



**Qualitative and quantitative composition of the Board of Directors**

20 December 2022

## 1. Introduction and legal framework

The Supervisory Provisions for Banks on corporate governance (1) issued by the Bank of Italy require the outgoing Board of Directors to identify in advance the qualitative and quantitative composition considered optimal for the effective performance of the tasks and responsibilities entrusted to the Corporate Bodies by law, by the Supervisory Provisions and by the Articles of Association.

In this context, in order to ensure adequate governance and monitoring of the bank's lending in its various forms and of the related risks, these Provisions require the Top Management Bodies to include persons who:

- are fully aware of the powers and obligations inherent in the functions that each is called upon to perform (supervisory and management functions, executive and non-executive functions, independent members, etc.);
- have professional skills suited to the specific role, including in any internal Board Committees, and commensurate with the bank's operations and size;
- have appropriately diversified skills spread across all members, so that each member may effectively contribute, among other things, to identifying and pursuing suitable strategies and ensuring effective risk governance throughout all areas of activity of the bank and, if applicable, the banking group;
- dedicate adequate time and resources to the complexity of the duties assigned to them (without prejudice to compliance with the limits on the accumulation of offices set forth in Ministerial Decree No. 169 of 23 November 2020 and the regulatory constraints envisaged for offices in competing companies (2));
- direct their activities to the pursuit of the overall interests of the bank, regardless of the corporate component that voted for them or the list from which they were taken, operating with independent judgement.

The Supervisory Provisions require that attention be paid to all members of the Board of Directors, including non-executive members, since they are all equally involved in the decisions taken by the entire administrative body and are called upon to carry out an important role in discussing and monitoring the choices made by the executive officers.

The Provisions aim to ensure that not only during the appointment process but also on an ongoing basis throughout the performance of the assignment, the administrative body includes individuals with adequate authority and professional skills to effectively exercise their functions, essential for the sound and prudent management of the bank. This therefore requires that the professional skills necessary to achieve this objective are clearly defined in advance and reviewed from time to time to take account of any critical issues that may arise, and that the process of selecting and appointing candidates takes this guidance into account.

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For the sake of completeness, the sources of the applicable national and European legislation concerning the requirements for officers are summarised below:

- Art. 26 (*Corporate Officers*) of Italian Legislative Decree No. 385 ("Consolidated Banking Act");

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(1) Circular No. 285 of 17 December 2013 of the Bank of Italy, Part One, Title IV, Chapter I (hereinafter also the "Supervisory Provisions" or the "Provisions").

(2) Reference is made to Art. 36 of Italian Decree Law No. 201/2011 converted with amendments into Law No. 214/2011.

- Bank of Italy Supervisory Provisions regarding the procedure of assessing the suitability of officers of banks, financial intermediaries, electronic money institutions, payment institutions and deposit guarantee schemes (5 May 2021);
- Italian Ministerial Decree No. 169/2020 setting forth the "Regulation on the requirements and eligibility criteria for the performance of the position of corporate officers of banks, financial intermediaries, credit unions, electronic money institutions, payment institutions and deposit guarantee systems" ("MEF Decree");
- Art. 36 of Italian Decree Law No. 201 of 6 December 2011 "*Urgent provisions for growth, fairness and the consolidation of public accounts*" ("Salva Italia" Decree) converted, with amendments, into Law No. 214 of 22 December 2011 (Interlocking Directorate) and the associated application criteria;
- Italian Ministerial Decree No. 162/2000 "*Regulation containing rules for establishing the integrity requirements of the members of the board of statutory auditors of listed companies to be issued on the basis of Article 148 of Italian Legislative Decree No. 58 of 24 February 1998*" ("Italian Ministerial Decree No. 162/2000");
- Bank of Italy, Supervisory Provisions for banks, Circular No. 285 of 17 December 2013, on corporate governance (Part I, Title IV, Chapter 1);
- Corporate Governance Code for listed companies approved in January 2020 (and in force from 1 January 2021) by the Corporate Governance Committee promoted by ABI, Ania, Assogestioni, Assonime, Confindustria and Borsa Italiana ("Corporate Governance Code");
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as subsequently amended and supplemented, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV") and Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013, as subsequently amended and supplemented, on prudential requirements for credit institutions and investment firms;
- ESMA/EBA, Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (2 July 2021);
- EBA, Guidelines on internal governance (2 July 2021);
- ECB, Guide to fit and proper assessments of 15 May 2017, last updated in December 2021 ("ECB Guide").

This document is available in the 'Corporate Governance' section of the website of Banco BPM (hereinafter also the "Bank") [www.bancobpm.it](http://www.bancobpm.it), so that the process of selecting candidates and appointing them to the office of Member of the Board of Directors takes account of the theoretical aspects outlined therein.

