



REPORT OF THE BOARD OF STATUTORY AUDITORS
OF BANCO BPM S.P.A. TO THE SHAREHOLDERS' MEETING
PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

2022 Annual Report

Shareholders' Meeting
20 April 2023



Report of the Board of Statutory Auditors to the Shareholders' Meeting of Banco BPM S.p.A. pursuant to Article 153 of Italian Legislative Decree No. 58 of 24 February 1998

Dear Shareholders,

The Board of Statutory Auditors (hereinafter also just "Board" or "Control Body") currently in office was elected by the Shareholders' Meeting of Banco BPM S.p.A. (hereinafter also "Banco BPM" or "the Bank" or "Parent Company") on 4 April 2020, and later supplemented by a resolution of the Shareholders' Meeting on 15 April 2021, following the resignations of some members over the course of 2020.

On the date this Report was drawn up, the following persons are standing members of the Board: Prof. Marcello Priori (in the office of Chairman), Mr. Maurizio Lauri, Mr. Alfonso Sonato, Ms. Nadia Valenti (all having previously held office) and Ms. Silvia Muzi (appointed by the Shareholders' Meeting on 15 April 2021), not to mention alternate members Mr. Gabriele Camillo Erba, and Mr. Wilmo Carlo Ferrari and Ms. Francesca Culasso. The Board of Statutory Auditors in office will expire with the approval of the Financial Statements for the year 2022 by the Shareholders' Meeting of Banco BPM called for 20 April. With this Report, drawn up pursuant to article 153 of Italian Legislative Decree no. 58/1998 (hereinafter also "CFL") and in compliance with the guidelines provided by Consob with Communication No. 1025564 of 6 April 2001, as amended, the Board of Statutory Auditors of Banco BPM is reporting on the supervisory activity carried out in 2022, in compliance with the applicable regulations while also taking into account the Rules of Conduct set out for the Boards of Statutory Auditors of listed companies, as recommended by the Italian Board of Professional Accountants and Auditors.

In 2022 and up to the date of this Report, the Board of Statutory Auditors carried out the supervisory activities falling under its area of competence and fulfilled its obligations. In this context:

- it has participated in all the meetings of the Board of Directors (it, too, appointed by the Shareholders' Meeting on 4 April 2020) as well as, through its Chairman or an Auditor appointed by the latter and according to the applicable regulations, in the meetings of the Internal Control, Risks and Sustainability Committee (hereinafter also "ICRSC"), the Remuneration Committee, the Related Parties Committee and the Appointments Committee, established within the Board, and obtained, in compliance with the laws and the provisions of the Articles of Association, comprehensive information on the activities carried out and on the most significant transactions conducted by the Bank and its Subsidiaries. At the Shareholders' Meeting, held on 7 April 2022 (ordinary and extraordinary sessions), the Chairman physically attended on behalf of the Board of

Statutory Auditors, while the standing members, in compliance with the measures envisaged by law to contain the spread of the Covid-19 virus, participated by means of telecommunications;

- it has acquired all the necessary information on compliance with the laws and the Articles of Association, with the principles of proper management as well as on the functionality and efficiency of the organisational structure of the Bank and of its internal and administrative-accounting controls, through direct investigations, the gathering of data and information from the Managers of the various Corporate Units involved, as well as from the Auditing Firm in charge of the legally-required auditing, namely PricewaterhouseCoopers S.p.A. (hereinafter also the "Auditing Firm" or "PWC");
- it has performed its auditing on the Internal Control and Risk Management System (hereinafter also "ICS"), availing itself of the presence of the Manager of the Audit Function at the bodies' meetings, in which the Managers of the Compliance, Anti-Money-Laundering, Risk (at present also the Chief Risk Officer) and the Internal Validation Functions, as well as their direct non-employed staff, have also often participated. This has therefore provided the necessary operational and informative details about the methods used to perform the respective institutional control tasks, as well as on the results of the pertinent activities;
- it has carried out the necessary assessments on the adequacy of the guidelines issued to the Subsidiaries, also pursuant to article 114, paragraph 2 of the CFL;
- it has exchanged information about each other's activities with both the Boards of Statutory Auditors of the main Companies of the Group and with the Supervisory Board, established according to the Organisation, Management and Control Model adopted by Banco BPM pursuant to Italian Legislative Decree No. 231/2001;
- it has monitored the actual means of implementation of the rules of corporate governance set forth in the Code of *Corporate Governance*, brought forth by the *Corporate Governance* Committee, which the Bank follows;
- it has overseen compliance of the "Regulations for transactions with related parties", approved by the Board of Directors, with the principles under Consob Resolution No. 17221 of 12 March 2010 as amended, as well as overseeing compliance with the Regulations themselves;
- it has supervised the overall appropriateness of the internal procedures in terms of at-risk activities and conflicts of interest concerning Related Parties, in compliance with the Circular issued by the Bank of Italy no. 263/2006, Title V, Chapter 5;
- it has successfully carried out the required verifications of the subsistence of the eligibility requisites for its members, applying the current regulations in this area;
- it has ensured, based on the statements issued by the individual Directors and the assessments collectively expressed by the Bank's Board of Directors, that the criteria and procedures adopted

by the latter in order to assess the independence of its members have been correctly applied. The Board has also ascertained that the Board of Directors – following current legislation – conducted the annual self-assessment process, the results of which highlighted a substantially positive framework as far as both the composition and operation of the Board are concerned. The areas for improvement which emerged were discussed, identifying specific corrective actions, including the continuation and integration of the ordinary *training* and *induction* plan, already underway (with invitation to the sessions – and they have always attended – of the Board of Statutory Auditors' members as well) with the aim of strengthening skills continually;

- in consideration of the forthcoming expiry of the term of office of the Board of Directors, it supervised, through the Chairman and an Auditor designated by him, the process of formation of the "Board List", taking into account Consob Warning notice no. 1/22 of 21 January 2022 and supervising the overall *process* followed, as outlined in the document "List formation process", approved by the Board of Directors on 27 September 2022, updated on 8 November and published on the same date on the *website* of the Bank, to ensure transparent management in compliance with the reference regulations and the Articles of Association. The List, approved on 28 February 2023 and disclosed to the public on the same date with adequate disclosure, was prepared by taking into account the provisions of the document "Qualitative and quantitative composition of the Board of Directors", drawn up with the support of a qualified external consultant and adopted under Board resolution of 20 December 2022, containing, *inter alia*, the expected profiles of the members of the Board of Directors, including the particularly relevant roles (Chairman, Deputy Chairman and Chief Executive Officer) and made available to the Shareholders through publication on the Bank's *website*. The Board also verified that the aforementioned List was published well in advance of the deadline for the presentation of the lists of candidates by the Shareholders and was accompanied by the information requested by the Supervisory Authority;
- it has examined the Draft Financial Statements of the company and the consolidated financial statements and the related annexes, the *Risk Appetite Framework*, the periodic disclosures on the implementation of the 2021-2024 Strategic Plan and the *Budget* and expressed its opinion on the update of the Corporate Governance Plan;
- it has verified compliance with the laws and regulations regarding the process for the preparation of the Financial Statements and drafting of the Consolidated Non-Financial Statement (hereinafter also "CNFS") as set forth in Italian Legislative Decree no. 254/2016;
- it has satisfied – in its role of Internal Control and Accounting Audit Committee (hereinafter also "CCIRC") – the requirements of Italian Legislative Decree no. 39/2010 and EU Regulation no.

537/2014, with reference among others, to the verification of the designated Auditing Firm's independence profiles.

Before delving into the main findings acquired in performing its duties, the Board of Statutory Auditors deems it useful to provide some information on the particular backdrop that characterised, including still partly as regards some aspects, the year 2022.

It should be noted that, albeit to a lesser extent than in the previous two years, the year in question was impacted by the continuing effects of the Covid-19 pandemic (currently classified as an epidemic). Therefore, the Board of Statutory Auditors directed some of its efforts- as it did in 2020 and 2021 - at monitoring the implications of the health emergency (declared over on 31 March 2022) for a number of areas of Bank operations (ranging from the health and safety of workers and customers, guaranteeing business continuity and IT security, to the impacts of risk management - in particular credit risk - and their monitoring as well as on the stability of the internal control system). The initiatives and development actions implemented by the Group with the aim of monitoring, managing and correctly measuring the different types of risk related to this event (for example, agile working methods, remote customer operations solutions, loan portfolio monitoring tools) were cemented in processes, procedures and internal models, strengthening and remodelling safeguards and controls to support the sound and prudent ordinary management of the Bank.

In addition to the uncertainties inherent in a complex macroeconomic context that continues to be affected by the pandemic crisis mentioned above, we have the more recent uncertainties related to the international geopolitical situation, heavily influenced by the Russian-Ukrainian conflict that has lasted for over a year.

In this hugely worrying scenario, also from a forward-looking perspective, and in consideration of the difficult quantification of the effects on the main macroeconomic variables (growth, industrial production, inflation, etc.) as well as on the financial and currency markets and energy sources and raw materials, the Board of Statutory Auditors was able to ascertain, also with in-depth independent investigations, that the impacts directly related to the Russian-Ukrainian conflict are essentially negligible for Banco BPM. However, it reserved special attention for the evolution of this situation during 2022 and in the first few months of 2023, underlining the need for careful monitoring of the Italian macroeconomic context and for strengthening of the safeguards by the Company operational and control Functions, due to the possible underlying risks, especially as regards the indirect effects, on the Bank's activities, including those stemming from any cyberattacks on the financial system or those related to compliance with the prohibitions and restrictions on operations with counterparties and

countries subject to restrictions, also recommending careful and continuous monitoring of the reference scenarios in support of company processes, in order to promptly identify any significant changes in the context.

Based on the main findings acquired while carrying out its functions, certain events were identified that characterised the year 2022, as well as the first few months of 2023. In relation to these events, albeit outlined in the Group Report on operations drafted by the Directors (to which reference should be made), it saw fit to address them below in summary form, given their significance within the scope of the assessments concerning the equity and financial position of Banco BPM and the consistency of the operational decisions taken. In particular:

- integration of the insurance business in the Group: on 22 July 2022, the purchase from Covéa Coopérations SA of 81% of the share capital of Bipiemme Vita S.p.A. (now Banco BPM Vita S.p.A., hereinafter also “Banco BPM Vita”) was finalised, achieving control over the insurance company and, indirectly, its wholly-owned subsidiary Bipiemme Assicurazioni S.p.A. (now Banco BPM Assicurazioni S.p.A., hereinafter also “Banco BPM Assicurazioni”), thus achieving the early integration of the insurance *business* into the Banco BPM Group. with respect to the date of 31 December 2023 set out in the Strategic Plan. The Group has therefore initiated the necessary actions to obtain the *status* of a “financial conglomerate”, i.e. a party that carries out significant activities both in the banking and investment services sector, and in the insurance sector, to which reference will be made *below*. As regards the Non-Life business in which Banco BPM Assicurazioni operates, following a competitive process and an exclusive period, the Bank completed an operation for its overall development, signing a binding term-sheet with Crédit Agricole Assurances S.A. (hereinafter also “CAA”) on 23 December 2022 which provides for (i) the acquisition by CAA of the 65% stake in Banco BPM Assicurazioni and, subject to the Bank’s repurchase of the stake held in Società Cattolica di Assicurazione S.p.A., the 65% stake in Vera Assicurazioni S.p.A. which, in turn, holds 100% of Vera Protezione S.p.A. and (ii) the launch of a 20-year commercial partnership in the Non-Life/Protection sector;
- derisking initiatives: over the course of 2022, in line with the objectives of continuation of the process of progressively reducing the impaired portfolio, Banco BPM finalised the “Argo Transaction” which involved, in April, the sale of a portfolio of bad loans and unlikely to pay loans for a total gross exposure of approximately Euro 700 million in the form of a securitisation, in which 95% of the *junior* and *mezzanine* Notes issued by the vehicle were subscribed by companies controlled by the Elliott funds. In addition, the Board of Directors approved a change to the strategy for the management

of non-performing loans in July, identifying a new potential portfolio to be sold with an increase in the *target* over the period of the Plan to over Euro 500 million, with an impact for a total of Euro 112.7 million recognised in the Income Statement for the year. As part of the *derisking* initiatives, note should also be taken of the restructuring of credit exposures attributable to a leading real estate group (known as "Project Wolf"), recognised as at 31 December 2022 under "Other financial assets measured at *fair value*", concluded in December and aimed at pursuing active management of the properties underlying the aforementioned exposures. The transaction is described in detail in the Notes to the consolidated financial statements, which show that, given the extraordinary elements that characterise it, without prejudice to the aspects relating to the accounting measurement (which as at 31 December 2022 is expressed at *fair value*), discussions are in progress with the Supervisory Authority with reference to the methods of classification for prudential purposes;

