Policy-on-remuneration report and payouts awarded of Banco BPM Banking Group's staff – 2022

Section I – 2022 Policy-on-remuneration report

Prepared in accordance with the Bank of Italy Supervisory Regulations (Circular no. 285/2013, update 7, 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).

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For approval, to the extent of their sphere of authority, by the Corporate Bodies of the Parent Company – Ordinary and Extraordinary General Shareholders' Meeting on 7 April 2022

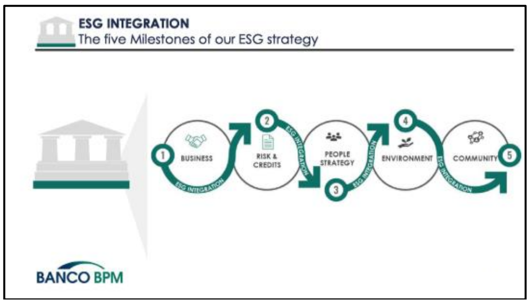
(This document is a translation into English of the original document. In case of any discrepancies between the English and the Italian version, the Italian version shall prevail).

Remuneration Policy

The remuneration policy is a key element supporting the 2021-2024 Strategic Plan presented to the market in recent months. Adequate incentive plans and merit-based remuneration systems represent in fact the indispensable lever to support the achievement of the Group's objectives, allowing to motivate staff, guide their behaviour with a view to managing the risks assumed and to fair conduct and, at the same time, pursuing the creation of long-term value for the benefit of shareholders.

In formulating the remuneration policy for 2022, the Remuneration Committee, assisted by the competent corporate department and leading independent consultancy firms, based its methodological approach on interaction with *peers* and on the market *best practices*, maintaining a dialogue with the Bank's main and *proxy advisors*. In this context, the Remuneration Committee has dedicated constant efforts to direct remuneration policies, in line with the highest market standards for listed companies and with the evolution of the reference regulatory framework.

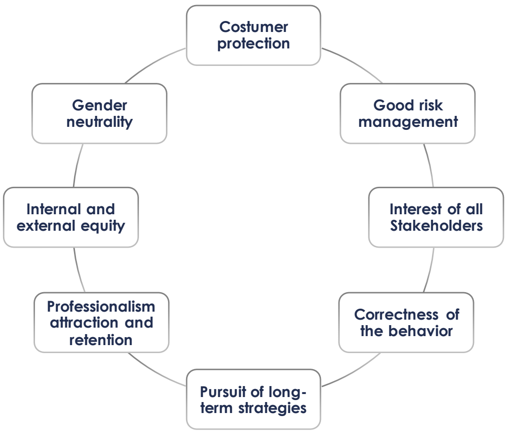
Particular attention was paid to the areas of sustainability and neutrality of the remuneration policy with respect to gender, both of which have undergone recent regulatory updates and with respect to which the sensitivity of stakeholders is increasingly growing. The strategic ESG ambition defined in the 2021-2024 Strategic Plan is in fact significantly reflected in the incentive mechanisms, through the increasingly widespread and diversified attribution of ESG metrics, in addition to the objectives relating to the different elements of the banking business. The alignment of the long-term incentive plan with the 2021-2024 Strategic Plan makes it possible to position the lever of long-term sustainable remuneration in line with the interests of the shareholders: the Long-Term Incentive (2022-2024) alongside the Long-Term Incentive (2021-2023), launched in 2021 and made more challenging by raising the required performance levels. Finally, in order to pursue and maintain the neutrality of the remuneration policy with respect to gender over time, the Bank has adopted a holistic approach that includes actions related to the various areas of the human resources strategy and is best embodied by the incentive system, through objectives related to the growth of female staff in managerial roles, in line with the targets of the 2021-2024 Strategic Plan.



Executive summary 2022 Remuneration policy

Paragraphs 2, 3

Guiding principles



Guarantee an adequate remuneration for lasting performance

Purposes

The remuneration policy represents an important management lever, in order to attract, motivate and retain management and staff. At the same time, it allows behaviours to be oriented towards the goal of containing the risks assumed (including legal and reputational risks) and of customer protection and loyalty, with a view to a correct conduct and the management of conflicts of interest. It also contributes to pursuing sustainable development, which entails creating long-term value for shareholders, while taking the interests of all stakeholders that are important to the Group.

The 2022 Policy defines the guidelines for Group Staff remuneration and incentive systems, for the pursuit of long-term strategies, objectives and results, in accordance with the general framework of governance and risk management policies, while complying with levels of liquidity and capitalisation.

With reference to ESG (Environmental, Social, Governance) factors, the 2022 Policy, along the same path of previous years, further strengthens the correlation between the variable remuneration of management and personnel and strategic actions inherent in environmental issues, as well as issues relating to health and safety and to the management of human resources in the context of which the inclusive corporate culture and the concept of "gender neutral" are becoming increasingly important. The remuneration policy for staff is gender neutral.

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
- Risks
- Compliance
- Audit

Governance

The approval of the remuneration policies is reserved to the Shareholders' Meeting; the process of drawing up, preparing and approving of the policy involves corporate bodies and dedicated corporate functions, namely:

- the Human Resources function provides technical assistance to corporate bodies by preparing supporting documentation;
- the Risks and Planning and Control Departments identify the strategic and performance objectives to ensure that the remuneration system is consistent with the risk appetite, as well as with the Company's long-term strategies and objectives;
- the Compliance and Audit Departments, each within their scope, verify the compliance of the remuneration policies with the reference legislative framework, and their correct implementation;
- the Board of Directors, with the assistance of the corporate bodies (CEO and Internal Board committees), draws up the remuneration policies to submit to the approval of the Shareholders.

2022 Remuneration policy

Paragraphs 2, 4, 6.3, 6.5, 6.6, 6.8, 6,9

Main new features of the 2022 remuneration policy

Right from its establishment, Banco BPM has adopted a process of *engagement* with regard to the Bank's main investors and *proxy advisors*, with a view to providing an overall framework of the aspects relating to remuneration policy and to incorporate the relative *feedback*; furthermore the Bank promptly responds to any questions asked by the shareholders, both during the year and at the Shareholders' Meeting called to approve the Policy-on-remuneration report and compensation paid. The Shareholders' Meeting approved the remuneration policy for the year 2021 with over 97% of favourable votes.

The 2022 Policy has introduced new features, with a view to pursuing sustainable success, meaning creating long-term value for all stockholders, and taking the comments made by stakeholders on the 2021 remuneration *Policy* into consideration:

- ✓ updating of the identification policy of identified staff, in application of the regulatory provisions that have come into force;
- ✓ introduction of the capital adequacy conditions for access to the short-term incentive plan of the *Maximum Distributable Amount* buffer, which represents one of the key indicators in relation to the Bank's ability to distribute dividends and variable remuneration, in order to further align the Bank's interests with the investors';
- ✓ alignment of the long-term incentive plan with the 2021-2024 Strategic Plan, approved by the Board of Directors on 4 November, 2021, through the activation of a performance-related plan to be achieved in the 2022-2024 three-year period, alongside the plan related to the 2021- 2023 three-year period, for which it is proposed, without additional charges compared to what was approved by the Shareholders' Meeting of 15 April 2021, to raise the levels of achievement of the ROTE and Gross NPE ratio objectives to the most challenging expectations by 2023, thus requiring a greater commitment from the managers;
- ✓ diversification and increasingly widespread assignment of ESG metrics in the mechanisms that regulate variable remuneration, in order to promote a corporate culture oriented towards sustainability, with particular reference to social initiatives (e.g. development of customers' financial awareness and company volunteering);
- ✓ project process undertaken by the Group to continuously ensure the neutrality of the remuneration policy with respect to staff gender and to gain greater awareness of the salary balance that exists between genders for the same position held;
- ✓ adjustment of the payment methods of the variable remuneration of identified staff to any legislation that came into force;
- ✓ disclosure on the main elements of the remuneration policy and the methods of implementation, drawn up in compliance with the technical standards provided for by Regulation (EU) 2021/637.

Identified staff

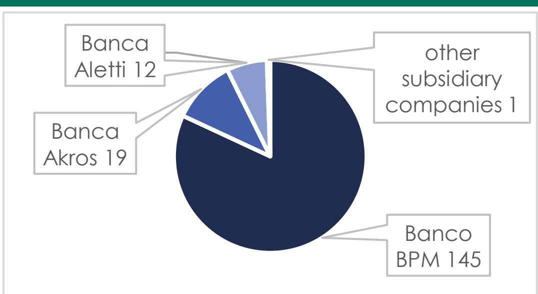
The perimeter of the Group's identified staff is redefined in application of the regulatory updates that have come into force; the percentage incidence compared to the Group's staff remains unchanged with respect to 2021.

Identified Staff

177 persons

0,9% of Group staff

12 new persons compared to 2021



Top Identified Staff

- **For Parent Company:** Chief Executive Officer, General Manager (where appointed), Joint General Managers, senior operational and executive managers and First-line managers
- **For Banca Akros and Banca Aletti:** Chief Executive Officer, General Manager, Joint General Manager and Deputy General Manager (where present)

Pay for performance (short-term incentive plan focus)

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

The final amount of economic resources actually available is determined by **applying pre-established rules**, based on the:

- ✓ **financial adjustment factor**, the size of which is proportional to the value of the consolidated *Return on Risk Adjusted Capital* (RORAC) profitability indicator recorded at the end of the year in comparison to the relative *Risk Trigger* and *Risk Appetite* thresholds defined within the *Risk Appetite Framework*. **Results equal to or lower than the Risk Trigger eliminate economic resources.** If the entry gates are successfully fulfilled, but a loss is recorded at the same time, the economic resources provided for in the *budget* are automatically reduced in advance with respect to the application of the financial adjustment factor.
- ✓ **non-financial adjustment factor**, the size of which is correlated to the values of the consolidated ECAP *Reputational Risk* and *Anti Money Laundering* (AML) indicators recorded at the end of the year in comparison to the applicable *Alert* thresholds defined within the *Risk Appetite Framework* for the same year. **This mechanism may only be applied to 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) employing reporting and forecasting, and considering stress conditions. The indicators selected, pertaining to macro-areas of market risk, litigation or sanctioning, IT Services, *Corporate Social Responsibility*, and *regulatory affairs* are both internal, i.e., derived from company processes, and external to the Group, namely, derived from market data, and are systematically measured quantitatively and, where not possible, qualitatively. To understand the reputation of the Group discussed on Internet platforms, the internal model also takes into consideration 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 within the internal model for the management of the Money Laundering risk) and total customers.

Entry gates

Consolidated entry gates

• *CET1 ratio phased-in* • *MDA buffer phased-in* • *LCR regulatory* • *NSFR regulatory*	> *Risk Trigger* threshold
• UOC	> 0

Company entry gates

In addition to consolidated ones, for Banca Akros and Banca Aletti

• UOC	> 0

Financial factor

correlated to the value of the RORAC at year-end

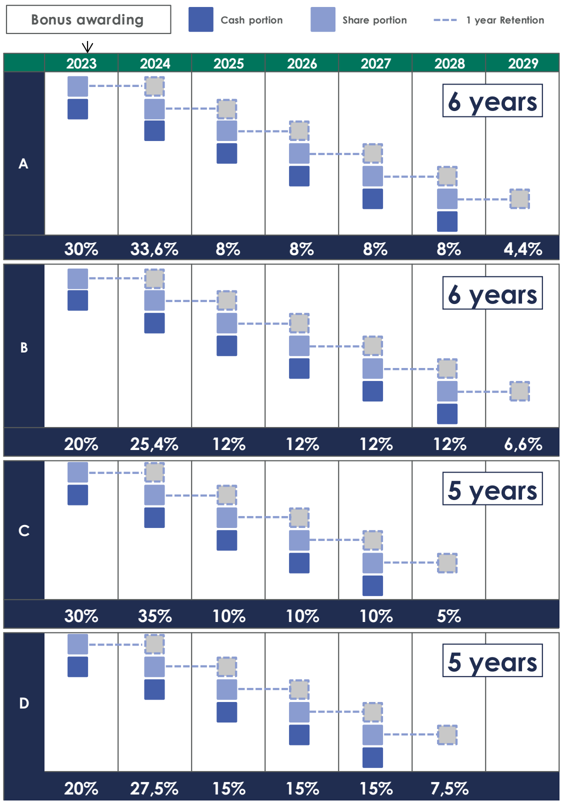
	The Board of Directors may increase the resources in the budget within the limit of the RORAC ratio recorded / RORAC Risk Appetite, with a cap at 110% (this is precluded in the event of a loss).
Risk Appetite	
	Budget resources are reduced: they are multiplied by the % given by the RORAC recorded / RORAC Risk Appetite ratio.
midpoint	
	The Parent Company Board of Directors may decide the maximum availability of 50% of budget resources. Any payments cannot regard the identified staff.
Risk Trigger	
	No payment.

Non-financial factor

acts exclusively as a possible malus on the economic resources

		ECAP Reputational Risk	
		Risult < *Alert*	Risult ≥ *Alert*
AML	Risult < *Alert*	No reduction	-10%
	Risult ≥ *Alert*	-10%	-20%

2:1	selected persons deemed to be strategic belonging to top identified staff and to Finance, Corporate, Investment Banking and Private Banking functions
1/3	staff belonging to internal control functions
1:1	other staff



Actual payment of incentive awarded in the case of:
A: Senior identified staff, variable remuneration < 435,000 €
B: Senior identified staff or heads of the 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 the 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 €

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 entity is an interested party, pursuant to art. 53 of the Consolidated Bank Law
- 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 costumers

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 remains confirmed (increase approved by the Shareholders' Meeting of 7 April 2018). Such limit may regard a maximum of 125 people.

Identified staff payout

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%, in cases where the annual variable remuneration is less than 435,000 euro, or 40%, in cases where it is equal to or greater than 435,000 euro. 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 in which the up-front portion vests, for 55% in Banco BPM ordinary shares, 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 directly reporting to the Chief Executive Officer or to the senior management of Banca Akros or Banca Aletti, in the event that the amount of the annual variable remuneration awarded is equal to or greater than 435,000 euro;
- ✓ 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 vested shares, a one-year **retention** period (selling restriction) is envisaged for both up-front and deferred portions. The vesting of each of the deferred portions 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).

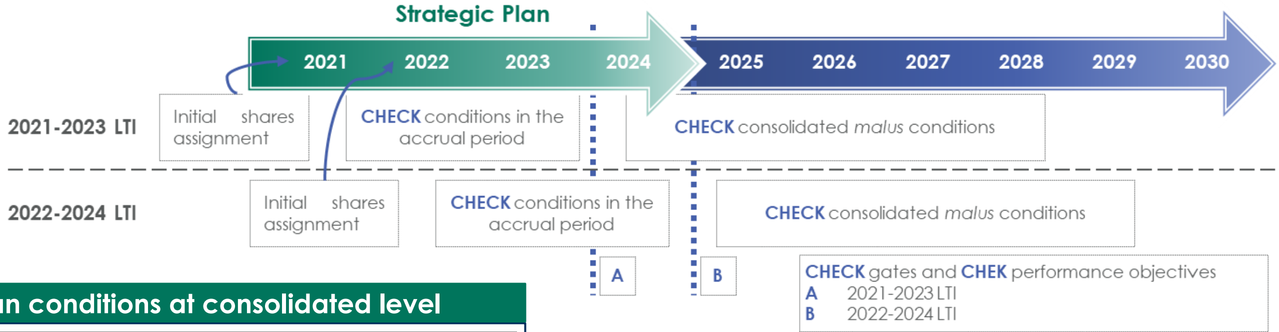
As envisaged by the Bank of Italy Supervisory Regulations, in cases where the annual individual variable remuneration is lower than or equal to 50,000 euro and simultaneously lower than or equal to 1/3 of the total annual individual remuneration, the relative amount will be paid in cash and on a one-time basis.

