



**Qualitative and quantitative composition of the Board of
Statutory Auditors**

(15 March 2021)

1. Introduction and legal framework

The Board of Statutory Auditors of Banco BPM S.p.A. ("Banco BPM" or the "Company"), appointed by the Shareholders' Meeting on 4 April 2020 in compliance with the provisions of Article 12 of Italian Ministerial Decree no. 169 of 23 November 2020, approved a document aimed at identifying a qualitative and quantitative profile deemed optimal in order to ensure an adequate collective composition of the Control Body (hereinafter, the "Document" and the "Profile", respectively). The Document is made available to the Shareholders and to anyone who is interested in it, in order to provide indications and recommendations that facilitate the identification of suitable candidates to be proposed in view of the next Shareholders' Meeting of Banco BPM.

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

- Italian Legislative Decree no. 385 of 1 September 1993 (Consolidated Banking Law or "TUB");
- Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Financial Law or "TUF");
- Consob Regulation adopted with Resolution no. 11971 of 14 May 1999 ("Issuers' Regulation");
- Italian Ministerial Decree no. 169 of 23 November 2020 setting forth the "Regulation on the requirements and eligibility criteria for the performance of the position of corporate representatives of banks, financial intermediaries, credit unions, electronic money institutions, payment institutions and deposit guarantee systems" ("Italian Ministerial Decree no. 169/2020");
- Italian Ministerial Decree no. 162 of 30 March 2000 relating to the "Regulation containing the rules for establishing the requirements of integrity and professionalism 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");
- Article 36 of Italian Decree Law no. 201 of 6 December 2011 containing "Urgent provisions for the growth, fairness and consolidation of public accounts" (so-called "Salva Italia" Decree) converted, with amendments, by Italian Law no. 214 of 22 December 2011 (so-called "*Interlocking Directorship*");
- Supervisory Provisions for Banks, Bank of Italy Circular no. 285 of 17 December 2013 on corporate governance (Part I, Title IV, Chapter 1) (the "Supervisory Provisions") as well as the additional provisions of the Bank of Italy in force from time to time regarding the assessment of the suitability of bank representatives;
- Corporate Governance Code, issued by the Corporate Governance Committee of Borsa Italiana S.p.A. ("Corporate Governance Code");
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and (EU) Regulation no. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, both as subsequently amended and supplemented;
- EBA, Guidelines on internal governance (2017);
- EBA/ESMA, Joint Guidelines on the assessment of the suitability of members of the management body and key function holders of September 2017 ("EBA/ESMA Guidelines");

- BCE, Guide to fit and proper assessments of 15 May 2017, last updated on May 2018 ("ECB Guide").

Lastly, it should be pointed out that, in formulating the appropriate recommendations, account has also been taken of sector regulations, including the Rules of Conduct of the Board of Statutory Auditors of Listed Companies (2018).

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In identifying the theoretically ideal composition of Banco BPM's Control Body, the Board has taken into account the Bank's governance system, the Articles of Association, the internal regulations of the Corporate Bodies as well as all other relevant statutory and regulatory and soft law provisions in force. For the purposes of this Document, the Board has also taken into account the results of the self-assessment process conducted in compliance with the Supervisory Provisions.

The Profile is made available to the Company Shareholders in due time for the presentation of the candidature for Standing Auditor and Alternate Auditor for the purpose of integration of the Board of Statutory Auditors pursuant to the relevant provisions of the Articles of Association, Article 2401 of the Italian Civil Code and in compliance with the provisions on the gender balance¹, so that, on the one hand, the Shareholders can take into account the set requirements and the collective Profile of the Control Body deemed as optimal, and, on the other hand, the Board of Statutory Auditors can make sure that the Profile matches the one that will result from the integrations that will be approved by the next Shareholders' Meeting. The professional profiles of the Statutory Auditors currently in office are available on the website www.bancobpm.it – Corporate Governance section.

