis: (i) the Common Equity Tier1 (CET1) ratio is higher than the relative Risk Trigger threshold <sup>33</sup> defined in the Risk Appetite Framework <sup>34</sup> ; (ii) the regulatory Liquidity Coverage Ratio (LCR) is higher than the relative Risk Trigger threshold <sup>33</sup> defined in the Risk Appetite Framework <sup>34</sup> ; (iii) the profit from current operating activities before tax is positive. Said component is determined to calculate the ratio between the variable and fixed component of the remuneration and is awarded in compliance with the provisions of chapter 6 regarding the application of the malus and claw-back mechanisms. <sup>35</sup> The criteria and methods used to establish and disburse <sup>36</sup> this remuneration are subject to information, comparison and/or negotiation with the social partners.
<b>Company Bonus for productivity</b>	Variable component related to economic results and / or specific objectives, for insurance companies that apply the ANIA National Collective Labour Agreement "Regulation of relations between insurance companies and non-executive employees". The criteria and methods used to establish and disburse <sup>37</sup> this remuneration are subject to information, comparison and/or negotiation with the social partners.
<b>One-off payments</b>	Limited to other staff of Group companies, therefore excluding identified staff established for the reference year and for the previous year <sup>38</sup> , modest awards may be made relating to specific extraordinary situations. These payments are subordinate to full compliance with the following conditions, as identified in the last quarterly report available on a consolidated basis: (i) the Common Equity Tier1 (CET1) ratio is higher than the relative Risk Trigger threshold <sup>39</sup> as defined in the Risk Appetite Framework <sup>40</sup> ; (ii) the regulatory Liquidity Coverage Ratio (LCR) is higher than the relative Risk Trigger threshold <sup>39</sup> defined in the Risk Appetite Framework <sup>40</sup> ; (iii) the profit from current operating activities before tax is positive. The maximum limit of impact of these payments is set at 10% of the fixed component of individual remuneration. The total amount of resources to be dedicated to these payments cannot exceed the limit of 0.2% of the recurring staff cost <sup>41</sup> , envisaged in the budget of the financial year in question. The process for any award is coordinated by the Human Resources function, which submits the proposal to the CEO (or delegate of the same).
<b>Welcome bonus</b>	Any disbursements paid on an exceptional basis to newly hired staff in the Group, limited to the first year of employment. These payments, if not paid on an on-off basis upon hiring, are determined in the calculation of the ratio between the variable and fixed component of the remuneration <sup>42</sup> .
<b>Retention bonus</b>	Any disbursements related to the staff remaining, subject to their presence on a certain date or until a certain event. The amount, which cannot constitute the preponderant part of the total individual variable remuneration, is awarded upon the successful verification of the event to which it is related, in compliance with the capital and liquidity adequacy conditions referred to in paragraph 6.10, is calculated to determine the ratio between the variable and fixed component of the remuneration <sup>43</sup> , disbursed in accordance with the terms envisaged for the category of staff to which it belongs at the time of award <sup>44</sup> , and is subject to the malus and claw-back mechanisms <sup>45</sup> . As permitted by the Supervisory Provisions of the Bank of Italy, in exceptional and duly justified cases <sup>46</sup> , the same person may be awarded multiple retention bonuses.

<sup>33</sup> Risk Trigger threshold means the lower point of the Risk Appetite objective area, in line with the RAF framework.

<sup>34</sup> Expected value on 31/12 of the same financial year.

<sup>35</sup> See paragraph 6.7.

<sup>36</sup> By way of example, the use of cash or welfare services could be envisaged.

<sup>37</sup> By way of example, the use of cash or welfare services could be envisaged.

<sup>38</sup> As identified on process activation date.

<sup>39</sup> Risk Trigger threshold means the lower point of the Risk Appetite objective area, in line with the RAF framework.

<sup>40</sup> Expected value on 31/12 of the same financial year.

<sup>41</sup> Staff cost identified in the budget of the reference financial year, excluding the following variable remuneration components: bonus pool, pro rata cost of long-term incentive and the one-off payments in question.

<sup>42</sup> See paragraph 6.1.

<sup>43</sup> See paragraph 6.1.

<sup>44</sup> See paragraph 6.6.

<sup>45</sup> See paragraph 6.7 point 2.

<sup>46</sup> For example, the payment of retention bonuses occurs at different times and there are specific reasons for the award of each of them.

**VARIABLE REMUNERATION**

<b>Arrangements</b>	Any payments regarding non-competition or extension of notice period arrangements. These payments are made whilst in employment or on termination of the same, in accordance <sup>47</sup> with the provisions of paragraph 6.10 (including the capital adequacy and liquidity conditions), and, with reference to identified staff, are determined in the calculation of the ratio between the variable and fixed component of the remuneration <sup>43</sup> .
<b>Severance</b>	Any additional termination amounts (golden parachute in the case of identified staff). These payments are made in accordance with the provisions of paragraph 6.10 (including the capital adequacy and liquidity conditions), and, with reference to identified staff, are determined in the calculation the ratio between the variable and fixed component of the remuneration. <sup>48</sup>

The awarding of guaranteed variable remuneration is not envisaged.<sup>49</sup>

There are no stability clauses.

There are no discretionary pension benefits provided for as things stand. If introduced, they will be attributed to the beneficiaries in compliance with current legislation<sup>50</sup>.

All remuneration measures, even if not expressly indicated in this paragraph, as long as in compliance with the provisions in force at the time, are implemented subject to prior approval, both on the merits and in economic terms, by the Chief Executive Officer of the Parent Company, or any delegates of the same.<sup>51</sup>

Generally, unless stated otherwise in the individual's employment contract, the Group's staff do not receive remuneration for positions held in Corporate Bodies of subsidiaries and/or investee companies as designated by the Group: this remuneration is paid in full to the company to which they belong by the company in which the position is held and the incentive is not linked to said positions.

No remuneration is paid to employees of the Parent Company and of subsidiary companies who are members of the Supervisory Body (pursuant to Italian Legislative Decree 231/2001).

<sup>47</sup> Without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations.

<sup>48</sup> Unless defined in application of the predefined formula contained in paragraph 6.10. See Paragraph 6.1 for the ratio between variable and fixed components of remuneration.

<sup>49</sup> Without prejudice to any welcome bonus.

<sup>50</sup> See Supervisory Provisions of the Bank of Italy, Section III, paragraph 2.2.1.

<sup>51</sup> Mandate assigned by the Parent Company's Board of Directors or by the Parent Company's Chief Executive Officer to implement all the formalities, deeds and requirements of the remuneration policy.

### 5.3 Remuneration of external non-employed staff

The remuneration of Group external non-employed staff is regulated by the respective contracts.

For non-employed staff that belong to the category of financial advisers authorised for door-to-door sales and financial agents, the remuneration is comprised by a recurring component which may include, depending on the case, commission from entry fees and/or management fees and/or linked to the contribution of assured revenue and/or to units and/or to brokered volumes. A welcome bonus may be awarded only for the first year of employment in the Group. A non-recurring component of remuneration is envisaged for the non-employed staff identified as identified staff, also in the form of commissions for incentive purposes, with a view to directing commercial activities to reach specific objectives. Any payment of non-recurring components of the remuneration paid for incentive purposes is subject to compliance with the achievement of a minimum performance relating to pre-defined objectives, meeting capital adequacy, liquidity and profitability conditions (entry gates) defined in paragraph 6.3, taking the risk into account, and shall be made according to the payment procedures envisaged for identified staff<sup>52</sup> and is subject to the application of malus and claw-back mechanisms<sup>53</sup>.

The possible payment of non-recurring components of the remuneration for external non-employed staff not belonging to the category of financial agents, insurance agents and financial advisers authorised for door-to-door sales is subject to the conditions defined in chapter 6, including the application of malus and claw-back mechanisms.<sup>54</sup>

In accordance with the short-term incentive plan guidelines of the Group, for all the non-employed staff, any non-recurring remuneration component is linked to quantitative indicators and qualitative indicators expressed with criteria that can be quantitatively measured (including but not limited to the risk involved in its different meanings, the compliance with the legislation and regulations, customer protection and loyalty, product quality, quality of the service provided, limiting complaints and legal or reputational risks).<sup>55</sup> The Compliance function must verify these criteria, pursuant to that indicated in paragraph 3.2.

With reference to financial agents, the provisions on transparency of banking and financial operations and services defined in paragraph 6.5 apply.

All remuneration measures, even if not expressly indicated in the paragraphs above, as long as in compliance with the provisions in force at the time, are implemented subject to prior approval, both on the merits and in economic terms, by the Chief Executive Officer of the Parent Company or any delegates of the same.<sup>56</sup>

---

<sup>52</sup> See paragraph 6.6.2.

<sup>53</sup> See paragraph 6.7 point 2.

<sup>54</sup> See paragraph 6.7 point 2.

<sup>55</sup> See paragraph 6.5.

<sup>56</sup> Delegation attributed by the Board of Directors of the Parent Company or by the Chief Executive Officer of the Parent Company to implement all the formalities, deeds and fulfilments envisaged by the remuneration policy.

## 6. CHARACTERISTICS OF THE REMUNERATION AND INCENTIVE SYSTEM

The characteristics of the remuneration and incentive system are illustrated below, taking into consideration strict criteria in evaluating results achieved, in accordance with current regulatory provisions. No variable remuneration component is envisaged for members of the Board of Directors - other than the Chief Executive Officer - without a specific individual contract and for members of the Board of Statutory Auditors.

The Group's Staff may not use personal hedging strategies or insurance on remuneration or on other aspects that may alter or undermine the risk alignment effects embedded in their remuneration arrangements. To ensure compliance with the aforementioned, <sup>57</sup>the Audit function shall sample the custody and administration accounts held by the Group in the remuneration policy control process, for at least the identified staff who are holders or joint-holders. Any violations found shall be considered to be misconduct<sup>58</sup>. Based on Bank of Italy Supervisory Regulations, with the process activated by the Parent Company's Human Resources function, the bank requests identified staff of the banking Group to notify the existence or opening of custody and administration accounts at other banks.

No Group Staff initiatives which may affect risk alignment mechanisms are envisaged, including in the incentive plans.

By the Issuers' Regulation, Consob requires indication in the Policy of the applicable process and the elements of the policy that can be temporarily waived in the exceptional circumstances indicated by article 123-ter of the Consolidated Law on Finance, in which derogation is necessary for the purposes of pursuing the long-term interests and sustainability of the Group as a whole, or to ensure its ability to remain on the market. In application of this rule, the Board of Directors, in compliance with the procedure for Related Party Transactions, as applicable, adopted by the Group in implementation of the related Consob regulations, having heard the opinion of the Remuneration Committee and, for the areas of competence, the Internal Control, Risks and Sustainability Committee, may intervene on the economic parameters of the short-term incentive and long-term incentive plans. Any changes thereto are represented, the following year, in Section II of the remuneration policy and compensation paid report.

### 6.1 Ratio between variable and fixed components of remuneration

For the purpose of determining the ratio between the variable and fixed component of the remuneration<sup>59</sup>, the set of elements indicated in paragraphs 5.2 and 5.3 are taken into account with reference, respectively, to variable or non-recurring remuneration and fixed or recurring remuneration.

---

<sup>57</sup> See paragraph 3.2.

<sup>58</sup> See paragraph 6.7.

<sup>59</sup> Without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations.