Malus and claw-back mechanisms

If during the course of the year, any misconduct is ascertained, the action to take is assessed (which may entail its reduction or cancellation) in relation to the variable remuneration for the year, as well as the possible activation of mechanisms to return the variable remuneration amounts already vested (claw-back clause), from the time of their vesting up to the following five years.

Long term incentive (LTI)

The long-term incentive plan supports the 2021-2024 Strategic Plan approved by the Board of Directors on 4 November 2021, with the aim of pursuing results that create long-term value for all relevant stakeholders. It provides for a performance-related plan to be achieved in the 2022-2024 three-year period (2022-2024 LTI), submitted to the Shareholders' Meeting on 7 April 2022, alongside the plan launched last year related to the performance to be achieved in the 2021-2023 three-year period (2021-2023 LTI), for which it is proposed, without any additional charge, to raise the levels of achievement of the ROTE and Gross NPE ratio objectives to the most challenging expectations by 2023.



Plan conditions at consolidated level

Indicator	21-23 LTI	22-24 LTI	Comparison value
CET 1 ratio fully loaded (*)	✓	✓	> Risk Trigger threshold defined under the RAF in the last year of the performance period (*)
Leverage ratio fully loaded (*)	✓		
MDA buffer (*)		✓	
NSFR regulatory (*)	✓	✓	
UOC (*)	✓	✓	> 0

(*) 2023 for 2021-2023 LTI, 2024 for 2022-2024 LTI.

Failure to fulfil even just one of the conditions means that the incentive of the LTI plan will not be awarded.

For each year:	Consolidated CET1 ratio < threshold envisaged for the short-term incentive plan	- 10% shares

The system is consistent with the reference framework for determining risk appetite and with governance and risk management policies; it is linked to financial and non-financial indicators, which include 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 performance 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 subject to 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.

Performance objectives

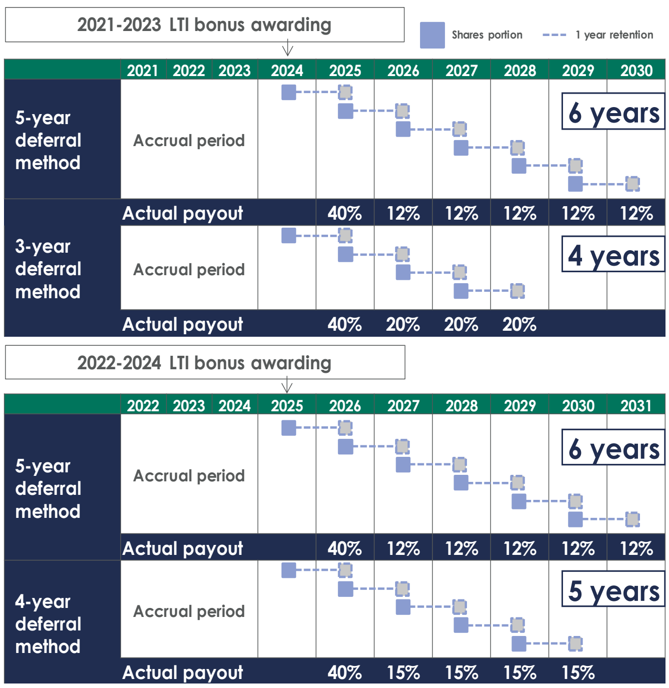
No shares are awarded below the minimum levels (floor) and above maximum levels (cap) the number of shares to be awarded does not increase further.

2021-2023 LTI	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	15%	EE	EE+
Increase of women in managerial positions as at 31/12/2023		+15%	+33%
Emissions of CO_2		-50%	*carbon neutrality*
Voluntary work (number of hours)		6,000	8,000

2022-2024 LTI	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	15%	EE+	EEE-
Women in managerial positions as at 31/12/2024		28%	30%
Voluntary work (number of hours)		10,000	12,000

Conditions during the vesting period

For each year: consolidated malus conditions relating to the short-term incentive plan



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 2.4 million (employee gross amount). The combination of said maximum limit, the indemnity for lack of notice and any non-competition clauses gives rise, in any event, to an amount that falls within the limit of 24 months of remuneration including the short-term variable amount, a criteria commonly used in the Italian market.

The award is made at termination, even in the case of individual agreements drawn up for the early termination of employment and is **subject to the fulfilment of consolidated capital adequacy and liquidity conditions**, with reference to the previous year, related to the Common Equity Tier1 (CET1) phased-in ratio and the regulatory Liquidity Coverage Ratio (LCR).

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

- the positive results achieved over time;
- the circumstances which led to the termination, taking into account the interests of the company also in order to avoid the threat of legal proceedings;
- the tasks performed and/or positions held in the course of the employment relationship, also in the terms of risks assumed by the subject;
- 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, partly in shares subject to retention periods.

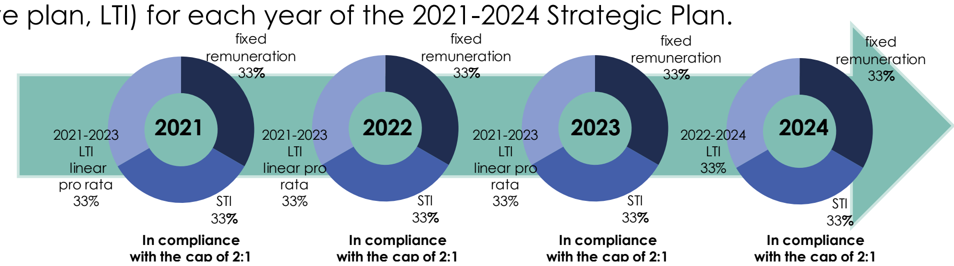
		LCR regulatory		
	Consolidated Indicators	**R > Risk Tolerance**	**Midpoint (*) ≤ R ≤ Risk Tolerance**	**R < Midpoint (*)**
CET1 *ratio* "*phased-in*"	***R > Risk Tolerance***	Proceed with award.	The Parent company Board of Directors decides the potential availability of economic resources.	No award.
	Midpoint (*) ≤ R ≤ *Risk Tolerance*	The Parent company Board of Directors decides the potential availability of economic resources.	The Parent company Board of Directors decides 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

Parent Company Chief Executive Officer

Total remuneration

The remuneration of the Chief Executive Officer envisages a suitably balanced mix between fixed and variable components; the variable component can reach a maximum of 200% of the fixed component and is equally 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.



Short term incentive (goal setting STI)

The same provisions envisaged for the identified staff not belonging to functions with control tasks are applied to variable remuneration (consolidated entry gates and financial and non-financial adjustment factors).

The objectives assigned for 2022 concern the areas relating to profitability, productivity, credit and asset quality, liquidity, capital adequacy, the achievement of ESG (Environmental, Social and Governance) objectives and to qualitative aspects relating to management activities with particular reference also to areas relating to operational and reputational risk; in addition, they represent a combination of quantitative and qualitative criteria, relating to the results of the Group. The risk-based indicators represent 45% of the total. The achievement levels required are correlated, based on the methodology approved by the Parent Company's Board of Directors, to the thresholds of the Risk Appetite Framework for the year. The weighted score of each KPI is equal 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%, vice versa the entire incentive is not

The maximum number of awardable shares for the entire 2021-2023 LTI plan was determined ex ante on the basis of the maximum "opportunity" taking as a reference the arithmetic average of the official prices of the thirty days prior to the Shareholders' Meeting of 15 April 2021; this number is equal to 1,490,498. The maximum number of awardable shares for the entire 2022-2024 LTI plan is determined ex ante on the basis of the maximum "opportunity" taking as a reference the arithmetic average of the official prices of the thirty days prior to the Shareholders' Meeting of 7 April 2022; this number, on the basis of the price of 1/3/2022 (date of the BoD which resolved to submit to the Shareholders' Meeting the share-based compensation plans), would be equal to 417,537. For the 2022 STI plan, the number of shares estimated on the basis of the price of 1/3/2022 would be equal to 221,294.

Consolidated entry gates

- CET1 *ratio phased-in*
- MDA *buffer phased-in*
- 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	Minimum	Target	Maximum
Profitability	Consolidated ROTE (*)	15%	-10%	*Risk Appetite*	+10%
	Consolidated RORAC (*) (**)	15%	-10%		+10%
Productivity	Consolidated Cost to Income ratio (*)	10%	+3%		-3%
Credit and asset quality	Credit Policies Indicator (%) (*)	10%	*Risk Trigger* + 1%	midpoint	*Risk Trigger* + 7%
Capital adequacy	Maximum Distributable Amount (MDA) buffer phased-in (*) (**)	20%	-5%	*Risk Appetite*	+5%
Liquidity	Regulatory consolidated Liquidity Coverage Ratio (*) (**)	10%	*Risk Trigger* + 5%		*Risk Appetite* + 5%
ESG	% new disbursements in green and low-risk transition sectors	10%	-5%	*Risk Appetite*	+5%
	Corporate Bond in own portfolio (share of ESG bonds)		-5%		+5%
	Green or social bonds issues			gate of KPI	
Qualitative aspects regarding management activity	Qualitative assessment of the Chief Executive Officer's management activities, drawn up by the Board of Directors, after consultation with the Remuneration Committee. The assessment is related, in addition to the economic results achieved, to the operational and reputational risk management	10%	in line with expectations	above expectations	excellent

(*) Calculated according to the RAF methodology. (**) Risk based objective.

Other Parent Company executives with strategic responsibilities

Short-term incentive (goal setting STI)

The provisions for the PPR 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.

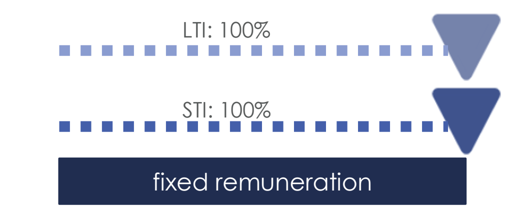
Functions without control tasks

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 relating to profitability, productivity, credit and asset quality, liquidity, capital adequacy and qualitative aspects, with particular reference to the implementation of ESG initiatives and to operational and reputational risk.

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 action directly relating to the scope of responsibility.	35%-60%
Qualitative performance	Evaluation referred to organisational behaviour and managerial skills.	10%

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

Variable limit calculation



Consolidated entry gates

- CET1 *ratio phased-in*
- MDA *buffer phased-in*
- LCR *regulatory*
- NSFR *regulatory*
- UOC

Financial factor

- RORAC with prior reduction in case of consolidated accounting loss

Non-financial factor

- ECAP *Reputational Risk*
- AML

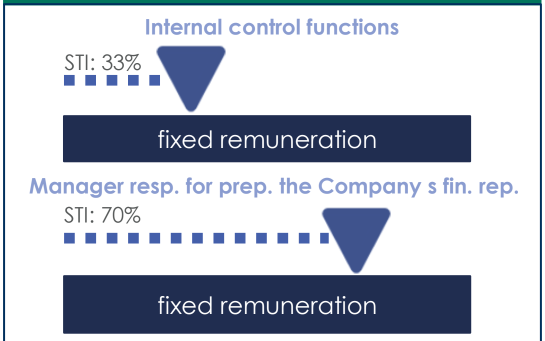
Functions with control tasks

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

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	Evaluation referred to organisational behaviour and managerial skills.	10%

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

Variable limit calculation



Consolidated entry gates

- CET1 *ratio phased-in*
- MDA *buffer phased-in*
- LCR *regulatory*
- NSFR *regulatory*

Non-financial factor

- ECAP *Reputational Risk*
- AML

Section I – 2022 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 Banking Group;
- Group companies, the Parent Company and subsidiary companies controlled by the Banco BPM Banking Group;
- 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, are 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 / risk takers, individuals whose professional activity has, or can have, a significant impact on the Group's risk profile;
- other staff, all those not included among the identified staff;
- internal control functions, the functions and the structures of each company: compliance with regulations (Compliance), anti-money laundering, internal audit (Audit), risk control (Risks), validation (Internal Validation);
- functions with control tasks, the internal control functions and the manager responsible for preparing the Company's financial reports;
- 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 annually in the annual budget used to pay the incentive and the company bonus (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 incentive 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, the profit from current operating activities before tax, without the 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 2022, as well as without any gains or losses resulting from the *fair value* measurement of the *certificates* issued. The method used to calculate non-recurring items is regulated by a specific rule of an internal process;

- Risk Appetite Framework (RAF), the Group's reference framework that defines risk appetite, tolerance thresholds, limits of risk, risk management policies and the reference processes needed to define and implement them.

1. Reference Legislative Framework

On 24 November 2022, 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), for the purpose of implementing the new contents of Directive 2019/878/EU (CRDV) and the "Guidelines for sound remuneration policies"[1] of the *European Banking Authority* (EBA), which implement the Directive.

On 19 March 2019, the Bank of Italy published the "Provisions regarding the transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers," with which, among other things, 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[2].

On 10 December 2020, the National Commission for Companies and the Stock Exchange (CONSOB) approved amendments to the regulation adopted with resolution no. 11971 of 14 May 1999 concerning the regulation of issuers (Issuers' Regulation).

The *2022* Policy complies with the Supervisory Provisions of the Bank of Italy 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.

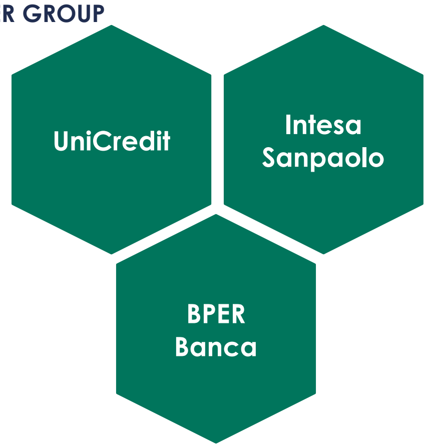
The 2022 Policy also complies with the "Provisions regarding the transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers"; in this regard, we draw attention to the sections implementing the regulations, to which reference is made: par. 2 Purpose and Principles of the 2022 *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*.

[1] Issued on 2 July 2021.
[2] In December 2016 in the Italian version.