In this regard, it is noted that the Shareholders' Meeting convened for 15 April 2021 will be called – pursuant to the Italian Law and the Articles of Association – to integrate the Board of Statutory Auditors following the resignation of the Standing Auditor Ms Maria Luisa Masconi on 7 August 2020 and the Alternate Auditor Ms Fulvia Astolfi taking office, as well as, following the resignation of the latter representative on 4 September 2020, the Alternate Auditor Mr Wilmo Carlo Ferrari taking office.

Given the current composition of the Board of Statutory Auditors, the Shareholders' Meeting shall integrate this Body in compliance with the regulations on gender balance², by appointing a Standing Auditor and an Alternate Auditor belonging to the female gender, which is currently the least represented gender within the Board.

2. Role and Tasks of the Board of Statutory Auditors

The traditional governance model adopted by Banco BPM gives the Board of Statutory Auditors the task of supervising compliance with the law and the Articles of Association, the observance of the principles of proper administration and the adequacy of the organisational, administrative and accounting structure. The Board of Statutory Auditors also ascertains the adequate coordination of all the Bodies, functions and structures involved in the Internal Control System.

Pursuant to Article 36.1 of the Articles of Association, the Board of Statutory Auditors carries out the duties and exercises the control functions laid down by legislation *in force at the time*, and particularly it supervises:

- (i) observance of laws, regulations and the Articles of Association as well as compliance with the principles of proper administration;

¹ On the basis of the provisions in force (Article 148, paragraph 1-bis of the TUF), for six consecutive terms, the less represented gender shall represent at least 2/5 of the Standing Auditors elected.

² On the basis of the provisions in force (Article 148, paragraph 1-bis of the TUF, as amended by Italian Law no. 160/2019) for six consecutive terms, the less represented gender shall represent at least 2/5 (two-fifths) of the Standing Auditors elected.

- (ii) the adequacy of the Company's organisational and administrative/accounting structure and the financial reporting process, within its scope of responsibility;
- (iii) the effectiveness and adequacy of the risk management and control system, the internal audit system, as well as the functioning and adequacy of the overall Internal Control System;
- (iv) the separate and consolidated independent audit process;
- (v) the procedures for the proper implementation of the rules of corporate governance with which the Company states that it complies;
- (vi) the adequacy of the orders imparted by the Company to its subsidiaries in the exercise of supervision and coordination activities;
- (vii) the independence of the independent auditors, particularly as regards the provision of non-auditing services.

Pursuant to Article 19 of Italian Legislative Decree no. 39/2010 (as subsequently amended and supplemented), the Board of Statutory Auditors is also identified as the "Internal Control and Audit Committee", to which said Decree assigns functions of supervision over the financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, the independent audit of the separate and consolidated financial statements and the independence of the independent auditor. In particular, the Board of Statutory Auditors is tasked with:

- (i) informing the Board of Directors of the audited entity about the outcome of the independent audit and transmitting to this Body the additional report referred to in Article 11 of EU Regulation no. 537/2014, accompanied by any observations;
- (ii) monitoring the financial reporting process and making recommendations or proposals to ensure its integrity;
- (iii) controlling the effectiveness of the company's quality and risk management internal control systems and, if applicable, internal audit control systems, with respect to the audited entity's financial reporting, without violating its independence;
- (iv) monitoring the independent audit of the separate and consolidated financial statements, also taking into account any results and conclusions of the quality checks carried out by CONSOB pursuant to Article 26, paragraph 6 of EU Regulation no. 537/2014, where available;
- (v) verifying and monitoring the independence of the independent auditors in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of Italian Legislative Decree no. 39/2010 and Article 6 of EU Regulation no. 537/2014, in particular with regard to the adequacy of the provision of non-audit services to the audited entity, in accordance with Article 5 of said Regulation.

The Board of Statutory Auditors is also responsible for the procedure aimed at selecting the independent auditors and, to this end, prepares a reasoned proposal to the Shareholders' Meeting on the independent auditors or auditing firms to be appointed pursuant to Articles 16 of EU Regulation no. 537/2014.