## 2. Governance model

Banco BPM is a joint-stock company established on 1 January 2017 as a result of the merger between Banco Popolare Soc. Coop. and Banca Popolare di Milano S.c.a.r.l. (the "Merger"), approved on 15 October 2016 by the shareholders' meetings of the two banks (with the simultaneous transformation of the two banks participating in the merger from a cooperative company to a joint-stock company).

The governance model adopted by Banco BPM is the traditional system, based on a Board of Directors, with strategic guidance and supervision functions, and a Board of Statutory Auditors to which the control function is assigned, which monitors compliance with the law and the Articles of Association, compliance with the principles of proper administration, the adequacy of the organisational, administrative and accounting structure and ensures the

adequate coordination of all bodies, functions and structures involved in the internal control system.

Taking into account the results of the self-assessment process (carried out with the contribution of the Appointments Committee) and in order to allow the identification of the candidates to be proposed for the renewal of the Board of Directors, the Board of Directors of the Bank considers it useful to bring to the attention of the shareholders the main regulatory provisions/recommendations of the Authority in the sector regarding the composition of the Board of Directors and the Board Committees, or at least the main parts. These provisions can be summarised as follows:

- Quantitative composition: in larger or more complex banks that adopt the traditional administration and control model, the maximum number of Directors permitted is 15, except in exceptional cases that must be analytically assessed and justified;
- Independent Directors: the Supervisory Provisions envisage that the number of Independent Directors must be equal to at least one quarter of the members of the Board of Directors (with rounding up to the higher unit in the case of a fractional number if the first decimal is higher than 5), possessing the requirements of professionalism and authority such as to ensure a high level of internal debate within the administrative body and make a significant contribution to the decision-making process of the same; in addition, the Corporate Governance Code envisages that in large companies (i.e. those whose capitalisation exceeded €1 billion on the final trading day of each of the three previous calendar years, which includes Banco BPM) other than those with concentrated ownership, the Independent Directors shall constitute at least half of the management body. Consistently, pursuant to the Articles of Association of Banco BPM and without prejudice to any other provisions of prevailing laws, at least 8 directors must meet the independence requirements set out in art. 20.1.6. of the said Articles of Association;
- Chair of the Board of Directors: the Chair of the Board of Directors must have a non-executive role and must not perform (not even on a de facto basis) management functions;
- Internal board committees: in larger or more complex banks, 3 (three) Committees specialised in 'appointments', 'risks' and 'remuneration' must be established within the body with strategic supervision functions. As a rule, each Committee must consist of 3-5 (three-five) members, all non-executive, with the majority being independent. The Committees must differ from each other by at least one member and, if there is a Director elected from minority lists, s/he shall sit on at least one Committee. The work of each Committee is coordinated by a Chair chosen from among the independent members.

At the level of the Board Committees, taking into account the Supervisory Provisions, the Corporate Governance Code and the results of the self-assessment process, as well as in compliance with the provisions of art. 24.4 of the Bank's Articles of Association, it is envisaged to maintain the Appointments Committee, the Remuneration Committee, the Internal Control, Risk and Sustainability Committee and the Related Parties Committee. The members of the latter must all meet the independence requirements set forth in the Articles of Association.

### **3. Qualitative and quantitative composition of the Board of Directors**

#### **3.1 Quantitative composition**

The composition of the Board of Directors is of central importance for the effective fulfilment of the crucial duties assigned to this Body by law, the Supervisory Provisions and the Articles

of Association. The number of members must be proportionate to the size and complexity of the Bank's organisational structure, in order to effectively exercise management and control over all company operations.

To that end, as indicated above, the Supervisory Provisions state that, in bigger banks or those with complex operations, the number of Directors should not exceed 15 (fifteen) apart from exceptional cases that must be analytically assessed, with reasons being given. In this regard, note that Banco BPM is included among the 'significant banks' (according to the definition contained in the European regulatory legislation) and, as such, is subject to direct supervision by the European Central Bank.

In light of the above, it should be noted that, with reference to its numerical composition, the Articles of Association (art. 20.1.1) of Banco BPM state that the Board of Directors shall be composed of 15 Directors.

During the self-assessment, with specific reference to the aspects related to the quantitative composition of the Body, the position of most of the Directors emerged, indicating they agreed that a total number of 15 members would be adequate to ensure the correct functioning of the Board.

### **3.2 Qualitative composition: individual eligibility requirements of Directors**

The members of the Board of Directors must be suitable for holding the office and, in particular, must possess the requirements of professionalism, integrity and independence, and meet the criteria of competence, fairness and time commitment and specific limits on the number of offices held as provided under prevailing laws.

#### **3.2.1 Professionalism requirements**

All candidates for appointment as members of the Board of Directors must meet the professional requirements provided for under prevailing law. In this regard, please note that the Extraordinary Shareholders' Meeting of 7 April 2022 approved the elimination of the statutory definition of professionalism, insofar as it had been absorbed and superseded by the regulations introduced by MEF Decree No. 169/2020.