The upper limit of the variable/fixed component ratio of Group Staff is:

- 2:1 for specific strategic persons selected from top identified staff and finance, corporate, investment banking and private banking staff, as resolved by the Ordinary Shareholder's Meeting of 7 April 2018 (see *infra*);
- 70% for the manager responsible for preparing the Company's financial reports;
- 1/3 for staff belonging to functions with control tasks<sup>60</sup> not included in the category above;
- 1:1 for all staff not included in the categories above.

With reference to profiles required by legislation and Bylaws, the Ordinary Shareholder's Meeting held on 7 April 2018 approved a raise in the upper limit for general criteria (1:1) of up to 2:1 (as permitted by the Bank of Italy) for specific figures as listed in the previous paragraph. The proposal submitted to said Shareholders' Meeting was made necessary to use all managerial leverage to attract and retain individuals in the Group whose professionalism and expertise meet the needs of the company, with a view to achieving a competitive advantage and good governance. In this regard, considering that the main competitors had already increased the upper limit of the ratio between variable and fixed remuneration to 2:1, matching market practice enables the Group to bolster its remuneration driver to act on total compensation. In accordance with the Supervisory Provisions of the Bank of Italy, this topic will not be submitted once again to the shareholders' meeting for approval since the conditions for the increase, the staff to which it refers and the measure of the limit of the ratio between the variable and fixed components of remuneration remain unchanged, as resolved by the Ordinary Shareholders' Meeting of 7 April 2018.

## 6.2 Determination of the bonus pool

The Group's bonus pool<sup>61</sup> represents part of the consolidated staff costs, approved by the Parent Company's Board of Directors at the end of the Group's budgeting process. The annual amount is only defined in the hypothesis that the budget provides for a profit<sup>62</sup> and it can not exceed the limit of 20% of the consolidated profit from current operating activities before tax (net of non-recurring items)<sup>63</sup> provided for in the budget. The bonus pool is set also considering the Group's capitalisation and liquidity objectives.

## 6.3 Connection to results

The award of the incentive considers the profitability, the levels of capital resources and the necessary liquidity (hereinafter entry gates), is parametrised to performance indicators measured net of risks (hereinafter the financial and non-financial adjustment factor), considers the quality of the performance achieved and is implemented in accordance with the guidance issued by the Supervisory Authority.

<sup>60</sup> See Definitions.

<sup>61</sup> Excluding financial agents, insurance agents and financial advisers authorised for door-to-door sales, for whom a dedicated bonus pool may be envisaged, approved by the Chief Executive Officer of the Parent Company.

<sup>62</sup> Profit from current operating activities before tax (net of non-recurring items identified for the purpose of complying with Consob Communication no. DEM/6064293 of 28 July 2006).

<sup>63</sup> Profit from current operating activities before tax (net of non-recurring items identified for the purpose of complying with Consob Communication no. DEM/6064293 of 28 July 2006) estimate, calculated without the amount of said *bonus pool*.

In accordance with the Risk Appetite Framework approved by the Parent Company's Board of Directors, the award of the incentive for identified staff and other staff shall depend on the indicators and relative comparative values shown in the following table.

AREA	INDICATOR	COMPARISON VALUE	VALID FOR	IT APPLIES TO
Capital adequacy	CET 1 ratio -consolidated level-	> Risk Trigger threshold defined in the RAF	Group company	– Identified staff – Other staff
	MDA buffer -consolidated level-	> Risk Trigger threshold defined in the RAF	Group company	– Identified staff – Other staff
	Solvency ratio <sup>64</sup> -company level-	> Risk Trigger threshold defined in the RAF	– Banco BPM Vita – Banca BPM Assicurazioni	– Identified staff not belonging to functions with control tasks <sup>65</sup> – Other staff <sup>66</sup>
Liquidity adequacy	LCR regulatory -consolidated level-	> Risk Trigger threshold defined in the RAF	Group company	– Identified staff – Other staff
	NSFR regulatory -consolidated level-	> Risk Trigger threshold defined in the RAF	Group company	– Identified staff – Other staff
Profitability	UOC -consolidated level-	> 0	Group company	– Identified staff not belonging to functions with control tasks – Other staff
	UOC -company level-	> 0	– Banca Akros – Banca Aletti	– Identified staff not belonging to functions with control tasks – Other staff

The award of the incentive to identified staff of control functions is not subject to profitability indicators, to avoid it being linked to economic results, as provided for by the provisions.

#### 6.4 Adjustment factor

After verification of the entry gates<sup>67</sup>, but before any payment, the amount of the economic resources of the short-term incentive plan<sup>68</sup> actually available is determined on the basis of the economic results recorded (financial adjustment factor), as well as qualitative indicators of a non-financial nature (non-financial adjustment factor), in line with the Group risk appetite framework.

<sup>64</sup> Average of quarterly results.

<sup>65</sup> To avoid potential conflicts of interest arising.

<sup>66</sup> Refers to executive staff.

<sup>67</sup> See paragraph 6.3.

<sup>68</sup> Excluding any economic resources for incentive purposes for financial agents, insurance agents and financial advisers authorised for door-to-door sales.

#### 6.4.1 Financial adjustment factor

A financial adjustment factor is applied to the economic resources of the short-term incentive plan defined in the budget for the financial year, the size of which is proportional to the consolidated Return on Risk Adjusted Capital (RORAC) profitability indicator obtained at the end of the financial year in comparison with the Risk Trigger and Risk Appetite thresholds defined in the Risk Appetite Framework for the year.<sup>69</sup> It may result in the reduction to zero of the economic resources or their increase, and in the latter case if approved by the Board of Directors of the Parent Company, which determines the exact amount. More specifically, the factors to apply are shown in the table below.

RORAC RECORDED (R)	FINANCIAL ADJUSTMENT FACTOR TO MULTIPLY BY THE FINANCIAL RESOURCES OF THE SHORT-TERM INCENTIVE PLAN <sup>70</sup>
$R \leq \text{RORAC Risk Trigger}$	0%
$\text{RORAC Risk Trigger} < R < \text{midpoint}^{71}$	The Parent Company's Board of Directors may decide to approve a disbursement of up to a maximum amount equal to 50% of the financial resources envisaged in the budget. Any payments cannot regard the identified staff.
$\text{midpoint}^{71} \leq R \leq \text{RORAC Risk Appetite}$	% given by the RORAC ratio recorded / RORAC Risk Appetite.
$R > \text{RORAC Risk Appetite}$	Percentage determined by the Parent Company's Board of Directors in relation to and within the RORAC ratio recorded / RORAC Risk Appetite, with a fixed cap of 110%.

If a consolidated loss for the year is recorded, a reduction mechanism is applied, before the financial adjustment factor, which reduces the economic resources envisaged in the annual budget for the short-term incentive plan. More specifically, if the entry gates to the short-term incentive plan are successfully passed and, at the same time, a consolidated loss for the year is recorded, the economic resources in the budget for the plan are reduced by the amount of the loss up to a maximum reduction of 20% of said resources. In this circumstance, the subsequent application of the financial adjustment factor may not increase the economic resources.

The factor linked to the RORAC and the reduction mechanism in the case of a consolidated loss for the year do not apply to the portion of the economic resources of the short-term incentive plan for the identified staff of functions with control tasks, to avoid the incentive being linked to economic results.

#### 6.4.2 Non-financial adjustment factor

A non-financial adjustment factor is applied to the economic resources of the short-term incentive plan, which factor is correlated to the values of the consolidated ECAP Reputational Risk and Anti Money Laundering (AML) indicators at year-end, in relation with the relative Risk Trigger thresholds defined in the Risk Appetite Framework for the year.

The ECAP Reputational Risk indicator represents the amount of economic capital against reputational risk estimated through an internal model. The status of the Group's reputation is monitored through the collection and analysis of quantitative and

<sup>69</sup> Both the final balance value and the comparison thresholds are determined as a relationship between the financial year's results, represented by the net income as at 31/12 calculated net of non-recurring items (see Definitions) and without the amount of the bonus pool, and the capital requirement recorded at year-end calculated as a percentage of Risk Weighted Assets (RWA), consistent with the CET1 ratio objective determined at the time of the annual budget. The method used to calculate the result for the year is governed by internal regulations.

<sup>70</sup> The factor does not affect the portion of the financial resources of the short-term incentive plan assigned to identified staff of functions with control tasks.

<sup>71</sup> Midpoint between Risk Trigger and Risk Appetite.



qualitative indicators that may influence the Group's reputation in regard to the main stakeholders (customers, shareholders, market counter parties, regulators, employees, and the financial community) employing reporting and forecasting, and considering stress conditions. The indicators selected relate to the macro areas of market risk, litigation or sanctioning, IT services, corporate social responsibility, regulatory affairs, and are internal, i.e. derived from company processes, and external to the Group, i.e. derived from market data. In order to measure the Group's reputation on the most popular internet platforms (e.g. Twitter, Facebook, blogs, press agencies, etc.), a measurement relating to the sentiment in the social media sphere is provided for in the internal model. Specific engines, based on machine learning techniques and tools and artificial intelligence, monitor the discussions circulating on the main social platforms, assess the relevance and significance of the opinions expressed, associate the messages to the stakeholders affected and measure the sentiment expressed towards the Group; this sentiment, suitably classified, is considered to integrate the reputational measure obtained with traditional models. The estimation methodology adopted also includes the assessment of potential negative economic and financial impacts originating from a sudden deterioration of the Bank's image in relation to the possible occurrence of ESG (Environmental, Social, Governance) risks. The perfecting of the model is consistent with that envisaged by the Supervisory Authority on this topic, as it allows the potential deterioration of the Group's reputation to be signalled if it is perceived by its various stakeholders as not being adequately sensitive to environmental, social or governance issues.

The AML represents the ratio between total high-risk customers (maximum classification within the internal model for the management of the Anti-Money Laundering risk) and total customers.

The application of the non-financial adjustment factor may reduce the economic resources of the short-term incentive plan for all Staff, including identified staff of functions with control tasks.

Specifically, the coefficients to be applied are shown in the following table (the higher the value, the greater the risk that the Group is assuming).

		<b>ECAP REPUTATIONAL RISK</b>	
		<b>Result &lt; Risk Trigger</b>	<b>Result ≥ Risk Trigger</b>
<b>AML</b>	<b>Result &lt; Risk Trigger</b>	no reduction	-10%
	<b>Result ≥ Risk Trigger</b>	-10%	-20%

#### 6.4.3 Equalisation mechanism

If the economic resources of the short-term incentive plan, following application of the financial and non-financial adjustment factors, are not enough with respect to the total amount of incentives calculated on the basis of performance achieved, an equalisation mechanism will be applied that will reduce, on a proportional basis, the individual incentives by the same percentage.<sup>72</sup>

<sup>72</sup> Excluding any economic resources for incentive purposes for financial agents, insurance agents and financial advisers authorised for door-to-door sales.

### 6.5 Short-term incentive plan

The short-term incentive plan consists of the set of entry gates referred to in paragraph 6.3, the financial and non-financial adjustment factors referred to in paragraph 6.4 and the principles and methods of implementation, outlined in this paragraph, which are applied in the assignment of annual objectives. These elements, on the whole, ensure correlation with company and individual performance, connection with risks (including legal and reputational risks), compatibility with the Group's capital and liquidity levels, and orientation towards medium-long term results, consistency with the strategies for monitoring and managing non-performing loans and compliance with the rules.