3. Qualitative and quantitative composition of the Board of Statutory Auditors

3.1 The quantitative composition

According to Article 33.1 of Banco BPM's Articles of Association, the Board is made up of 5 Standing Auditors, including the Chairman, and 3 Alternate Auditors.

3.2 Qualitative composition: individual suitability requirements of the members of the Board of Statutory Auditors

In the light of the reference framework outlined above, in formulating the recommendation addressed to the Shareholders who will submit candidates for the office of Standing and/or Alternate Auditor, the optimal composition of Banco BPM's Board of Statutory Auditors was defined so as to ensure complementarity in terms of professionalism, experience and skills of its members with particular reference to:

- ensuring that the Control Body features a balanced combination of profiles and experiences in order to foster internal debates and discussions;
- enhancing profiles with personal and attitudinal characteristics that are able to ensure the best possible performance of the position while encouraging the emergence of a plurality of approaches and perspectives in the analysis of issues, also in contexts such as the Board's internal committees the Statutory Auditors are invited to participate in;
- guaranteeing an adequate diversification of skills so as to supervise effectively the risk management activities while adequately challenging the work of the managers, bearing in mind the multiple interests that contribute to the Bank's sound and prudent management;
- identifying profiles that have an adequate availability of time and resources to enable the effective performance of the role;
- further promoting the diversity requirements already in place, with particular regard to professional training and experience, gender diversity and age diversification.

3.2.1 Professionalism requirements

All candidates for the position of member of the Board of Statutory Auditors must meet the professional requirements set out in the legislation in force at the time (e.g. Article 26 of the TUB, as well as Italian Ministerial Decree no. 162/2000 and Italian Ministerial Decree no. 169/2020). In particular, at least two of the Standing Auditors and at least one of the Alternate Auditors must be chosen among those enrolled in the Register of Independent Auditors who have carried out independent auditing activities for a period of no less than 3 years.

The Statutory Auditors who do not comply with the above-mentioned requirement are chosen:

- pursuant to Italian Ministerial Decree no. 169/2020, from among those who have gathered at least three years of overall experience, also alternatively, in the exercise of:
 - a. independent auditing activities;
 - b. professional activities related to the credit, financial, securities and insurance sectors or, in any case, activities that are functional to the bank's activity; the professional activity must be characterised by adequate levels of complexity, also 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;
 - c. university teaching activities, as first or second level lecturer, in legal or economic subjects or in other subjects that are in any case functional to carry out the activity of the credit, financial, securities or insurance sector;
 - d. managerial, executive or top management functions, under whatever denomination, at public bodies or public administrations that relate to the credit, financial, securities or insurance sector, provided that the body at which the representative carried out such functions is of a size and complexity that are comparable with those of the bank at which the position is to be held.

For the purposes of meeting the above requirements, for those Statutory Auditors who are not enrolled in the register of independent auditors, the experience gained during the twenty years prior to taking office is taken into account; experience gained at the same time in more than one function is counted only for the period of time in which they were carried out, without accumulating them;

- pursuant to Italian Ministerial Decree no. 162/2000, from among those who have gathered at least three years of overall experience in the exercise of:
 - a. administration or control activities or senior positions at limited companies with a share capital of at least two million of euro; or
 - b. professional activities or tenured university teaching in legal, economic, financial and technical-scientific subjects, strictly related to the company business; or
 - c. top management functions at public bodies or public administrations operating in the credit, financial and insurance sectors or, in any case, in sectors strictly related to the company business.

The information proving the candidates' satisfaction of the professionalism requirements, as described above, shall be included in the *curriculum vitae* and in the additional documentation submitted in support of the application.

3.2.2 Competence criteria

Considerable attention was paid to Italian Ministerial Decree no. 169/2020, CRD IV, the Supervisory Provisions, the regulations for listed companies (including the Corporate Governance Code), as well as the indications contained in the EBA/ESMA Guidelines and the ECB Guide.