- main initiatives to rationalise the Group's corporate structure: in continuity with the process of simplifying the Group's structure, further corporate transactions were finalised in 2022 aimed at rationalising the overall structure, without impacting the capital *ratios* and the Consolidated Financial Statements. In particular, these transactions allowed (i) an increase in the value of non-strategic assets on the market, (ii) the concentration in the Bank, as Parent Company, of the management of technological services to customers and *leasing activities* as well as real estate assets, which also includes all the organisational structures responsible for managing said assets, and (iii) the striking off of investee companies in liquidation, as described in more detail in the "Significant events during the year" in the Group Report on Operations;
- main initiatives to rationalise the organisational structure of the Group: with reference to the Sales Network, during the year 135 points specialised in servicing business customers (divided between Business Centres and related branches) were activated and initiatives were implemented on the *retail* and *corporate* Network to offer a better service to customers. The Bank also approved a transaction that envisages the closure of a maximum of 75 branches, predominantly of the transactional component, which will be implemented during the 2023 financial year. In December 2022, the Board of Directors approved a review of the Bank's organisational and *governance* model, providing for a new structure of General Management and executive management in force from 1 January 2023, as described in more detail in the "Significant events in the year" section of the Group Report on Operations. The new structure aims to promote better coordination of the Group's activities with respect to the path outlined in the 2021-2024 Strategic Plan, simultaneously facilitating the governance of more complex areas in line with the evolution of the Group and of the external scenario. In particular, the risk control function was strengthened through the establishment of the Chief Risk Officer (hereinafter also "CRO") reporting directly to the Chief

Executive Officer. It should be noted that, in the first months of 2023, as part of a broader agreement with the Trade Unions, the Bank also made provision for the extension of the Solidarity Fund, already activated, for an additional 250 workers;

- funding transactions intended for institutional investors: as described in detail in the "Significant events during the year" section of the Group Report on Operations, the Bank has concluded important funding transactions, for which it should be noted in particular that the total value of issues classified under the *Green, Social and Sustainability Bond Framework* amounted to approximately Euro 3 billion. It is also acknowledged that the overall medium/long-term funding position (TLTRO III) with the European Central Bank (hereinafter also "ECB") has gradually reduced compared to 2021.

With reference to relations with the Supervisory Authority, we also report that Banco BPM was subject, in 2022, to the inspections conducted by each Authority, also in a face-to-face setting, in the exercise of its audit and supervision prerogatives, specifically by the ECB as part of the *Supervisory Review and Evaluation Process* (hereinafter also "SREP").

In this regard, it is hereby presented that, in December 2022, the Bank received notification of the prudential decision ("SREP decision"), with the outcomes of the annual supervisory review and evaluation process valid for 2023, which contains some recommendations for addressing the areas of improvement identified for the Bank. Taking into account the analyses and assessments carried out, the ECB has determined for 2023 a *Common Equity Tier 1* requirement (hereinafter "CET 1") *ratio* to be respected on a consolidated basis of 8.70%, keeping overall unchanged (as better detailed in the communication to the market) the "*Pillar 2 additional own funds requirement*", which must be complied with at least 56.25% with CET 1 and at least 75% with *Tier 1*. are fully respected by Banco BPM. In continuity with the disclosures provided in the Reports referring to previous years regarding the reporting activity of customers interested in purchasing diamonds from the specialised company Intermarket Diamond Business S.p.A. (operations relating to prior to 2017 and completely ceased for several years), with reference to the criminal proceedings initiated by the Milan Public Prosecutor's Office, it is acknowledged that the Court of Milan, in acceptance of the petitions submitted by Banco BPM and the Subsidiary Banca Aletti S.p.A. (hereinafter also "Banca Aletti") and at the close of the preliminary hearing, on 8 April 2022, issued a ruling applying the penalty at the request of the parties under the proposed conditions, therefore imposing a financial penalty of Euro 240 thousand on Banco BPM and Euro 56 thousand on Banca Aletti, at the same time ordering the confiscation of only the profit of the predicate offence of self-laundering, amounting to Euro 293 thousand, already subject to a real precautionary restriction. Furthermore, by means of a measure issued on the same date, the Judge ordered the release from seizure of the sum of Euro 500 thousand initially subject to a real restriction for alleged bribery between private individuals, ordering its return to the Bank. With regard to the residual

sums subject to the seizure (amounting to Euro 83.8 million for the alleged crime of aggravated fraud), the Public Prosecutor's Office of Verona was identified by the Court of Cassation as having territorial jurisdiction to proceed following the jurisdictional conflict raised. The Public Prosecutor's Office of Verona will also have to decide on whether to bring criminal action again with regard to the alleged offence of aggravated fraud and self-laundering and obstructing public supervisory authorities from exercising their functions. It should also be noted that, as illustrated in more detail in Section 4 "Events after the reporting date" of the Notes to the consolidated financial statements, on 16 February 2023 the Public Prosecutor's Office of Verona ordered the release from seizure in favour of the Bank of the sum of Euro 80.3 million. In any event, the Public Prosecutor decided, as a prudential measure, to keep the residual amount of approximately Euro 3.5 million under seizure.

In relation to said event, it should be noted that new claims were limited in 2022 in terms of both number and total additional relief. The Bank set up an ad hoc provision to cover the residual risks linked with this activity, for which an additional allocation of Euro 4.4 million was recognised in 2022. The Board of Statutory Auditors, in any event, continued to keep a close eye on the management of the petitions (especially regarding the percentage of reimbursement paid to customers) and legal disputes (in relation to which a specific *managerial indicator* was also in place in the *Risk Appetite Framework*, whose findings from 2023 will fall under the perimeter of the overall indicator relating to proceedings in which the company is a defendant), likewise examining the periodic audits by the Internal Validation Function designed to test the proper functioning of the model for determining the Budget provisions.

Lastly, as indicated above, note should also be taken of the recent receipt of the communication from the ECB regarding the recognition for the Banco BPM Group of the *status* of financial conglomerate, pursuant to Directive 2002/87/EC, like the main Italian and European financial groups that operate both in the banking and investment services sector and in the insurance sector, with adjustment of the supervision activities carried out by the Supervisory Authority on the overall operations carried out by the Group. This qualification is also a prerequisite for requesting, again from the ECB, the authorisation to apply the "*Danish Compromise*" which would allow the Bank to access the related benefits in the calculation of the consolidated capital ratios.

Given the above, over the course of 2022 and in early 2023, the Board of Statutory Auditors has supervised, including through specific monitoring and targeted analysis activities, certain particularly important areas with reference to the organisational, risk control and risk management, represented hereunder.

Loan Monitoring and Management process

Banco BPM has continued, similar to previous years, to set in place initiatives for the progressive strengthening and fine-tuning of the regulatory and organisational framework related to loan management processes, aimed at guaranteeing effective risk management, on the basis of the recommendations that the ECB formulated on the subject (especially for the non-performing loans) following the inspections. The economic and financial imbalances related to the Covid-19 pandemic crisis, the international political instability and the energy crisis that characterised the past year (with possible repercussions also on the years to come) required further consolidation of the governance and operational mechanisms, with a specific focus on the methods of identification, monitoring and measurement of credit risk, also for the purpose of determining adequate coverage of it. In particular:

- the process of reviewing and *fine-tuning* the models in use continued with complex and extensive initiatives, among other things, in the area of assessing the significant increase in credit risk ("SICR - Significant Increase in Credit Risk"), estimate of *forward-looking information*, *stage assignment framework*, measurement and estimate of expected losses, also in order to limit as much as possible the use of any *post model adjustments/management overlays* that, where carried out, were aimed at prudentially considering risk factors not adequately captured by the models in use and characterised by maximum transparency;
- careful monitoring of the loan portfolio continued, together with the performance of (i) activities aimed at identifying vulnerable exposures, also with the activation of *engagement* campaigns and collection of *feedback* through questionnaires addressed to customers and (ii) periodic first level controls (*ex post*) and second level (*ex post* and *ex ante*) controls, all in light of the possible impacts on counterparties particularly exposed in the *energy-intensive* and raw materials sectors;
- the *reporting* activities for the benefit of the *Top Management* and the Corporate Bodies were expanded and structured even more, for a more complete and effective representation, also for the purpose of informed assumption of the appropriate decisions on the matter. Specifically, the "*risk opinion*", prepared by the CRO, on the robustness and appropriateness of the processes and methodological choices made, in particular by the credit structures on the credit risk management process and, generally, in defining long-term projections, assumes special significance.

The Board paid special attention to these initiatives, developed from 2020 with a view to *continuous improvement* – described in detail in the Group Report on Operations, to which reference should be made - both by examining the integrated reporting of monitoring (carried out by the first-level structure) and of control (conducted above all by the Enterprise Risk Management Function, headed up by the CRO, and the Audit Function). In this regard, the Board has continued to recommend rapid,

ongoing updating of the appraisals on assets pledged as collateral, an essential information for the precise evaluation of the residual credit risk. In this regard, it should be noted that: (i) during 2022, some control implementation activities were completed, such as the inclusion of the update percentages of the appraisals among the Group management indicators monitored as part of the *Risk Appetite Framework* (hereinafter also "RAF"), the performance of checks on the organisational structures of the *providers* of the appraisals and intensification of the supervision of the controls carried out by the Level II Controls Structure (within the Enterprise Risk Management Structure reporting to the CRO) on the appraisal acquisition process; (ii) in this context, the Bank is waiting to receive the final decision of the ECB following the inspection on credit and counterparty risk relating to the Commercial Real Estate portfolio (which also concerned the quality of the appraisals), on the basis of which it will define the Action Plan according to the requirements and recommendations contained therein. Given the above, within a framework of progressive improvement, the Board of Statutory Auditors recommended paying attention to the process of managing and monitoring the guarantees, activating - if necessary - an adequate *escalation process towards the Board* of Directors for an informed assessment of the decisions to be made for matters within its competence.

More generally speaking, also during 2022, the Board examined the results of the audits – performed by the Bank's Internal Control Functions (specifically the Audit Function and the Structures headed up by the CRO), in line with the expectations and requests of the Supervisory Authority – on the effectiveness and functionality of credit processes, whose generally positive results are attributable to the progressive strengthening of monitoring recorded across the board. Appropriate initiatives have been launched on the areas of improvement identified, often related to IT improvements, for which the Board has recommended all possible managerial actions for potentially reducing implementation times and the adoption of adequate compensatory actions pending their completion, in compliance with the regulatory framework and the guidelines formulated by the Supervisory Authority on the matter.