2. Purpose and principles of the 2022 Policy

The remuneration policy provides important managerial leverage, with a view to attracting, motivating and retaining *management* and staff, and to guiding them towards an approach to limit the risk exposure of the intermediary (including legal and reputational risks), as well as to protect and retain customers, in a spirit of correct conduct and management of conflicts of interest. It also contributes to pursuing sustainable development, which entails creating long-term value for shareholders, while taking the interests of all stakeholders that are important to the Group.
The 2022 Policy defines the guidelines for Group Staff remuneration and incentive systems, for the pursuit of long-term strategies, objectives and results, in accordance with the general framework of governance and risk management policies, while complying with levels of liquidity and capitalisation. With regards to ESG aspects (*Environmental, Social, Governance*), the 2022 *Policy* continues in the direction taken in previous years, further strengthens the correlation between the variable remuneration of *management* and staff and strategic actions relating to environmental issues, issues regarding health and safety and human resource management, with regard to which an inclusive and gender neutral corporate culture is becoming increasingly important.

PEER GROUP



The 2022 *Policy* was drawn up by relying upon the analysis of the remuneration policies of some of the main *competitors* with a view to identifying the *best market practices* and establishing rules and mechanisms which, in compliance with the reference 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 is fundamental as it has a profound impact on staff motivation and, obviously therefore, on performance; evaluating it in 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, and on the basis of the international IPE (*International Position Evaluation*) methodology.

Banco BPM's staff remuneration policy is gender neutral.

This principle is part of the broader framework of the Group's *people strategy*: the objective of promoting inclusion awareness and the enhancement of the talent and diversity of each individual is one of the enabling factors of the new 2021-2024 Strategic Plan, recently presented to the market, which rests upon a people-oriented approach to develop skills and competences.

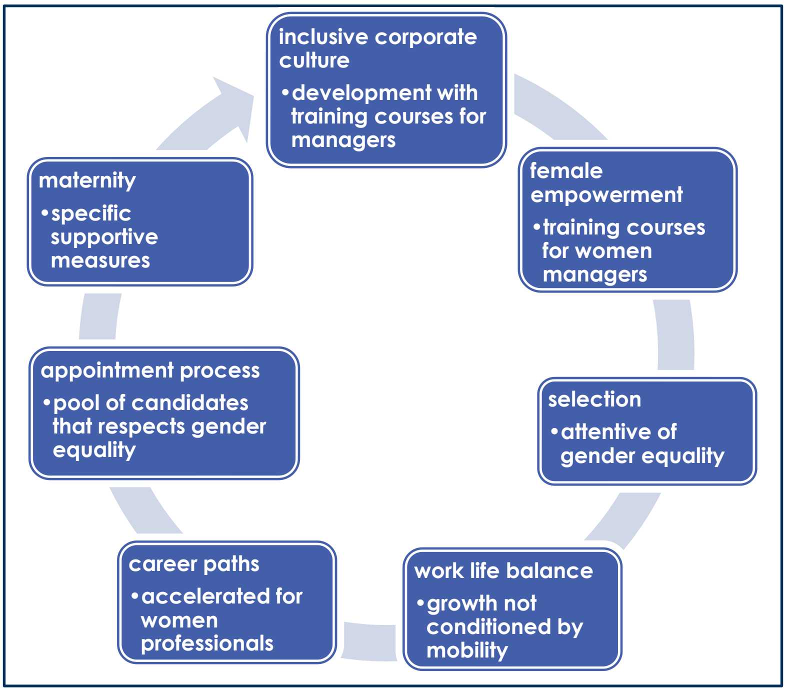
«WOMEN IN BANK»:

ENHANCE GENDER DIVERSITY

In June 2019 we joined the ABI initiative aimed at:

- **promote an inclusive work environment** and open to the values of diversity, also gender;
- **strengthen the methods of selection and development** suitable for promoting equal gender opportunities;
- **spreading the full and effective participation of women** at every level 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** on gender equality

In this context, the Group, in addition to having long since joined the initiative of the Italian Banking Association "Donne in banca", ("Women in the Banking Sector"), has primarily strengthened its *governance* by establishing two dedicated organisational structures: "*Inclusion, Diversity and Social Support*" and "*Key People and Talents*." The first was created to encourage cultural evolution vis-à-vis ESG issues and the objectives of the 2030 Agenda, thanks to a series of programmes and communications, which aim to promote an inclusive environment that enhances all forms of diversity, and to initiatives aimed at both organisational well-being and social support of the reference communities. The second is dedicated to the enhancement of the Group's talents.



The Bank, in advance of the regulatory requirements on the subject, has already implemented, in the course of 2021, actions aimed at increasing the representativeness of female roles in managerial positions; in fact, 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. Furthermore, to ensure the neutrality of the remuneration policy with respect to gender, it has adopted a series of measures concerning the *core* processes that govern professional life (selection, training and development); among them, a programme dedicated to women in order to promote, with personalised growth paths consistent with professional aspirations and potential, the development of *managers* and *professionals* through training, *mentoring* and *coaching*, management actions, mentoring and *job rotation* that allow diversified experiences useful to integrate the acquired knowledge.

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, taking into account, for the managers, job responsibilities and complexities (according to the international IPE methodology) and, for the remaining staff, 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 be implemented. The holistic approach already 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, as well as the *gender pay gap* and its evolution over time.

In 2021 Banco BPM participated in a *benchmarking* exercise, carried out by a leading consultancy company, on the issues of diversity, equity and inclusion, which concerned commitment, responsibility and *leadership*, the design of the organisation and *governance*, commitment to equality and equal pay, talent management and career development practices, financial well-being, health and care, organisational flexibility and the list of policies and programmes offered. The positioning of the Group with respect to these thematic areas was in line with both the Italian and European *benchmarks* in the *financial services* sector. The distinctive elements were: the level of involvement of the Board of Directors and the main managers in terms of *Diversity and Inclusion*, supported by the definition of quantitative objectives formalised in the 2021-2024 Strategic Plan and in the Incentive plans; the presence of a specialised structure dedicated to *Diversity* and *Inclusion* initiatives; the important investments *remote working* training, which are the foundation to the achievement of the ambitious goal set out in the 2021-2024 Strategic Plan, confirming the importance that *work-life balance* plays in the Group's *people strategy*.

Banco BPM has joined the *Bloomberg Gender Equality Index*[3], the international index on gender equality of listed companies that measures the commitment of companies to promote and support gender policies within the corporate structure and the communities in which it operates. Banco BPM obtained a score of 73.9, well above the access threshold of 60 and the financial sector average of 72.6.

[3] The index includes 418 companies based in 45 countries.

3. Process of adoption and monitoring the 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.

Information on the decision-making process to define the remuneration policy is provided below. The bodies and parties involved in the preparation and approval thereof are specified along with the bodies and parties responsible for their correct implementation.

3.1.1 Shareholders' Meeting

For companies governed with the traditional management and supervision model, the law (articles 2364 and 2389 of the Italian Civil Code) gives the Shareholders' Meeting the power to establish the remuneration of the members of the Board of Directors, as well as remuneration of Statutory Auditors (art. 2402 of the Italian Civil Code). The Shareholders' Meeting is also responsible for approving remuneration and incentive policies 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, pursuant to Art. 11.3 (g) of the Articles of Association, for members of the Board of Directors, Statutory Auditors and staff, to adopt: (i) remuneration and incentive policies, 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 and the maximum amount that results from the implementation thereof, pursuant to the applicable statutory provisions.

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

The Shareholders' Meeting must also give 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 pursuant to art. 123-ter of the Consolidated Finance Law.

3.1.2 Parent Company Board of Directors

Pursuant to art. 24.1 of the Articles of Association, the Board of Directors is responsible for supervising business strategy and management.

With particular reference to matters relating to remuneration, the Board of Directors must establish, pursuant to art. 22.1 of the Articles of Association and subject to the Shareholders' Meeting's responsibilities according to art. 11.3 of said Articles of Association, - at the suggestion of the Remuneration Committee and taking the Board of Statutory Auditors' opinion in account - the remuneration of members of the Board of Directors appointed to specific offices or with specific responsibilities or delegated responsibilities, or those that are assigned to committees in accordance with the Articles of Association.

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 and incentive policies at least annually, submit them to the Shareholders' Meeting and re-examine them, and is responsible for their correct implementation, additionally ensuring that (a) the remuneration policy is suitably documented and accessible within the corporate structure and that all staff are aware of the consequences of any breaches of regulations or of codes of ethics or of conduct; (b) remuneration and incentive systems suitably guarantee compliance with legislation, statutory regulations and any codes of ethics or of conduct, promoting the adoption of behaviour in compliance with the aforementioned; (ii) 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 control functions (and, specifically, ensure that these systems are consistent with the Bank's overall 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 art. 28.1. of the Articles of Association, the Board of Directors appoints a Chief Executive Officer from among its members and confers specific responsibilities and powers upon the appointed person.

Pursuant to art. 28.2. of the Articles of Association, the Chief Executive Officer is responsible, among other things, for supervising and ensuring staff management by applying the Parent Company's and the Group's human resource policies. In this regard, and with particular reference to the interests of this report, on the basis of powers awarded to the Chief Executive Officer by the Board of Directors, in particular, the former has 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) for all staff of the Parent Company and the subsidiary companies of all types and levels, including executives (with the exception of positions reserved for approval by the Parent Company's Board of Directors) to proceed with staff recruitment and promotion, and define the economic position, as regards remuneration and incentive systems in force at the time.

3.1.4 Remuneration Committee

Pursuant to art. 24.4.1. of the Articles of Association, the Board of Directors shall arrange a Remuneration Committee internally, approving the Regulations which determine its responsibilities and operation in accordance with the Supervisory Regulations.

The Remuneration Committee shall be composed of three Directors, all non-executive and the majority of whom (one is elected as Chairman) meet the independence requirements provided by art. 20.1.6. of the Articles of Association. 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 to it by the new Corporate Governance Code which the Bank resolved to observe with board resolution of 14 December 2020 and by the applicable supervisory regulations (see in particular Section 2 of Bank of Italy Supervisory Regulations).

In accordance with the provisions of the Bank of Italy Supervisory Regulations currently in force, the Articles of Association 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:

– it provides advice and makes proposals regarding the remuneration of directors, statutory auditors, general managers, joint general managers and deputy general managers, of heads of functions with control tasks and of other staff, whose remuneration and incentive systems are decided by the Board of Directors;
– it provides advice and makes proposals regarding the remuneration of other identified staff determined using the methods envisaged by the Bank of Italy Supervisory Regulations;
– it expresses opinions, also based on information received from specialist corporate functions and, specifically, the Human Resources function, on the achievement of performance objectives linked to incentive plans and on the fulfilment of the other conditions established for payment of remuneration.

In performing its duties, the Committee has access to all business areas and corporate functions of the Company and of Group companies, including at central offices and peripheral structures, and has the right to obtain any information or data deemed necessary to perform its duties. The Committee has a budget for external 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.

With regard to the activities performed between the end of 2021 and the beginning of 2022, the Committee met eleven times and performed activities within its scope - depending on the case - relating to the evaluation, advice and/or proposals in particular for: (i) the assessment of the impact of 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, by the Staff, to the variable components of the remuneration vesting in 2022, on the basis of the reports on the results achieved in the 2021 financial year, 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 2021; (iii) the constituent elements of the identified staff identification policy for 2022 and the results of its implementation; (iv) the definition of the remuneration policy proposal for the year 2022 for the staff of the Banco BPM Banking Group; (v) the proposal regarding the criteria for determining the amount possibly to be granted in the event of early termination of the employment relationship of all staff, including the limits set for said remuneration in terms of annual fixed remuneration and the maximum amount resulting from their application; (vi) the criteria for defining the scorecards of the 2022 *Short-Term Incentive* Plan; (vii) the objectives to be assigned to the Chief Executive Officer of the Parent Company for the 2022 *Short-Term Incentive Plan* and the variable remuneration for the year; (viii) the definition of the proposal to align the long-term incentive to the 2021-2024 Strategic Plan, with the introduction of the 2022-2024 *Long-Term Incentive* Plan and the simultaneous intervention to raise the achievement levels in the 2021-2023 *Long-Term Incentive* Plan, carried out with the support of a leading consulting company; (ix) the process undertaken by the Group in the area of diversity, equity & inclusion with the support of a leading consulting company, the analysis of the neutrality of the remuneration policy with respect to gender and the verification of the gender pay gap.

3.1.5 Internal Control, Risks and Sustainability Committee

Pursuant to Art. 24.4.1 of the Articles of Association, the Board of Directors establishes an Internal Control, Risks and Sustainability Committee from among its members, approving the related Regulations which determine its responsibilities and functioning in compliance with supervisory provisions.

The Internal Control, Risks and Sustainability Committee is expected to comprise five Directors, all non-executive and the majority of whom (including the person elected to the office of Chair) meets the independence requisites provided for by the Articles of Association. It is also expected that the members of the Committee 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 of the Committee must have suitable experience in accounting and financial matters, or in risk management.

The Internal Control, Risks and Sustainability Committee is responsible for the functions envisaged by the supervisory provisions of the Bank of Italy in force from time to time, by the Articles of Association, as well as by the *Corporate Governance Code*, performing, in particular, functions in support of the Board of Directors of the Parent Company on risks and internal control system matters. Its activities are applicable to the entire Group.

With specific reference to the authority of the Committee regarding remuneration systems, – notwithstanding the authority of the Remuneration Committee – it verifies that the incentives submitted to 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, including information referring to its operation, is available in the "Report on Corporate Governance and Ownership Structures," published on the website gruppo.bancobpm.it.

In 2022, the Committee ascertained the consistency of the conditions proposed in the 2022 remuneration policy for entry to the variable components of remuneration, with respect to the RAF approved by the Parent Company's Board of Directors.

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

The process of defining the remuneration policy provides for the involvement of the competent corporate departments: the Human Resources Department of the Parent Company provides 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 Risk, *Compliance*, Planning and Control, Administration and Budget, Corporate Affairs Secretariat, Shareholdings Departments.

In particular, the Risks function, with the assistance of the Planning and Control function, identifies comparative indicators and values for the strategic and performance objectives, relating to the determination of variable components of remuneration and incentives, in order to ensure the consistency of the remuneration and incentive system with respect to the Group's Risk Appetite Framework approved by the Parent Company's Board of Directors, to 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.

3.1.7 Subsidiary companies

Pursuant to the Bank of Italy Supervisory Regulations, the Parent Company establishes the remuneration policy for the entire 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.

3.2 Monitoring Process

The process of monitoring the system of remuneration of Group Staff is regulated as follows:

a) monitoring of regulatory compliance, performed by the Parent Company's Compliance function, which verifies the consistency of the remuneration policy with that provided for in current legislative and supervisory requirements, the Parent Company's Articles of Association, internal Group regulations, the Code of Ethics or other standards of conduct applicable to Group entities;

b) internal audit, performed by the Parent Company's Audit function, which verifies compliance of the procedures implemented by Banco BPM and the individual Group companies with the approved remuneration policy and the regulations in force at the time.

The Risks function expresses an opinion on the correct activation of specific risk indicators of a financial and non-financial nature, used for adjustment mechanisms (ex ante and ex post), within the scope of remuneration and incentive systems, ensuring the overall reconciliation and consistency with the Group's risk governance.

The Parent Company's Audit and Compliance functions, within their respective scopes, bring the monitoring results indicated in items a) and b) above to the attention of the Parent Company's Board of Directors and Board of Statutory Auditors, and those of every subsidiary.