In relation to the above, it is advisable that, in addition to the professionalism requirements, the Shareholders shall take into account, for the purpose of choosing the candidates, the need for the candidates to meet competence criteria aimed at proving their suitability to take on the position – considering the tasks inherent to the position of Statutory Auditor and the size and operating characteristics of Banco BPM – also in the light of the following elements:

- their possession of a mix of knowledge, skills and technical experience that enables the Control Body to understand the main business areas and the main risks the Banco BPM Group is exposed to;
- the overall experience gained, both through studies and training and through practical experience in the positions held;
- the size, level of operational complexity, scope of activities and related risks, and the markets in which candidates have previously operated.

More specifically, the Shareholders shall take into account both the theoretical knowledge (acquired through studies and training) and the practical experience (acquired in the performance of previous or current working activities) of the candidates in one or more of the following fields:

- financial and/or banking markets: to this end, non-executive, executive or supervisory positions in Italy and/or abroad are deemed relevant. The experience gained in relation to the said business in the professional, academic and public sectors is also relevant;
- banking and financial activities and products;
- risk management (identification, assessment, monitoring, control and mitigation of the main types of risk in a bank, including the responsibilities of a Statutory Auditor in these processes);

- accounting and financial reporting (financial statements, accounting policies and tax matters, gained in the financial sector or in auditing firms);
- strategic guidance and planning gained in listed companies or multi-nationals or leading international strategic consulting firms, preferably in financial services;
- information systems and new technologies applied to the banking and financial sector gained in leading international strategic consulting firms or in companies, preferably listed, with executive, non-executive or control positions;
- regulation in the banking and financial sector, gained in prime law firms or in companies or groups of significant size;
- organisational and corporate governance structures gained in listed or multi-national companies with executive, non-executive or control positions, or with leading international consulting firms;
- internal control systems and other operational mechanisms.

Without prejudice to the above, the following skills and experience are also relevant:

- digitalisation and digital transformation processes;
- sustainability and non-financial reporting issues.

Without prejudice to the competence and experience criteria listed above and to the provisions of the law and of the Articles of Association in force from time to time, it is recommended that these skills and experiences be gathered and acquired in Control and/or Strategic Supervision Bodies or in internal Board Committees with control functions in banking, financial, insurance companies, whether listed or of a size and complexity that are comparable to those of Banco BPM.

The experience and skills of the candidates, with a specific indication of the ways in which these have been acquired and their duration, shall appear in their *curricula vitae* and in the other documentation produced in support of the application.

3.2.3 Attitudinal requirements

Attention is also drawn to the need to taking into consideration also the attitudinal profiles envisaged by the EBA/ESMA Guidelines as qualifying for the role of member of the Board of Statutory Auditors of Banco BPM and in particular:

- independent judgement, i.e., the ability to be objective, open and prepared for discussion and the ability to take a position and defend it;
- integrity, i.e., the respect for values and the ability to live according to them, honesty and loyalty; authenticity, self-awareness and self-confidence;
- commitment and time availability, i.e., willingness to invest time and energy to learn about the Bank; commitment and preparation.

3.2.4 Integrity requirements

All candidates for appointment as members of the Board of Statutory Auditors must ensure compliance with the requirements of integrity, in accordance with the provisions of the legislation applicable from time to time. In particular, they must meet the requirements of integrity set out in Italian Ministerial Decree no. 169/2020 and Italian Ministerial Decree no. 162/2000.

Failure to meet the integrity requirements will make it impossible to hold office or, in any case, lead to forfeiture of the office.

3.2.5 Correctness criteria

In addition to the requirements of integrity, each member of the Board of Statutory Auditors must meet specific criteria of correctness with regard to their personal and professional conduct, in line with the provisions of Italian Ministerial Decree no. 169/2020, the EBA/ESMA Guidelines and the ECB Guide.