In particular, pursuant to Art. 7 of the MEF Decree, candidates to carry out administrative functions must meet certain professionalism requirements depending on whether they hold executive or non-executive positions. In particular:

1. Officers with executive positions shall be chosen from among persons who have exercised, for at least three years, including alternatively:
  - a) administration or control activities or managerial duties in the credit, financial, securities or insurance sectors;
  - b) administration or control activities or managerial duties at listed companies or those with a size and complexity greater than or similar (in terms of turnover, nature and complexity of the organisation or the activity carried out) to that of the bank at which the position shall be held.
2. Officers with non-executive positions shall be chosen from among persons who meet the requirements set forth in the previous point or who have exercised, for at least three years, including alternatively:
  - a) professional activities related to the credit, financial, securities and insurance sectors or, in any case, activities that are functional to the bank's activities; the professional activity must be characterised by adequate levels of complexity, including with reference to the recipients of the services provided, and must be carried out on a continuous and significant basis in the above-mentioned sectors;
  - b) university teaching activities, as a first- or second-level lecturer, in legal or economic subjects or in other subjects that are, in any case, functional to the activities of the credit, financial, securities or insurance sectors;

c) managerial, executive or top management functions, howsoever entitled, at public bodies or public administrations that relate to the credit, financial, securities or insurance sectors, provided that the body at which the officer carried out said functions is of a size and complexity comparable with those of the bank at which the position is to be held.

3. The Chair of the Board of Directors is a non-executive member with overall experience of at least two years more than the above requirements.

4. The Chief Executive Officer shall be chosen from among persons with specific experience in credit, financial, securities or insurance matters, gained through administration or control activities or managerial duties for a period of not less than five years in the credit, financial, securities or insurance sectors, or in listed companies or those with a size and complexity greater than or similar (in terms of turnover, nature and complexity of the organisation or the activity carried out) to that of the Bank.

For the purposes of meeting the above requirements, the experience gained during the twenty years prior to taking office is taken into account; experience gained simultaneously in more than one function is counted only for the period of time in which they were carried out, with no accumulation permitted.

### **3.2.2 Competence criteria**

In addition to the requirements of professionalism, the directors must meet the criteria of competence, including in terms of knowledge, experience and characteristics of soft skills, established by the legislation in force at the time and by the 'soft laws' (including the EBA-ESMA Guidelines and the ECB Guide) depending on the nature of the office/particular position held and the size and operating characteristics of Banco BPM. To this end, theoretical knowledge – acquired through studies and training – and practical experience, gained in carrying out previous or ongoing work activities will be of relevance.

In this regard, candidates for the office of Director must meet the criteria of competence set forth in Art. 10 of the MEF Decree. Specifically:

- theoretical knowledge and practical experience in more than one of the following areas will be taken into consideration:

- 1) financial markets;
- 2) regulations in the banking and financial sector;
- 3) guidelines and strategic planning;
- 4) organisational and corporate governance structures;
- 5) risk management (identification, assessment, monitoring, control and mitigation of the main types of risk in a bank, including the responsibilities of the officer in these processes);
- 6) internal control systems and other operational mechanisms;
- 7) banking and financial activities and products;
- 8) accounting and financial information;
- 9) information technology;

- analyses will be conducted as to whether the theoretical knowledge or practical experience referred to above is suitable with respect to:

- 1) duties pertaining to the role held by the officer and any specific powers or delegations, including participation in Committees;
- 2) the characteristics of the Bank and of the banking Group to which it belongs, in terms of size, complexity, type of activities carried out and related risks, reference markets and countries in which it operates.

For the position of Chair of the Board of Directors, an assessment will also be made of experience gained in coordinating, guiding or managing human resources such as to ensure effective performance of the functions of coordinating and guiding the work of the Board, of promoting its proper functioning (including in terms of the circulation of information,

effectiveness of discussion and the fostering of internal debate) and adequate overall composition of the body.

For the sake of completeness, it should be noted that Art. 10, paragraph 4, of the MEF Decree expressly permits the omission of the assessment with regard to the possession of the criteria of competence outlined above for officers in possession of the requirements of professionalism envisaged by the same MEF Decree, where accrued for a period at least equal to that laid down in the said Decree, and in particular:

- 5 years (accrued during the last 8 years) for Executive Directors who have carried out administration or control activities or management duties in the credit sector;
- 3 years (accrued during the previous 6 years) for Non-Executive Directors meeting the professionalism requirements set forth in Art. 7, paragraph 1, of the MEF Decree, for officers with executive offices;
- 5 years (accrued during the previous 8 years) for other Non-Executive Directors;
- 10 years (accrued during the previous 13 years) for the Chair of the Board of Directors;
- 10 years (accrued during the previous 13 years) for the Chief Executive Officer and General Manager who have carried out administration or control activities or managerial duties in the credit, financial, securities or insurance sectors.