It is also useful to point out that, following the review carried out in 2022 on the scope and approach of the activities for which it is responsible, the Board has scheduled periodic update meetings on the main issues and on the overall maintenance of credit risk controls, involving in these sessions the representatives of the Chief Lending Officer Area (hereinafter also "CLO") and the CRO Area as well as the Internal Validation, Compliance, Audit and Administration and Financial Statements Functions, with the aim of ensuring a holistic view of the credit area with evidence:

- of the areas of improvement of the controls of the Internal Control System;
- of the main project initiatives being implemented by the Bank on credit issues which, in particular, relate to Supervisory *findings* or findings of the Company Internal Control Functions (hereinafter also "FAC");

- of the most significant initiatives envisaged with relevance for issues related to the direction of *findings* or the closure of regulatory expectations.

In this context, the Board nonetheless urged the Bank to continue to further refine the methodological, organizational and process *frameworks* - including those related to the implementation of the Supervisory instructions contained in the ECB Guide on climate and environmental risks, to better consolidate the metrics for the assessment of ESG risk factors, in line with the evolution of the reference context - as well as the continuous strengthening of the monitoring systems (and related timely *reporting*) of the positions.

Processes for extending and updating the internal risk measurement models

In consideration of the equity impacts of the consolidation of internal models, during 2022 the Board continued with its supervisory activities regarding further developments of *risk models*, affected by extension and development processes in line with reference legislation and with the expectations of the Supervisory Authority. The Board of Statutory Auditors has maintained continuous information flows with the Bank Structures (and specifically with the Risk Models Structure and the Internal Validation Function) regarding the activities gradually carried out, also in order to address the *findings* formulated by the ECB as a result of the process aimed at authorising the requests for amendment/extension of the internal models used for risk measurement for reporting purposes. With regard to the latter, it should be noted that, in relation to:

- as regards credit risk, the project activities launched in 2021 aimed at reviewing the models, their measurement criteria (backtesting framework) and the adaptation of the various internal processes led to the submission of an A-IRB model change application to the Supervisory Authority in the first quarter of 2022, an application which should be approved with the receipt of the final decision;
- as regards market risk, on 11 January 2023, the final decision was received from the ECB, enabling the implementation of the relevant change to the IRC calculation method, following the resolution of the Obligation requested in January 2022. The new method has been used to calculate capital absorption/RWA starting from the first quarter of 2023. The ECB's decision cited above also makes provision for the removal of the 10% add-on of the IRC: in fact, a Limitation was in place on said metric with an add-on of 10% on an individual and consolidated basis, until associated relative methodological findings were resolved.

With regard to the internal modelling used to measure risks for management purposes, the competent Structures (in particular Risk Models) continued their ongoing maintenance and updating activities in 2022, especially in the area of interest rate, liquidity and credit risk.

It should also be noted that, also in 2022, a significant part of the *capacity* of the aforementioned Structures was dedicated to ESG issues, both contributing to the success of the exercises promoted by the ECB (*Climate Stress Test 2022* and *Thematic Review* on climate-related risks and environment 2022), and by intensifying the activities aimed at gradually incorporating these new risk factors in the calculation parameters of the traditional metrics, through which the overall risk profile of the Group is estimated, as indicated below and as already mentioned above.

The Board of Statutory Auditors received requests to change the models, especially the regulatory model, as well as the *ex-post* notifications of non-material changes to the validated internal risk assessment models. In this context, among other things, the Board examined the second (specifically, Internal Validation) and third-level audits that the Internal Control Functions performed, as well as the Supervisory Authority's final decisions on the petitions themselves, the related requests and consequent corrective *Action Plans* that the Bank approved (subjected to *assurance* by the Audit Function).

Regarding that described above, within the scope of its supervision of the Internal Control System (ICS), the Board reiterated the need to adequately estimate the time required to plan the activities related to modelling actions, for the performance of accurate audits by the Functions responsible for them (*first and foremost*, Internal Validation and Audit).

Product Governance

As regards the development process undertaken by the Group, with the support of the Compliance Function, for aspects within its competence, in the area of *Product Governance* (hereinafter also "POG") for Investment services and adaptation to the "MiFID II Directive" in light of the results of the inspection conducted by Consob in 2019 and also taking into account the projects already in progress, we hereby disclose that the relevant Corporate Functions continued to implement the residual initiatives outlined, essentially completing the Plan originally prepared. On all these projects, the Board maintained suitable monitoring, also through the Compliance Function, requesting and receiving specific updates/insights on the implementation status of the initiatives for compliance with the MiFID II Directive and the strengthening of the overall process of *Product Governance*.

It should also be noted that, in 2022, the Group launched a project for the integration of the ESG *framework* in MiFID II, both in terms of defining the questionnaire to collect the customer's sustainability preferences, and with reference to the classification of the sustainable products, defining a methodology and related model calibration processes. The Board paid particular attention to this project, organising periodic meetings with the competent Group Structures.

With regard to the initiatives in progress, again regarding *Product Governance*, identified with reference to the anomaly profiles on the System highlighted by the Bank of Italy in its Communication

entitled "Guidelines for intermediaries on governance and control mechanisms for retail banking products (POG)", forwarded to the market on 18 March 2021, it should be noted that the Board of Statutory Auditors has periodically monitored their implementation status with the support of the competent Structures. In this regard, having identified the complex structure of the activities involved in the product, it was informed of the re-planning of some of them, for which it hoped for a more rapid implementation, where possible, recommending in particular that the development path undertaken by the Bank for the *Product Governance* of banking and accessory products be supported by adequate personnel training initiatives.

Investment services

Within the scope of Investment Services, the Board of Statutory Auditors periodically examined – in addition to the process checks – the results of the audits conducted by the Compliance Function on the Banco BPM Sales Network in order to identify, mainly by analysing remote indicators ("Key Risk Indicators" or "KRI"), any macro-phenomena representing widespread operating practices that are potentially non-compliant with Company *Policies*. The analyses carried out during the year 2022 highlighted a generally positive *trend*.

The Board of Statutory Auditors discussed with the Compliance Function the findings that emerged during the year regarding this area and the projects in progress, also in order to address the areas of improvement identified by Consob as a result of its inspection, refining processes and procedures also with a view to integrating the new aspects introduced by the regulations issued, such as ESG-related aspects.

Also following discussions with the Board of Statutory Auditors, the Compliance Function specifically delved into certain aspects, suggesting improvements and raising the Sales Network's awareness of some behavioural approaches not fully compliant with the model in use, also by organising - with the help of the Sales Function - targeted meetings at the territorial departments. In this context, it is deemed appropriate to draw attention to recommendations formulated by the Board of Statutory Auditors in terms of "corporate culture", as an essential element for a positive and constructive customer relationship.

The examination of the Annual Report on the activity carried out, also provided as set forth in article 89 of the Intermediaries Regulation and that related to the Complaints about the Investment Services prepared by the Compliance Function - to be sent to Consob - did not reveal other critical issues with respect to those already addressed with specific initiatives and/or projects.

In conclusion, as a result of the analyses conducted, the Compliance Function did not identify any significant organisational or behavioural shortcomings that would require prompt intervention, both because no concentrations of complaints in the services provided or in specific areas were

recorded, and because the main causes of complaints are dissimilar or connected with episodes in the past that are gradually falling significantly. The number of complaints recorded in 2022 is down compared to the year before (-31.1%), as well as compared to the 2019-2020 two-year period.

During 2022, second-level controls also continued, performed by the Enterprise Risk Management (hereinafter also "ERM") Function, attributable to the Consultancy, *Product Governance*, *Pricing* and *Best Execution* macro-processes, whose findings will be incorporated in the Annual Report on Investment Services to be drafted as set forth in the Bank of Italy and Consob joint regulation of 29 October 2007, and as amended. At the same time, the ERM Structure is progressively improving the *reporting* system and further strengthening the monitoring processes within the ESG *framework* of controls on Investment Services.

While awaiting for the Audit Function's Annual Report on the Provision of Investment Services to be issued, it too sent to the Authority, the Board of Statutory Auditors examined the audits conducted by the Function in said area, on the basis of which a picture of substantial adequacy emerged and, also upon the Board's request, the improvement actions identified were sent.

Transparency, consumer protection and usury

Within the scope of the prerogatives of the supervisory authority, the Board of Statutory Auditors paid close attention to the topics in question, periodically examining the results of the monitoring activity carried out by the Internal Control Functions, each within their area of responsibility.

In this regard, it is hereby represented that the distance controls conducted by the Compliance Function on Banco BPM for the significant regulatory areas, targeted at identifying any non-compliant profiles through the analysis of indicators, albeit not noting any specific risk ratios, highlighted some areas of attention, which the aforesaid Function keeps properly monitored, also upon request of the Board of Statutory Auditors. The outcomes of this monitoring are also sent to the competent Bank Functions by respective area of responsibility in order to assess the adoption of any targeted interventions on the anomalies encountered.

Based on the analysis of the Report drafted by the Compliance Function, as regards the analysis of the management of banking and insurance complaints and the adequacy of the internal procedures adopted by the Bank, no specific risk factors or worrying signs came to light. In fact, like in the past, the complaints ended up being more about the most popular products among the clientele, especially the bank accounts and products appertaining to the granting of loans and payment services. The main reasons at the base of the complaints mainly have to do with the performance of the transactions, communications/information to the clientele, and the conditions and/or their application. In 2022, the number of complaints received was essentially stable, in both the banking and insurance sectors (non-IBIPS) compared to the previous year.

With reference to the adequacy of the procedures and organisational solutions adopted to manage complaints, the Compliance Function expresses an opinion of adequacy both in terms of internal regulations and from an operating process perspective. In this regard, it should be noted that in 2022 the Bank - also in response to the requests made by the Supervisory Authority as part of inspections and the results of the controls of the same Compliance Function - refined the controls aimed at strengthening practices adopted to manage complaints or processes that may expose it to complaints. The initiatives continued during the year with the same purpose include those aimed at reviewing the internal process for the management of the disavowals of the transactions carried out by customers with payment instruments, as well as the steps taken to reinforce their security measures. After analysing the outcomes of the Audit Function's audits conducted on the Sales Network, no significant anomalies emerged linked to compliance with Transparency regulations. The existing ones are in any event mostly linked to aspects of documentary completeness of hard copies.

As regards the processes relating to the management of customer relations in the area of Transparency, the initiatives implemented to ensure that the information to customers concerning any future unilateral manoeuvres are fully in line with the Bank of Italy's expectations continued, as requested by the Bank in its communication of 23 September 2021.

With regard to the inspections of the Sales Network launched by the Bank of Italy in the later part of 2021, which continued until the end of January 2022, focused on compliance with the obligations stemming from the implementing provisions of Directive 2014/92/EU, "PAD Directive" ("*Payment Accounts Directive*"), regarding the transparency and comparability of expenses relating to the payment account, it should be noted that the Board of Statutory Auditors maintained appropriate monitoring through the competent Company Functions, examining in particular the correspondence on the matter between the Bank and the Supervisory Authority, aimed at providing the information, clarifications and additions requested by the latter on the areas of attention with respect to the measures proposed by the Bank, which were found to be in line with the expectations of the Authority. Moreover, on said occasions, the Board renewed its recommendation, formulated on a forward-looking basis, to the competent Functions to:

- continue to pay special attention to transparency obligations, also in relation to the necessary updating/coordination of internal regulations, in acknowledgement of the evolution of external regulations and sector guidelines, also taking into account the analysis of complaints and grievances from customers;
- rapidly continue the alignment of the operating processes concerned with suitable IT improvements, to monitor risks and to strengthen the overall ICS;
- ensure adequate and up-to-date training of personnel in this area.