Specifically, it should be noted that candidates for the position of member of the Board of Statutory Auditors:

- must not have behaved in a way that, although not constituting an offence, is incompatible with the office of Statutory Auditor of the Bank or that might entail serious prejudicial consequences for the Bank in terms of reputation and public trust;
- must not find themselves – and must have not found themselves in the past – in situations that, with regard to the economic activities and financial conditions of the candidates themselves (or of the companies controlled, significantly owned or managed by them), are or have been, even potentially, liable to affect their reputation;
- must not be correlated to specific circumstances whose existence could affect the good reputation, honesty, integrity and financial soundness of the candidate.

In order to assess the fairness criteria, the Shareholders shall take into account, among other things, the cases provided for by Article 4 and the criteria set out in Article 5 of Italian Ministerial Decree no. 169/2020.

3.2.6 Availability of time and commitment required from the members of the Board of Statutory Auditors

Pursuant to the provisions of the applicable regulations, the availability of time to devote to the performance of the assignment, due to its nature, quality and complexity, is a fundamental requirement that candidates to Statutory Auditors must be able to meet.

With regard to Banco BPM's specific situation, it should be noted – for information purposes – that in each year of the three-year period 2018-2020 an average of 42 meetings of the Board of Statutory Auditors, 20 meetings of the Board of Directors, 24 meetings of the Internal Control and Risk Committee, 22 meetings of the Appointments Committee and 19 meetings of the Remuneration Committee were held.

On average, the members of the Board of Statutory Auditors attended 100% of the meetings of the Board of Statutory Auditors, 100% of the meetings of the Board of Directors and, via the Chairman or the Statutory Auditor designated by him/her, the meetings of the internal Board Committees.

Added to the above there must be the commitment required for attendance at induction meetings and recurrent training, as well as the commitment arising from the Statutory Auditors' participation in the work of the Board and the internal Board Committees. In addition to the commitment relating to attendance in meetings, consideration must also be given to the time that each Statutory Auditor will consider to devote to preparing for participation in these meetings.

Attention is also drawn to the expected threshold of attendance at meetings of the Board of Statutory Auditors, in relation to which Article 2404 of the Italian Civil Code states that *"... a statutory auditor who, without a justified reason, fails to attend two meetings of the Board during a financial year shall lose his/her office..."*. Also in relation to the guidelines expressed by the Supervisory Authority, it is also considered useful (though not indispensable) for candidates to ensure their physical presence at meetings³, with the exception of any extraordinary meetings. Recalling that Article 149 of the TUF states,

³ In the current pandemic context, the possibility of taking part in meetings by video-conference or audio-conference is ensured in compliance with the provisions of the Regulation of the Board of Statutory Auditors of Banco BPM.

among other things, that "... those Statutory Auditors who, without a justified reason, fail to attend two meetings of the Board of Directors or of the Executive Committee, shall lose their office...", the Board invites Shareholders to pay attention also to the expected threshold of attendance at the meetings of the Board of Directors and of the Company's Shareholders' Meetings.

In view of the above, it is recommended – also in line with the guidelines issued by the European Central Bank – that candidates should accept the position of Statutory Auditor when they deem they can devote the necessary energy and time to it, taking into account factors such as: other commitments and circumstances of a personal and professional nature, as well as the positions that may hold in other companies; the nature, scope and complexity of the functions carried out; the size and situation of the companies in which the position is held; the place or country where these companies are based.

In this regard and by paying special attention to the proper functioning of the Board of Statutory Auditors and to the contribution of each member to the internal debate within the Body, in compliance with Article 16 of Italian Ministerial Decree no. 169/2020, an estimate was carried out to be used as reference to assess the minimum time deemed necessary for the effective participation in the meetings, summarised in the following table:

Position	Estimated commitment (days/year)
Statutory Auditor	80

3.2.7 Limit to overlapping external positions

Pursuant to the provisions of the Articles of Association, the limits to overlapping administration and control positions established with CONSOB regulation as well as any other applicable provision apply to members of the Board of Statutory Auditors. According to the provisions of the Issuers' Regulation, in implementing Article 148-bis of the TUF, the persons holding the same office in five issuers cannot hold the position of member of the Control Body of an issuer.