The Short-Term Incentive Plan, in addition to providing for the assessment of the quantitative performances, is characterised by mechanisms aimed at monitoring risk, the compliance of behaviour vis-à-vis the reference (internal and external) laws from time to time in force, the respect of customers and the maximisation of their satisfaction, and the avoidance of potential conflicts of interest.

Said purpose is mainly pursued by means of joint action on the following aspects:

- the use of qualitative parameters that impact on the quantification of the incentive and are expressed with quantitatively measurable criteria, aimed at measuring customer satisfaction, operational excellence, excellence in the service offered, compliance with regulations (including but not limited to the results of the customer satisfaction survey, the number of complaints, the adequacy of customer advice, compliance with rules and regulations, the assessment of qualitative performance understood as an assessment of active behaviour). Therefore, also in compliance with the regulations on transparency with specific reference to networks, the short-term incentive plan is not based exclusively on commercial objectives;
- with reference to risk containment, the assignment:
  - for commercial networks, wherever applicable, of objectives pertaining to the control of credit risk profiles and capital;
  - for identified staff, where this does not generate a potential conflict of interest, of risk-based KPIs, consistent with the risks assumed by staff in relation to the responsibilities and activities carried out, in alignment with the Risk Appetite Framework. In this context, particular attention is paid to the monitoring of operational risk;
  - the provision of malus and claw-back mechanisms<sup>73</sup>, which affect the incentive and even reduce it to zero, for the purpose of discouraging misconduct.

<sup>73</sup> See paragraph 6.7.

To support the dissemination of corporate culture on ESG (Environmental, Social, Governance) issues, the incentive system provides for an increasingly widespread assignment of diversified KPIs related to these areas; please refer to paragraph 6.9 for further information on the inclusion of ESG objectives in variable remuneration.

With reference to the area of transparency of banking and financial transactions and services, in the networks' short-term incentive plan<sup>74</sup>:

- there is no incentive to place unsuitable products in relation to customers' financial needs;
- the joint sale of an optional contract and the loan agreement is not encouraged or rewarded to a greater extent than the sale of the two separate contracts;
- there is no incentive to offer a specific product, or a specific category or combination of products, when this could be detrimental to the customer;
- there is no incentive to offer a specific product which entails higher costs than another product which is also adequate, consistent and useful in relation to the interests, objectives and characteristics of the customer.

For staff responsible for handling complaints, any incentives take into account, among other things, the results achieved in the handling of complaints and the quality of customer relations.

These provisions, implemented since the establishment of the Group, promote a corporate culture oriented towards fairness in the performance of its responsibilities and activities and at the same time to risk management, favouring a context of lower potential impact on operational and conduct risks. They make it possible to aim for operational excellence and in the service offered, essential elements to meet the increasingly high expectations of customers, in compliance with the regulations.

For identified staff established on the basis of their responsibilities and incentive beneficiaries<sup>75</sup>, and for specific staff of the Group sales networks<sup>76</sup>, the performance assessment method provides for the assignment, at the start of the system, of an objective-card to compare with results achieved at the end of the year. In the remaining cases<sup>75</sup>, the assessment is carried out by the head of the pertinent structure upon achievement of the qualitative and quantitative objectives.

The objective-card includes a predefined number of indicators, which focus on the priority objectives. Each indicator is assigned a weight in percentage terms on the total and a result curve on achievement levels (minimum, target and maximum). The result obtained by each KPI determines a weighted score, in a variable recognition curve between a minimum and a maximum achievable. The sum of the weighted scores corresponds to the performance achieved in proportion to which, only if at least equal to a pre-established minimum score, the amount of the incentive, which cannot exceed a pre-established maximum level, is quantified.

For recipients of objectives-cards, the value of the incentive is calculated, in consideration of the financial resources, with reference to the level of the position, the

<sup>74</sup> These provisions apply to "relevant persons" as defined in the "Provisions on the transparency of banking and financial transactions and services. Fairness of relationships between intermediaries and customers", i.e., the staff offering products to customers, interacting with them (6,002 persons on the date of drafting the document, of which 5,798 in Retail Banking and 204 in Investment Banking), as well as those to whom they respond hierarchically (1,380 persons on the date of drafting the document of which 1,339 in Retail Banking and 41 in Investment Banking). The remuneration policy developed pursuant to the transparency provisions also relates to credit intermediaries (15 credit intermediaries) who collaborate with the Group.

<sup>75</sup> Subject to specificities in the insurance sector consistent with sector regulations.

<sup>76</sup> The list of individuals to receive an objective-card is not exhaustive.

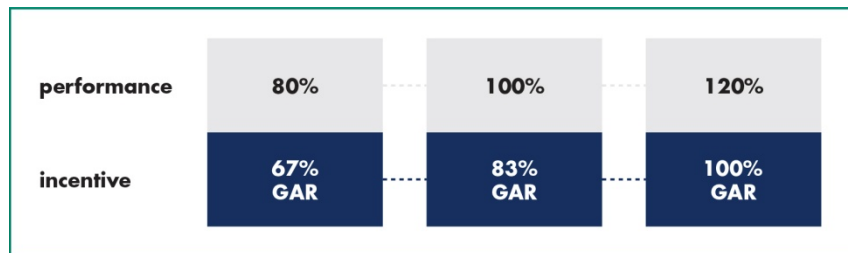
type of activity performed, also in relation to the proximity to the business, the individual’s total remuneration with reference to market benchmarks and the need for differentiation for retention purposes.

The process to define and manage the short-term incentive plan is regulated by the Group’s internal regulations, so that staff are informed as to how the system works. The Remuneration Committee plays an active role, in particular to verify its alignment with the risks assumed. On the basis of the opinion prepared by the Internal Control, Risks and Sustainability Committee and the Board of Statutory Auditors, the Board of Directors ascertains the absence of potential conflicts of interest with regard to the objective-cards of the identified staff of the internal control functions.

*6.5.1 Short term incentive plan of the Parent Company’s Chief Executive Officer*

The objectives assigned to the Chief Executive Officer for 2023 concern the areas of profitability, credit and asset quality, liquidity, capital adequacy and ESG (Environmental, Social and Governance). The KPI ROTE were not proposed again, differently than in 2022, to avoid a double award for achieving the same objective since it was already provided for in the LTI 2021-2023 plan. The objectives represent a combination of quantitative and qualitative criteria with respect to the Group’s results. The quantitative objectives are taken from the Risk Appetite Framework approved by the Board of Directors of the Parent Company for the year, envisaging achievement levels based on a methodology approved by the Board of Directors strongly linked to the Appetite, which guarantees full consistency with the RAF, and are recorded according to the RAF methodology. The risk-based indicators represent 60% of the total, with the ESG indicators representing 20%. The weighted score attributed to each KPI amounts to 80% of the weight assigned in the case of a minimum result and 120% in the case of a maximum result. The amount of the incentive is quantified in proportion to the performance achieved, only if the sum of the weighted scores of the individual KPIs is at least equal to 80% (in that case, the incentive amounts to 80% of the target incentive) and otherwise, the incentive is not awarded. If the maximum performance of 120% is achieved, the incentive amounts to 120% of the target incentive.

The amount of the incentive associated with 2023 objectives for the Chief Executive Officer can amount to a maximum of 100% of his/her gross annual remuneration (GAR), corresponding to maximum performance.



Regarding the conditions for the award of the incentive, the same provisions envisaged for the identified staff not belonging to functions with control tasks (chapter 6) apply.

AREA	OBJECTIVE	WEIGHT	MINIMUM	TARGET	MAXIMUM	
financial KPI	Profitability	Consolidated RORAC <sup>77</sup>	20%	-10%		+10%
		Consolidated Cost Income to Ratio <sup>78</sup>	20%	+3%		-3%
	Credit and asset quality	Credit Policies Indicator <sup>77</sup>	10%	-2.5%	Risk Appetite	+2.5%
	Capital adequacy	Maximum Distributable Amount (MDA) Buffer <sup>77</sup>	20%	-5%		+5%
	Liquidity	Consolidated regulatory Net Stable Funding Ratio (NSFR) <sup>77</sup>	10%	-5%		+2%
Non-financial KPI	ESG	- share of new loans in green and low-transition risk sectors	10%	-5%	58%	+5%
		- share of ESG bonds in Corporate Bond Ownership Portfolio		-5%	27%	+5%
		- green or social bond issues		KPI gate: Euro 800 million		
	Sustainability	Qualitative assessment of the Board of Directors, after consultation with the Remuneration Committee, on the following drivers: <ul style="list-style-type: none"> <li>- monitoring and development of areas related to Thematic Review</li> <li>- monitoring of operational and reputational risk</li> <li>- promotion of values and behaviour in line with the corporate culture</li> </ul>	10%	in line with expectations	above expectations	excellent

### 6.5.2 Short-term Incentive Plan of General Management and other executives with strategic responsibilities of the Parent Company

The objective-card for Parent Company executives with strategic responsibilities is defined on the basis of schedules clustered by staff category, which envisage both across-the-board KPIs, correlated to the Group's main objectives, and KPIs relating to specific areas of responsibility. The assignment of company indicators defined for the Chief Executive Officer of the Parent Company may be envisaged, where this does not generate a potential conflict of interest. The weighted score attributed to each KPI amounts to 80% of the weight assigned in the case of a minimum result and 120% in the case of a maximum result. The amount of the incentive is quantified in proportion to the performance achieved, only if the sum of the weighted scores of the individual KPIs is at least equal to 80% (in that case, the incentive amounts to 80% of the target incentive) and otherwise, the incentive is not awarded. If the maximum performance of 120% is achieved, the incentive amounts to 120% of the target incentive.

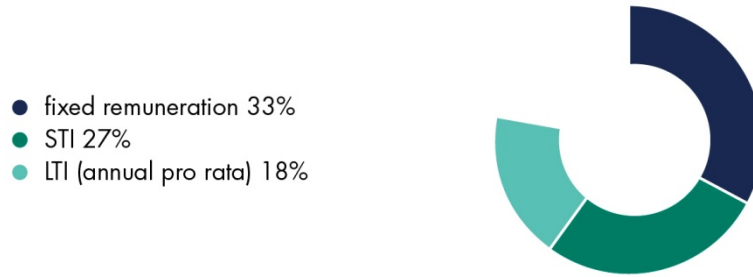
The objective-card of executives with strategic responsibilities that do not belong to functions with control tasks, including the Joint General Managers, may regard areas of profitability, credit and asset quality, liquidity, capital adequacy, ESG and qualitative aspects, with reference to operational and reputational risk. The amount of the maximum incentive<sup>79</sup> associated with the 2023 objectives is defined according to the criteria illustrated in paragraph 6.5 and in compliance with the limits indicated in paragraph 6.1.

<sup>77</sup> Risk-based objective, calculated according to the RAF methodology.

<sup>78</sup> Calculated according to the RAF methodology.

<sup>79</sup> Namely awarded in correspondence with maximum performance.