Without prejudice to the foregoing, the criterion of competence will not be satisfied where the information acquired with regard to theoretical knowledge and practical experience depicts a serious, precise and consistent picture of the officer's unfitness to hold the office. Conversely, in the event of specific and limited gaps, the competent body may adopt the measures necessary to address them.

In this context, the Board of Directors of Banco BPM, in order to guarantee the overall suitability of the body, recommends that candidates for the role of Director shall preferably possess one or more of the following further qualifying skills/experience:

1. financial and/or banking markets: to this end, non-executive or executive (head of a business or first-line manager) positions in Italy and/or abroad are deemed relevant. Depending on the role to be held, experience accumulated in relation to the above-mentioned business in the professional, academic or public sectors will also be of relevance;
2. banking and financial activities and products (i.e.: Retail, Credit, Private Banking, Asset Management, Bancassurance, etc.);
3. global dynamics of the domestic and international economic and financial system and of the trends and prospects in the reference sector (banking, financial and insurance business);
4. internal control systems and other operational mechanisms;
5. risk management (identification, assessment, monitoring, control and mitigation methods of the main types of risk of a bank or of an insurance or reinsurance company, with a focus on: i) Risk Management and climate and environmental risks; ii) the risk of money laundering and terrorist financing);
6. accounting and financial reporting (i.e. financial statements, accounting policies and tax matters, gained in the financial sector or in auditing firms);
7. guidance and strategic planning (awareness of corporate strategic policies or the business plan) gained in credit institutions, insurance or reinsurance firms, listed

companies or multinationals or leading international strategic consulting firms, preferably in financial services;

8. information technology in information systems and new technologies applied to the banking and financial sector – with specific reference to Digital Transformation, Fintech, Cryptocurrency, Artificial Intelligence and Cybersecurity – gained in leading international strategic consulting firms or in firms, preferably listed, with Executive or Non-Executive positions;
9. regulation in the banking, financial and insurance sector, gained in leading law firms or in companies or groups of significant size;
10. organisational and corporate governance structures, gained in credit institutions, insurance or reinsurance firms, listed or multi-national companies with Executive or Non-Executive positions, or with leading international consulting firms;
11. human resources and remuneration systems and policies, gained in credit institutions, insurance or reinsurance firms, listed or multi-national companies with Executive or Non-Executive roles, or with leading international consulting firms;
12. ESG/social and environmental sustainability.

In formulating its recommendations for shareholders who wish to submit a list, the Board of Directors of Banco BPM has defined the optimal composition for ensuring both complementarity in terms of experience and expertise accumulated and the valuing of personal and behavioural characteristics of its members, and to represent the applicable aspects of diversity.

In this context, the importance of identifying profiles with adequate availability of time and resources was also considered so that the candidates could fulfil their roles on the Board and on the Internal Board Committees as optimally and efficiently as possible, as described below.

Specific skills are also required, for their respective areas of interest, from the members of the Internal Board Committees, with particular reference to the skills and experience referred to in point 5 above (risk management) of the members of the Internal Control, Risks and Sustainability Committee. Special attention will be paid to members who hold the role of Chair in the above-mentioned Internal Board Committees, since they will have to have built up specific experience and specific awareness and expertise in the matters that will be dealt with by the Committees to which they belong.

The Corporate Governance Code also requires that at least one member of the:

- i. control and risk committee has adequate experience in accounting and financial matters or risk management, without prejudice to the fact that – as also stipulated in the Supervisory Provisions – this committee must have adequate expertise in the business segment in which the company operates, necessary for assessing the related risks;
- ii. remuneration committee has adequate knowledge and experience in “*financial matters or remuneration policies*”,

to be assessed by the Board of Directors upon appointment to the Committees.

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### **Required profiles of the particularly significant roles on the Board**



The outgoing Board of Directors of Banco BPM recommends that the parties holding the positions of Chair of the Board of Directors, Deputy Chair and Chief Executive Officer, will ideally reflect the following profiles, within the scope of full compliance with prevailing laws and the Articles of Association:

#### Chair of the Board of Directors

The Chair of the Board of Directors will ideally possess the following characteristics and personal skills which will make him/her more fully qualified for the role:

- Ten years of recently accumulated professional experience. This experience must include a significant portion of high-level managerial positions and significant technical know-how in a banking or equivalent area;
- A high level of intellectual independence and integrity to ensure the sound and prudent management of the Bank;
- A consolidated reputation on the Italian and international markets, in full compliance with the distinctive image of the Group;
- The ability to represent the Bank before local and international regulatory bodies, and significant institutions, being a convincing ambassador of the Group's core values;
- Leadership in managing people, along with strong emotional intelligence, the ability to listen and independence of thought to be employed in the Board in his/her role as "*super partes*";
- Experience in governance matters in comparable contexts in terms of size and complexity;
- Expertise in the quantitative, regulatory and financial reporting areas in order to face challenges with respect to the CEO and top management;
- Continuous willingness to examine the details of constantly evolving regulations, developments in the industry as a whole and peer relations, including at European level.