It should also be noted that, during 2022 and up to the date of this Report, the Board was informed

by the competent company Structures about the results of the *assessment*, conducted with the support of external consultants, aimed at carrying out a review of the processes and the usury control system, also in light of regulatory developments, in particular with regard to an appropriate revision of the criteria for calculating usury thresholds and verification of the adequacy of internal procedures for monitoring this risk. Considering the project activities soon to be launched for the implementation of the *Masterplan* defined at the end of the aforementioned *assessment*, the Board has expressed the recommendation that the initiatives which (i) involve changes to the model adopted thus far and certified by an external professional and (ii) involve a potential risk of usury are subject to *assurance* by a qualified third party, for greater protection of the Bank and customers to ensure the proper application of supervisory regulations.

Sustainability and ESG themes

In consideration of the central importance, also for the Bank, as outlined in the 2021-2024 Strategic Plan, of "ESG" (*Environmental, Social and Governance*) issues, the Board of Statutory Auditors focused part of its supervisory action on these topics, also due to growing levels of capacity that Company Structures dedicate (directly and/or indirectly involved) to the activities relating to the inclusion of risks linked to climate and the environment – and, in a broader sense, of the ESG themes – within the Group's risk management process, as will be further discussed, with respect to that outlined in the paragraphs above, also in the rest of this Report, to which reference should be to be made.

Specifically, it is best to point out that with regard to the progressive implementation of the planning initiatives outlined in this area, the Board:

- periodically acknowledged the activities concluded and/or being completed for each Work-in-Progress in which the complex "ESG" Project is structured, meeting with the Company Functions responsible, observing how a fully-informed and proactive group effort is needed, going from top management to all company levels, for a real and effective response not just to the Supervisory Authority's expectations but also, above all, to those of the market and all *stakeholders*, also in view of the role, as Bank, of "driving force for development and awareness-raising" (for example, with respect to lending activity for SME) of activities for transition towards fully sustainable development;
- renewed the recommendation to promote all the necessary initiatives (also for training and information) to increase the awareness of each player in the corporate processes, speeding up implementation of the interventions identified during the planning stage as much as possible, and especially those designed to complete the internal regulatory *framework* and strengthen the Internal Control System, also as regards *disclosure*;
- suggested the opportunity to evaluate the option to bolster the Structures designated to monitor the social and environmental initiatives and - in the broader sense - the other initiatives linked to

the sustainability of the *business*, in view of the growing importance and pervasiveness of the ESG themes in banking operations, also from an evolutionary viewpoint, and of the attention that third parties focus on them.

To this regard, the Bank has a Plan to develop its activities in the ESG domain, which the Supervisory Body positively assessed. However, considering the level of ambition expressed by the latter, in any event the Board of Statutory Auditors has urged for accurate implementation in respecting the time-scales established.

The initiatives of the aforementioned Project are of specific importance to the Board - which the Risk Management Function coordinates - designed, *inter alia*, to integrate the risks linked to climate and environmental factors into the *framework* of risk management (particularly for credit risk), in order to measure, monitor and mitigate them in the long-term, as well as to develop an approach to incorporate them in the annual capital and liquidity adequacy assessment. To this end, the Supervisory Body noted that:

- as part of the Risk Identification process, carried out in 2022, the Group defined the specific risk factors for ESG issues, dividing them between those related to climate, governance and social sustainability;
- the Bank was able to consolidate and further test its ESG skills and strategies, as part (i) of the *Climate Stress Testing* exercise conducted by the ECB in the first months of 2022 on a sample of European banks, which ended on 8 July 2022 with the publication of the aggregate results and the assessment methodologies applied, and (ii) the specific thematic review process of the strategies, *governance* and risk management *frameworks* related to the climate and the environment ("*Thematic Review*") carried out in the same period by the ECB to verify the level of compliance of the banks with their expectations and the progress achieved by the same with respect to the *self-assessments* and operational plans transmitted in 2021. The results of the aforementioned exercises contributed, from a qualitative point of view, to the overall process of review and evaluation of the Supervisory Authority (SREP) of 2022 for the Bank, as detailed in the Notes to the consolidated financial statements;
- the risk management *framework* has been strengthened through the introduction, for each risk area, of new RAF indicators in the ESG area, some also referring specifically to the Subsidiaries, including those operating in the insurance sector;
- the structure of credit policies has undergone a major revision aimed at integrating a new valuation profile, the "*ESG Score*", as a summary measure of the information acquired regarding environmental factors with differentiated application/calibration approaches depending on the type of counterparty, making provision for (i) the inclusion of "*negative screening*" for sectors related to coal mining and the production of energy from coal, (ii) the integration of micro-sectoral

and counterparty Transition Risk and (iii) the introduction of the ESG questionnaire on specific segments/sectors and certification for “Green” operations. The risks deriving from the exposure of the debtor counterparty to climate and environmental factors are also incorporated in the models currently used by the Group to calculate the expected losses relating to performing loans, as described in the Notes to the consolidated financial statements;

- all the preparatory activities needed for the formalisation of the first ESG *disclosure* in Pillar III with the Public Disclosure as at 31 December 2022, to be published at the same time as the Financial Statements, have been completed.

The integration of ESG factors also involved indirectly various areas of operations of the Bank during 2022, including: (i) the attention paid to the selection and distribution of investment products, including insurance, in line with the provisions of Article 8 of Regulation (EU) 2019/2088 on sustainability reporting in the financial services sector, as well as in the collection of customer sustainability preferences with a specific questionnaire and in the classification of sustainable products, defining a methodology and related model calibration processes, (ii) the offer of financing products aimed at supporting both individuals and businesses in the transition to a sustainable economy, encouraging energy transformation and investments in renewable energy plants, also through support of *Specialised Lending* and *Project Finance* as well as training meetings (dedicated *webinars*), and (iii) the structuring of a *Green, Social and Sustainability Bond Framework* aimed at defining bond issues to support the Bank's ESG strategies.

For this area, it is also appropriate to report the evolutionary measures implemented at: (i) *governance* level, with the revisions of the Code of Ethics and the Articles of Association of the Group Banks adopted in 2022 to adapt to the most recent supervisory provisions and practices; (ii) *staff awareness* level, with the enhancement of ESG objectives as part of the incentive system for *Top Management* and, above all, with training initiatives aimed at all employees or specific *targets* in the technical, commercial and managerial field, aimed at spreading the ESG culture, also in terms of inclusiveness; (iii) *institutional level*, with the decision to join not only the United Nations *Global Compact* initiative and the *Task Force on Climate-Related Financial Disclosures*, but more recently, the *Net-Zero Banking Alliance*, the initiative promoted by the United Nations to accelerate the sustainable transition of the banking system through the commitment of participants to align their credit and investment portfolios with the achievement of the net zero emissions target by 2050, in line with the *targets* set by the Paris Agreement on climate.

Lastly, it is considered that this evolutionary path is part of a constantly updated legislative and regulatory framework, which includes, for example: (i) the recent entry into force (5 January 2023) of the *Corporate Sustainability Reporting Directive*, which will be applicable to larger financial and non-financial companies, as well as to listed companies, providing for specific sustainability *standards*

(*European Sustainability Reporting Standards* or "ESRS", adopted by the European Commission on the proposal of the *European Financial Reporting Advisory Group* or "EFRAG") and (ii) the proposed *Corporate Sustainability Due Diligence Directive*, which should introduce, for a wide range of companies, the obligation to identify, prevent and mitigate the negative impacts of the company's activities on human rights and the environment, as well as to prepare a plan of transition consistent with the Paris Agreement of 2015. This is therefore a process that the Bank will have to take care of and govern in the coming years and with respect to which it will be necessary to maintain constant monitoring for an effective integration into the company strategies.

Data Quality

With regard to the initiatives launched by the Bank since 2019 for the definition of both an adequate internal regulation and an organisational *framework* compliant with the requirements and principles of *data governance, reporting and aggregation* contained in Circular 239 of the *Basel Committee on Banking Supervision* (also referred to below as "BCBS 239"), it should be noted that the competent Structures operated in 2022 by pursuing the long-term objectives of *maintenance, extension of the Data Lineage* and mapping of *Data Quality* controls, also progressing in the activities of the BCBS 239 Project in line with the related planning. In particular, note should be taken of the activities carried out in terms of updating and extending the *lineage* analyses (metrics within and outside the *risk* area, as well as in the ESG area), the application of the methodology based on Second-Level "*Key Quality Indicators*" (or "KQI") for the assessment of data quality monitoring, the extension of the main controls of BCBS 239 to the areas relating to the DCNF and *Bancassurance*, for which specific perimeters of analysis have been defined.

In compliance with the Supervisory instructions, starting from April 2022 the initiatives are illustrated to the Bodies (including the Board of Statutory Auditors) through a detailed half-yearly report, with respect to the progress in terms of adaptation to the BCBS 239 regulation.

As regards the new activities implemented, also in line with the emerging *assurance* requirements with respect to data quality, the Control Body focused its interest on the "*Credit Data Warehouse*" and on the evolutionary aspects of the related Project, in particular with a view to increasingly promoting synergies between the different business areas and supporting the processes of analysis and managerial *reporting*, on an integrated basis, with positive repercussions in terms of *Data Governance* and *Data Quality* in support, not only of the control and development of risk monitoring models but *business* needs.

Information Technology and IT Security

Continuing with the approach of previous years, the Board of Statutory Auditors paid special attention to the Group's *Information Technology* system and its overall evolution, considered of

essential importance in supporting the *business* and control activities. In this regard, it should be noted that, in addition to the examination of the periodic reports and the plans envisaged in compliance with external regulatory provisions and internal regulations relating to this area, such as for example on *Business Continuity* and *Disaster Recovery*, during 2022, also in consideration of the international geopolitical tensions stemming from the Russian-Ukrainian conflict, the Board paid particular attention to the assessment of risks related to IT security (also "*cybersecurity*"), in order to ascertain the Bank's adoption of adequate and effective organisational safeguards and technical measures aimed at mitigating these risks, making provision for, in line with the recommendations formulated by the Supervisory Authorities (*first* and foremost, Consob and Bank of Italy), a strengthening of the information flows by the competent Functions.

Recalling that, in 2020, a specific *assessment* was carried out, on completion of which the 2020-2023 IT *Masterplan* and the related annual Operating Plans were defined (targeted at an update of the architecture and infrastructure, the evolution of the *sourcing* strategy, the review of the IT operating model and the acceleration of digitalisation), it should be noted that, in conjunction with the presentation of the 2022 IT Initiatives Operating Plan, having acknowledged the contents of the "Summary report on the IT risk situation - Year 2021 ", the Board of Statutory Auditors identified a breakdown of the initiatives in close connection with the objectives of the Strategic Plan, recommending a strengthening of the *cybersecurity safeguards*, both in terms of *resilience* and with a view to preventing potential attacks on the IT system, raising the level of security with structured, effective and always up-to-date controls.

The Board of Statutory Auditors also examined the "Summary report on the adequacy and costs of the 2021 ICT", acknowledging the assessments conducted over the course of 2021 within Banco BPM Group which, in line with the results in the previous years, confirm the judgement of "adequacy" of the ICT systems and charges. Following the discussions held with the *Management*, the Board drew the attention of the Functions and the competent Bodies (*i*) to the monitoring of IT incidents, (*ii*) to the sizing, both quantitative and qualitative, of the ICT organisational structure, also in view of the future evolutionary challenges on information and IT systems, (*iii*) on the level of investments for the achievement of the Group's strategic objectives and (*iv*) on the supervision and monitoring of the "*sourcing*" area, in particular with reference to both "*outsourcing*" and "*significant IT supplies*". In fact, the Board of Statutory Auditors acknowledged the continuation of the activities (started in 2020) aimed at rationalising and consolidating the supplier base and urged the competent Structures to strictly comply with the regulations on outsourcing (especially if they are "*essential or important functions*"), to ensure a meticulous verification of the supplier suitability and adequacy requirements, to ensure constant monitoring of the quality levels of the service supply and effective control of the work of the supplier, in order to guarantee an adequate control of the risks.