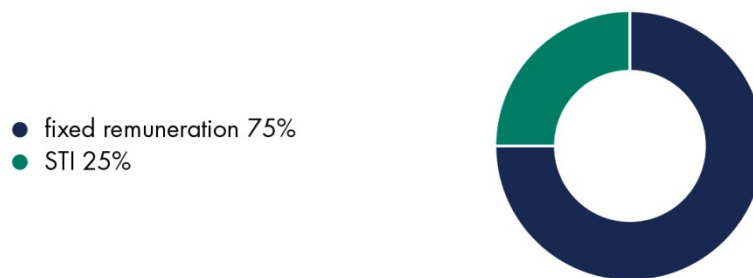
### Components of remuneration Average incidence compared the cap (2:1)



AREA	INDICATORS	EXAMPLES	RANGE OF WEIGHT <sup>80</sup>
Risk based <sup>81</sup>	Indicators related to a first or second pillar risk measurement or included in the Risk Appetite Framework insofar as linked, even indirectly, to the management of credit risk and financial risk or indicators related to the management of regulatory, legal, operational and conduct risk.	Consolidated RORAC, MDA buffer, capital indicators, ECAP Reputational Risk, operational risk indicators, credit policy compliance indicators	20%-45%
ESG	Quantitatively measurable indicators related to the Environmental, Social and Governance dimension.	Annual definition of the ESG objectives of the Strategic Plan, objectives linked to the Thematic Review	10%
Structural objectives	Indicators related to growth, profitability, productivity or to strategic action directly relating to the scope of responsibility.	Net interest and other banking income, non-performing loan indicators, consolidated cost to income ratio, managerial projects and initiatives defined in the Annual Plan, digitalisation, market consensus, enhancement of the real estate and equity investments portfolio, customer satisfaction	35%-60%
Quality performance	Assessment of specific drivers also referring to the area of sustainability.		10%

The objective-card of the managers with strategic responsibility of functions with control tasks include KPIs relating to the verification activities in the relevant areas of purview, risk management and qualitative aspects, with particular reference to the resolution of findings. The amount of the maximum incentive<sup>82</sup> associated with the 2023 objectives is defined according to the criteria illustrated in paragraph 6.5 and in compliance with the limits indicated in paragraph 6.1.

### Components of remuneration Average incidence compared to the cap



<sup>80</sup> As a guideline.

<sup>81</sup> The indicators taken from the Risk Appetite Framework are calculated according to the RAF method.

<sup>82</sup> Namely awarded in correspondence with maximum performance.

AREA	INDICATORS	RANGE OF WEIGHT <sup>83</sup>
Risk based <sup>84</sup>	Related to the SREP area.	25%
Operational excellence or compliance	Indicators related to the effectiveness of control activity and to the resolution of findings, for internal control functions.	15%
Structural objectives	KPI related to the scope of responsibility or to activities performed with relation to the position, also with reference to the ESG area, such as by way of example, the preparation of the annual audit plan or specific projects also related to the entry into force of new legislation.	50%-65%
Quality performance	Assessment of specific drivers also referring to the area of sustainability.	10%

As regards the conditions for the award of the incentive, the provisions envisaged for the identified staff in chapter 6, for the reference category (namely belonging or not belonging to functions with control tasks) are applicable.

## 6.6 Payment of incentive

The procedures for the payment of incentives to the Group's Staff are described in the following paragraphs.

### 6.6.1 Payment of incentive of other staff

The incentive for other staff is paid in cash and on a one-time basis, by the month of July of the year following the relevant year.

In the event of the termination of employment, the incentive is paid<sup>85</sup> in the case of retirement, access to the solidarity fund, death, specific provisions contained in individual contracts or in individual agreements to terminate employment, without prejudice to cases in which all rights are lost. The loss of all rights is envisaged if the employment relationship is terminated due to resignation, dismissal for just cause or justified subjective grounds, as well as termination of the employment relationship for any reason or grounds, including access to the solidarity fund, that entail termination within the first half of 2023.

### 6.6.2 Payment of incentive of identified staff

The incentive for identified staff<sup>86</sup> established in the year is paid over a period of six or five years and is divided into an up-front portion and five or four annual deferred portions, subject to the fulfilment of future conditions.

The up-front portion, to be assigned by July of the year following the pertinent year, irrespective of the beneficiary, is equal to:

- 60% of the incentive awarded, in cases where the annual individual variable remuneration is less than Euro 435,000;
- 40% of the incentive awarded, in cases where the annual individual variable remuneration is equal to or greater than Euro 435,000.

<sup>83</sup> As a guideline.

<sup>84</sup> The indicators taken from the Risk Appetite Framework are calculated according to the RAF method.

<sup>85</sup> Pro-quota based on the twelfths of presence in service during the year, determined in accordance with internal regulations.

<sup>86</sup> With the exception of Group employees who hold positions in the Boards of Directors of subsidiary companies in representation of the Group itself, the employee does not receive any fixed or variable remuneration for said positions.

For the Group, the figure of Euro 435,000 is a particularly high variable remuneration level, determined according to criteria set forth in Bank of Italy Supervisory Regulations<sup>87</sup>.

50% of the up-front portion of the incentive is awarded in Banco BPM ordinary shares.

Other deferred portions consist of:

- five annual portions of the same amount, deferred in the five-year period following the year of vesting of the up-front portion, for 55% in Banco BPM ordinary shares, for:
  - senior identified staff;
  - the managers of main business lines of Banca Akros or Banca Aletti directly reporting to the Chief Executive Officer or senior management of Banca Akros or Banca Aletti<sup>88</sup>, if the individual variable remuneration amount paid is equal to or greater than Euro 435,000;
- four annual portions of the same amount, deferred in the four-year period following the year of vesting of the up-front portion, for 50% in Banco BPM ordinary shares, for identified staff not included in the previous point.

The deferred portions are allocated by the end of July of each year.

For vested shares, a retention period (selling restriction) of one year is envisaged for both the up-front shares and the deferred shares; for the latter, the retention period starts from the moment in which the deferred remuneration is vested. The vesting of the share portions takes place with the respective cash portions, while actual transfer of ownership to the beneficiary takes place at the end of the retention period.

The shares of the up-front and deferred portions will be subject to taxation, using the so-called normal value as reference, corresponding to the arithmetic mean of official prices recorded thirty calendar days before the date on which each portion will be transferred into the beneficiary's security portfolio.

Any rights and/or dividends are only vested with reference to the period following the transfer to the beneficiary's securities portfolio. In the event of extraordinary capital operations which envisage the exercise of an option right, the Parent Company Board of Directors may assess any consequent adjustments to any share portions that have vested but are not yet available to the beneficiaries.<sup>89</sup>

---

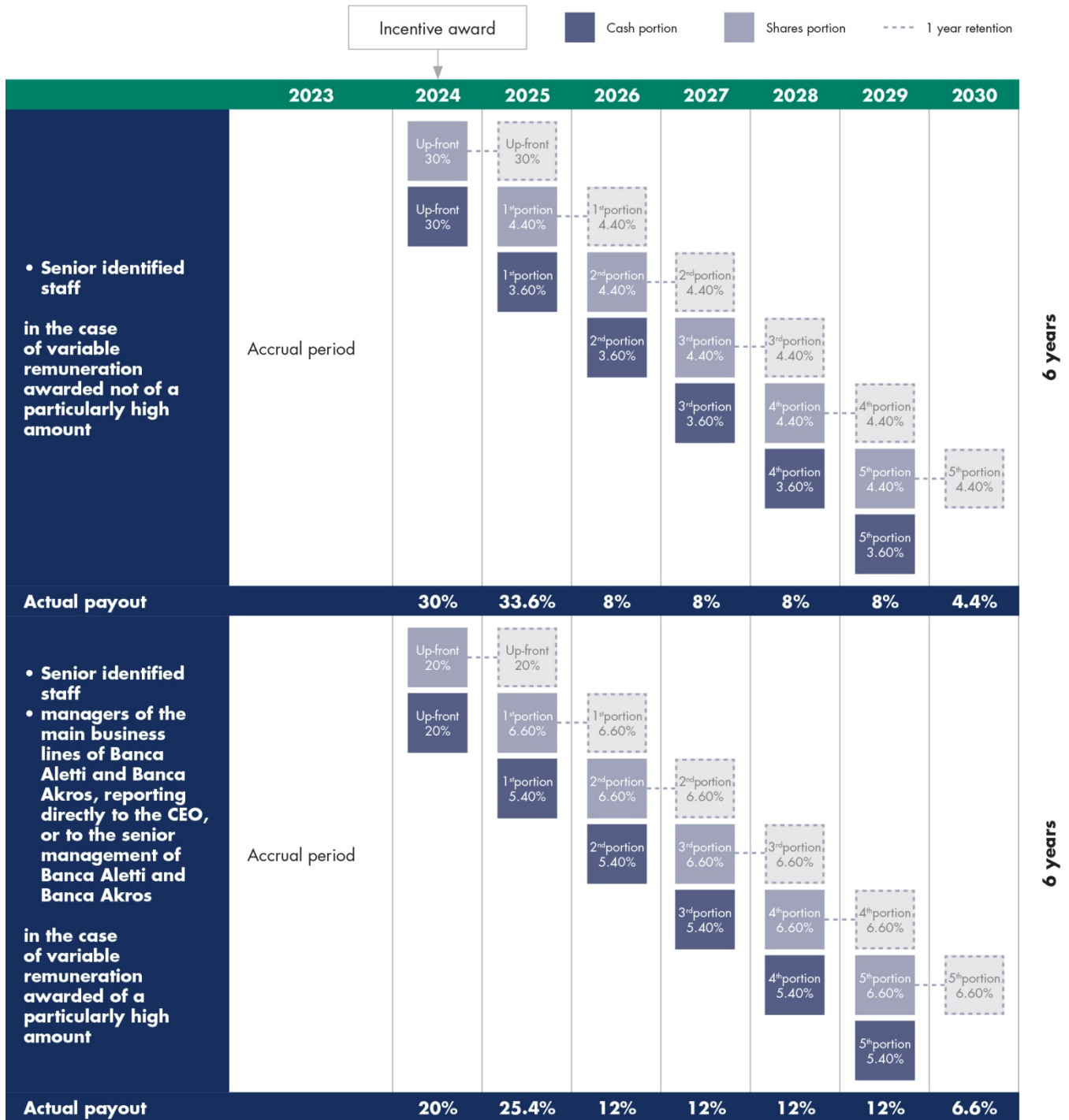
<sup>87</sup> See, First Part, Title IV, Chapter 2, Section III, Paragraph 2. As permitted by the same Regulations, the value provided in the 2022 Policy is confirmed.