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

4. Identification of the Group's identified staff

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), in force as of 14/6/2021, as well as on the application of relevant additional criteria intended to identify any further persons who assume relevant risks for the Group.

The Parent company's Human Resources Department coordinates and formalises the process for the identification of identified staff for the Group on an annual basis, justifying outcomes and ensuring overall coherence, with the involvement of Parent Company's Risks, Planning and Control, Budget Strategies and Capital Planning and Organisation Departments.
The control process is implemented by Compliance and Audit functions, each within their respective scopes as described in paragraph 3.2 above.
The Board of Directors of the Parent Company, after consulting the Remuneration Committee, defines the policy relating to the identification process as an integral part of the year's remuneration policy.

The identification process, governed by specific internal regulations and implemented with a view to all Group companies, provides for an *assessment* on an individual basis for the Italian banks and on a consolidated basis for all the other subsidiaries; this process is carried out by the Parent Company by virtue of the *outsourcing* contracts in place, and with the active collaboration of the subsidiaries Banca Aletti and Banca Akros.

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, taking into consideration the internal organisation of the Group), or of the overall remuneration (quantitative criteria).

The interpretation of qualitative criteria for the application of the identification process for identified staff in the Group, has resulted in the following positions:

- the members of the management body of the Group's Italian banks;
- the members of Senior Management: General Manager, where appointed, Joint General Managers, Chief Lending Officer and Chief Financial Officer of the Parent Company, General Manager, Joint General Manager and Deputy General Manager (where appointed) of Banca Aletti and Banca Akros;
- the Heads of the Parent Company's Risk, *Compliance* and *Audit* Function and personnel

reporting to them[4] (including the Heads of the Anti-Money Laundering and Internal Validation structures);

- the managers responsible for preparing the accounting and corporate documents of the Italian banks of the Group;
- the managers of the relevant operating/company units (those to which at least 2% of the internal capital of the relevant *legal entity*[5] has been distributed or deemed as such on the basis of qualitative elements) and the managers of the main business lines;
- the Heads 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 members 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;
- Heads 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, a managed assets of at least 50 million Euro and equal to or greater than 15% of the Total Financial Asset of Banca Aletti's network of financial advisors.

In application of the quantitative criteria, we identified those who carry out a professional activity with a significant impact on the risk profile of the relevant business unit in which they operate, and who meet one of the following conditions:

- the total remuneration is equal to or greater than 500,000 Euro[6];
- fall within 0.3% of the Parent Company's staff, who were awarded the highest overall remuneration in the previous financial year.

[4] The Heads of staff structures are not included in the parameter.
[5] 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.
[6] The average remuneration paid to members of the management body and senior management is below the threshold of 500,000 Euro and, therefore, is not relevant.

For the purposes of calculating the overall remuneration, we considered the remuneration paid during the previous year[7].

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 identified 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 established on the basis of the process implemented are classified as:

- top identified staff: Chief Executive Officer, General Manager (where appointed), Joint General Managers, senior operational and executive managers 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; In the context of the top identified staff, the
    - Senior identified staff also includes: members with an executive profile of the Management Body[8] and senior management members[9] of the Parent Company, Banca Akros and Banca Aletti, and Heads of the main business lines of the Parent Company[10];
- other identified staff: the identified staff not included in the above category.

In 2022, the application of this process led to the identification of 177 persons, amounting to approximately 0.9% of total Group staff at 1 January 2022.
Compared to the results of the process implemented at the beginning of 2021, which had involved the identification of 185 people, 9 more individuals were subsequently identified during the same year; therefore, in comparison with the final results of the process implemented in 2021, namely 194 subjects, 12 new individuals were identified for 2022 compared to 2021, of which ten were identified for the first time and two already identified during previous years, and 29 people were no longer listed due to termination of employment or office, change of role or responsibilities, forfeiture of the quantitative criterion, and changes to regulatory provisions that have come into force.

[7] For the purposes of identifying the risk takers for 2022, it is the 2021 fixed remuneration, the variable remuneration related to the entire 2020 incentive awarded in 2021 and the other variable components of the remuneration paid in 2021.
[8] Chief Executive Officer of the Parent Company, Chief Executive Officer of Banca Akros, Chief Executive Officer of Banca Aletti.
[9] The General Manager, where appointed, the Joint General Managers, the Chief Lending Officer and the Chief Financial Officer of the Parent Company, the General Manager, the Joint General Manager and the Deputy General Manager (where appointed) of Banca Aletti and Banca Akros.
[10] Heads of functions: Commercial, Corporate and Finance.

With reference to the Group's Italian Banks, the following persons are identified:[11]

- Banco BPM: 145;
- Banca Akros: 19;
- Banca Aletti: 12.

An additional subject is identified in the remaining companies.

[11] Those holding a position in more than one Group company are listed once only.

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

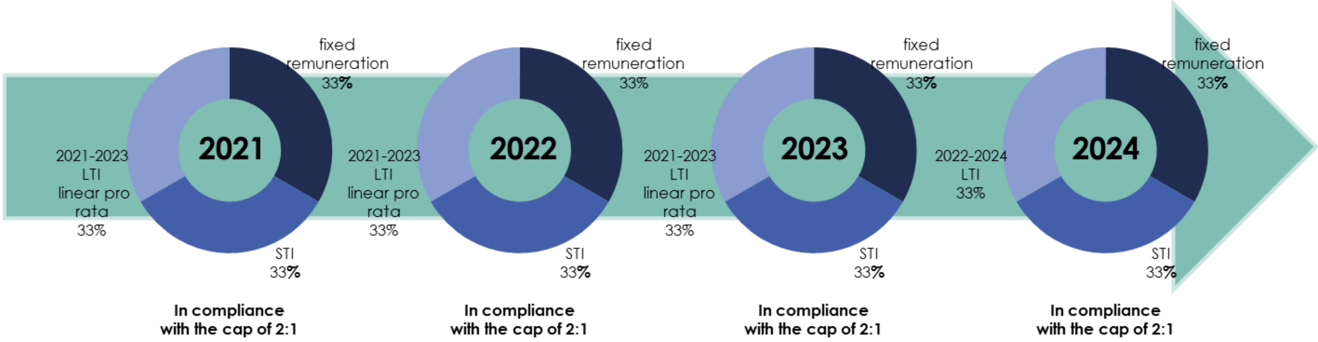
The Shareholders' Meeting approves the remuneration policy for the members of the Board of Directors and determines their remuneration. Therefore, the entire Board of Directors is due – aside from reimbursement of costs incurred due to their office – an annual remuneration that is determined, as a fixed amount, for the full period of the Shareholders' Meeting established at the time of their appointment. The distribution of remuneration approved by the Shareholders' Meeting, where not specified thereby, is established by the Board of Directors. The Shareholders' Meeting held on 4 April 2020, to renew the Board of Directors, including the Chairman and the Deputy Chairman, resolved the fixed remuneration to be awarded to the Members of the Board for the entire period of their office, and namely for the financial years 2020-2021-2022 (until approval of the financial statements as at 31 December 2022), to be allocated on a *pro rata temporis* basis in relation to the actual term in office.

For directors assigned particular offices, pursuant to Art. 22.1 of the Articles of Association, the Board of Directors, on the basis of proposals formulated by the Remuneration Committee and having obtained the opinion of the Board of Statutory Auditors, determines the amount of emoluments to be paid, pursuant to Art. 2389 paragraph 3 of the Italian Civil Code.

At the meeting held on 14 March 2017, the Board of Directors - on the proposal of the Remuneration Committee and with the favourable vote of all members of the Board of Statutory Auditors - determined the fixed remuneration of the CEO, in accordance with Article 2389 of the Italian Civil Code and Article 22.1 of the Articles of Association; at the meeting of March 1, 2022, the Board of Directors, considering that the 2:1 ratio (200%) between the variable and fixed component of the remuneration for selected figures considered strategic was confirmed also for 2022 (increase approved at the Shareholder's Meeting of 7 April 2018) and that at the meeting of 23 February 2021 had resolved to link 100% of the gross annual remuneration (RAL) to the 2021-2023 *Long-Term Incentive Plan*[12] as a maximum pro rata incentive on an annual basis, resolved to associate to the 2022 *Short-Term Incentive Plan*[13] of the Chief Executive Officer the maximum incentive equal to 100% of his gross annual remuneration (RAL), to be paid in accordance with the maximum performance, and to be associated with the 2022-2024 *Long-Term Incentive Plan*, subject to approval at the Shareholders' Meeting of 7 April 2022, as a maximum incentive, 100% of the gross annual remuneration (RAL), to be calculated in full in 2024. The remuneration of the Chief Executive Officer originates from his/her contract of employment.

[12] See paragraph 6.8.
[13] See paragraph 6.5.1 with reference to variable remuneration correlated to the short-term incentive plan.

Composition of the remuneration of the Chief Executive Officer of the Parent Company in the period of the 2021-2024 Strategic Plan



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 received by 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 to them for the full term of their office.

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

The Shareholders' Meeting held on 4 April 2020 resolved the remuneration to be awarded to the members of the Board of Statutory Auditors for the entire period of their office, and namely for the financial years 2020-2021-2022 (until approval of the financial statements as at 31 December 2022), to be allocated on a *pro rata temporis* basis in relation to the actual term in office.

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

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

The Board of Statutory Auditors is not currently granted powers pursuant to art. 6.1 b, Italian Legislative Decree no. 231/2001; Banco BPM Banking Group's Board of Directors, in their meeting on 10 January 2017, decided not to make use of the powers envisaged in paragraph 4-*bis* of the same article mentioned above, and actually appointed a specific Supervisory Body (SB), assigning the same the task of monitoring, among other things, the compliance and functioning of the organisational, management and control model, as well as ensuring the updating of the consequent powers and duties. The Parent Company's SB provides for the appointment of a statutory auditor among its members; an additional emolument is therefore paid to this person for the office fulfilled in the SB.

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 Articles of Association, 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.

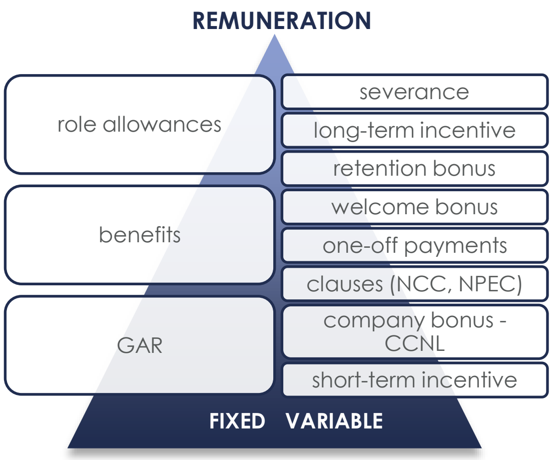
In accordance with the Bank of Italy Supervisory Regulations, members of subsidiary company Boards of Statutory Auditors do not receive any variable remuneration component; if they are also a member of the Supervisory Body established pursuant to Italian Legislative Decree 231/2001, it is envisaged that they will receive an additional emolument for the office held.

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

The variable component is correlated to performance, and enables Staff to be rewarded on the basis of their individual to achieving the results; compliance with rules, long-lasting results, diligent conduct, transparency and correctness in relations with customers and sound and proper risk management are the conditions to be met for its award.

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	
GAR	The gross annual remuneration (GAR) components, determined, for employees, 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 Employers. In this respect, 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.
Role allowances	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, but is discretionary, and reflects the level of professional experience and seniority. It is therefore assigned on the basis of predefined criteria, governed by specific internal regulations.
Benefits	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. 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.

VARIABLE REMUNERATION	
Incentives	Incentives linked to the short-term incentive plan on an annual basis, awarded in accordance with that provided in chapter 6 below.
LTI incentive	Incentives linked to long-term incentive plans, referred to in paragraph 6.8 below.
Company Bonus - National Labour Collective Agreement	For companies of the Banking Group that apply the National Credit Agreement, a variable component linked to the financial performance and/or to specific objectives is envisaged, awarded subject to full compliance with the following conditions as at 31/12/2022 on a consolidated basis: (i) that the *Common Equity Tier1* (CET1) *ratio "phased-in"*, capital adequacy indicator is higher than the relative *Risk Trigger* threshold[14] defined in the *Risk Appetite Framework*[15] for the same year; (ii) that the *regulatory Liquidity Coverage Ratio* (LCR), liquidity adequacy indicator is higher than the relative *Risk Trigger* threshold[144] defined in the *Risk Appetite Framework*[15]; (iii) that the profit from current operating activities before tax (net of non-recutting items) is positive. It is determined for the purpose of calculating the ratio between the variable and fixed component of the remuneration and is awarded in compliance with the provisions of chapter 6 below regarding the application of the malus and claw-back mechanisms.[16] The criteria and methods used to establish and disburse[17] this remuneration are subject to information, comparison and/or negotiation with the Employer.

[14] Risk Trigger threshold means the lower point of the Risk Appetite objective area, in line with the RAF framework.
[15] Expected value on 31/12 of the same financial year.
[16] See paragraph 6.7.
[17] By way of example, the use of cash or welfare services could be envisaged.

VARIABLE REMUNERATION	
One-off payments	Limited to other staff of Group companies, therefore excluding identified staff established for the reference year and for the previous year[18], 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 "phased-in" capital adequacy indicator is higher than the relative Risk Trigger threshold[19] as defined in the Risk Appetite Framework[20]; (ii) the regulatory Liquidity Coverage Ratio (LCR) liquidity adequacy indicator is higher than the relative Risk Trigger threshold**Errore. Il segnalibro non è definito.** defined in the Risk Appetite Framework[20]; (iii) that the profit from current operating activities before tax is positive.[19] 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[21], 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).
Welcome bonus	Any exceptional payments to newly-appointed staff in the Group, limited to the first year of employment; if not paid on an on-off basis upon hiring, said payments are determined for the purpose of calculating the ratio between the variable and fixed component of the remuneration[22].
Retention bonus	Any disbursements related to staff retention, subject to their presence on a certain date or up to 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 below, is calculated for the purpose of determining the ratio between the variable and fixed component of the remuneration[23], disbursed in accordance with the terms envisaged for the category of staff to which it belongs at the time of award[24], and is subject to the malus and claw-back mechanisms[25]. As permitted by the Supervisory Provisions of the Bank of Italy, in exceptional and duly justified cases[26], the same person may be awarded multiple retention bonuses.
Clauses	Any payments for non-competition clauses or notice period extension clauses; such amounts are paid in whilst in employment or on termination of the same, in accordance[27] with the provisions of paragraph 6.10 below (including that indicated in terms of capital and liquidity adequacy conditions), and, with reference to identified staff, they are determined for the purpose of calculating the ratio between the variable and fixed component of the remuneration[23].
Severance	Any additional employment termination amounts (golden parachutes, in the case of identified staff); said payments are made in accordance with the provisions of paragraph 6.10 below (including that indicated in terms of capital and liquidity adequacy conditions), and, with reference to identified staff, they are determined for the purpose of calculating the ratio between the variable and fixed component of the remuneration.[28]

[18] As identified on process activation date.
[19] Risk Trigger threshold means the lower point of the Risk Appetite objective area, in line with the RAF framework.
[20] Expected value on 31/12 of the same financial year.
[21] 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.
[22] See paragraph 6.1.
[23] See paragraph 6.1.
[24] See paragraph 6.6.
[25] See paragraph 6.7 point 2.
[26] For example, the payment of *retention bonuses* occurs at different times and there are specific reasons for the award of each of them.
[27] Without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations.
[28] Unless defined in application of the predefined formula contained in paragraph 6.10 below. See Paragraph 6.1 with regard to the ratio between variable and fixed components of remuneration.