On this, the Board has recommended the adoption of suitable initiatives with an outlook towards ongoing improvement and strengthening of the model for governance and control of IT risks, technological infrastructure, IT architecture, architecture of the IT operating data and model, in order to further increase the amount of monitoring of the systems and quality of services provided not to mention guarantee top level security to the IT system - what's more, to undergo interventions scheduled in the Strategic Guidelines Document, and as a consequence, in the Operational Plan of 2022 IT Initiatives mentioned above.

Pending the examination of the Summary Report on the ICT and security risk situation referring to the year 2022, the Board of Statutory Auditors acknowledged, in the context of the disclosure provided at the Board of Directors, (i) the results of the *cybersecurity maturity assessment*, carried out in the 2022 with respect to the provisions of Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (*Digital Operational Resilience Act*, hereinafter also "DORA") and to the main market peers, and in particular of the main initiatives implemented and the actions identified, a topic that was also examined during a recent board meeting, as well as (ii) the results contained in the *IT Risk Questionnaire 2022*, prepared by the competent corporate Structures at the request of the ECB, which showed, for all areas, an adequate level of maturity as well as some improvements with respect to 2021, both in terms of reduction of the exposure to risk and the increased maturity of IT control areas.

The Board also examined, more recently, the methodological initiatives implemented for the management of IT and security risk, which are incorporated in a project initiative targeted at developing the overall framework, in order to align it with sector regulations and bolster the effectiveness of mitigation of this type of risk, in line with the guidelines received from the Supervisory Authority. On the basis of this methodology, all Group applications were included in the valuation scope. In relation to the contribution to reputational and strategic risks, the analysis also highlighted a limited impact, in terms of economic capital.

The Board also took into account the results of the audit activities carried out by the Internal Control Functions, also pursuant to supervisory regulations, relating to the area in question, noting certain aspects that require strengthening, for which it recommended prompt implementation in order to ensure the full compliance of company processes and procedures with the reference regulations, and stressed the need to pay maximum attention to the adoption of solutions that involve the acquisition of application and infrastructural resources from external *providers* or from the *Internet* (such as *cloud computing services*), as they are considered initiatives that may potentially herald greater risks, urging extremely prudent behaviour and respect for the increasingly more rigorous safeguards and control systems established, in the assumption that IT security is also based on the attitude of individuals, starting from *Top Management*.

Looking ahead, recalling the recent launch of an ECB inspection on IT security risk management, it is considered appropriate to recall what was observed in the 2021 Report on the traceability and structure of the ICT Strategic Plan, reiterating the need for a timely implementation of the indications of the EBA Guidelines in question as well as a close connection with the operational definition of the objectives of the Plan, all in support of the relative sustainability and the continuous improvement process required by recent legislative provisions (DORA) and regulations (40th update of Bank of Italy Circular no. 285/2013), as well as the expectations of the supervisory authority (ECB supervisory priority 2022-2024) and the operating context (dissemination of an omnichannel and digital distribution model) and geopolitical context (Russian-Ukrainian conflict) of reference.

Reports/Reporting to the Supervisory Authorities

In a context of control architecture assessed by the Compliance Function to be generally sound, the need for further strengthening - already planned and in progress - of the control measures to mitigate the risk of non-compliance with the regulations was identified with reference to the process relating to reports to the various Supervisory Authorities. Taking into account the above, the Function has also developed (in addition to those already in use for some time) specific risk indicators ("Key Risk Indicators" or "KRI") in relation to Reports to the Supervisory Authorities, which have allowed monitoring on a periodic basis to help detect any anomalies regarding reporting obligations.

Banco BPM's Board, just like the Control Bodies of the subsidiaries Banca Akros and Banca Aletti, focused special attention on these aspects, carrying out targeted in-depth analyses with the support of the relevant Corporate Structures.

With regard to the sanctioning procedure - which was disclosed in the previous Report - initiated by Consob in July 2021 with regard to the quality of the data reported, pursuant to Regulation (EU) no. 648/2012 ("EMIR"), to the *Trade Repository* with regard to derivative contracts, also referring to previous operations, it should be noted that, on 30 March 2022, the Bank was served with a financial administrative penalty of Euro 70 thousand, close to the prescribed minimum.

Thematic Action Plans

In 2022, the Bank was required to define and approve Action Plans for specific areas in order to plan corrective and improvement measures identified progressively, primarily following inspection activity (on site and remote) normally conducted in the context of the aforementioned ongoing supervision carried out by the Supervisory Authority or in relation to specific requests put forward by the Bank to the Regulator. The Board received and examined periodic updates on their implementation status (primarily through the report drafted by the Audit Function "*Monitoring of remedial actions relating to the recommendations from Supervisory Authorities*"). This monitoring is based on the structured process for assignment to the Bank Functions of the management and resolution of the findings

identified both by the Supervisory Authority and/or Auditing Firm and the Internal Control Functions. The Board of Statutory Auditors also examined, from a risk-based perspective, some certifications (issued by the Audit Function) on the completion and verified effectiveness of the corrective actions set out in the cited *Remedial Action Plans*. These audits are particularly important to the Board of Statutory Auditors (which expects an increasingly greater *challenge* from the Internal Audit Function vis-à-vis the *owner* Structures of the remediation actions), since they make it possible to ensure a substantial approach rather than a mere formal attestation that the interventions were completed. To this regard, the Board on more than one occasion has urged for a precise performance of the remediation actions in the timing described by the Supervisory Authority, deeming that any rescheduling must necessarily come as a second option.

Remuneration Policies

The Board of Statutory Auditors has acknowledged that at the meeting on 7 March 2023, the Board of Directors approved, for matters under its responsibility in accordance with the applicable legislation, the Report on the remuneration policy and payouts awarded to Banco BPM Banking Group's staff including the "2023 Remuneration policy" section and the "Payouts awarded" section as well as the related Illustrative Report to the Shareholders' Meeting to which the documents will be submitted.

In this regard, it is noted that, in acknowledging that the *Policy* prepared for 2023 substantially confirms the structure of the 2022 financial year, the Board has assessed, as part of the 2023 Policies, among other things:

- (i) the extension of the remuneration policy to the companies Banco BPM Vita and Banco BPM Assicurazioni (hereinafter also "Insurance Companies"), in compliance with the reference regulations;
- (ii) with regard to the *performance* objectives of the *Short-Term Incentive Plan*, a widespread assignment of ESG objectives, in particular providing for specific ones for the sales chain that manages both *retail* customers and *corporate/business* customers;
- (iii) the confirmation of the methodology used in 2022 for the Board of Directors' analysis of the neutrality of the remuneration policy with respect to gender, with the continuation of the initiatives aimed at recognising and enhancing diversity in all its meanings, with a particular focus on empowering talented women, consistently with the 2021-2024 Strategic Plan.
- (iv) the observance of the principles and recommendations set forth on remuneration policies by the Code of *Corporate Governance*, that Banco BPM complied with. Specifically, the *Policy* is conducive to the pursuit of the Bank's sustainable success.

The Board of Statutory Auditors also examined:

- the Audit Function report which outlines the results of the audits it conducted itself during 2022 on the implementation of the Group remuneration and incentive system, on the basis of which: (i) consistency with the practices adopted regarding remuneration and incentives was ascertained, with respect to the principles set out in the current Group Policies and approved by the Shareholders' Meeting, as well as the external regulations of reference; (ii) it was identified that the Control System for monitoring the implementation of the remuneration policies is effective and efficient;
- the *opinion (ex-ante)* which the Compliance Function issued on the compliance of the Group's 2023 remuneration and incentive policy with the regulations of reference.

In addition to the above, it should be noted that, within the scope of its prerogatives, the Board of Statutory Auditors participated, through a Statutory Auditor designated by the Chairman, in the meetings of the Remuneration Committee, acknowledging the activities (preliminary, advisory and proposal making depending on the case) carried out by the aforementioned Board Committee, also for the purpose of issuing the opinions required by the relevant regulations. In particular, the Board reserved specific interest in the *assessment process* that led to the adoption of the decisions (by the Board of Directors) regarding the recent remuneration measures for top management in line with the new organisational structure adopted and the proposals (to be submitted to the Shareholders' Meeting) relating to the emoluments to be paid to the soon to be appointed representatives.

Other topics of particular interest

As regards the activities carried out over the course of 2022 and up until the date this Report was drawn up, the Board of Statutory Auditors also placed particular emphasis on certain specific areas of operations, particularly sensitive or that potentially may herald significant risks for the Bank and/or Group, requiring targeted focus, i.e., organising discussions and/or in-depth analyses with the contact persons from the competent Corporate Structures. In this regard, note the process of acquisition of tax receivables, structured finance and the valuation of real estate assets (with a *focus* on the selection of experts, the quality of appraisals and related updating process for the purposes of the *fair value* measurement and related monitoring).

To complete this report for the Shareholders' Meeting, below is the specific information required by Consob Communication No. 1025564 of 6 April 2001, as amended, and provided on the basis of the activities carried out in 2022 and in early 2023 by the Board of Statutory Auditors of Banco BPM:

1. the Board has acquired all appropriate information regarding the most significant economic, financial and equity transactions carried out by the Bank and by its Subsidiaries. In light of this information, it has found that these transactions have been conducted in compliance with the law and the Articles of Association, that they were not manifestly imprudent or risky, they were not in any conflict of interest or incompatible with the resolutions issued by the Shareholders' Meeting or such as to compromise, in any way, the integrity of the corporate assets.
In addition to the contents of this Report, for a thorough analysis of the most relevant transactions carried out during the year, please see the Group Report on Operations and the Notes to the Consolidated Financial Statements;
2. no transactions that may be defined as atypical or unusual, carried out by the Bank with third parties, with Companies of the Group or with Related Parties, have emerged, without prejudice to the contents of this Report. The intergroup transactions and with related Parties carried out in 2022 were considered as fair, in compliance with the applicable legislation and in line with the interests of the Bank and the Group. Transactions involving a potential conflict of interest were found to be compliant with all relevant internal and external legislative provisions and were also subject to specific attention, to monitoring and, where required, to a special review by the Related Parties Committee, in whose meetings a designated Statutory Auditor took place. Based on the information available, the Board of Statutory Auditors reasonably believes that the transactions are fair and in line with the interests of the Bank and/or the Group;
3. in the Directors' Report and in the Notes to the separate and consolidated financial statements, the Board of Directors has properly reported and described, while providing details about their characteristics, all the main transactions with third parties, intergroup and Related Parties, of which the Board of Statutory Auditors has verified, for matters within its competence, their compliance with the law, the Articles of Association and the applicable internal regulations;
4. as part of the audit activities falling under its area of its competence, the Board of Statutory Auditors met on several occasions with the Auditing Firm, PwC, to ensure a suitable information flow, for the purpose of exchanging information that is necessary, inter alia, for carrying out the supervisory activities for which the Board of Statutory Auditors is responsible (in its role of "Internal Control and Accounting Audit Committee") pursuant to article 19 of Italian Legislative Decree no. 39/2010, as well as for the purpose of analysing the most important issues for the preparation of the 2022 Annual Financial Report.

We should first point out that the Separate Financial Statements and the Consolidated Financial Statements as at 31 December 2022 are subject to independent auditing by the Auditing Firm PricewaterhouseCoopers S.p.A., in application of the appointment conferred on this firm by means of the resolutions of the shareholders' meetings of Banco Popolare Soc. Coop. and Banca

Popolare di Milano S.c. a r.l. of 15 October 2016. The aforementioned engagement was assigned for the years from 31 December 2017 to 31 December 2025, in compliance with the duration envisaged by law (9 financial years).