#### Deputy Chair of the Board of Directors

The Deputy Chair of the Board of Directors will ideally possess the following characteristics and personal skills which will make him/her more fully qualified for the role:

- Leadership in managing people, along with strong emotional intelligence, the ability to listen and independence of thought;
- Ability to facilitate dialogue within the Board of Directors;
- The capacity to represent the Bank in place of the Chair in the event of his/her absence or impediment;
- Adequate availability of time to stand in for the Chair in the event of his/her absence or impediment.

#### Chief Executive Officer (CEO)

The Chief Executive Officer will ideally possess the following characteristics and personal skills which will make him/her more fully qualified for the role:

- Ten years of recent professional experience accumulated in sectors related to banking or financial services. This experience – preferably as a CEO of banks of a similar complexity to Banco BPM – must include holding high-level managerial positions for a significant portion of the above-mentioned period;
- A high level of intellectual independence, integrity and reputation with respect to regulators and investors, in full compliance with the distinctive image of the Group;
- A high level of sensitivity and exposure to the European and Italian markets;
- Leadership skills in managing people, along with the ability to establish and lead high-level and senior teams in a complex organisation;
- Consolidated experience in leading listed companies, of a similar complexity to Banco BPM;
- Deep understanding of regulatory matters, risk and all aspects of capital management, experience in financial reporting, accounting policies and tax, accumulated in highly regulated contexts;
- Solid capacity to lead and develop commercial aspects in the banking sector, especially in the retail division, but also in private banking, asset management, investment banking, bancassurance, etc.;
- Good understanding and fit with the culture and business model of Banco BPM;
- Proven strategic capacity, short/medium/long term planning vision;
- Proven capacity to be resilient in highly stressful situations.

#### Chairs of the Internal Board Committees

The Committee Chairs should ideally possess the following characteristics and personal skills making them more fully qualified for the role:

- Leadership in managing people, along with strong emotional intelligence, the ability to listen and independence of thought;
- Knowledge and experience in the areas of competence of the specific Committee.

#### **3.2.3 Attitudinal requirements**

In addition to the professional competence requirements referred to above, the outgoing Board recommends that the characteristics and personal skills of the officer (soft skills) shall be duly considered in the selection of the candidates, as indicated by the EBA/ESMA Guidelines. The Italian version of these guidelines, available on the ESMA website, should be referred for further details.

- **Authenticity:** consistency in words and deeds in accordance with established values and beliefs. Open communication of intentions, ideas and feelings, promotion of an environment of openness and honesty and duly informing the supervisor of the current situation, while recognising risks and problems.
- **Language:** can communicate orally in an articulated and conventional manner and write in his/her own national language or in the working language of the entity.

- **Resolve:** takes timely and informed decisions by acting promptly or by adopting precise behaviour, for example by expressing opinions and avoiding delays.
- **Communication:** is able to convey a message in an understandable and acceptable manner and in an appropriate form. Aims to provide and obtain clarity and transparency and encourages active listening.
- **Judgement:** is able to weigh heterogeneous data and behaviours and reach a logical conclusion. Examines, recognises and understands the elements, as well as the essential issues. Has the breadth of views to look beyond their area of expertise, in particular in dealing with problems that may jeopardise business continuity.
- **Quality and customer-oriented approach:** focuses on ensuring quality and, where possible, identifying ways to improve it. In particular, this means opposing the development and marketing of products and services and capital expenditure, e.g. on products, offices or companies, in circumstances where s/he is unable to correctly assess the risks due to a lack of understanding of the architecture, principles or basic assumptions. Identifies and studies the wishes and needs of customers, ensures that customers do not take unnecessary risks and provides accurate, complete and balanced information to customers.
- **Leadership:** provides instructions and guidance to a group, develops and maintains teamwork, motivates and encourages available human resources and ensures that staff members have the professional competence to achieve a specific objective. Is receptive to criticism and offers space for critical debate.
- **Loyalty:** identifies with the company and has a sense of involvement. Shows that s/he is able to dedicate sufficient time to the work and carry out his/her duties correctly, defend the interests of the company and act in a critical and objective manner. Recognises and anticipates potential conflicts of personal and corporate interest.
- **External awareness:** monitors developments, power bases and conduct within the company. Is well informed of relevant national and international financial, economic, social and other developments that may affect the company, as well as the interests of the parties concerned, and is able to use this information effectively.
- **Negotiation:** identifies and discloses common interests so as to create consensus while pursuing negotiation objectives.
- **Persuasive:** can influence the opinions of others by exercising powers of persuasion and employing natural authority and tact. Has a strong personality and is able to withstand pressure.
- **Teamwork:** is aware of the interests of the group and contributes to the pursuit of a shared result; is able to act as part of a team.
- **Strategic acumen:** can develop a realistic vision of future developments and translate this into long-term objectives, e.g. by applying a scenario analysis. In doing so, takes adequate account of the risks to which the company is exposed and adopts the appropriate measures to contain them.
- **Resilience to stress:** is resilient and able to operate consistently even when subjected to great pressure and in times of uncertainty.
- **Sense of responsibility:** includes internal and external interests, carefully evaluates them and reports on them. Has the ability to learn and understand that his/her actions affect the interests of the parties concerned.
- **Chair meetings:** can chair meetings efficiently and effectively and create an open atmosphere that encourages everyone to participate on an equal basis; is aware of the duties and responsibilities of other parties.