The awarding of guaranteed variable remuneration is not envisaged.[29]
There are no stability clauses.
There are no discretionary pension benefits.

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.[30]

Generally, unless stated otherwise in the individual's employment contract, the Group's employees do not receive remuneration for positions held in Corporate Bodies of subsidiary 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. For those who do not receive remuneration for positions held in Corporate Bodies of subsidiary and/or investee companies, the incentive is not linked to these 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).

5.3 Remuneration of external non-employed staff

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

For non-employed staff that fall into 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 guaranteed revenue and/or to units and/or to brokered volumes; for the first year of employment only, the Group may also award a welcome bonus. For non-employed individuals who have been established as identified staff, a non-recurring component of remuneration is envisaged, also in the form of commission paid as an incentive, 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 capital and liquidity adequacy conditions defined for the awarding of severance payments (access gates) referred to in the following paragraph 6.3, takes into account the risk, is made according to

[29] Without prejudice to any welcome bonus.
[30] 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 envisaged by the remuneration policy.

the payment procedures envisaged for identified staff[31] and is subject to the application of *malus* and *claw-back mechanisms*[32].

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 below, including the application of malus and claw-back provisions[33].

For all the external non-employed staff, any non-recurring remuneration component is linked, in addition to indicators of a quantitative nature, to qualitative indicators expressed with criteria that can be quantitatively measured (by way of example, but not limited to such, 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), in accordance with guidelines of the Group's short-term incentive plan.[34] The Compliance function must verify these criteria, pursuant to that indicated in point a) of paragraph 3.2 above.

With specific reference to financial agents, the provisions on transparency of banking and financial operations and services defined in paragraph 6.5 below 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.[35]

[31] See paragraph 6.6.2.
[32] See paragraph 6.7 point 2.
[33] See paragraph 6.7 point 2.
[34] See paragraph 6.5.
[35] 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 envisaged by the remuneration policies.

6. Characteristics of the remuneration and incentive system

The characteristics of the remuneration and incentive system for banking Group Staff are illustrated below, which take into consideration strict criteria in evaluating results achieved, in accordance with current regulatory provisions. There is no variable remuneration component for the members of the Board of Directors - other than the Chief Executive Officer - without a specific individual contract and for the 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, within the scope of the remuneration policy control process[36], the *Audit* Department carries out random-basis evaluations of the Group's internal custody and administration accounts, at least of identified staff who are holders or joint-holders; any breaches detected are identified as *misconduct*[37]. Based on Bank of Italy Supervisory Regulations, by means of the process activated by the Parent Company's Human Resources function, the bank requests identified staff 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 discussing in the Policy elements that can be temporarily waived in the exceptional circumstances indicated by Art. 123-ter of the Consolidated Finance Law (CFL), 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, having heard the opinion of the Remuneration Committee and any other competent Committees on the subject, is granted the right to define 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 Policy-on-remuneration report and payouts awarded.

[36] See paragraph 3.2.
[37] See paragraph 6.7.

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[38], 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.

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

- 2:1 for specific figures deemed to be strategic and selected from top identified staff and Finance, Corporate, Investment Banking and Private Banking staff, as resolved by the Ordinary Shareholder's Meeting held on 7th April 2018 (see infra);
- 1/3 for all staff belonging to internal control functions, in compliance with Bank of Italy Supervisory Provisions;[39]
- 1:1 for all staff not included in aforementioned categories;
- 70% for the executive in charge of preparing the corporate accounting documents.

With reference to profiles required by legislation and Articles of Association, the Ordinary Shareholder's Meeting held on 7th 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 justified by the need to use all managerial leverage to be able 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, and also considering that the Group's major competitors had already approved an increase of 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 on total compensation. Given that the conditions for the increase, the staff to which it refers and the measure of the upper limit of the ratio between the variable and fixed components of remuneration remain unchanged, as resolved by the Ordinary Shareholders' Meeting held on 7 April 2018, in compliance with Bank of Italy Supervisory Resolutions, this matter does not need to be submitted again to the Shareholders' Meeting for approval.

[38] Without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations.

[39] The scope of application of said limit was adjusted based on Bank of Italy Supervisory Regulations (see Definitions, internal control functions).

6.2 Determination of the bonus pool

The Group's bonus pool[40] 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 of the above-mentioned Group bonus pool is established, with regard to the cited process, only in the event that the budget envisages a profit[41], and may not exceed the threshold of 20% of the consolidated profit from current operating activities before tax (net of non-recurring items)[42] envisaged in the budget for the year; it is established also taking into account the Group's capitalisation and liquidity objectives.

6.3 Connection to results

The award of the incentive takes into account 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 on each occasion by the Supervisory Authority.

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

Area	Indicator	Comparison value	Valid for	It applies to
Capital adequacy	CET1 ratio phased-in -consolidated level-	> Risk Trigger threshold defined in the scope of the RAF	Group companies	– identified staff – other staff
	MDA buffer phased-in -consolidated level-			
Liquidity adequacy	LCR regulatory -consolidated level-			
	NSFR regulatory -consolidated level-			
Profitability	Profit from current operating activities before tax - consolidated level -	> 0		–identified staff not belonging to functions with control tasks – other staff
	Profit from current operating activities before tax - company level -	> 0	– Banca Akros – Banca Aletti	

The award of the incentive to identified staff of functions with control tasks is not subject to profitability indicators, in order to avoid, as envisaged by the Bank of Italy Supervisory Regulations, that the same is linked to economic results.

[40] 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.

[41] Profit from current operations before taxes (net of non-recurring items identified for the purpose of complying with Consob Communication no. DEM/6064293 of 28 July 2006).

[42] Profit from current operations before taxes (net of non-recurring items identified for the purpose of complying with Consob Communication no. DEM/6064293 of 28 July 2006), calculated without considering the amount of the bonus pool.

6.4 Adjustment factor

Following verification of the entry gates[43], but before potential payment, the amount of the economic resources of the short-term incentive plan[44] actually available is determined on the basis of the economic result 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.

6.4.1 Financial adjustment factor

A financial adjustment factor, the size of which is proportional to the consolidated value of the risk adjusted Return on Risk Adjusted Capital (RORAC) profitability indicator recorded at the end of the financial year in comparison with the relevant Risk Trigger and Risk Appetite thresholds defined in the Risk Appetite Framework for the same financial year, is applied - in accordance with the procedures illustrated below - to the economic resources of the short-term incentive plan defined in the budget for the same year[45]; this may entail decreasing them to zero or increasing them, in the latter case subject to the approval of the Parent Company Board of Directors, which will also determine 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[46]
R ≤ RORAC *Risk Trigger*	0%
RORAC *Risk Trigger* < *R* < midpoint[47]	The Parent Company's Board of Directors has the power 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.
midpoint[47]≤ R ≤ RORAC Risk Appetite	% given by the RORAC ratio recorded / RORAC Risk Appetite.
R > 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, in advance with respect to the application of the financial adjustment factor, which affects 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

[43] See paragraph 6.3.

[44] Excluding any economic resources for incentive purposes dedicated to financial agents, insurance agents and financial advisers authorised for door-to-door sales.

[45] 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 and without considering 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 fully-phased objective determined at the time of the annual budget. The method used to calculate the result for the year is governed by dedicated internal regulations.

[46] 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.

[47] Midpoint between Risk Trigger and Risk Appetite.

for the year is recorded, the economic resources in the budget pertaining to said 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 will not result in an increase of the economic resources.

The provisions relating to the factor linked to RORAC and to 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 addressed to identified staff of functions with control tasks, in order to avoid that the incentive is linked to economic results.

In the event of a change in the financial resources of the short-term incentive plan or the reduction applied in the event of a consolidated loss for the year, the same change is also applied to the relative portions assigned to identified staff that do not belong to functions with control tasks, determined by the amount of potentially vesting incentives; the portion of the financial resources of the short-term incentive plan of identified staff belonging to functions with control tasks remains unchanged by virtue of the effect of the financial adjustment factor or the reduction applied in the event of a consolidated loss for the year.

6.4.2 Non-financial adjustment factor

A non-financial adjustment factor is applied to the economic resources of the short-term incentive plan - according to the procedures illustrated below. Said factor is correlated to the values of the consolidated ECAP Reputational Risk and Anti Money Laundering (AML) indicators at year-end, in relation to the relative Alert thresholds defined in the Risk Appetite Framework for the same 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 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) employing reporting and forecasting, and considering stress conditions. The indicators selected, pertaining to macro-areas of market risk, litigation or sanctioning, IT Services, Corporate Social Responsibility and regulatory affairs are both internal, i.e. derived from company processes, and external to the Group, i.e. derived from market data, and are systematically measured quantitatively and, where not possible, qualitatively. In order to measure the Group's reputation on the most popular internet platforms (e.g. Twitter, Facebook, blogs, press agencies, etc.), an additional measure related to the sentiment present in the social media sphere has been added to 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; this refinement of the model is consistent with what is expressly envisaged by the Supervisory Authority on the matter, since it allows for the detection of signs of a possible deterioration in the Group's reputation if it is not perceived by the various stakeholders as being adequately sensitive to environmental, social and *governance* issues.
The AML represents the ratio between total high-risk customers (maximum classification within the internal model for the management of the Money Laundering risk) and total customers.

The application of the non-financial adjustment factor may result in the reduction of 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).

		ECAP Reputational Risk	
		Result < *Alert*	**Result ≥ *Alert***
AML	**Result < *Alert***	no reduction	-10%
	Result ≥ *Alert*	-10%	-20%

6.4.3 Equalisation mechanism

If the financial resources[48] of the short-term incentive plan, following application of the financial and non-financial adjustment factors, are insufficient to cover the total amount of incentives calculated on the basis of performance achieved, an equalisation mechanism will be applied, namely the proportional reduction of individual incentives by the same percentage.

6.5 Short-term incentive plan

The Short-Term Incentive Plan consists of entry gates as described in paragraph 6.3 above, of financial and non-financial adjustment factors as described in paragraph 6.4 above, and of principles and implementation procedures, illustrated in this paragraph below, applied by means of the assignment of objectives referring to an annual accrual period; these elements, as a whole, ensure the correlation with company and individual performance, the relation to risks (including legal and reputational risks), the compatibility with levels of Group capital and liquidity, orientation towards the achievement of results in the medium-long term, consistency with strategies for monitoring and managing non-performing loans, respect for the rules.

The *Short-Term Incentive Plan*, in addition to providing for the assessment of the *performance* achieved in terms of quantitative results, is characterised by mechanisms aimed at monitoring the various forms of risk, as well as the compliance of staff behaviour vis-à-vis the reference (internal and external) regulatory framework from time to time in force, the respect of customers, 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 parameters of a qualitative nature and which impact incentive quantification and are expressed with quantitatively measurable criteria used to gauge customer satisfaction and operational excellence in the service provided, compliance with regulations (by way of example, results of customer satisfaction surveys, number of complaints, adequateness of customer assistance, compliance with legislation and regulations, assessment of performance and/or managerial qualities); therefore, also in compliance with the legislation on transparency with specific reference to the networks, the Short-Term Incentive Plan is not based exclusively on commercial objectives;

[48] Excluding any economic resources for incentive purposes dedicated to financial agents, insurance agents and financial advisers authorised for door-to-door sales.

- with reference to risk containment, the allocation:
  - for commercial networks, wherever applicable, of an objective pertaining to the control of credit risk profiles;
  - for identified staff, where a potential conflict of interest does not emerge, of risk-based KPI, in line with risks assumed by staff with reference to responsibilities and activities pursued in the respective organisation unit, in the bank's Risk Appetite Framework; in this area, particular attention is paid to the control of operational risk;
  - the provision of malus claw-back mechanisms[49], which directly affect the incentive and even reduce it to zero, for the purpose of discouraging misconduct.

In order to support the dissemination of corporate culture oriented towards attention to ESG (*Environmental, Social, Governance*) issues, the incentive system provides for an increasingly widespread assignment and diversification of KPIs related to these areas; please refer to paragraph 6.9 below for further information on the inclusion of ESG objectives in the variable remuneration.

With specific reference to the area of transparency of banking and financial transactions and services, within the context of the networks' short-term incentive plan[50]:

- 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(s) 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.

[49] See paragraph 6.7.

[50] These provisions apply to "relevant persons" as defined in the "Provisions on the transparency of banking and financial transactions and services. Correctness of relationships between intermediaries and customers", i.e., the staff offering products to customers, interacting with them (6,100 persons on the date of drafting the document, of which 5,889 in Retail Banking business area and 211 in Investment Banking business area), as well as those to whom this staff responds hierarchically (1,373 persons on the date of drafting the document of which 1,334 in Retail Banking business area and 39 in Investment Banking business area). The remuneration policy developed pursuant to the transparency provisions also relates to credit intermediaries (15 credit intermediaries) who collaborate with the Banco BPM Group.

The purpose of these provisions, adopted and implemented right from the first year of the Group's operations, is to promote a company culture directed towards fairness in the performance of one's own responsibilities and activities, as well as simultaneous risk management, thus encouraging a context of lower potential impact on operational and conduct risks; they enable a focus on operating excellence and on the service provided, fundamental to satisfying increasingly demanding customer expectations, in compliance with legislation and regulations.

For identified staff established on the basis of their responsibilities receiving incentives and for specific individuals of the sales networks[51] of the Group, performance appraisals are adopted, which envisages the assignment, when starting the system, of an objectives-card to compare with results achieved at the end of the year; in the remaining cases, the system is based on the appraisal of the head of the department to which they belong regarding the achievement of the qualitative/quantitative objectives of the same.

The objectives-card considers a pre-established number of indicators, which focus on the Bank's primary objectives and to which a percentage weight is attributed to the total and a results curve on levels of achievement (minimum and maximum *target*); the result obtained by each KPI determines a weighted score, on an award curve varying between a minimum and maximum; the sum of the weighted scores obtained corresponds to the *performance* achieved, in proportion to which, only if at least equal to pre-set minimum score, the amount of the incentive is quantified; this amount in any case cannot be above a fixed upper limit.

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 type of activity performed, also with 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 adequately informed as to how the system works. The Remuneration Committee plays an active role, in particular to verify its alignment with the risks assumed. The Board of Directors, on the basis of the opinions of the Internal Control, Risks and Sustainability Committee and the Board of Statutory Auditors, ascertains the absence of potential conflicts of interest with regard to the objectives-cards of the identified staff of internal control functions.

[51] The list of individuals to receive an objectives-card is not exhaustive.