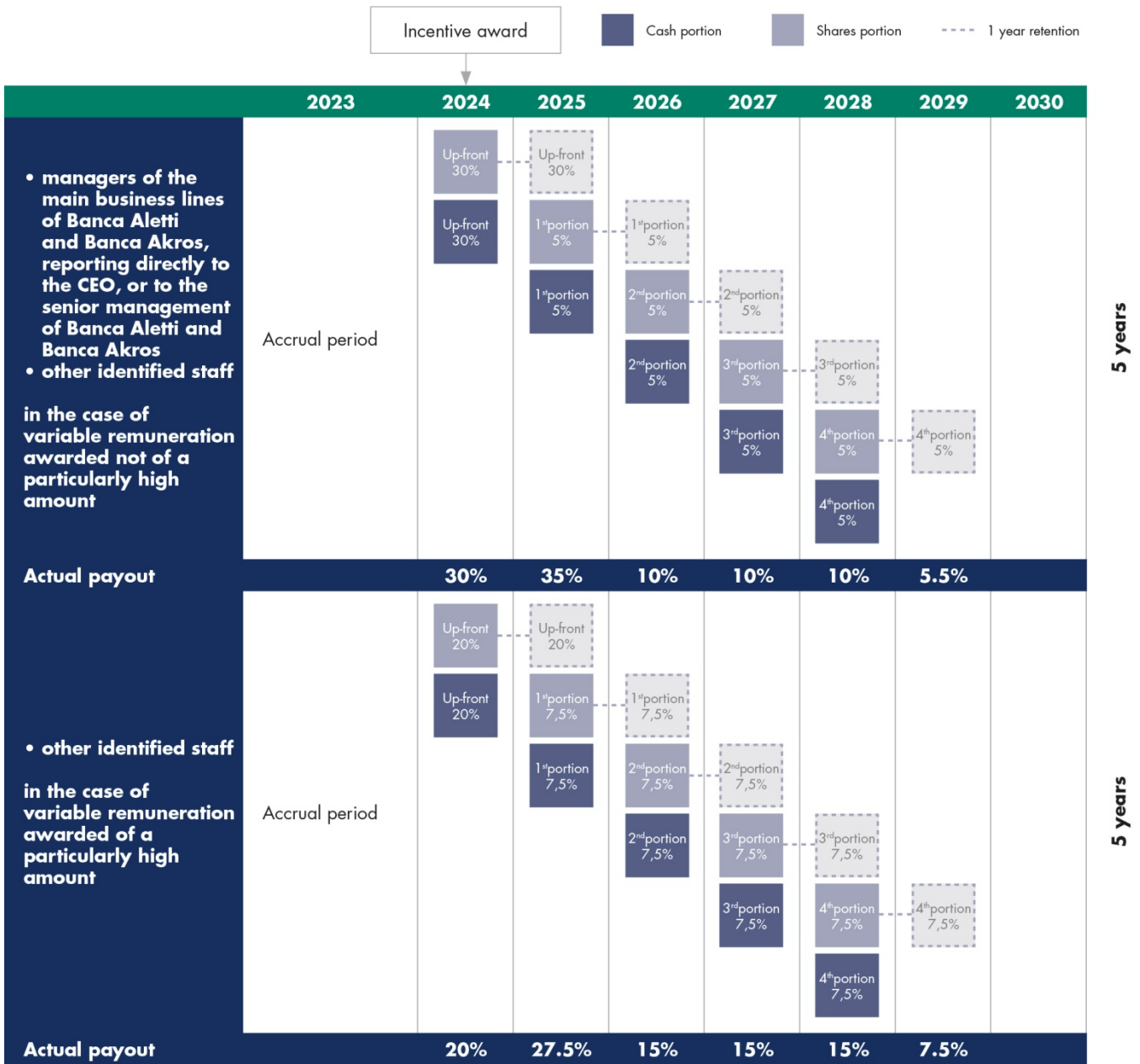
<sup>88</sup> Head of Investment Banking of Banca Akros and Head of Coordination of the Private Banking Network of Banca Aletti.

<sup>89</sup> One such examples is capital increase.



The tables show the breakdown and amount of the incentive portions awarded, in relation to the year in which they come into the beneficiary's effective possession.





The up-front portion and the deferred portions are subject to malus and claw-back mechanisms, as set forth in paragraph 6.7.

In the event of the termination of employment, both the up-front portion and the deferred portions<sup>90</sup> are paid in the case of retirement, access to the solidarity fund, death, specific provisions contained in individual contracts or in individual agreements to terminate employment, without prejudice to cases in which all rights are lost. The loss of all rights is envisaged if the employment relationship is terminated due to resignation, dismissal for just cause or justified subjective grounds, as well as termination of the employment relationship for any reason or grounds, including access to the solidarity fund, that entail termination within the first half of 2023.

<sup>90</sup> Pro-quota based on the twelfths of presence in service during the year, determined in accordance with internal regulations.

As required by the Supervisory Provisions of the Bank of Italy, in cases where the annual individual variable remuneration is lower than or equal to the significance threshold of Euro 50,000, and, at the same time, lower than or equal to one third of the total annual individual remuneration, the relative amount is paid out in cash and in a lump sum.

### 6.7 Malus and claw-back mechanisms

Payments of variable remuneration components are subject to the ex post correction system (so-called malus) described below:

1. The vesting of each deferred portion of the incentive is subject to total compliance with the consolidated entry gates and with the relative threshold comparative values envisaged for the short-term incentive plan of the year preceding the year of vesting of the same, for Staff category to which they belong in the same year. This ex post correction system, therefore, operates in the deferral period, before the actual vesting of the deferred portions of the incentive;
2. in the case of ascertainment, during the year, of misconduct of the identified staff and other staff, the Board of Directors of the Parent Company and/or the subsidiaries and/or the Chief Executive Officer of the Parent Company (or their proxy), each to the extent of their responsibility, shall assess what action to take (which may entail its reduction or cancellation) in relation to the incentive and to the company bonus for the year, the deferred portions of incentives relating to previous years vesting with reference to the same year and to any retention bonuses.

Misconduct is defined as follows:

- provision of suspension from office and from payment of remuneration starting from one day. This excludes the above-mentioned variable remuneration components from receipt;
- conduct which does not comply with legal, regulatory or by-law provisions or with codes of ethics or conduct applicable, leading to a significant loss for the company or the Group or for customers;
- breaches<sup>91</sup> of the requirements stated pursuant to article 26 or, when the entity is an interested party, pursuant to article 53 of the Consolidated Banking Law;
- violations of the obligations imposed pursuant to article 76 of the Private Insurance Code (CAP) - Requirements of professionalism, integrity and independence of company representatives and persons who perform key functions;
- violation of the obligation not to use personal hedging strategies or insurances on remuneration to undermine the risk alignment effects embedded in the remuneration arrangements;
- fraudulent or grossly negligent conduct causing damage to a company or the Group;
- conduct that has led or contributed to significant damage to customers or a significant infringement of the rules contained in title VI of the Consolidated Banking Law, of the relative implementing provisions or the set of legal provisions or codes of ethics or of conduct to protect customers applicable to the bank.

In the event of misconduct as described in point 2, the Board of Directors of the Parent Company and/or the subsidiaries and/or the Chief Executive Officer of the Parent Company (or their proxy), each to the extent of their responsibility, also reserve the right to activate mechanisms for the return of previously vested amounts of the incentive or portions thereof, of the company bonus and retention bonus (claw-back clause), from the time of their vesting up to the following five years.

<sup>91</sup> For example in cases of infringements of professionalism, integrity and independence requirements.

With reference to the Group, the Parent Company's Human Resources function, with the relevant corporate functions of the same and of subsidiary companies, verifies the potential existence of conditions that determine the non-awarding or non-vesting or return of already vested amounts and evaluates any cases to submit to the decision of the Board of Directors and/or the subsidiaries and/or the Chief Executive Officer of the Parent Company (or their proxy), each to the extent of their responsibility.

The company has the right to offset the amounts subject to the request for repayment with those due for any reason to the interested party. In this case, the offsetting will take effect from the moment of communication of the exercise of the compensatory power by the company to the interested party, without prejudice to any other action provided for by law to protect the company itself.

## 6.8 Long term incentive (LTI)

The long-term incentive plan supports the 2021-2024 Strategic Plan, to pursue results that create long-term value for shareholders and all relevant stakeholders, and provides for two assessment periods (2021-2023 LTI plan and 2022-2024 LTI plan<sup>92</sup>).

The scope of the beneficiaries of the LTI plan includes around 60 positions relating to the Group's identified staff (excluding those belonging to functions with control tasks), selected on the basis of the level of the position and the impact on the business, including the Chief Executive Officer and executives with strategic responsibilities of the Parent Company.

The incentive correlated to the LTI plan (LTI incentive) is fully assigned in Banco BPM ordinary shares (performance shares) and is proportional to the level of achievement of the conditions and of the performance objectives referred to in the paragraphs below.

### 6.8.1 Operating mechanism of the LTI plan

The rules that govern the plan are clear and pre-established.

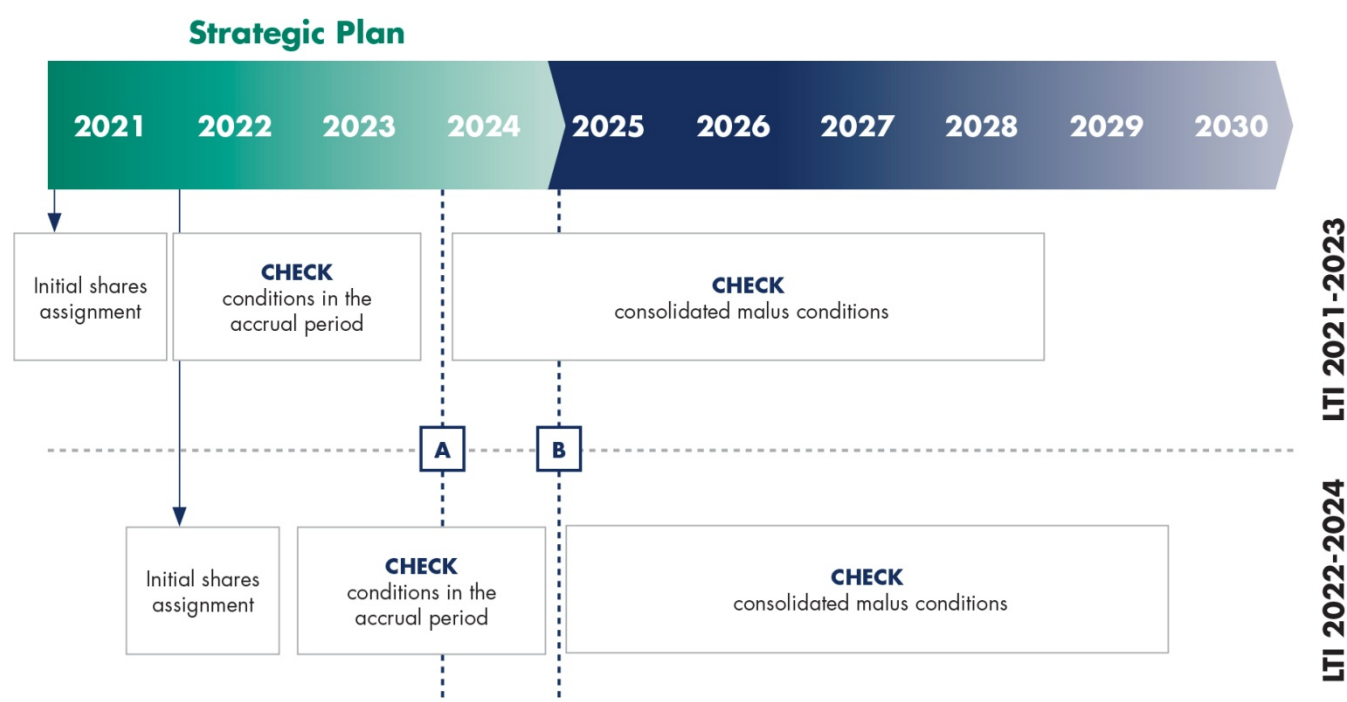
The award of the LTI requires meeting conditions to be verified during the course and at the end of the plan (see paragraph 6.8.1.1) and long-term performance objectives of the bank (see paragraph 6.8.1.2). The LTI plan provides for minimum levels (floor) below which no shares are awarded, and maximum levels (caps) above which the number of shares to be awarded does not increase further.