The outgoing Board also recommends that, in the identification of the candidate profiles for the position of Chair of the Board of Directors, the Shareholders shall also duly consider the Board leadership and coaching/development capacities of the Directors.

### 3.2.4 Integrity requirements

All candidates for appointment as Members of the Board of Directors must ensure compliance with the integrity requirements set forth in Art. 3 of the MEF Decree and Art. 2 of Italian Ministerial Decree 162/2000.

A newly appointed Director will be understood to fulfil the integrity requirements if there are no elements that would suggest the contrary or if there are no grounded doubts as to his/her integrity.

Failure to comply with the integrity requirements will make it impossible to take on the office or will lead to loss thereof.

### **3.2.5 Fairness criteria**

In addition to the integrity requirements, Directors must fulfil the criteria of fairness in previous personal and professional conduct, understood as good reputation, honesty, integrity and financial soundness, established by the prevailing legislation and the 'soft laws' (including the EBA-ESMA Guidelines and the ECB Guide), pursuant to the provisions of Art. 4 of the MEF Decree.

With reference to the criteria of fairness, it should be noted that the occurrence of one or more of the situations indicated by the aforementioned Art. 4 of the MEF Decree does not automatically imply the unsuitability of the officer, but requires assessment by the Board of Directors, conducted with regard to the principles of sound and prudent management as well as the protection of the bank's reputation and public trust.

Given the importance that these criteria play in terms of reputation, the Board expresses the recommendation that the candidates for the office of member of the Board of Directors, in addition to possessing the requirements of integrity set forth by the applicable regulations:

- (i) shall not have behaved in a way that, although not necessarily a criminal offence, is not in line with their position as member of the Board of Directors of the Bank or that could result in consequences that are seriously prejudicial to the Bank's reputation;
- (ii) shall not – and have not in the past – find themselves in situations which, with regard to the economic activities and financial conditions of the candidates (or the companies controlled or directed by them or in which they hold significant stakes), are – or were – including on a potential basis, capable of affecting their reputation.

### **3.2.6 Availability of time and commitment required of the Directors**

The availability of time and resources to dedicate to the performance of the position of Director, due to its nature and quality, is a basic requirement that candidates must guarantee, including in relation to activities resulting from participation in the work of the internal board committees of which they are members.

For illustrative purposes, with regard to the specific situation of Banco BPM, 22 meetings of the Board of Directors, 22 meetings of the Internal Control, Risks and Sustainability Committee, 22 meetings of the Appointments Committee and 22 meetings of the Remuneration Committee were held during 2020-2022.

In addition to the above, there shall be a commitment to take part in Induction meetings and ongoing training, in addition to any off-site training and anything resulting from the Directors' participation as guests in the meetings of Committees to which they do not belong. In addition to the time dedicated to meetings, each Director shall also set aside time

for travel and preparation, taking into account the multiplicity of topics to be examined and the volume of supporting documentation.

In view of the above, the Board recommends that candidates should accept the position if they believe they can dedicate the necessary time and energy, in consideration of the amount of time needed for other work or professional activities, in addition to the performance of duties for positions held in other companies.

To that end, and with specific reference to the proper functioning of the Board and the contribution of each member to its internal discussions, an estimate was made to be taken as a reference for evaluating the minimum time considered necessary for effective participation in meetings, as summarised in the table below, noting that the estimation of the time commitment needed to be a member of the Committees must be understood to include the time commitment involved in being a mere Director:

<b>Position</b>	<b>Estimated commitment (days/year)</b>
<i>Chair</i>	<i>200 days</i>
<i>Chief Executive Officer</i>	<i>Full time</i>
<i>Deputy Chair</i>	<i>100 days</i>
<i>Non-Executive Director</i>	<i>40 days</i>
<b>Commitment for Committees</b>	
<b>Position</b>	<b>Estimated commitment (BoD + Committee) (days/year)</b>
<i>Chair of the Internal Control, Risks and Sustainability Committee</i>	<i>75 days</i>
<i>Member of the Internal Control, Risks and Sustainability Committee</i>	<i>57 days</i>
<i>Chair of the Appointments Committee</i>	<i>52 days</i>
<i>Member of the Appointments Committee</i>	<i>46 days</i>
<i>Chair of the Remuneration Committee</i>	<i>52 days</i>
<i>Member of the Remuneration Committee</i>	<i>46 days</i>

### **3.2.7 Limit on the accumulation of external positions**

Board Directors shall comply with prevailing laws (Art. 91 of CRD IV, Arts. 17, 18 and 19 of the MEF Decree, Art. 36 of Italian Decree Law No. 201/2011, converted into Italian law No. 214/2011; Art. 2390 of the Italian Civil Code) and the articles of association (Arts. 20.1.3., 20.3.2. and 20.3.3.) regarding the taking up of positions in companies other than the Bank.

On the basis of Art. 91 of the CRD IV, Art. 17 of the MEF Decree and Art. 31 of the "Limits on the accumulation of positions" Regulation of the Bank, referred to by Art. 20.3.3. of the Articles of Association, members of the Board of Directors of the Bank cannot hold an overall number of positions in banks or other commercial companies that exceeds one of the following alternative combinations:

- a) 1 executive position with 2 non-executive positions;
- or
- b) 4 non-executive positions,

The above is set out in Art. 3.1 of the above-mentioned Regulation, on the basis of which the following limits on the holding of posts are stipulated for Board Directors of Group Banks:

- a) those who carry out roles with executive functions in Group Banks cannot take on executive positions in companies that do not belong to the Group, while they may take on 2 non-executive positions in companies that do not belong to the Group;

- b) those who hold positions with non-executive functions in Group Banks may hold the following combinations of offices:
- 1 executive position in companies not belonging to the Group and 1 non-executive position in companies not belonging to the Group;  
alternatively,
  - 3 non-executive positions in companies that do not belong to the Group.

For the purposes of calculating the above limits:

- (i) the office held in the Bank is included;
- (ii) the following specification mechanism is applied: the set of offices held (a) within the same group (including Banco BPM Group), (b) in entities belonging to the same system of institutional protection and (c) in companies in which the Bank holds a qualified equity investment as defined by Regulation (EU) No. 575/2013, Art. 4(1)(36), is considered a single position.  
The set of offices counted as a single entity is considered executive if at least one of the offices held is executive, while in the other cases it is considered non-executive.  
Where more than one of the cases set out in this point (ii) apply, the offices are added together;
- (iii) consideration is not taken of roles held (aa) at companies other than commercial companies or at entities whose sole purpose consists in managing the private interests of an officer or their non-legally separated spouse, partner in civil unions or cohabiting partners, relatives or in-laws up to the 4th degree, which do not require any type of daily management by the officer; (bb) as a professional in a partnership; (cc) as an alternate auditor;

Additionally, subject to any other incompatibility stipulated by prevailing laws (including the prohibition on interlocking directorships in accordance with Italian Law No. 214 of 22 December 2011, the prohibition laid down by Art. 4, paragraph 2-bis, of Italian Legislative Decree No. 153/1999, etc.), the position of Director is not compatible with offices of a political nature, meaning national parliamentary duties or as a member of the government. It is also recommended that the position of Director not be carried out by persons who hold European parliamentary office, or who are members of regional, provincial or municipal councils (limited to the municipal provincial capitals).

For further details and specifications regarding the limits on the accumulation of positions, please refer to the 'Position accumulation limits' Regulation available on the Bank's website ([www.bancobpm.it](http://www.bancobpm.it) – [Corporate Governance section](#)).

### **3.2.8 Independence pursuant to the Articles of Association and Independence of judgement**

In accordance with the Articles of Association, at least 8 Directors must possess the independence requirements established by article 20.1.6. of the Articles of Association in effect.

It should be understood that, pursuant to Art. 15 of the MEF Decree, all Directors shall act with full independence of judgement and awareness of their duties and rights in relation to their position, in the interests of the sound and prudent management of the Bank and in compliance with the law and any other applicable regulation. All Directors are also required to provide the information requested pursuant to Art. 15(2) of the MEF Decree and the reasons why any relevant cases pursuant to this provision do not concretely affect their independence of judgement.

The outgoing Board of Directors therefore recommends that, in the selection of the candidates, attention should be paid to identifying the parties able to make decisions with maximum independence of judgement and who do not have any conflicts of interest that could pose a potential risk for the Bank, including to its reputation.

### **3.2.9 Guidelines regarding diversity**

In accordance with the provisions of prevailing laws and regulations, and best practices, it is considered necessary to ensure adequate diversification of the members of the Board of Directors with regard to both **gender** and **skills**, and also to adopt an **age** policy.