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

The objectives assigned to the Chief Executive Officer for 2022 concern the areas relating to profitability, productivity, credit and asset quality, liquidity, capital adequacy, the achievement of ESG (Environmental, Social and Governance) objectives and to qualitative aspects relating to management activities, the latter with particular reference also to areas relating to operational and reputational risk; in addition, they represent a combination of quantitative and qualitative criteria, relating to the results of the Group. The quantitative objectives are taken from the Risk Appetite Framework approved by the Parent Company's Board of Directors for the year, they are calculated according to the RAF methodology and envisage achievement levels, based on the methodology resolved by the Board of Directors, related to the thresholds set therein. The risk-based indicators represent 45% of the total. The weighted score of each KPI is equal 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%, vice versa the entire incentive is not awarded.

The amount of the incentive associated with 2022 objectives for the Chief Executive Officer can amount to a maximum of 100% of his gross annual remuneration (GAR), corresponding to maximum *performance* in each objective.

As regards the conditions for the award of the incentive, the same provisions envisaged for the identified staff not belonging to functions with control tasks referred to in chapter 6 are applicable.

Area	Objective	Weight	Minimum	Target	Maximum
Profitability	Consolidated ROTE[52]	15%	-10%	*Risk Appetite*	+10%
	Consolidated RORAC[53]	15%	-10%		+10%
Productivity	*Consolidated Cost to Income ratio*[52]	10%	+3%		-3%
Credit and asset quality	*Credit Policies Indicator*[52]	10%	*Risk Trigger* + 1%	midpoint	*Risk Trigger* + 7%
Capital adequacy	*Maximum Distributable Amount (MDA) buffer phased-in*[53]	20%	-5%	*Risk Appetite*	+5%
Liquidity	*Regulatory consolidated Liquidity Coverage Ratio (LCR)*[53]	10%	*Risk Trigger* + 5%	*Risk Appetite*	*Risk Appetite* +5%
ESG	- share of new loans in green and low-transition risk sectors	10%	-5%	*Risk Appetite*	+5%
	- corporate Bond Ownership Portfolio (share of ESG bonds)		-5%		+5%
	- green or social bond issues		KPI gate		
Qualitative aspects regarding management activity	Qualitative assessment of the Chief Executive Officer's management activities, drawn up by the Board of Directors, after consultation with the Remuneration Committee. The assessment is related to both the economic results achieved and operational and reputational risk management	10%	in line with expectations	above expectations	excellent

[52] Calculated according to the RAF methodology.
[53] Risk-based objective, calculated according to the RAF methodology.

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

The objectives-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 Parent Company Chief Executive Officer is assigned corporate indicators if they do not result in a potential conflict of interest. The weighted score of each KPI is equal 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%, vice versa the entire incentive is not awarded.

The objectives-card of executives with strategic responsibilities that do not belong to functions with control tasks, including the Joint General Managers, regard areas relating to profitability, productivity, credit and asset quality, liquidity, capital adequacy and qualitative aspects, with specific reference also to areas related to the implementation of ESG (environmental, social, governance) initiatives and to operational and reputational risk. The maximum incentive amount[54] associated to the 2022 objectives is defined within the limit of 100% of the fixed component of remuneration; within said maximum limit, the incentive associated to the 2022 objectives is defined according to the criteria illustrated in paragraph 6.5 above.

The objectives-card envisages a combination of quantitative and qualitative criteria according to the following schedule:

Area	**Indicator**	**Examples**	**Range of weights[55]**
Risk based[56]	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, risk - performance indicators, ECAP Reputational Risk, Cumulative yearly operational loss vs. minter, credit policies indicator	20%-45%
ESG	Quantitatively measurable indicators related to the *Environmental, Social and Governance* dimension.	Annual definition of ESG objectives of the Strategic Plan	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, Gross Book value of NPL, consolidated cost to income ratio, managerial projects and initiatives defined in the Annual Plan, market consensus, enhancement of the real estate and equity investments portfolio, customer satisfaction	35%-60%
Quality performance	Assessment relating to organisational behaviour and managerial skills.		10%

[54] Namely awarded in correspondence with maximum performance for each objective.
[55] As a guideline.
[56] The indicators taken from the Risk Appetite Framework are calculated according to the RAF method.

The objectives card for executives with strategic responsibility for the functions with control tasks includes KPIs relating to verification activities in the areas of competence, risk management and qualitative aspects, with particular reference to the resolution of findings and any issue identified; the amount of the maximum incentive[57] associated with the 2022 objectives is defined within the limit of 33% of the fixed component of the remuneration for the heads of the internal control functions and 70% for the manager in charge of preparing the corporate accounting documents; within this maximum level, the incentive associated with the 2022 objectives is defined according to the criteria illustrated in paragraph 6.5 above.

The objectives-card envisages a combination of quantitative and qualitative criteria according to the following schedule:

Area	Indicator	Range of weights[58]
Risk based	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 in reference to 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 relating to organisational behaviour and managerial skills.	10%

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

6.6 Payment of incentives

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

6.6.1 Payment of incentives to 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.

[57] Namely awarded in correspondence with maximum performance for each objective.
[58] As a guideline.

In the event of the termination of employment, the incentive is paid[59] 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 2022.

6.6.2 Payment of incentives to identified staff

The incentive for identified staff[60] 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, conditional 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 435,000 Euro;
- 40% of the incentive awarded, in cases where the annual individual variable remuneration is equal to or greater than 435,000 Euro.

For the Group, the figure of 435.000 euro is a particularly high variable remuneration level, determined according to criteria set forth in Bank of Italy Supervisory Regulations[61].

50% of the up-front portion of the incentive 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 and to be paid by the month of July of each year, for 55% in Banco BPM ordinary shares, for the senior identified staff, regardless of the amount of the annual individual variable remuneration awarded, and for the heads of the main business lines of Banca Akros or Banca Aletti who report directly to the Chief Executive Officer or to the senior management of Banca Akros or Banca Aletti[62], in the event that the amount of the annual individual variable remuneration awarded is equal to or greater than 435,000 Euro;

[59] Pro-quota based on the twelfths of presence in service during the year, determined in accordance with internal regulations.
[60] 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.
[61] See, First Part, Title IV, Chapter 2, Section III, Paragraph 2: "The amount of particularly high variable remuneration means the lowest out of: i) 25 percent of total mean remuneration of Italian high earners, as stated in the latest report published by the EBA; ii) 10 times the total mean remuneration of Bank employees.".
[62] Head of Investment Banking of Banca Akros and Head of Coordination of the Private Banking Network of Banca Aletti.

- four annual portions of identical amount, deferred in the four-year period following the year of vesting of the *up-front* portion, to be paid by July of each year, 50% of which in Banco BPM ordinary shares, for the identified staff not indicated in the previous point.

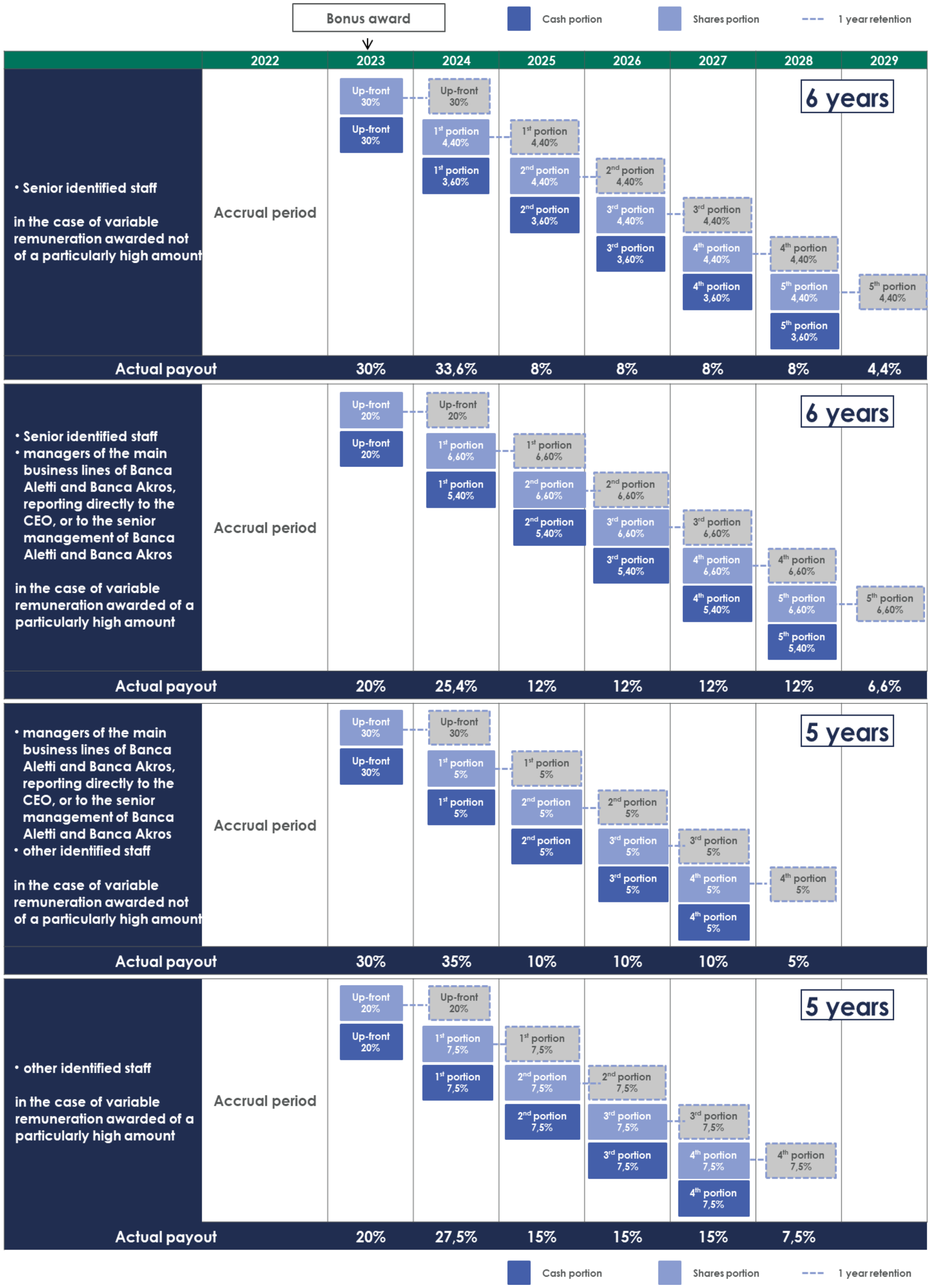
For vested shares, a retention period (selling restriction) of one year is envisaged for both the up-front shares and the deferred shares; for the latter, the retention period starts from the moment in which the deferred remuneration is vested. The vesting of the share portions takes place at the same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

The shares, both up-front and deferred portions, will be subject to taxation at the end of the retention period, 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 the portions will be made available through the transfer into the beneficiary's securities 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[63], 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.

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.

[63] One such examples is capital increase.


Bonus award
Cash portion
Shares portion
1 year retention
2022
2023
2024
2025
2026
2027
2028
2029
6 years
• Senior identified staff
in the case of variable remuneration awarded not of a particularly high amount
Accrual period
Up-front 30%
Up-front 30%
Up-front 30%
1st portion 4,40%
1st portion 3,60%
1st portion 4,40%
2nd portion 4,40%
2nd portion 3,60%
2nd portion 4,40%
3rd portion 4,40%
3rd portion 3,60%
3rd portion 4,40%
4th portion 4,40%
4th portion 3,60%
4th portion 4,40%
5th portion 4,40%
5th portion 3,60%
5th portion 4,40%
Actual payout
30%
33,6%
8%
8%
8%
8%
4,4%
6 years
• Senior identified staff
• managers of the main business lines of Banca Aletti and Banca Akros, reporting directly to the CEO, or to the senior management of Banca Aletti and Banca Akros
in the case of variable remuneration awarded of a particularly high amount
Accrual period
Up-front 20%
Up-front 20%
Up-front 20%
1st portion 6,60%
1st portion 5,40%
1st portion 6,60%
2nd portion 6,60%
2nd portion 5,40%
2nd portion 6,60%
3rd portion 6,60%
3rd portion 5,40%
3rd portion 6,60%
4th portion 6,60%
4th portion 5,40%
4th portion 6,60%
5th portion 6,60%
5th portion 5,40%
5th portion 6,60%
Actual payout
20%
25,4%
12%
12%
12%
12%
6,6%
5 years
• managers of the main business lines of Banca Aletti and Banca Akros, reporting directly to the CEO, or to the senior management of Banca Aletti and Banca Akros
• other identified staff
in the case of variable remuneration awarded not of a particularly high amount
Accrual period
Up-front 30%
Up-front 30%
Up-front 30%
1st portion 5%
1st portion 5%
1st portion 5%
2nd portion 5%
2nd portion 5%
2nd portion 5%
3rd portion 5%
3rd portion 5%
3rd portion 5%
4th portion 5%
4th portion 5%
4th portion 5%
Actual payout
30%
35%
10%
10%
10%
5%
5 years
• other identified staff
in the case of variable remuneration awarded of a particularly high amount
Accrual period
Up-front 20%
Up-front 20%
Up-front 20%
1st portion 7,5%
1st portion 7,5%
1st portion 7,5%
2nd portion 7,5%
2nd portion 7,5%
2nd portion 7,5%
3rd portion 7,5%
3rd portion 7,5%
3rd portion 7,5%
4th portion 7,5%
4th portion 7,5%
4th portion 7,5%
Actual payout
20%
27,5%
15%
15%
15%
7,5%
Cash portion
Shares portion
1 year retention

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

In the event of the termination of employment, both the up-front portion and the deferred portions are paid[64] 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 2022.

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 50,000 Euro, and, at the same time, lower than or equal to one third of the total annual individual remuneration, the relative amount awarded 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 by the *Short-Term Incentive* Plan of the year preceding the year of vesting, in consideration of the applicable Staff category in the same year; this *ex-post* correction system is, therefore, a mechanism that operates in the deferral period, before the effective vesting of deferred incentive portions;
2. with regard to both identified staff and other staff, if during the course of the year, any misconduct is ascertained, the Parent Company Board of Directors, for persons directly appointed by it, or the Chief Executive Officer of the Parent Company (or their proxy) for remaining persons, 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, to 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:
   - order for suspension from office and from payment of remuneration starting from a date. This entails exclusion from receiving the cited variable components of remuneration;

[64] Pro-quota based on the twelfths of presence in service during the year, determined in accordance with internal regulations.

- conduct which does not comply with provisions of the law, regulations or the by-laws, or with codes of ethics or conduct applicable to the bank, which has led to a significant loss for a Group company or for customers;
- breaches[65] of the requirements stated pursuant to article 26 or, when the entity is an interested party, pursuant to article 53 of the Consolidated Bank Law;
- infringements of the obligation not to use personal hedging strategies or insurance on remuneration or on other aspects to undermine the risk alignment effects embedded in the remuneration mechanisms;
- fraudulent or grossly negligent conduct causing damage to a Group company;
- 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 of codes of ethics or of conduct to protect customers applicable to the bank.