The member of the Control Body of an issuer can hold other administration and control positions at the companies indicated in the above-mentioned regulations, within the limits set out therein. Exempt positions and administration and control positions at small-sized companies (as defined by the above-mentioned regulation) are not taken into account in order to calculate overlapping positions.

Any member of the Control Body who, for reasons beyond his/her control, exceeds these limits shall resign from one or more of the positions he/she previously held within 90 days of becoming aware of the fact.

Moreover, with specific reference to the limits to overlapping positions for the corporate representatives of banks, expressly mentioned also in the Supervisory Provisions, the attention of Shareholders is drawn to the specific provisions in this regard contained in Italian Ministerial Decree no. 169/2020, in the CRD IV Directive and in the "Regulation on the limits to overlapping positions" of Banco BPM.

In particular, pursuant to Article 91 of the CRD IV Directive, Articles 17 and 18 of Italian Ministerial Decree no. 169/2020 and Article 3.1 of the Regulation on limits to overlapping positions of Banco BPM, the members of the Bank's Board of Statutory Auditors may simultaneously (also taking into account the positions held within the Group) only hold one of the following combinations of corporate offices:

- a) 1 executive position with 2 non-executive positions;

or

b) 4 non-executive positions.

The indications above are set out in Article 3.1 of said Regulation, on the basis of which the following limits to the assumption of positions are laid down for the Statutory Auditors of the Banks of the Group:

a) those who cover positions with non-executive functions in Banks of the Group, 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 not belonging to the Group.

For further details and specifications concerning the limits to overlapping positions, reference should be made to the provisions of the Issuers' Regulation, Italian Ministerial Decree no. 169/2020 and the Regulation on limits to overlapping positions available on the Bank's website (www.bancobpm.it – *Corporate Governance section*).

3.2.8 Causes of ineligibility, disqualification and incompatibility

For the purpose of the candidacies, the Shareholders shall take into account the following.

Pursuant to Article 148 of the TUF, the following persons may not be elected as Statutory Auditors and, if elected, shall lose their office:

- a) those who are in the conditions set out in Article 2382 of the Italian Civil Code;
- b) the spouse, relatives and in-laws up to the fourth degree of kinship of the directors of the Company, the directors, spouse, relatives and in-laws up to the fourth degree of kinship of the directors of the Companies controlled by it, of the Companies controlling it and of those subject to joint control;
- c) those who are linked to the Company or to the Companies controlled by it or to the Companies controlling it or to those subject to joint control, or to the Directors of the Company and to the subjects described in letter b) by independent or subordinate employment relations or other financial or professional relations that compromise their independence.

In compliance with the provisions contained in Article 17 of Italian Legislative Decree no. 39/2010, anyone who has been the key independent audit manager and carried out the independent audit on behalf of the independent auditors of Banco BPM may also not hold the position of Statutory Auditor in Banco BPM, unless at least two years have passed since said activity ceased. This prohibition is extended to the employees and Shareholders, other than the key independent audit manager, as well as to any other natural person whose services have been placed at the disposal or under the control of the Independent Auditors, if qualified to practice as independent auditor, for the period of two years from their involvement in the position of Independent Auditor.

In compliance with the provisions of the Supervisory Provisions, the members of the Board of Statutory Auditors may not hold offices in bodies other than those with a supervisory function at other Group Companies in which Banco BPM holds, even indirectly, a strategic interest, meaning an interest of at least 10% of the share capital or voting rights in the ordinary shareholders' meeting of the investee company and 5% of the Banking Group's consolidated regulatory capital.