For all beneficiaries, the shares awarded at the end of the performance period are assigned over the course of the vesting period in up-front and deferred portions, the latter subject to consolidated subsequent malus conditions (see paragraph 6.8.1.4). All shares are subject to one year of retention (selling restriction) from the vesting of each portion (see paragraph 6.8.1.4).

The maximum duration of each plan is ten years.<sup>93</sup>

<sup>92</sup> The Shareholders' Meeting approved the LTI plan on 15 April 2021 and 7 April 2022.

<sup>93</sup> The year of delivery of the last portion in shares is included. The 2021-2023 LTI ends in 2030 and the 2022-2024 LTI ends in 2031.

**CHECK** gates and **CHECK** performance objectives

A LTI 2021-2023

B LTI 2022-2024

*6.8.1.1 LTI plan conditions*

The award of the LTI incentive is subject to indicators and relative comparative values at consolidated level (hereinafter entry gates):

INDICATOR AT A CONSOLIDATED LEVEL	2021-2023 LTI	2022-2024 LTI	COMPARISON VALUE
CET 1 ratio fully loaded (a)	✓	✓	
Leverage ratio fully loaded (a)	✓		> Risk Trigger threshold defined in the RAF in the last year of the performance period (a)
MDA buffer (a)		✓	
NSFR regulatory (a)	✓	✓	
UOC <sup>94</sup> (a)	✓	✓	> 0

(a) 2023 for the 2021-2023 LTI plan, 2024 for the 2022-2024 LTI plan.

Failure to achieve even one of the conditions shall mean that the related LTI plan will not be activated and the corresponding LTI incentive will not be awarded.

For each financial year of the accrual period of each plan, in the event that the entry gate of the Short-Term Incentive plan related to the Common Equity Tier 1 (CET1) ratio is lower than the relative threshold, the number of shares initially assigned for the reference plan shall be cut by 10%.

*6.8.1.2 Performance objectives*

In order to determine the number of shares to award (LTI incentive) at the end of each performance period, verification of the level of achievement of the performance

<sup>94</sup> Determined as specified in reference to the short-term incentive plan of the last year of the accrual period.

objectives represented below is required, selected from the main objectives of the Group's Strategic Plan.

For the 2021-2023 LTI plan, the verification will be carried out at the end of 2023.

AREA	2021-2023 LTI PERFORMANCE OBJECTIVES	WEIGHT	FLOOR	CAP
Profitability	ROTE <sup>95</sup> at 2023	35%	5%	7%
Asset quality	Gross NPE ratio <sup>95</sup> as at 2023	35%	6.9%	5.4%
Value creation for shareholders	Total Shareholder Return (TSR) <sup>96</sup> vs peers <sup>97</sup>	15%	median	> 70%ile
ESG	Standard Ethics Rating <sup>98</sup>		EE	EE+
	Increase of women in managerial positions as at 31/12/2023 <sup>100</sup>	15% <sup>99</sup>	+15%	+33%
	Emissions of CO <sub>2</sub> <sup>101</sup>		-50%	carbon neutrality
	Social initiatives (hours) <sup>102</sup>		6,000	8,000

For the 2022-2024 LTI plan, due diligence is performed at the end of 2024.

AREA	2022-2024 LTI PERFORMANCE OBJECTIVES	WEIGHT	FLOOR	CAP
Profitability	ROTE <sup>103</sup> at 2024	35%	7%	9%
Asset quality	Gross NPE ratio <sup>103</sup> as at 2024	35%	6.3%	4.8%
Value creation for shareholders	Total Shareholder Return (TSR) <sup>104</sup>	15%	18% <sup>105</sup>	48%
ESG	Standard Ethics Rating <sup>106</sup>		EE+	EEE-
	Percentage of women in managerial positions as at 31/12/2024	15% <sup>107</sup>	28%	30%
	Social initiatives (hours) <sup>108</sup>		10,000	12,000

<sup>95</sup> Calculated according to the RAF methodology.

<sup>96</sup> In order to calculate the TSR, the average price of shares is considered respectively in the three months prior to the date of 31/12/2020 (excluded) and 31/12/2023 (excluded).

<sup>97</sup> The TSR of Banco BPM is compared in terms of relative positioning with respect to the peer group comprising: Intesa Sanpaolo, Unicredit, Mediobanca, Banca Popolare dell'Emilia Romagna, Banca Generali, Fineco Bank, Credito Emiliano, Banca Mediolanum, Poste Italiane and Azimut Holding. If, following an extraordinary operation or similar event, the data and/or the information of one of more members of the peer group are not available, the Parent Company's Board of Directors has the power to assess potential replacements, prioritising 1) Banca Popolare di Sondrio, 2) Unipolsai.

<sup>98</sup> At the launch of the plan, the Group had an EE- rating.

<sup>99</sup> Each ESG objective is equally weighted.

<sup>100</sup> Compared to 1 July 2021. The gender development initiatives are described in paragraph 2.

<sup>101</sup> Compared to 2019.

<sup>102</sup> Hours dedicated in the period of 2021-2023 to developing the financial awareness of customers, with specific reference to the female world; to meetings with customers to create a culture of sustainable finance and to company volunteering in support of Non-profit Associations.

<sup>103</sup> Calculated according to the RAF methodology.

<sup>104</sup> Banco BPM's TSR is compared in absolute terms with the floor and cap achievement levels. For the purpose of calculating the TSR, the average share price will be considered in the December 2021-January 2022 period and in the December 2024-January 2025 period, respectively.

<sup>105</sup> In the event of a result below the threshold, the floor level will be awarded if Banco BPM's TSR is higher than the average of the TSR of the peer group consisting of: Intesa Sanpaolo, Unicredit, Banca Popolare dell'Emilia Romagna, Credito Emiliano, Banca Popolare di Sondrio, and Monte dei Paschi di Siena.

<sup>106</sup> At present the group has a rating of EE.

<sup>107</sup> Each ESG objective is equally weighted.

<sup>108</sup> Hours dedicated in the period of the Strategic Plan to the development of financial awareness of customers with specific attention to the female world, to meetings with corporate customers aimed at creating a culture of sustainable finance and corporate volunteering in support of non-profit associations.

The result of each objective is measured by linear interpolation in a range that envisages a minimum level (floor) and a maximum level (cap) of achievement. The number of shares that may be awarded for each objective is correlated to the relative percentage to be applied to the initial assignment, which may be reduced in the event of the conditions arising over the course of the plan (see paragraph 6.8.1.1) and corresponds to:

- 100% if the objective is achieved at least at the maximum level;
- 50% if achieved at the minimum level;
- zero if a level lower than the minimum is achieved;
- at a value determined by linear interpolation between floor and cap.

The sum of the number of shares that may be awarded for each objective determines the LTI.

#### *6.8.1.3 Payment of the LTI*

The LTI incentive is paid<sup>109</sup> in an up-front portion and in annual deferred portions of the same amount, in accordance with the provisions of the 2021 Remuneration Policy for the 2021-2023 LTI plan<sup>110</sup> and the 2022 Remuneration Policy for the 2022-2024 LTI plan<sup>111</sup>.

For vested shares, a one-year retention period (selling restriction)<sup>109</sup> which starts from their vesting; the transfer of ownership to the beneficiary takes place at the end of this period.

The shares of the up-front and deferred portions will be subject to taxation, using the so-called normal value as reference, corresponding to the arithmetic mean of official prices recorded thirty calendar days before the date on which each portion will be transferred into the beneficiary's security portfolio.

Any rights and/or dividends are only vested with reference to the period following the transfer to the beneficiary's securities portfolio.

---

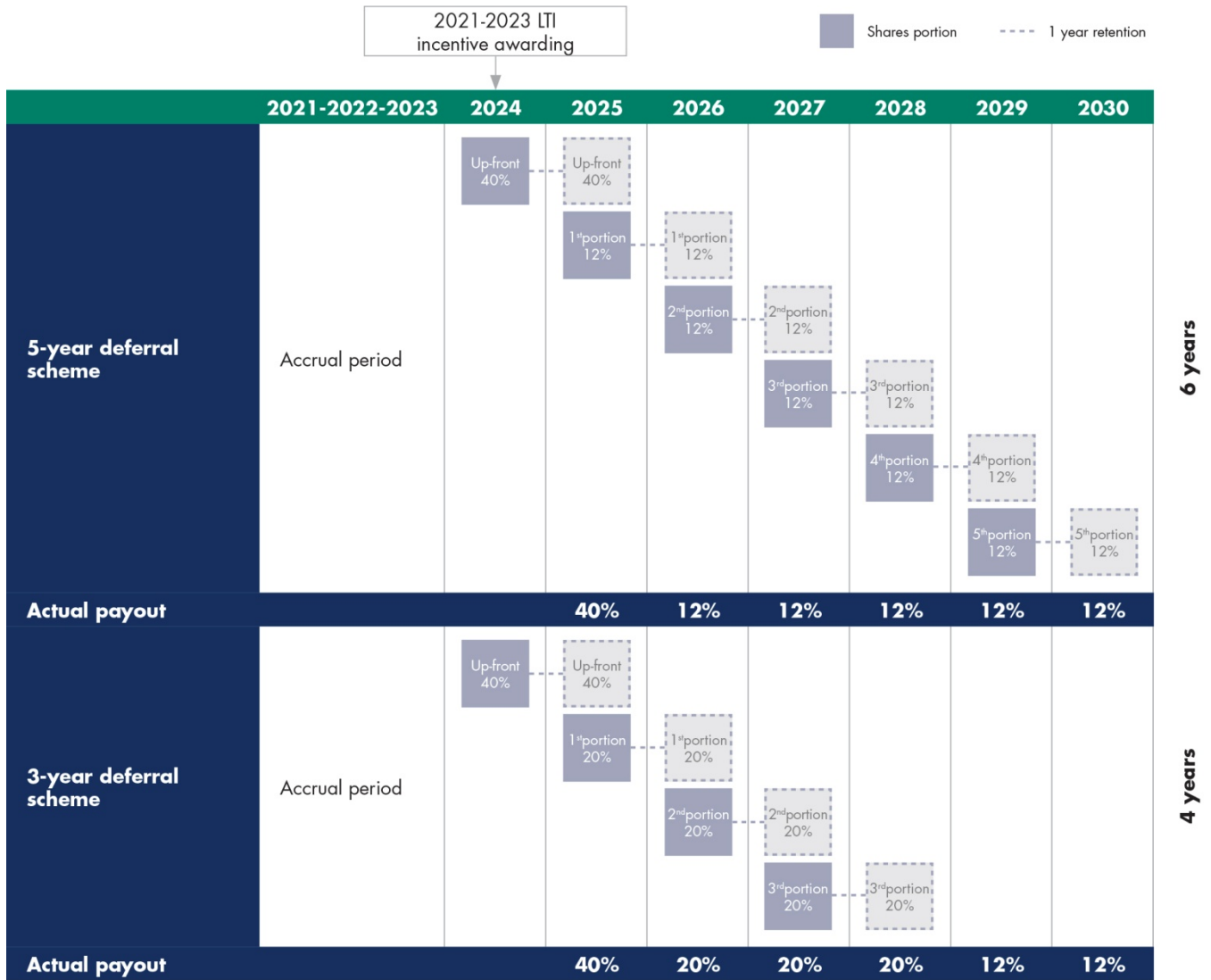
<sup>109</sup> For the 2022-2024 LTI incentive, subject to the provisions of the Supervisory Provisions regarding the relevance threshold apply.