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

With reference to the Group's Staff, the Parent Company's Human Resources function, with the assistance of the relevant corporate functions of the same and of subsidiary companies, verifies the potential existence of conditions that may 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, for persons directly appointed by it, or to the Chief Executive Officer of the Parent Company (or their proxy), for remaining persons.
The company has the right to offset the amounts that the staff member has been requested to return with any amounts due under any title to the interested party and in this case, the offset will be applied, following a decision made by the Board of Directors, for persons directly appointed by it, or by the Chief Executive Officer of the Parent Company (or his proxy) for remaining persons, from the time the company informs the interested party of its intention to exercise its offsetting power, notwithstanding any other action provided for by law to be applied to protect the company.

[65] For example, in cases of infringements of professionalism, integrity and independence requirements.

6.8 *Long term incentive* (LTI)

The Shareholder's Meeting of 15 April 2021 approved a *Long-Term Incentive* Plan (2021-2023 LTI Plan) related to the *performance* to be achieved in the 2021-2023 three-year period.

The 2021-2024 Strategic Plan was approved on 4 November 2021.

To support the 2021-2024 Strategic Plan and with the aim of pursuing results that create long-term value for the benefit of shareholders, taking into account the interests of all relevant stakeholders, the Bank has decided to submit to the Shareholder's Meeting on 7 April 2022 a *long-term incentive* plan (2022-2024 LTI plan) related to the *performance* to be achieved in the 2022-2024 three-year period and the raising to the most challenging expectations for 2023 of the levels of achievement of the ROTE and Gross NPE ratio objectives of the 2021-2023 LTI Plan, for which the greater commitment required of managers does not entail additional charges with respect to the level authorised by the Shareholder's Meeting of 15 April 2021.

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 Criteria for determining the cost of the LTI plan

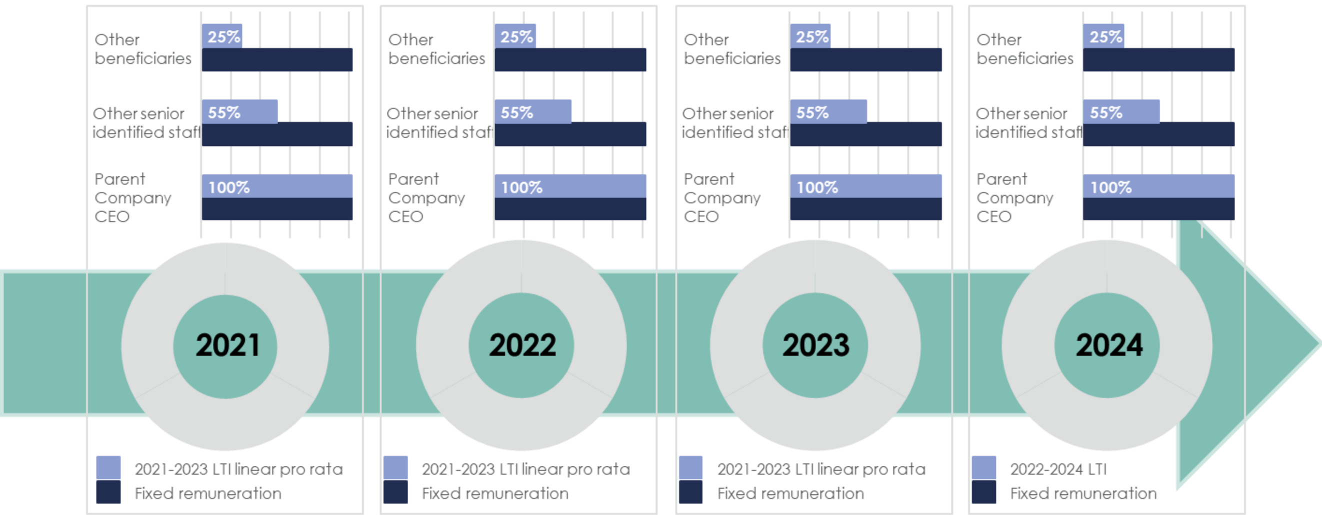
Without prejudice to the cost of the 2021-2023 LTI plan authorised by the Ordinary Shareholders' Meeting of 15 April 2021, the expected cost of the 2022-2024 LTI is approximately 5.5 million Euro; it is verified *ex ante*, upon approval of the Compensation Plan in the financial instruments by the Ordinary Shareholders' Meeting of 7 April 2022.

For beneficiaries of the system, the maximum annual pro-quota individual amount is calculated on the basis of the level of the position, the proximity to the *business*, the individual's total remuneration with reference to the *benchmarks*, as well as the need for differentiation also for *retention* purposes.

The number of shares to be assigned[66] to each beneficiary of the 2022-2024 LTI Plan[67] will be determined ex ante, based on the arithmetic average of the official prices recorded in the thirty calendar days prior to the date of the Shareholders' Meeting's resolution to approve the Share-based Compensation Plan (Ordinary Shareholders' Meeting of 7 April 2022).

[66] See Definitions. Share assignment means the bank's commitment to a person to deliver shares subject to the fulfilment of specific conditions envisaged in the short/long-term incentive systems.
[67] The assignment of the shares of the 2021-2023 LTI plan took place at the start of the plan itself.

Average incidence of the LTI incentive on fixed remuneration in the period of the 2021-2024 Strategic Plan



Together with the incentive related to the short term incentive, the variable remuneration respects the cap of 2:1 every year

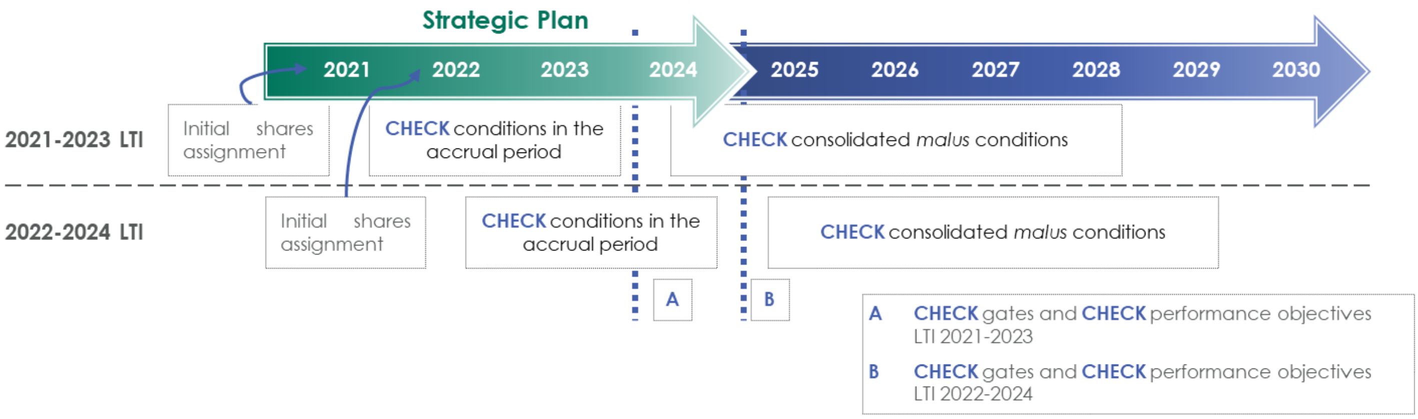
6.8.2 Operating mechanism of the LTI system

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

The award of the LTI incentive requires meeting conditions to be verified during the course and at the end of the plan (see paragraph 6.8.2.1) and long-term *performance* objectives of the Bank (see paragraph 6.8.2.2). 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 accrual 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 6.8.2.4); all shares are subject to one year of retention (selling restriction) from the vesting of each portion (see paragraph 6.8.2.4).

The maximum duration of the plan is 10 years[68].



[68] The year of delivery of the last share in shares is also included. The 2021-2023 LTI ends in 2030 and the 2022-2024 LTI ends in 2031.

6.8.2.1 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)	✓	✓	> Risk Trigger threshold defined within the RAF in the last year of the accrual period (a)
Leverage ratio fully loaded (a)	✓		
MDA buffer (a)		✓	
NSFR *regulatory* (a)	✓	✓	
UOC[69] (a)	✓	✓	> 0

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

Failure to achieve even one of the aforementioned conditions does not allow the activation of the related LTI plan and, therefore, determines the non-award of the corresponding LTI incentive.

For each financial year of the *accrual* period of each plan, in the event that the access gate of the *short-Term Incentive* plan related to the *Common Equity Tier* 1 (CET1) *ratio* is lower than the relative threshold, a reduction of 10% of the number of shares initially assigned for the reference plan is envisaged.

6.8.2.2 Performance objectives

The determination of the number of shares to be awarded at the end of each *accrual* period (LTI incentive), require the verification of the level of achievement of the *performance* objectives represented below, selected from the main objectives of the Group's Strategic Plan.

For the 2021-2023 LTI plan, due diligence is performed at the end of 2023. To support the 2021-2024 Strategic Plan, the levels of achievement of the ROTE and *Gross* NPE *ratio* performance objectives are raised to the most challenging expectations for the year 2023 of the Plan.

[69] Determined as specified in reference to the short-term incentive plan of the last year of the accrual period.

<table>
<tr><th>Area</th><th>2021-2023 LTI performance objectives</th><th>Weight</th><th>Floor</th><th>Cap</th></tr>
<tr><td>Profitability</td><td>ROTE[70] at 2023[71]</td><td>35%</td><td>5%</td><td>7%</td></tr>
<tr><td>Asset quality</td><td>Gross NPE ratio[70] at 2023[72]</td><td>35%</td><td>6.9%</td><td>5.4%</td></tr>
<tr><td>Value creation for shareholders</td><td>Total Shareholder Return (TSR)[73] vs peers[74]</td><td>15%</td><td>median</td><td>> 70%ile</td></tr>
<tr><td rowspan="4">ESG</td><td>Standard Ethics Rating[75]</td><td rowspan="4">15%[76]</td><td>EE</td><td>EE+</td></tr>
<tr><td>Increase of women in managerial positions as at 31/12/2023[77]</td><td>+15%</td><td>+33%</td></tr>
<tr><td>Emissions of CO_2[78]</td><td>-50%</td><td>carbon neutrality</td></tr>
<tr><td>Social initiatives (hours)[79]</td><td>6,000</td><td>8,000</td></tr>
</table>

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

<table>
<tr><th>Area</th><th>2022-2024 LTI performance objectives</th><th>Weight</th><th>Floor</th><th>Cap</th></tr>
<tr><td>Profitability</td><td>ROTE[80] at 2024</td><td>35%</td><td>7%</td><td>9%</td></tr>
<tr><td>Asset quality</td><td>Gross NPE ratio[80] at 2024</td><td>35%</td><td>6.3%</td><td>4.8%</td></tr>
<tr><td>Value creation for shareholders</td><td>Total Shareholder Return (TSR)[81]</td><td>15%</td><td>18%[82]</td><td>48%</td></tr>
<tr><td rowspan="3">ESG</td><td>Standard Ethics Rating[83]</td><td rowspan="3">15%[84]</td><td>EE+</td><td>EEE-</td></tr>
<tr><td>Percentage of women in managerial positions as at 31/12/2024</td><td>28%</td><td>30%</td></tr>
<tr><td>Social initiatives (hours)[85]</td><td>10,000</td><td>12,000</td></tr>
</table>

70 Calculated according to the RAF methodology.
71 The values raised to the most challenging expectations in 2023, on which the Shareholders' Meeting of 7 April 2022 is called to express itself, replace the values of floor at 4% and cap at 6%.
72 The values raised to the most challenging expectations in 2023, on which the Shareholders' Meeting of 7 April 2022 is called to express itself, replace the values of floor at 9.5% and cap at 7.6%.
73 To calculate 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).
74 The TSR of Banco BPM is compared in terms of relative positioning with respect to the peer group comprised by: 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.
75 At the launch of the plan, the Group had an EE- rating.
76 Each ESG objective is equally weighted.
77 Compared to 1 July 2021. The gender-enhancement initiatives are described on page 19 of the document.
78 Compared to 2019.
79 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.
80 Calculated according to the RAF methodology.
81 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.
82 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.
83 At present the group has a rating of EE.
84 Each ESG objective is equally weighted.
85 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 to corporate volunteering in support of non-profit associations.

The result of each objective is measured by linear interpolation within 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 (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 6.8.2.1) 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 incentive.

6.8.2.3 Payment of the LTI incentive

For the 2021-2023 LTI incentive, the provisions in force at the time of its adoption apply and the provisions of the 2021 Remuneration Policy remain in place[86].

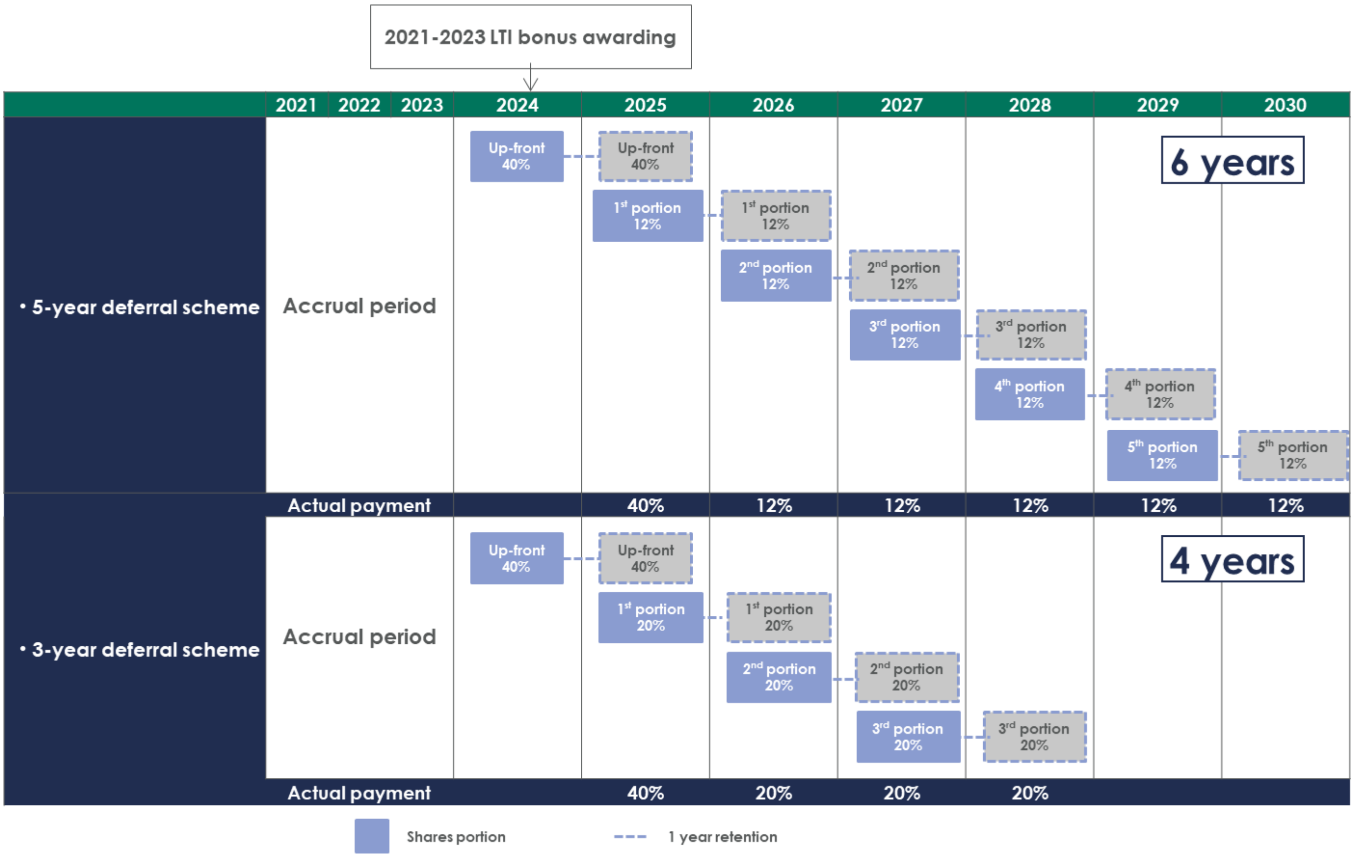
The 2022-2024 LTI incentive is paid[87] in an *up-front* portion of 40% and in annual deferred portions of the same amount, in accordance with the provisions of the 2022 *Short-Term Incentive* Plan[88].