Finally, without prejudice to the other incompatibilities provided for by the regulations in force (including the prohibition of Interlocking Directorships pursuant to Italian Law no. 214 of 22 December 2011), the office of Statutory Auditor, also in the light of the EBA/ESMA Guidelines, is deemed incompatible with political offices, i.e. offices of national member

of Parliament and member of the Government. It is also recommended that the position of Statutory Auditor should not be held by persons who are members of the European Parliament or members of the Regional, Provincial or Municipal Boards or Councils (limited to provincial capitals).

3.2.9 Independence

All members of the Board of Statutory Auditors must act with independent judgement, being aware of the duties and rights relating to the position taken, pursuing the Bank's sound and prudent management and in compliance with all applicable regulations.

Therefore it is recommended that, when selecting candidates, care be taken to identify individuals who are able to perform their duties with objectivity and integrity and who have no direct or indirect interests that could compromise their independent judgement.

Without prejudice to the above, pursuant to Article 14 of Italian Ministerial Decree no. 169/2020, the following persons may not cover the position of member of the Board of Statutory Auditors:

- a) those who find themselves in one of the situations indicated in Article 13, paragraph 1, letters b), g) and h) of Italian Ministerial Decree no. 169/2020, namely:
 - those who are "participants" in the ⁴ Bank;
 - those who are representatives with executive positions in a company in which a representative with executive tasks of the Bank holds the position of member of the Board of Directors or of the Management Body;
 - those who, directly or indirectly, have or have had in the two years prior to taking the position, independent or subordinate employment relations or other relations of a financial, equity or professional nature, even if not continuously, with the Bank or its executive representatives or its Chairman, with the subsidiaries of the Bank or their executive representatives or their Chairmen, or with a "participant" in the Bank or its executive representatives or its Chairman, such as to compromise their independence;
- b) the spouse who is not legally separated, a person bound by civil union or de facto cohabitation, a relative or an in-law within the fourth degree of kinship:
 - the managers of the Bank's main corporate functions;
 - those who find themselves in the situations stated in letter a) above or in letter c) below;
- c) those who hold, or have held in the last five years, the position of member of the Board of Directors or of the Management Body as well as that of a "participant" in the Bank, the Bank or the Company controlled by it.

This is without prejudice to the possibility for a member of the Board of Statutory Auditors of the Parent Company and the Banks of the Banco BPM Group to hold the position of Statutory Auditor or Member of the Supervisory Body at the same time in one or more Group Companies.

Furthermore, the Statutory Auditors must meet the independence requirements contained in Article 148, paragraph 3, of the TUF and in Italian Ministerial Decree no. 169/2020, as well as in the provisions contained in the Recommendations of the Corporate Governance⁵ Code.

⁴ Meaning the person who, holding an interest equal to at least 10% of the share capital or voting rights in the Bank, or involving control or the possibility of exercising significant influence over the Bank, is required to apply for the authorisations provided for under Title II, Chapter III, of the TUF and the relevant implementing provisions.

⁵ Recommendation 9 of Article 2 of the Corporate Governance Code provides as follows: "... All members of the

In this regard, for the purposes of the subsequent assessment of the satisfaction of the member's eligibility requirements, it should be noted that Article 20.1.6 of the Articles of Association relating to the independence requirement of the Bank's directors contains a definition of the independence requirement that concentrates the aforesaid legal and regulatory provisions and is therefore, *mutatis mutandis*, also taken into consideration by the Board of Statutory Auditors when verifying said requirement for its members.

3.2.10 Guidelines regarding diversity

Without prejudice to the provisions of pro tempore governing regulations, in order to ensure adequate discussion and deliberation within the Control Body, it was deemed necessary to ensure that its composition reflects an adequate degree of diversification in terms of gender and skills as well as to adopt an age policy.

In particular, the composition of the Board of Statutory Auditors must ensure a balance between genders, in accordance with current legislation⁶, according to which at least two-fifths of the elected Standing Auditors must be represented for six consecutive terms. In this regard, reference should be made to what was stated in the introduction.