More specifically, subject to the provisions of the regulations in force at any given time, in order to ensure adequate discussion within the governing body, it is important for the composition of the body to reflect an adequate degree of diversification in terms of gender.

In compliance with the legal (Art. 147-ter of the "TUF" – Consolidated Law on Finance) and regulatory provisions which govern equal access to the administrative bodies of companies listed on regulated markets, at least two fifths of the elected directors must be reserved for the gender less represented for six consecutive mandates.

In light of the current regulatory context, at least 6 (six) members of the Board of Directors must belong to the less represented gender.

Additionally, subject to the legislative provisions in force at any given time, to ensure that the governing body, as a collective body, can pursue suitable strategies and ensure the effective governance of risk in all areas of operations, it is important that the composition of the governing body provides for the balanced and diversified presence of directors who, individually, have accrued expertise and experience in the banking and financial sectors and in financial services as indicated in paragraph 3.2.2 above.

Lastly, the Board of Directors also approved an age policy for the Directors, establishing that the candidates who fill the roles of directors in Banco BPM cannot be, inter alia, older than 75, subject to the Board's right to make exceptions to said criteria due to justified and grounded reasons.

### **3.3 Overall suitability of the Board of Directors**

The collective composition of the Board of Directors must be adequately diversified – in terms of skills and experience, age, gender and length of office of Directors – so as to:

- (i) foster discussion and internal dialogue within the bodies;
- (ii) favour the emergence of a plurality of approaches and perspectives in the analysis of issues and in the making of decisions;
- (iii) effectively support the corporate processes of developing strategies, managing activities and risks, controlling the activities of the top management;
- (iv) take account of the multiple interests that contribute to the sound and prudent management of the bank.

In order to ensure the collective suitability of the Board, the outgoing Board of Directors recommends that candidates for the new Board of Directors of the Bank should reflect a balanced composition of experience and technical knowledge (in the areas indicated below), administrative and/or business management, determined on the basis of an

approach that encourages concrete, substantial and positive aspects over abstract, theoretical or merely negative factors, and outstanding professional figures in the academic world, corporate consultants and freelance professionals:

- Banking and financial business;
- Global dynamics of the domestic and international economic and financial system and of the trends and prospects in the reference sector (banking, financial and insurance business);
- Risks and controls (identification, assessment, monitoring, control and mitigation methods of the main types of risk of a credit institution, or of an insurance or reinsurance company, including with reference to the risks of money laundering and financing of terrorism and climate and environmental risks);
- Accounting and financial reporting (financial statements, accounting policies and tax matters), gained in the financial sector or in auditing firms;
- Guidance and strategic planning (awareness of the company's strategic policies or business plan) accrued with credit institutions, insurance or reinsurance companies, listed companies or multinationals or leading international strategic consulting companies, preferably in financial services, and related implementation);
- information technology in information systems and new technologies applied to the banking and financial sector (with specific reference to Digital Transformation, Fintech, Cryptocurrency, Artificial Intelligence and Cybersecurity) gained in leading international strategic consulting firms or in firms, preferably listed;
- Regulation in the banking, financial and insurance sector, gained in leading law firms or in companies or groups of significant size;
- Organisational and corporate governance structures, gained in credit institutions, insurance or reinsurance firms, listed companies or multinationals, or with leading international consulting firms;
- Human resources and remuneration systems and policies, gained in credit institutions, insurance or reinsurance firms, listed companies or multinationals, or with leading international consulting firms;
- ESG/social and environmental sustainability.

It is also recommended that the new Board express an actual willingness to make further changes in view of rapid changes in the reference context, while at the same time preserving the spirit of integration and its specific aspirations.

With this objective in mind, a summary grid will be prepared to support the assessment both individually and collectively.

#### **4. Induction/continuous training Board activities**

The outgoing Board of Directors reiterates that the Bank, including in the light of the provisions of Art. 12 of the MEF Decree, the recommendations of the Bank Supervisory Provisions and the EBA/ESMA Guidelines, promotes the participation of Directors in suitable training initiatives – while also assessing the involvement of parties external to the Bank in such training activities – aimed at providing in-depth knowledge of the sectors that the Bank and Group operate in and to guarantee the continuity and maintenance of the experience accumulated, over the years, by the Board of Directors.

From this perspective, the outgoing Board of Directors recommends that the new Board continuously promote training and induction sessions aimed at aligning the knowledge of the new Directors with those of the confirmed Directors and at consolidating and developing the knowledge of each Director. The training and induction plans are also aimed at helping Directors get a clear understanding of the structure of the Bank and the Group, the business model, the company dynamics and their development including from the perspective of



sustainable success, proper risk management profiles, the legal and regulatory framework in place and to give them in-depth knowledge of issues of strategic relevance.