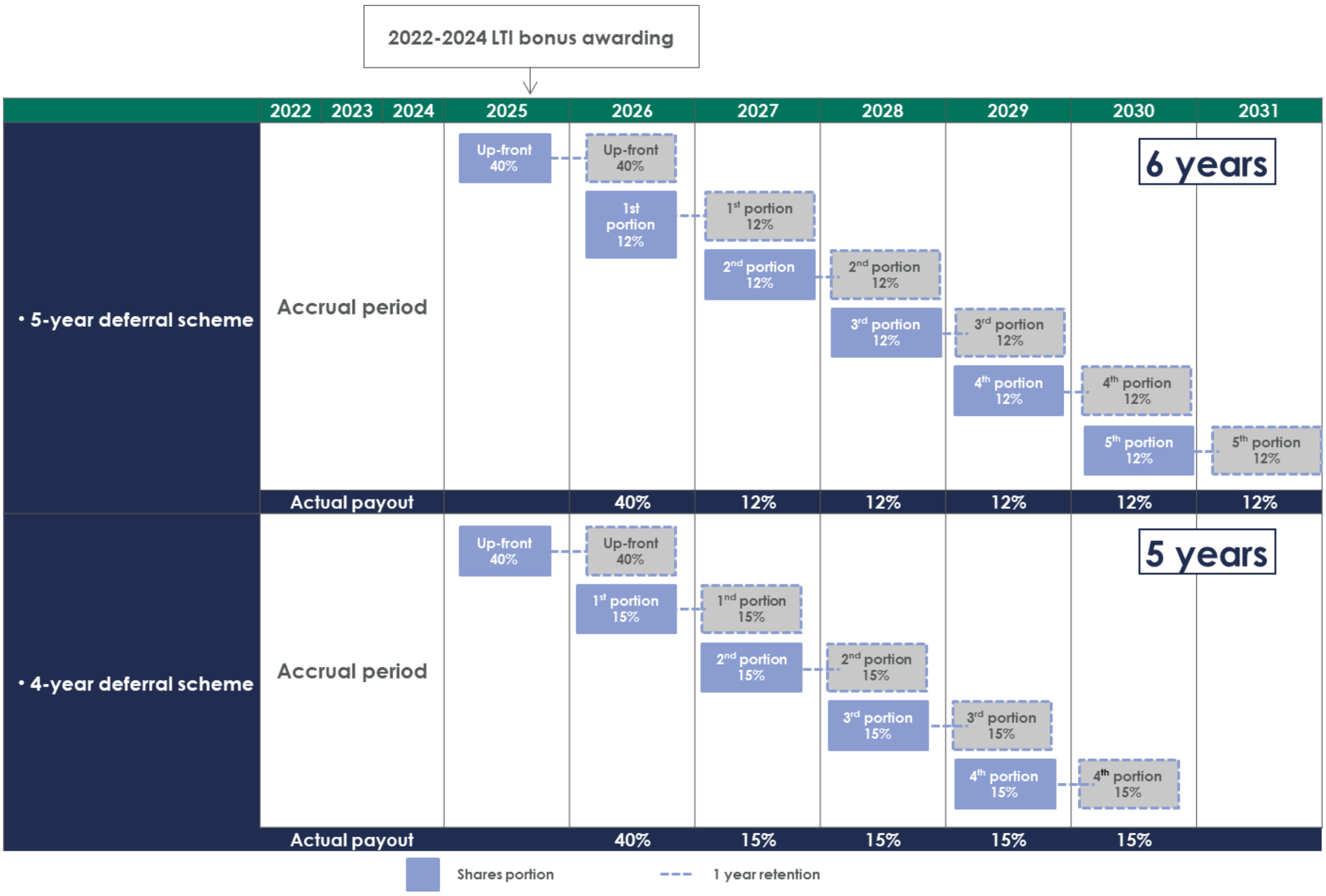
A *retention* period (constraint to sale)[87] of one year is envisaged for the vested shares, starting from the moment of vesting; the actual ownership by the beneficiary takes place at the end of this period. The shares, both up-front and deferred portions, will be subject to taxation at the end of the retention period, 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 the portions will be made available through the transfer into the beneficiary's securities portfolio.

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

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

[86] See paragraph 6.8.2.3.
[87] Without prejudice to the provisions of the Supervisory Provisions regarding the relevance threshold.
[88] See paragraph 6.6.


2021-2023 LTI bonus awarding
2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
• 5-year deferral scheme
Accrual period
Up-front 40%
Up-front 40%
1st portion 12%
1st portion 12%
2nd portion 12%
2nd portion 12%
3rd portion 12%
3rd portion 12%
4th portion 12%
4th portion 12%
5th portion 12%
5th portion 12%
6 years
Actual payment 40% 12% 12% 12% 12% 12%
• 3-year deferral scheme
Accrual period
Up-front 40%
Up-front 40%
1st portion 20%
1st portion 20%
2nd portion 20%
2nd portion 20%
3rd portion 20%
3rd portion 20%
4 years
Actual payment 40% 20% 20% 20%
Shares portion
1 year retention


2022-2024 LTI bonus awarding
2022 2023 2024 2025 2026 2027 2028 2029 2030 2031
• 5-year deferral scheme
Accrual period
Up-front 40%
Up-front 40%
1st portion 12%
1st portion 12%
2nd portion 12%
2nd portion 12%
3rd portion 12%
3rd portion 12%
4th portion 12%
4th portion 12%
5th portion 12%
5th portion 12%
6 years
Actual payout 40% 12% 12% 12% 12% 12%
• 4-year deferral scheme
Accrual period
Up-front 40%
Up-front 40%
1st portion 15%
1nd portion 15%
2nd portion 15%
2nd portion 15%
3rd portion 15%
3rd portion 15%
4th portion 15%
4th portion 15%
5 years
Actual payout 40% 15% 15% 15% 15%
Shares portion
1 year retention

In the event of the termination of employment, both the *up-front* portion and the deferred portions are paid on a pro-quota basis[89] 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 6.8.3 apply.

6.8.2.4 Malus and claw-back mechanisms

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

6.8.3 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[90], 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.
Finally, if company control should change, early pro-quota liquidation in cash[91] on an annual basis shall be carried out in favour of the beneficiaries in service, 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.

[89] 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.
[90] One such examples is capital increase.
[91] 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.

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

On the initiative of the ESG Committee and in light of an analysis of the requests of the Supervisory Authorities, but also of the expectations of the financial market and of the *best practices* of national and international competitors, the Group has set its own strategic ambition outlined in the 2021-2024 Strategic Plan, and embarked on an important sustainability path, which is embodied in 32 projects launched divided into 7 lines of activity[92] with the aim of strengthening and implementing the integration of sustainability within corporate and business activities and, by extension, in the incentive mechanisms For further information, refer to the Sustainability section of the Group website 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 particular reference to incentive mechanisms. The combination of objectives relating to the different components of the banking *business*, such as profitability, productivity, 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 scorecard:

- of the Chief Executive Officer of the Parent Company provides ESG financial indicators to be assessed over the annual *performance*, with a weight of 10%, which refer to the annual declination of ESG objectives of the Strategic Plan (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 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;
- 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, share of ESG bonds in the proprietary portfolio and green and social bond issues, in the context of the People Strategy;
- for the remaining identified staff in the retail and corporate commercial network, it provides quantitatively measurable ESG indicators with a variable weight of up to 10%, broken down on the individual perimeters of competence, which incentivise the share of new disbursements in *green* and low-risk transition sectors;

[92] Among these, Banca Aletti, as a participant in the financial markets, or as an investment company that provides the portfolio management service, has undertaken an evolutionary path aimed at the integration of risks and sustainability factors into investment decision-making processes.

- 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.

As part of the *short-term incentive* Plan, we also point to the non-financial adjustment factor which, through the ECAP *Reputational Risk* indicator, could reduce the economic resources of all staff in the event of a sudden deterioration of the Bank's image, also in relation to the possible occurrence of ESG risks.

As part of 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 6.8.2.2).

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 for said amount 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 due and determined according to limits established by legislation[93].
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 value of 2.4 million (employee gross amount).
The combination of said maximum limit, the indemnity for lack of notice determined by legislative provisions and any non-competition clauses gives rise, in any event, to an amount that falls within the limit of 24 months of remuneration including the short-term variable amount, a criteria commonly used in the Italian market.

[93] Said items do not constitute variable remuneration and are not subject to criteria and limits established by the Shareholders' Meeting.

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 established to this effect, 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 that the Parent Company Human Resources function submits a report, previously assessed by the Audit function:

- for subjects directly appointed by the Board of Directors of the Parent Company, to the Remuneration Committee which, in turn, prepares the proposal to be submitted for evaluation by the Board itself (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).

For identified staff and for other staff, the award is made at the time of termination in accordance with that illustrated below, without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations[94]; this applies even if a member of Staff has signed an individual agreement with the Group for the early termination of employment.

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 “phased-in” and the liquidity adequacy indicator at a consolidated level Liquidity Coverage Ratio (LCR) regulatory.

[94] 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.

<table>
<tr><th colspan="2" rowspan="2">Consolidated indicators</th><th colspan="3">LCR regulatory</th></tr>
<tr><th>R > Risk Tolerance[95]</th><th>Midpoint[96] ≤ R ≤ Risk Tolerance</th><th>R < Midpoint[96]</th></tr>
<tr><td rowspan="3">CET1 ratio "phased-in"</td><td>R > Risk Tolerance[95]</td><td>Proceed with award.</td><td>The Parent company Board of Directors decides the potential availability of economic resources.</td><td>No award.</td></tr>
<tr><td>Midpoint[97] ≤ R ≤ Risk Tolerance</td><td>The Parent company Board of Directors decides the potential availability of economic resources.</td><td>The Parent company Board of Directors decides the potential availability of economic resources.</td><td>No award.</td></tr>
<tr><td>R < Midpoint[96]</td><td>No award.</td><td>No award.</td><td>No award.</td></tr>
</table>

The amount is determined considering each element deemed relevant, 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 in order 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 any fraudulent conduct or gross negligence in the three calendar years prior to termination (assessment of the significance of such offences is carried out by the Parent Company's Board of Directors for persons directly appointed by it, or by the Chief Executive Officer of the Parent Company for all remaining persons) precludes the payment of any indemnity amounts for early termination of employment; the Parent Company's Board of Directors, for persons directly appointed by it, or the Chief Executive Officer of the Parent Company, for all remaining persons,

[95] Risk Tolerance threshold means the lower point of the tolerance area, in line with the RAF framework.
[96] Midpoint between Risk Capacity and Risk Tolerance thresholds.
[97] 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).

reserve the right to also assess any further misconduct[98] ascertained during the three calendar years prior to termination.

The amount awarded to identified staff, in the case of the early termination of employment[99], is calculated within the upper limit of the variable/fixed ratio with reference to the last year of employment, without prejudice to the specific conditions envisaged by the Bank of Italy Supervisory Regulations[100].

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 aforementioned upper limit of the variable/fixed ratio.

The formula adopted by Banco BPM regards identified staff and envisages that amount is determined on the basis of the following:

- for top identified staff: 24 months of fixed remuneration;
- for other identified staff with more than 10 years of seniority in the Group: 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 Parent Company Board of Directors, for persons directly appointed by it, or by the Chief Executive Officer of the Parent Company (or their proxy), for remaining persons;
- 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 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[101] 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

[98] See paragraph 6.7.
[99] Including any non-competition clauses, if it surpasses the specific case envisaged by Bank of Italy Supervisory Regulations.
[100] See Section III, paragraphs 2.2.2 and 2.2.3.
[101] Also applies to any similar positions (by way of example, change of position within the first line of management).

responsibilities, the Chief Executive Office, the Joint General Manager and another executive 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[102]; therefore the payment is made:

- for other staff, in cash and on a one-time basis;
- for identified staff (golden parachute):
    - 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 on the award date, 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 to the senior management of Banca Akros or 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 time of award, or in four deferred 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 date of 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 at the same time as 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, both of up-front and deferred portions, will be equal to the normal value, corresponding to the arithmetic average of official prices recorded in the thirty calendar days preceding the date on which each portion becomes available through transfer to the beneficiary's portfolio.

[102] See Section III, paragraphs 2.2.2 and 2.2.3.

Any rights and/or dividends are only vested with reference to the period following the transfer to the recipient's 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. In the case of directly appointed staff, the Parent Company's Board of Directors ascertains whether said conduct is present; for other staff, this assessment is made by the Chief Executive Officer of the Parent Company. If said conduct is ascertained, the portions that have not yet been paid are cancelled (malus) and any previously paid ones must be returned (claw-back); the assessment takes into account a five year period starting from the time of their vesting.

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 specific reference to any non-competition clauses or notice period extension clauses stipulated whilst in employment, with regard to identified staff as well as other staff, the following provisions apply[103], without prejudice to specific conditions envisaged by Bank of Italy Supervisory Regulations[104]:

- 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 Directors, as far as subjects directly appointed by it, or to the Chief Executive Officer (or his representative), for the remaining subjects;
- monthly payments are subject to the fulfilment of the same capital and liquidity adequacy conditions in force for the majority of 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 Parent Company Board of Directors, for persons directly appointed by it, or by the Chief Executive Office of the Parent company (or their proxy), for remaining persons (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;

[103] In force since 2019.
[104] See Section III, paragraphs 2.2.2 and 2.2.3.

- the total amount awarded during the year to a person that qualifies as identified staff will be paid up to the equivalent amount of the *up-front* portion in cash for the full amount of variable remuneration awarded[105].

In 2020, a specific agreement was signed with the Trade Union Organisations regarding what is known as the "solidarity fund", applicable to employees of every level and category, including executives; through said agreement, inter alia, the amount to disburse to staff following the termination of employment is also regulated.

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/UE (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.

[105] Including the long-term incentive (the latter when and if awarded).