Furthermore, without prejudice to the provisions of pro tempore governing regulations, in order to ensure that the Control Body, as a whole, can ensure the effective execution of the tasks assigned to it, it is important that its composition provides for the balanced and diverse presence of Statutory Directors who, individually, have gained skills and experience as stated in paragraph 3.2.2 above.

Finally, on the basis of the above-mentioned policy approved by the Board of Directors, the candidates for the position of Statutory Auditors in Banco BPM cannot be older than 75 years, without prejudice to the possibility of passing resolutions derogating from the above criterion on the basis of justified and proven reasons.

3.3 Overall suitability of the Board of Statutory Auditors

In order to guarantee the "collective suitability" of the Board of Statutory Auditors, it is advisable that the candidates express a balanced composition of experience and technical knowledge (in the areas already indicated above) that enables the Control Body to understand the main business areas and the main risks the Banco BPM Group is

control body meet the independence requirements set forth in recommendation 7 for directors...". Recommendation 7 in turn requires that "... Circumstances that impair, or appear to impair, a director's independence include at least the following: a) whether he/she is a significant shareholder of the company; b) whether he/she is, or has been in the previous three financial years, an executive director or an employee: - of the company, of a strategically important subsidiary of the company or a company under joint control; - of a significant shareholder of the company; c) if, directly or indirectly (e.g. through subsidiaries or companies of which he/she is an executive director, or as a partner of a professional firm or consulting firm), he/she has, or has had in the previous three financial years, a significant commercial, financial or professional relation: - with the company or its subsidiaries, or with the relevant executive directors or top management; - with a subject who, also jointly with others through a shareholders' agreement, controls the company; or, if the controlling company is a company or an entity, with the relevant executive directors or top management; d) if he/she receives, or has received in the previous three financial years, from the company, one of its subsidiaries or the controlling company, significant additional remuneration compared to the fixed remuneration for the office and to the remuneration set for the participation in the committees recommended by the Code or envisaged by the current legislation e) if he/she has been a director of the company for more than nine financial years, including non-consecutive years, in the last twelve financial years; f) if he/she holds the office of executive director in another company in which an executive director of the company has an administrative position; g) if he/she is a shareholder or the director of a company or an entity belonging to the network of the company entrusted with the independent audit of the company; h) if he/she is a close family member of a person who is in one of the situations referred to in the previous points. The management body shall predefine, at least at the beginning of its term of office, the quantitative and qualitative criteria for assessing the significance referred to in c) and d) above. In the case of a director who is also a partner in a professional firm or consulting firm, the management body assesses the significance of professional relations that may have an effect on his/her position and role in the firm or consulting firm, or that otherwise relate to significant transactions of the company and its group, even irrespective of the quantitative parameters...".

⁶ Article 148, paragraph 1-bis, of the TUF.

exposed to.

In particular, in light of the provisions of Article 11 of Italian Ministerial Decree no. 169/2020, the presence of Statutory Auditors will be taken into consideration:

- who are diverse in terms of age, gender and duration of the position;
- whose skills, considered collectively, are suitable for (i) encouraging internal debate and discussions; (ii) promoting the emergence of a plurality of approaches and perspectives in the analysis of issues and in the taking of decisions; (iii) effectively supervising the management of activities and risks, controlling the work of top management; (iv) taking into account the multiple interests that contribute to the sound and prudent management of the Bank.

For the purposes of the above, reference is also made to what is specified in paragraph 3.2 above.

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4. Induction and training

Banco BPM has a permanent induction program in place for the members of the Board of Directors, from which the members of the Board of Statutory Auditors also benefit. This includes sessions aimed at facilitating the induction of new Statutory Auditors and recurrent training sessions in order to preserve over time the wealth of technical skills needed to perform the position with the necessary awareness.

Individual training plans will also be activated if this is necessary to strengthen specific technical knowledge and expertise, also in order to integrate the degree of diversity and the overall experience of the Control Body.