The Board of Statutory Auditors continuously monitored the activities carried out by the Auditing Firm, examining the Audit plan prepared by PwC with reference to the Separate Financial Statements and Consolidated Financial statements for the year 2022, holding discussions with representatives of the latter regarding significant risks and the key aspects identified, as well as the methodological audit approach. Subsequently - also through discussions held step-by-step on individual issues or valuation aspects - the Board maintained constant interaction with regard to the audit approach adopted for the various relevant areas of the financial statements (for example, carrying out a specific analysis on the new international audit standard ISA Italia 315R audit), sharing the issues relating to corporate risks, as well as receiving updates on the progress of the audit engagement and on the main aspects of the Auditor's attention, acquiring the results of the checks carried out on the regular keeping of the company accounts and on the correct registration of operating events in the accounting records, which did not bring to light any critical issues, as better illustrated below.

It is therefore acknowledged that PwC issued on 21 March 2023:

1. to the Bank, pursuant to Article 14 of Italian Legislative Decree no. 39/2010, the Audit Reports on the Separate and Consolidated Financial Statements as at 31 December 2022, made available in full to the public together with the Annual Financial Report, pursuant to Article 154-ter of the Consolidated Law on Finance. The Auditing Firm has issued a judgement with no remarks and no requests for information, on the basis of which (i) the Reports on operations accompanying the Separate and Consolidated Financial Statements – in addition to some specific information contained in the “Report on Corporate Governance and Ownership Structure” as provided for in article 123-bis, paragraph 4, of CFL (whose responsibility is assigned to the Bank's Directors) – are consistent with the Financial Statements and were prepared in observance of the applicable legislative provisions; (ii) as regards material errors in the Reports on operations, based on the knowledge and understanding of the company and its related context, acquired during the auditing activities, declared that it has nothing to report. For details on the key aspects of the audit, please see the Reports issued by PwC, published along with the Separate and Consolidated Financial statements;
2. to the Board of Statutory Auditors, pursuant to article 11 of (EU) Regulation No. 537/2014, the Report to the Internal Control and Accounting Audit Committee (“Additional Report”), which did not identify any significant deficiencies in the Internal Control System concerning the financial reporting process. Some deficiencies and/or potential areas of improvement,

assessed by the Auditor as "insignificant", have been subject to discussion with the Board of Statutory Auditors, also for the purposes of drawing up its observations to be sent to the Board of Directors – in compliance with the provisions of article 19, paragraph 1, letter a, of Italian Legislative Decree No. 39/2010 – along with the Additional Report for in-depth analyses and the adoption of the measures falling under the competence of the Administrative Body.

It is hereby stated that, with reference to financial year 2021, on 23 March 2022, the Board of Statutory Auditors sent the Board of Directors the Additional Report along with its observations. The Board of Directors also examined the Letter of suggestions (hereinafter also "*Management Letter*"), addressed to the *Management* of the Bank from the Auditing Firm for the purpose of formulating certain recommendations as a result of its independent audit of the 2021 Financial Statements, acknowledging the *remediation* activities launched by the competent Corporate Structures, also relating to previous years (whose implementation was duly overseen by the Board of Statutory Auditors calling, if needed, the *Owner* Structures of the management initiatives). The observations formulated by the Auditing Firm in its *Management Letter* are in the integrated reporting on the resolution actions, provided to the Statutory Auditors by the Internal Control Functions every quarter ("*Integrated Tableau de Bord*").

On 29 June 2022, the Auditing Firm also issued the Report as set forth in article 23, paragraph 7, of the Bank of Italy Regulation of 5 December 2019, regarding the 2021 financial year. The Report dealt with the Descriptive Document prepared by Banco BPM with the organisational, and procedural solutions and related controls adopted for the year of reference in relation to the deposit and *sub*-deposit of the customers' assets and their compliance with regulatory provisions. At periodic meetings with the Auditing Firm and the Corporate Functions, the Board of Statutory Auditors monitored the implementation status of the initiatives established to deal with the areas of improvement that emerged from the Report issued for the year 2019 and 2020, already brought to the attention of the Sole Manager (appointed in accordance with the cited Bank of Italy Regulation) and the other relevant company representatives.

During the period, the Board verified and monitored, pursuant to Article 19 of Italian Legislative Decree no. 39/2010, the independence of PwC, and did not note any critical aspects. In this regard, it is acknowledged that, on 8 March 2023, the Auditing Firm submitted its annual confirmation of independence pursuant to article 6 of (EU) Regulation No. 537/2014, based on which no situations were identified such as to compromise its independence. The Board has also acknowledged the Transparency Report prepared by the Auditing Firm, published on its website pursuant to article 13 of the aforementioned European Regulation.

In this regard, the Board of Statutory Auditors, during the period and in compliance with the referenced provisions in the area of the legally-required audit, has approved beforehand – after

assessing the potential risks for independence and the protective measures adopted – the engagements, other than the legally-required audit, conferred to PwC and to the companies that are part of its *network*. In this regard, starting in 2020 (the legally-required three-year period from the engagement Banco BPM conferred upon PwC being set), monitoring to verify the observance of the quantitative limit on payments for non-audit engagements set by article 4 of the aforementioned European Regulation also commenced. The Board of Statutory Auditors certifies that the limit has been fully respected; the details of the value of the services provided by PwC and by the companies belonging to its *network* in 2022 to the Bank and to the Group Companies are provided below in this Report.

Moreover, the ad hoc internal regulation applied throughout the Group to govern the operations linked to the cited audits for the granting of non-audit service assignments is also in effect. This regulation was modified in December 2021 with view to a greater prudence regarding the provisions of external regulations of reference, with the objective of formalising and clarifying the operational practices already in use.

The Board of Statutory Auditors, as part of functions attributed thereto, has monitored - inter alia, periodically meeting with the designated Structure and holding discussions with the Auditing Firm and examining the results of the audits conducted by the Internal Control Functions- the compliance with the provisions set forth in Italian Legislative Decree no. 254/2016, in particular with reference to both the preparation process and the contents of the Consolidated non-Financial Statement drawn up by Banco BPM. To this regard, after reviewing the (i) certification issued by the Auditing Firm pursuant to article 3, paragraph 10, of Italian Legislative Decree no. 254/2016 and the (ii) declaration provided thereby together with the Report on the Consolidated Financial Statements pursuant to article 4 of the Consob Regulation implementing the aforementioned Decree, both issued on 21 March 2023, the Board has not found any non-compliance and/or violation of the regulations of reference.

Regarding the Letter of Suggestions prepared by the Auditing Firm as a result of activities performed for the Consolidated Non-Financial Statement relative to financial year 2021, the Board of Statutory Auditors has verified that the recommendations indicated therein were given due consideration by the Bank Structures during preparation of said Statement relative to financial year 2022.

In this regard, reference is also made to the contents of this Report on “Sustainability and ESG issues”;

5. the Board of Statutory Auditors has not received any claims pursuant to article 2408 of the Italian Civil Code;

6. the Board of Statutory Auditors has received, also through its Chairman, two communications that were potentially qualifiable as claims, reporting some alleged misconduct ascribed to some employees/Corporate Structures while performing their activities. These claims were thoroughly reviewed by the Board of Statutory Auditors with the involvement of the competent Corporate Structures, and the conclusions were communicated to the claimants (as well as, if required, to the competent Supervisory Authority); The analyses carried out did not reveal any cases worthy of mention and, to date, there has been no news of any follow-up;
7. in 2022, PricewaterhouseCoopers S.p.A., in compliance with the applicable laws, was paid the fees due for the legally-required audit in the amount of Euro 2,375,707 by the Parent Company Banco BPM S.p.A, and Euro 1,551,270 by the other Companies of the Group.

In this regard, with the aim of guaranteeing a complete information framework, the justified proposal to the Shareholders' Meeting drawn up by the undersigned is referenced (described in the previous Report and approved by the Shareholders' Meeting called for 7 April 2022) regarding payment of supplementary fees to the Auditing Firm which became necessary (i) following Group reorganisation transactions, and (ii) for the obligations linked to the drafting of the Annual Financial Report according to the provisions under the Delegated Regulation (EU) 2019/815 (hereinafter also "ESEF Regulation") which involved and shall require additional activities within the scope of audit of the accounts for the years 2021 to 2025 for the Separate and Consolidated Financial Statements of Banco BPM.

The Auditing Firm was also conferred additional responsibilities for certification services by the Bank, for Euro 781,100, as well as by the other Companies of the Group for Euro 331,002.

The details of these fees are included in the annex to the Separate and Consolidated Financial Statements of Banco BPM, as required by article 149-*duodecies* of Consob Regulation no. 11971 of 14 May 1999 (hereinafter "Issuer Regulation");
8. the companies that are part of the *network* to which PwC belongs were paid the following total fees for the year 2022 for:
 - independent audit for other Companies of the Group for Euro 186,351;
 - certification services in favour of other Group companies for Euro 42,617;
 - other services for the Bank for Euro 189,600.

The details of these fees are included in the annex to the Separate and Consolidated Financial Statements of Banco BPM, as required by article 149-*duodecies* of the current Issuer Regulation;
9. the Board of Statutory Auditors has issued the opinions required by the law and the Articles of Association. In this respect, the Board of Statutory Auditors has also provided, inter alia, its opinion (i) on the remuneration of directors vested with specific roles or assignments pursuant to article 2389 of the Italian Civil Code; (ii) on the remuneration of the Managers of the Internal Control

Functions;(iii) on the update of the Corporate Governance Plan. Furthermore, it has prepared remarks, evaluations and opinions as defined by Supervisory Regulations as well as those required from time to time by the ECB and national Supervisory Authorities with specific Communications (primarily regarding the different profiles for management and control of risks that the Bank is exposed to in performing its business), as well as by company regulations;

10. in 2022, the Board of Statutory Auditors held 39 meetings, with an average duration of approximately 3 hours, of which 13 held up to 7 April 2022 (date of the Shareholders' Meeting) and 26 after that date. During the same year, the Board of Statutory Auditors participated in the only Shareholders' Meeting, held on 7 April 2022 (in ordinary and extraordinary sessions) and in 22 meetings of the Board of Directors (of which 7 before 7 April 2022 and 15 after that date) as well as, with its own representative (or, exceptionally, based on shared examination), at all meetings of the CCIRS (23), the Remuneration Committee (19), the Appointments Committee (25) as well as the Related Parties Committee (4). The Statutory Auditors also benefited from the 8 training sessions envisaged during the year by the annual *training and induction* plans promoted by the Bank for the representatives of the main Group Companies.

In compliance with the Supervisory Provisions of the aforementioned Bank of Italy Circular no. 285/2013, as well as by specific internal Regulations adopted under self-regulation (including the "Regulation of the Board of Statutory Auditors", most recently updated in May 2022), the Board of Statutory Auditors carried out its self-assessment with reference to the year 2022, drawing up the specific final Document by the end of 2022 (instead of, as usual, in the first few months of the year following the reference year) in consideration of the upcoming expiry of the assignment. The outcomes of the self-assessment exercise - for which the Board relied, in continuity with the previous year, on the aid of a qualified outside consultant - highlighted substantial and extensive adequacy, both regarding the composition of the Board of Statutory Auditors (with reference to the individual members and the Body as a whole) and its operation. To overcome the marginal areas for improvement that emerged, the Board identified a specific initiative to be implemented in the scope of the new ordinary *training and induction* plan to be implemented over the course of this year.