<sup>110</sup> See paragraph 6.8.2.3.

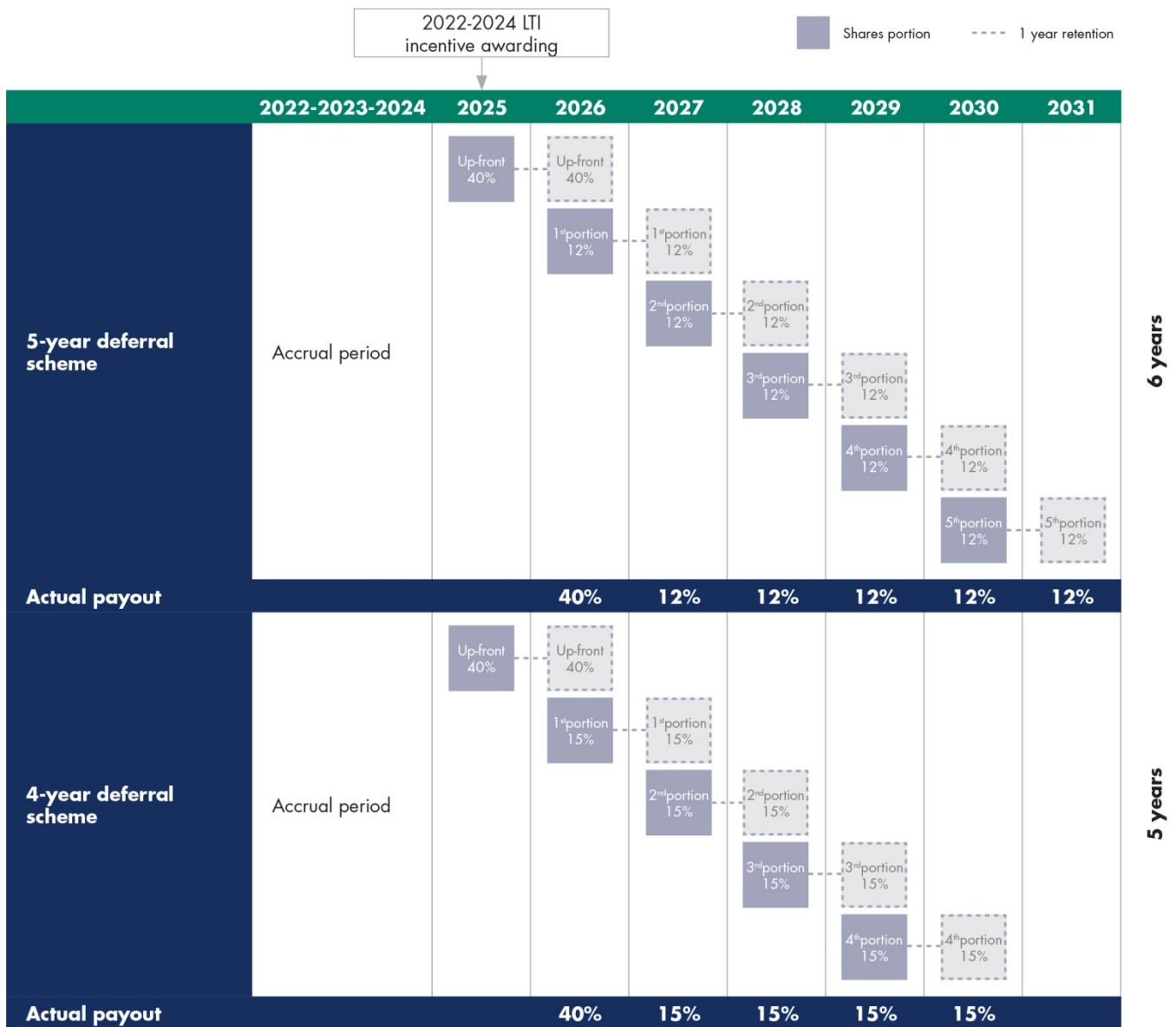
<sup>111</sup> See paragraph 6.8.2.3.



The tables show the amount of the LTI portions, in relation to the year in which their ownership is actually transferred to the beneficiary.







In the event of the termination of employment, both the up-front portion and the deferred portions are paid on a pro-rata basis<sup>112</sup> in the case of retirement, access to the solidarity fund, death, specific provisions contained in individual contracts or in individual agreements to terminate employment, without prejudice to cases in which all rights are lost. The loss of all rights is envisaged in the event of termination of the employment relationship due to resignation, dismissal for just cause or justified subjective reason. With reference to the 2021-2023 LTI plan, the loss of all rights for terminations of employment for any reason or cause, including access to the solidarity fund defined by the first half of 2021 which provides for the termination in 2021 applies. The provisions of paragraph 6.8.2 apply.

<sup>112</sup> Pro-quota on an annual basis based on the date of termination during the accrual period, it being understood that for terminations in 2022 and 2023 only the pro-quota on an annual basis of the 2021-2023 LTI plan will be awarded. Payment is made in the same way as for the staff in service who are beneficiaries of the LTI plan.

#### *6.8.1.4 Malus and claw-back mechanisms*

The LTI incentive is subject to the same malus and claw back conditions provided for the short-term incentive plan by the Group's remuneration policy in force at the time.

#### *6.8.2 Treatment in the case of extraordinary events*

In the event of changes in the long-term objectives or of regulatory changes that impact the Group or extraordinary corporate events, the Board of Directors of the Parent Company has the power to approve any changes and/or additions to the rules of the plan that are deemed necessary and/or appropriate to render it consistent with the changed context.

In the event of extraordinary capital operations which envisage the exercise of an option right, the Board of Directors of the Parent Company has the power to assess any consequent adjustments to any share portions that have vested but are not yet available to the beneficiaries.<sup>113</sup>

Finally, if company control should change, early pro liquidation in cash on an annual basis shall be carried out in favour of the beneficiaries in service<sup>114</sup>, in compliance with the upper limit of the total variable remuneration with regard to the fixed remuneration and with the deferment methods established by the LTI Plan.

Should a significant change in the ownership structure take place, the Board of Directors will consider adopting a similar solution.

The Shareholders' Meeting will be suitably informed should the above events take place.

### **6.9 Environmental, social and governance (ESG) objectives in the context of variable remuneration**

At the initiative of the ESG Committee and in light of requests by the Regulators, expectations of the financial market and the best practices of national and international competitors, the Group has set out its plan of action in the 2021-2024 Strategic Plan and has undertaken an important sustainability process. For further information, refer to the Sustainability section of the Group website [gruppo.bancobpm.it](http://gruppo.bancobpm.it).

The process of integrating the ESG strategy into the Group's governance models is also significantly reflected in the remuneration policy, with reference to incentive mechanisms. The combination of objectives relating to the banking business, such as profitability, credit and asset quality, capital adequacy and liquidity, along with ESG metrics is considered a key factor in strengthening the Group's results in the medium term, as it allows to combine personal satisfaction and socio-environmental sustainability.

With reference to the Short-Term Incentive Plan, the objective card:

- of the Chief Executive Officer of the Parent Company provides for ESG financial indicators to be assessed over the annual performance period, referring to the annual declination of the ESG objectives of the Strategic Plan, with a weight of 10% to be added to a further sustainability objective lined to the Thematic Review, the operating and reputational risk and the promotion of the corporate culture, with a weight of 10% (see paragraph 6.5.1);
- of executives with strategic responsibilities with control tasks provides for any quantitatively measurable non-financial ESG indicators, with a minimum weight of

<sup>113</sup> One such examples is capital increase.

<sup>114</sup> The shares will be valued at the most recent official price prior to the delisting or issue of new instruments or, if the instrument is not extinguished, the most recent official price prior to notification of the corporate transaction to the market.

- 10%, which may, by way of example, be related to the priority execution of activities relating to the ESG area envisaged in the annual plans or the conclusion of project actions related to the Thematic Review;
- of the other executives with strategic responsibilities provides for quantitatively measurable ESG indicators, with a weight of 10%, which refer to the annual definition of the ESG objectives of the Strategic Plan, by way of example, those related to shares of new disbursements in green and low-risk transition sectors, corporate bond share of ESG bonds in the proprietary portfolio, green and social bond issues, People Strategy objectives, conclusion of strategic actions related to the Thematic Review, added to the further qualitative objective also related to the issue of sustainability with a weight of 10%;
  - for the remaining identified staff in the retail and corporate commercial network, it provides quantitatively measurable ESG indicators with a weight of 10%, broken down on the individual perimeters of competence, which incentivise the share of new disbursements in green and low-risk transition sectors;
  - of the remaining identified staff, it may provide for the assignment of quantitatively measurable ESG indicators, with a weight of 10%, by way of example, those related to the implementation of projects aimed at supporting the ESG strategy set out in the 2021-2024 Strategic Plan, the annual declination of ESG objectives of said plan and the conclusion of strategic actions related to the Thematic Review.

The remuneration policy is also consistent with the provisions on the integration of sustainability risks pursuant to EU Regulation 2019/2088 of 27 November 2019 of the European Parliament and of the Council. In particular, the short-term incentive plan includes a mechanism linked to customer profiling that also integrates the acquisition of customer ESG preferences. The mechanism concerns the staff of the commercial networks involved in this area.

The objective related to the share of new disbursements in green and low transition risk sectors, the annual definition of the objective of the Strategic Plan, is also assigned to the managers and staff of the commercial functions and to all the roles of the retail and corporate networks that coordinate, manage or support customers belonging to the assigned segment (corporate, companies). The entire commercial chain that manages corporate and business customers is therefore encouraged to promote an ESG commercial offer in line with the objectives of the strategic plan.

As part of the Short-Term Incentive Plan, through the ECAP Reputational Risk indicator that represents the amount of economic capital with respect to the reputational risk estimated using an internal model, the non-financial adjustment factor could reduce the economic resources of all staff in the event of a sudden deterioration of the Group's image, also in relation to the possible occurrence of ESG risks. As an example, the indicator model considers elements of physical risk, transition and conduct (greenwashing), as well as other elements of environmental risk (e.g. loss of biodiversity, pollution, rising seas, etc.). The model also considers any sanctions relating to climate and environmental issues, participation in campaigns or initiatives that damage the company's image, customer complaints related to environmental and sustainability issues, entering into agreements with counterparties with a low reputation in terms of climate and environmental risks, worsening of the rating due to non-compliance with sustainability standards.

In the Long-Term Incentive Plan, the performance objectives include ESG metrics related to the main objectives of the 2021-2024 Strategic Plan, with reference to the areas of People Strategy, Environment, Community (see paragraph 6.8.1.2).

### 6.10 Amounts for early termination of employment

The Shareholders' Meeting of the Parent Company approves criteria for determining any amount to be agreed in case of early termination of employment, for all Staff, including any limits set in terms of years of fixed remuneration.

Said criteria and limits are applied to all Group companies; these are approved by the Shareholders' Meeting of Banca Akros and Banca Aletti.

As provided for by the relevant provisions, agreements stipulated for early termination of employment do not include amounts determined by the ruling of a court or arbitration, severance pay established by general employment contract legislation and indemnity for lack of notice. In the latter two cases, this holds true when the amount is determined according to limits established by legislation.<sup>115</sup>

The golden parachute is any agreement pertaining to identified staff.