In view of the renewal of the Body, (i) in compliance with the provisions of Italian Ministerial Decree no. 169/2020 (hereinafter also "Ministerial Decree no. 169/2020") and the internal *Polices* on the requirements of company representatives, (ii) in continuity with what was put in place at the time of the renewal of the entire Control Body, for which the Shareholders' Meeting of 4 April 2020 was called, as well as its integration, with the Shareholders' Meeting of 15 April 2021, and (iii) taking into account the results of the self-assessment process, the Board of Statutory Auditors also approved, at the meeting of 6 December 2022, the Document on the optimal qualitative

and quantitative composition of the Board of Statutory Auditors of Banco BPM - for the preparation of which it enlisted the help of a qualified external consultant - providing the relevant indications and recommendations also in light of the regulations and the applicable national and European guidance/*guidelines* regarding the requirements of the representatives.

Both the aforementioned Documents were sent to the Supervisory Authority in accordance with current company regulations and the Document on the optimal qualitative-quantitative composition was also published on the Bank's *website*;

11. the Board of Statutory Auditors did not formulate observations on compliance with the principles of proper administration;
12. the Board of Statutory Auditors has acquired knowledge of and has monitored the organisational structure, particularly in terms of its alignment with applicable legislation and relative amendments to and consolidation of the internal regulatory structure.

In this regard, based on both direct discussions with the Managers of the Corporate Functions designated for the meetings progressively held throughout the year, and on the findings which emerged on the basis of the audits conducted by the Internal Control Functions, the Board of Statutory Auditors has confirmed the substantive adequacy of the organisational and regulatory structure of the Bank. Specifically, at a special meeting held in early 2023, the company Managers of reference confirmed, for 2022, the overall consistency between the organisational chart, function chart (Company Rules), proxy and power of attorney system and organisational provisions, given the need to guarantee uniformity among organisational roles and responsibilities and the underlying corporate processes, also taking into account the expansion of the scope of the Group to the insurance sector. The Board has received assurances that, in the coming months, further alignment will be ensured with the most recent decisions taken for the revision of the Bank's organisational and *governance* model mentioned in this Report.

During 2022, the Bank's organisational structure did not record any significant changes in its structure except for those already set out in this Report or which will be described below with reference to the Internal Control Functions. The hiring of new staff has fostered both generational turnover and *business* development, also due to the changed operating context and the recent integration of the insurance business.

In a year still characterised by complexity and uncertainty related to the continuation of the effects resulting from the Covid-19 pandemic, the Board monitored the initiatives taken in order to ensure the best working conditions, for example with the confirmation of the agile working method ("*Smart working*"), adopted in 2020 and 2021 and in the appropriate time, as well as the flexibility of schedules. Also the new ways of interacting with customers, introduced in 2020, were

strengthened even more by revamping the operating and service model to incentivise the use of digital channels, also in line with the objectives of the Strategic Plan. The Bank drew on its experience during the pandemic to further develop its digitalisation processes, its technological equipment (to facilitate working and the methods of remote communication) and mobility management. All this, in connection with the respect for and promotion of sustainability rationale.

The Board has also reiterated on several occasions how the qualitative and quantitative adequacy of the Corporate Structures must be guaranteed and assessed also in light of the investments undertaken in the strengthening and/or implementation of IT support and automation processes, aimed at improving the continuous efficiency and quality of operations.

In continuity with the Board's focus on the outsourcing *framework within and outside of the Group* in previous years, in 2022 as well, the Statutory Auditors continued to focus on its adaptation to the EBA Guidelines and the development of Group *business* by examining (i) both the audits that the Audit Function conducted, also requesting the implementation of any improvements, (ii) and the results of periodic monitoring of outsourced activities submitted to the Board of Directors.

Now, therefore, and taking into account the matters indicated both in this Report with reference to the internal project activities and initiatives and in relation to the numerous inspection activities indicated above (*on site* or remote), along with requests from the Supervisory Authority (also in the context of the SREP), the Board of Statutory Auditors has overseen the progressive adoption by the Board of Directors of appropriate decisions to ensure a regulatory *framework* and internal organisational structures adequate to guarantee the correct application of operating processes. In this regard, although acknowledging that in a large highly structured Group like Banco BPM this organisational and legislative structure requires continual developmental and constant enhancement measures, the Board has concluded its essential compliance;

13. in 2022 the organisational structure of the ICS was affected by some changes such as: (i) with reference to the Audit Function, the reorganisation of the methodologies, tools and planning areas and of the structure dedicated to the Sales Network, the latter following the rationalisation of Banco BPM branches and the activation of points dedicated to serving businesses in line with the 2021-2024 Strategic Plan; (ii) the placement of the Anti-Money Laundering function under the direct supervision of the Chief Executive Officer in consideration of an evolving regulatory framework (consider, for example, the upcoming establishment of the AMLA, as supranational Supervisory Authority for combating money laundering and the financing of terrorism) as well as the regulatory initiatives in progress (including the implementation of the EBA Guidelines "*Guidelines on role and responsibilities of the AML/CFT compliance officer*") also for the

purposes of the prudential review and assessment process (SREP); (iii) in relation to the Risk Function, the establishment of the CRO, reporting to the Chief Executive Officer, in order to strengthen the area relating to risk control and support its future evolution in the context of credit risk monitoring, in collaboration with the Structures of the CLO Area.

In addition, for all Internal Control Functions, the expansion of the scope of activities for which they are responsible following the aforementioned acquisition of Banco BPM Vita and Banco BPM Assicurazioni. In this regard, it should be noted that the corresponding Control Functions of the aforementioned Companies report functionally to the Internal Control Functions of the Parent Company.

In the exercise of its duties of supervising the adequacy of the Control System, the Board of Statutory Auditors has maintained constant dialogue with the heads of the Internal Control Functions, *inter alia*, for the purpose of: (i) checking any needs to strengthen their quality and quantity and where deemed appropriate, requesting the Organisation and Human Resources Units, as well as the Board of Directors itself, to define appropriate measures. The Board therefore ascertained the overall qualitative/quantitative adequacy of each Internal Control Function.

Note should also be taken of the constant link between the Internal Control Functions implemented in the Committee for Coordinating the Group's Internal Control System (whose minutes a Statutory Auditor is delegated to read, in order to report the findings of interest to the Board), at which the planning of activities, the results, the assessment of residual risks and, in general, the adequacy assessment of the ICS are shared. During the year, further refinements were achieved (such as the extension to the Subsidiary Banks of the integrated quarterly Tableau de Bord which, from September 2022, also includes for Banco BPM the results of the activities carried out by the Control Functions of Banco BPM Vita and Banco BPM Assicurazioni), as well as evolutionary interventions in the methodological field and for support applications. In this last regard, the Board noted that the Bank, in line with market *best practices*, has recently embarked on an important evolutionary path, aimed at increasingly investing in predictive risk analysis tools and expert human resources, with the objective of developing a dynamic, flexible and timely control and monitoring system capable not only of identifying but also preventing risks in an increasingly challenging and changing context. With reference to the individual Internal Control Functions (whose activities also extend to the Group Companies that have *outsourced* the service), the Board of Statutory Auditors observes, in particular, the following:

- Compliance Function: given that the Head of the Compliance Function also acts as Data Protection Officer (hereinafter also "DPO") at Group level and three Specialised Controls are in place (for the Tax, Labour and Social Security Legislation and Health and Safety in the Workplace areas), the Function was engaged, in addition to the *ex post* verification activity,

in increased *ex ante* verification activity (on regulations and commercial proposals), consultancy (also for the conduct of specific *gap* analysis) and in special *efforts* due to the need to support various company projects. Moreover, the Board has repeatedly recognised the importance of the *ex ante* activities carried out by the Function, which make it possible to address in advance the works and projects (as well as documents and products) with regard to compliance aspects, activities that have also been developed over time also from a methodological point of view, as they are integrated in the *Compliance Risk Assessment* for the purposes of assessing the controls.

The 2022 *Compliance Plan* – as amended following the half-yearly audit – was completed, and the Function expressed a judgement of "substantive adequacy" on the Internal Control System and its capacity to mitigate the risk of non-compliance with regulations.

Also in 2022, the Compliance Function monitored complaints both to rapidly uncover any commercial malpractice, and as a source of information for launching risk-based audits.

During the year, it also developed several initiatives of specific interest, such as: (i) the Compliance Universe project, aimed at the continuous strengthening of its methodological and operating model, as part of which, in the third quarter of 2022, a new Compliance Risk Assessment model was implemented, with the aim of further refining the methodology in use, also through the implementation of important developments in the IT area, in line with the methodological innovations introduced by the Function in 2022; (ii) the continuation of the training course, launched in 2020 and dedicated to the internal personnel of the Function, aimed at achieving increasingly stronger skills and adhering to current and future regulatory and technological developments, in particular, with the launch in the fourth quarter 2022 of specific training activities in the insurance field; (iii) the active contribution to numerous projects and, in particular, projects for the definition and progressive implementation of initiatives in the field of Investment Services and *Product Governance*, also with a view to the acknowledgement of ESG requirements and the implementation of an Integrated Tableau de Bord for the main Subsidiaries of the Group.

With reference to specific DPO activities (accurately reported in the Function's Annual Report), the Board acknowledged the activities carried out by the designated organisational unit carried out and noted that none of the *data breaches* occurred in 2022 called for mandatory reporting;

- Anti-Money Laundering Function (hereinafter also "AML"): as previously represented, in 2022 the Anti-Money Laundering Function was the subject of an important organisational change which, from 1 July, saw it report directly to the Chief Executive Officer, without prejudice to the internal structure of the Function itself. This initiative, also formally

acknowledging its increased importance, made its independence and autonomy more incisive, previously reporting to the Compliance Function, while reporting directly, without restrictions or intermediation, to the Corporate Bodies for all areas of competence.

The activity carried out in 2022 by the AML Function concerned, inter alia: (i) with reference to the international penalty system, the application aspects related to (a) the adoption of numerous downstream measures by the European Union following the start of the war between Russia and Ukraine, as well as (b) the consolidation of controls, including the attribution to the Anti-Money Laundering Function of the role and responsibilities of *Sanction Compliance Officer*, and (c) the intensification of information flows to the Corporate Bodies; (ii) the continuous dialogue with the other Internal Control Functions both through the contribution provided in the preparation of the Integrated Tableau de Bord, and in terms of efficiency of the operational synergies that arise from the activities under their responsibility. In particular, mention should be made of the collaboration with the Network Audit Structure (now permanent and which, in effect, has also exceeded the objectives promoted in the Collaboration Protocol signed between the two Functions - AML and Audit - since June 2020), as well as with the Risk management structures; (iii) periodic meetings and discussions with the *business* structures, aimed at the continuous refinement of a model of widespread knowledge and awareness of risks that aims to spread a sustainable *business* concept also for those connected to the use of the financial system for the purpose of money laundering or terrorist financing; (iv) ordinary activities, including due diligence and customer profiling, data retention, the process of identifying and reporting suspicious transactions, international anti-terrorism financial sanctions; (v) the validation of internal regulations, analysis of legislative and regulatory developments on AML/CFT, assistance, advice and issuing of opinions; (vi) the project initiatives launched by the Function with the aim of optimising the AML *framework* with an approach that integrates the requirements of compliance, technological innovation and efficiency of the AML model. During 2022, the project to replace the "Gianos 3D" application (an essential tool in assessing AML risk related to customers) with the new "Gianos 4D platform" continued. In this regard, the Board reiterated the importance of complete implementation of this new platform, given its significance for the purposes of further strengthening of the safeguards and control processes in the area of Anti-money laundering, also in relation to the management of STR. In this regard, referring to the results of the inspection carried out by the Bank of Italy during the year (better detailed in the Group Report on Operations), as a result of which Banco BPM defined a Plan of corrective actions to overcome some areas of weakness - to be considered insignificant - identified with regard to due diligence and

in the active collaboration process, the Board of Statutory Auditors: (i) asked to receive a timely and periodic update on the implementation status of the Plan, at the same time recommending compliance, if not the anticipation, of the estimated timescales for the implementation of the planned interventions; (ii) urged the Anti-Money Laundering Function to gather useful elements from the findings to explore further and increasingly effective initiatives to refine the AML model and (iii) asked the Audit Function to plan specific process *audits*, taking into account the results of the supervisory inspection activities and initiatives, including *contingency* initiatives, identified in the aforementioned Plan.