Amounts for early termination of employment can be awarded up to a maximum limit of 24 months of fixed remuneration (excluding indemnity for lack of notice, determined by legislative provisions) and for up to a maximum limit of Euro 2.9 million (employee gross amount).

The combination of said maximum limit, the indemnity for lack of notice as determined by laws and any non-competition clauses upon termination of employment gives rise to an amount that falls within the limit of 24 months of remuneration including the short-term variable amount, a criterion commonly used in the Italian market.

Subject to approval of criteria for determining the amount to be awarded in case of early termination of employment by the Ordinary Shareholders' Meeting, including limits in terms of years of fixed remuneration, the Parent Company has the unilateral right to establish agreements of this nature, in compliance with the following and with legislation in force at the time.

The award process requires the Parent Company Human Resources function to submit a report, previously assessed by the internal audit function:

- for subjects under the responsibility of the Board of Directors of the Parent Company and/or a subsidiary, to the Remuneration Committee which, in turn, prepares the proposal to submit to the Board of the Parent Company and/or the subsidiary, each to the extent of its responsibility (with reference to the heads of the internal control functions, it is also previously evaluated by the Committee for Internal Control, Risks and Sustainability and by the Board of Statutory Auditors);
- for remaining persons, to the Chief Executive Officer (or their proxy).

Payment to identified staff and other staff is made upon termination in accordance with that illustrated below, without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations; this applies even if a member of Staff has signed an individual agreement with the Group for the early termination of employment.<sup>116</sup>

The awarding of amounts for early termination of employment is subject to the fulfilment of the conditions, with reference to the previous year, correlated to the capital adequacy indicator at a consolidated level Common Equity Tier1 (CET1) ratio and the regulatory liquidity adequacy indicator at a consolidated level Liquidity Coverage Ratio (LCR).

<sup>115</sup> Said items do not constitute variable remuneration and are not subject to criteria and limits established by the Shareholders' Meeting.

<sup>116</sup> See Section III, paragraphs 2.2.2 and 2.2.3.

The table summarises the conditions for the award of amounts for early termination of employment in relation to the results (R) achieved.

## Consolidated indicators

		LCR REGULATORY		
		R > RISK TOLERANCE <sup>117</sup>	MIDPOINT <sup>118</sup> ≤ R ≤ RISK TOLERANCE	R < MIDPOINT <sup>118</sup>
CET1 RATIO	R > RISK TOLERANCE <sup>117</sup>	Proceed with award.	The Parent company Board of Directors can decide on the potential availability of economic resources.	No award.
	MIDPOINT <sup>119</sup> ≤ R ≤ RISK TOLERANCE	The Parent company Board of Directors can decide on the potential availability of economic resources.	The Parent company Board of Directors can decide on the potential availability of economic resources.	No award.
	R < MIDPOINT <sup>119</sup>	No award.	No award.	No award.

The amount is determined considering each relevant element, and in any event:

- the positive results achieved over time;
- the circumstances that led to the termination, taking into account the interests of the company also to avoid an error of judgement;
- the tasks performed and/or positions held in the course of the employment relationship, also in the sense of risks assumed by the subject;
- the duration of the employment relationship and of the job;
- savings as a result of early termination of employment.

The ascertainment of fraudulent behaviour or gross negligence relating to the three calendar years preceding the termination does not allow the recognition of amounts for the early termination of the employment relationship. The assessment of the significance of the fault is carried out by the Board of Directors of the Parent Company and/or the subsidiaries and/or by the Chief Executive Officer of the Parent Company (or his/her proxy), each to the extent of their responsibility. They also reserve the right to assess any additional misconduct<sup>120</sup> ascertained in the three calendar years prior to the termination.

<sup>117</sup> Risk Tolerance threshold means the lower point of the tolerance area, in line with the RAF framework.

<sup>118</sup> Midpoint between Risk Capacity and Risk Tolerance thresholds.

<sup>119</sup> Midpoint between Risk Capacity and Risk Tolerance thresholds. Without prejudice, in the case of the CET1 ratio, to the provisions on distribution limits (see paragraph 6.11).

<sup>120</sup> See paragraph 6.7.

The amount awarded to identified staff, in the case of the early termination of employment<sup>121</sup>, is calculated within the upper limit of the variable/fixed component ratio with reference to the last year of employment, without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations.<sup>122</sup>

The Bank of Italy Supervisory Regulations also envisage the option to use a predefined formula, contained in the bank's remuneration policy, which defines the amount to be awarded for early termination of employment, within the context of an agreement between the bank and staff, at any stage of legal proceedings, for the resolution of a current or potential dispute. As provided for by Bank of Italy Supervisory Regulations, if defined by means of the application of said formula, the amount is not included in the calculation of the upper limit of the variable/fixed ratio.

The formula adopted by Banco BPM regards identified staff and envisages that amount is equal to:

- for top identified staff: 24 months of fixed remuneration;
- for other identified staff with more than 10 years of seniority in the Group or in the insurance company: 24 months of fixed remuneration;
- for other identified staff not included under previous points: 18 months of fixed remuneration.

The amounts referred to above may be subject to the following reductions:

- setting to zero, upon ascertainment of fraudulent conduct or gross negligence in the three calendar years prior to termination. The seriousness of such conduct is assessed by the Board of Directors of the Parent Company and/or the subsidiaries and/or the Chief Executive Officer of the Parent Company (or their proxy), each to the extent of their responsibility;
- reduction of 12 months of fixed remuneration in the event of failure to achieve individual performance in at least one of the two calendar years preceding termination;
- 50% reduction if the employee has been operating in the Group or in the insurance company for less than three calendar years at the moment of termination, or otherwise, a 25% reduction if at the moment of termination he/she has held his/her current position<sup>123</sup> for less than two calendar years.

The employment contracts of executives with strategic responsibilities, including the Chief Executive Officer, are permanent contracts and the notice period, where applicable, is regulated by the National Labour Collective Agreement for the credit sector. Among the executives with strategic responsibilities, the Chief Executive Office and the Joint General Managers have signed individual agreements with the bank regarding the early termination of employment.

Irrespective of the method used to define the amount, payment thereof occurs according to the same methods provided for by the short-term incentive plan, defined in the remuneration policy in force on the date of termination, with reference to the last position for which payment of the amount was assessed, without prejudice to specific conditions envisaged by the Bank of Italy Supervisory Regulations<sup>124</sup>. Therefore, disbursement takes place:

- for other staff, in cash and on a one-time basis;
- for identified staff (golden parachute):

<sup>121</sup> Including any non-competition clauses, if it surpasses the specific case envisaged by Bank of Italy Supervisory Regulations.

<sup>122</sup> See Section III, paragraphs 2.2.2 and 2.2.3.

<sup>123</sup> Also applies to any similar positions (by way of example, change of position within the first line of management).

<sup>124</sup> See Section III, paragraphs 2.2.2 and 2.2.3.

- in an up-front portion, amounting to 60% in the event the amount is lower than the particularly high amount established in the remuneration policy in force for the award, or 40% under all other circumstances;
- in five deferred annual portions of the same amount, for the senior identified staff, regardless of the amount awarded, and for the heads of the main business lines of Banca Akros or Banca Aletti reporting directly to the Chief Executive Officer or senior management of Banca Akros and Banca Aletti, in the event that the amount of the annual individual variable remuneration awarded is equal to or greater than the particularly high amount established in the remuneration policy in force at the award, or in four deferred annual portions in the remaining cases;
- the up-front portion vests on termination of the employment relationship and is allocated within the time limits provided for in the individual agreements; the deferred portions vest annually, the first after twelve months from the disbursement of the up-front portion, the subsequent ones at the same interval from the vesting of the previous portion;
- with regard to the up-front portion, 50% in cash and 50% in Banco BPM ordinary shares;
- with regard to each deferred portion, the component in Banco BPM ordinary shares is 55%, if the deferment in five years is applied, or 50%, in the remaining cases;
- there is a retention period (selling restriction) on vested shares of one year. For deferred portions, the retention period starts from the moment deferred remuneration is vested. The vesting of the share portions takes place with the respective cash portions, while actual transfer of ownership to the beneficiary takes place at the end of the retention period. The carrying value of the allocated shares, the up-front and deferred portions, will be equal to the normal value, equal to the arithmetic average of official prices recorded in the thirty calendar days preceding the date on which each portion will be transferred to the beneficiary's portfolio. Any rights and/or dividends are only vested with reference to the period following the transfer to the securities portfolio;
- both for identified staff and other staff, only in the absence of ascertained fraudulent conduct or gross negligence committed by the person who has terminated his/her employment. Confirmation of such conduct entails the cancellation of the portions not yet disbursed (malus) and the return of those already disbursed (claw-back). The assessment of the significance of the fault is carried out by the Board of Directors of the Parent Company and/or the subsidiaries and/or by the Chief Executive Officer of the Parent Company (or his/her proxy), each to the extent of their responsibility; this valuation takes place from the moment of vesting of the portions up to the next five years.

In general, as regards the members of management bodies, general managers and other executives with strategic responsibilities, the maintenance of non-monetary benefits is not envisaged, nor the stipulation of consulting contracts for a period following the termination of employment.

With reference to any non-competition clauses or notice period extension clauses stipulated whilst in employment, with regard to identified staff and other staff, the following provisions apply<sup>125</sup>, without prejudice to specific conditions envisaged by Bank of Italy Supervisory Regulations<sup>126</sup>:

- the process for any award involves the preparation of an evaluation by the Human Resources Department of the Parent Company, to be submitted to the Board of

<sup>125</sup> In force since 2019.

<sup>126</sup> See Section III, paragraphs 2.2.2 and 2.2.3.

- Directors and/or the subsidiaries and/or the Chief Executive Officer of the Parent Company (or his/her proxy), each to the extent of their responsibility;
- monthly payments are subject to the fulfilment of the capital and liquidity adequacy conditions in force for the early termination of employment amounts, as described in this paragraph;
  - payment is also subject to the absence of fraudulent conduct or gross negligence. The seriousness of such conduct is assessed by the Board of Directors of the Parent Company and/or the subsidiaries and/or the Chief Executive Officer of the Parent Company (or his/her proxy), each to the extent of their responsibility (malus); under such circumstances, the return of the amounts may also be considered (claw-back). Both malus and claw-back affect the payment of amounts with reference to the year in which ascertainment occurs; claw-back may be exercised from the time of payment and for the next five years;
  - the annual amount paid to a person identified as belonging to the identified staff category is calculated within the upper limit of the variable/fixed remuneration ratio for each year;
  - should the total amount awarded in the year to a person that qualifies as identified staff be higher than the materiality threshold, it will be paid up to the equivalent amount of the up-front portion in cash for the full amount of variable remuneration awarded<sup>127</sup>.

In 2020, an agreement was signed with the trade unions relating to the so-called "solidarity fund", applicable to employees of all levels, including managers. This agreement governs, inter alia, the remuneration to be paid to staff following the termination of the employment relationship.

### 6.11 Limits to distribution

If the requirements referred to in articles 141 or 141-ter of the CRD are not met, or in the situations referred to in article 16-bis of directive 2014/59/EU (BRRD), variable remuneration may be awarded and/or paid within the limits and at the conditions indicated in the implementing provisions of the above-cited articles.

In any event, all decisions regarding dividends and variable remuneration must take into account the recommendations made by the European Central Bank and IVASS, also for the insurance companies.

---

<sup>127</sup> including the long-term incentive (the latter when and if awarded).