The 2022 AML Plan - as amended on the basis of the interim audit - was completed, ongoing monitoring continued (inter alia, recording significant recoveries of funds, the result of close collaboration with the Network's Control Structures) and the Function was able to express a judgement of "substantive adequacy" on the Internal Control System and on its capacity to mitigate money-laundering and terrorism financing risk. This is confirmed by the results of the self-assessment carried out in this regard (which in 2022 was subject to an important change in the methodology, aimed at further objectifying the profile of the calculation and weighting of the vulnerability of the controls), which resulted in a residual risk, both for Banco BPM and at Group level, confirmed as "low";

- Risk management function (excluding the Internal Validation Function): as previously represented, at the end of 2022 (effective from 1 January 2023) the Board of Directors of the Parent Company approved the establishment of the CRO, which reports directly to the Chief Executive Officer, in order to strengthen the area that deals with risk control in consideration of the expansion of the activities assigned/to be attributed to it, in particular in the area of credit risk, also in response to the expectations of the Supervisory Authority. In this context, the evolutionary initiatives already carried out based on the above perspective, such as: (i) the inclusion (from January 2021) of the then Head of the Risk Function (current CRO) among the members of the Credit Committee, without voting right, (ii) the expansion of the scope of *ex ante* opinions requested from the Risk Control Function on specific categories of transactions (according to the classification adopted in 2021 between Significant Transactions and Transactions of Major Significance), (iii) participation by July 2022 of the then Head of the Risk Function (current CRO), as a permanent guest, at the meetings of the CCIRS. Following the aforementioned organisational change, the Area that deals with risk management is therefore made up of the CRO and the Enterprise Risk Management (hereinafter also "ERM") and Risk Models (hereinafter also "RM")

organisational units, directly reporting to it. These are augmented also by the Internal Validation Unit, mentioned *below*.

The CRO Area is responsible for ensuring the functional coordination of the risk control measures of the Group Companies and supervising - at Group level and in an integrated manner - the governance and control (ERM) and development and measurement processes (RM) of the risks themselves. Note should also be taken, as already mentioned above, of the expansion of activities to monitor credit risk and the insurance sector.

With particular reference to the operations of the RM unit, in 2022:

- a large part of the *capacity* was used to review the *frameworks* for calculating the risk parameters used in the regulatory and accounting sphere, in order mainly to: (i) maintain consistency with the most recent developments in supervisory regulations (*EBA Guidelines* and *Fundamental Review*) of the *Trading Book*, hereinafter also referred to as "FRTB"), (ii) extend the internal simulation models to specialised loans (*Income Producing Real Estate, Project Financing, Object Financing and Commodities Finance*) and (iii) implement the requirements of the Supervisory Authority to adapt the *staging allocation* model envisaged by the IFRS 9 accounting standard to the effects of the Covid-19 pandemic and the consequent government measures to support the liquidity of households and businesses;
- in the accounting field, for the purpose of calculating the value adjustments of the positions classified in the *performing* portfolio, the new *staging allocation* model was developed and therefore applied, starting from the results as at 30 September 2022;
- with regard to the other risk areas, significant improvements were made in the calculation of the metrics for quantifying Banco BPM's exposure to liquidity, *funding* and interest rate risks of the *banking book* and activities continued to estimate the impacts of the regulatory changes that, especially in the latter area, are expected to come into force in 2023. In addition, in September 2022, the RM Department was engaged in carrying out the *SSM Liquidity Exercise 2022*, a regulatory task aimed at assessing the Bank's ability to prepare, for five consecutive days within a specific time period, an extensive *body* of information on the Group's liquidity profile. The positive outcome of the year contributed to the improvement, from "medium-high" risk in 2021 to "medium-low" risk in 2022, of the SREP score assigned by the ECB to Banco BPM in the *Risk to liquidity* area;
- again in the regulatory area, starting from the third quarter of 2022, the organisational unit was committed to supporting the ECB inspection *teams* in the verification activities

of the ICAAP and IFRS9 *Frameworks*, with particular reference to the calculation of economic capital and expected losses on *performing* loans.

Lastly, as already mentioned, it should be noted that also in 2022 RM dedicated a significant part of its *capacity* to the development of ESG issues.

The Control Body monitored all the cited activities for improvement of the models developed for regulatory purposes, designed to guarantee their functionality and precise application within the Group, also appraising the continuation of *models inventory* and *model risk management* activities, also with reference to the models used for management purposes.

With regard to the ERM organisational unit, in 2022 it:

- completed the main planned activities that made it possible, with a view to continuous improvement, to strengthen risk control and containment measures. There were important improvements in the risk control *framework*, in particular credit risk, and in the monitoring of data quality;
- was involved in particular in activities related to regulatory *Stress Tests* as well as in the ESG project;
- oversaw the guidance, control and risk management activities for Banco BPM Vita and Banco BPM Assicurazioni, through the definition of processes and tools, such as the *Risk Identification* and the *Risk Map*, in preparation for the drafting of the RAF 2023 of the same Companies, already aligned in August 2022 with that of the Parent Company in terms of guidance and control;
- structured an integrated control *framework*, defining the methodologies (metrics, thresholds and *escalation* mechanisms), verifying and managing the information flows also between the risk control Structures of the Parent Company and the Control Functions of the Insurance Companies as well as to the Corporate Bodies through the presentation of the results of the monitoring (including the "*risk opinion*", revised in terms of scope and content following the establishment of the CRO and according to the expectations of the Supervisory Authority);
- implemented *stress testing* activities, structuring a joint process with the Control Functions of the Insurance Companies;
- carried out in-depth analyses on the various risk measures as well as on data quality controls, inspired by the best BCBS 239 *standards*, adhering to the principles of proportionality.

The special macroeconomic and more recently, geopolitical, context of the past few years that the Bank has had to face have, in the Board's opinion, made the initiatives and

activities for anticipating and constantly monitoring economic, capital and liquidity dynamics, conducted and developed by the Structures of the CRO, particularly important, in relation to which the Control Body has recommended that constant attention also be paid to the qualitative/quantitative size in support of the sound, prudent and sustainable management of the Bank;

- Internal Validation Unit (hereinafter also "IVU"): directly reporting to the CRO, the impartiality and independence of the IVU are ensured both by its independence from the Structures designated to develop the models and integration of risks and its direct access to the Corporate Bodies. From the standpoint of the quantitative size (given the *skills* linked to the relevant *mission* which already ensure high quality professionalism), the Structure is assessed to be adequate (as ascertained by the Board also through a direct discussion with the Manager), while being aware of the (i) need for adequate prioritisation of the activities, (ii) recruiting activities in progress in collaboration with the Human Resources Function, as well as (iii) the chance to resort to the aid of specialised external consultants on specific activities and analyses.

Given that the scope of reference of the Internal Validation Function includes all models used, in the Group perimeter, for risk measurement with both regulatory and management purposes, after the audits conducted in 2022, according to the Action Plan approved- as amended following the interim audit - was completed on the whole, the Function expressed a judgement of "substantive adequacy" of the internal models, although with some development actions requested and addressed through the provision of suitable remedial actions. In this regard, besides carrying out the recurring activities of analysis and *backtesting*, IVU set in place specific audits with reference: (i) to the models used to quantify Pillar 1 risk, particularly concerning credit risk (with the finalisation, in the first few months of 2022, of the controls for sending the ECB the petition to change the models in use for the purposes of full application of the EBA Guidelines, "Next Application A-IRB 2021" and, subsequently, providing support during the inspections conducted on the matter by the ECB) and market risk (with completion of the activities required by the Supervisory Authority and the performance of audits on the *method of quantifying standard* requirements required by the FRTB); (ii) to the models used for management purposes, especially in the credit risk area (with the performance of audit activities on the "Automated Gone" model, of the IFRS 9 framework and the staging allocation criteria) and risk liquidity (with validation of the main models employed for the use of credit lines, of the new calculation methodologies of short-term stress tests and, in the IRRBB domain, with the modification relating to the removal of the spread in the calculation of the economic value metrics). As

part of the MiFID II regulations, IVU coordinated the *ad hoc* working group in order to prepare the annual validation report on *algorithmic trading* to be sent to Consob after assessment by the Audit and Compliance Functions (whose analyses showed the consistency of existing controls). The Function was also involved in the quarterly audit of provisions defined in relation to past reports by customers interested in purchasing diamonds. Note also the important commitment of the Structure in the progressive resolution of the *findings* on the internal models raised by the Supervisory Authority as a result of specific inspection activities.

All instructions and intervention requests that the Function prepared were taken up by the Structures in charge of creating the corrective actions and are carefully monitored by the Function itself, noting over the course of the year a drop in the number of *findings* opened right after the activities carried out by the competent Functions that own the findings.

The Board, in recognising the specific importance of the audits and analyses performed by the Internal Validation Function (often affected by the need to conduct targeted activities, including unplanned, aimed at checking the adequacy of specific processes for risk assessment, in light of the petitions formulated by the Supervisory Authority, Corporate Bodies or the very internal Structures as part of designated round-table working groups) called the development and *business* functions so that adequate time would always be guaranteed to carry out the punctual controls expected relating to modelling developments;

- Audit Function: reporting directly to the Board of Directors, the Audit Function checks the regular performance of operations and the evolution of risk, also informing the competent Bodies of possible improvements to the risk management process. Besides developing an *Audit Plan* that considers the aspects regarding emerging trends and risks, significant organisational changes, the Group's main operations, inspections on the Sales Network and checks on the irregularities of operations and external frauds, over the course of 2022, the Function continually assessed the overall resilience of the Group's Integrated Internal Control System.

The Audit Function operated by availing itself of adequate resources in terms of the quantitative size, appropriately monitored, with the support of the Human Resources Function, with suitable replacement processes to deal with the natural *turnover*. With reference to the qualitative structure, training activities continued during the course of the year, based on the *ad hoc gap analysis (skill inventory)* conducted in 2019, already presented in previous reports.

The Audit Function carried out the activities defined in the 2022 Plan – as amended based on the interim audit – carrying out part of the interventions on the Network, including on site,

and at the same time continuing the activities to develop the Remote Control System, in the assumption, shared by the Board, that the implementation of advanced control *frameworks*, leveraging new technology and tools for the analysis/processing of data, forms the basis of increasingly greater effectiveness and predictive capacity of the Control System. This also includes the activation, at the end of 2022, of the new GRC (*Governance, Risk & Compliance*) procedure, an integrated application platform that guarantees an industrial approach to the collection and sharing of the information assets of each Internal Control Function and the automation of various reporting, including in particular the integrated Tableau de Bord.

The Audit Function also oversees the Internal Whistleblowing System (hereinafter also "IWS", known as "*whistleblowing*"), regarding which the protocols guaranteeing anonymity were established. In this regard, also taking into account the irrelevant number of reports received over the past few years, despite acknowledging an increasing trend in 2022, the Board renewed its recommendation to implement specific learning and training exercises aimed at incentivising their use as an important tool for the prevention of unlawful conduct.

This being said, in a context of ongoing audits and in-depth analyses of *core* processes carried out as a part of a *risk-based* approach, in 2022, too, the Audit Function made a special effort to carry out activities aimed at ascertaining the effectiveness of the measures adopted by the Group as part of the implementation of the interventions under the *Remedial Action Plans* gradually approved by the Board of Directors following the inspection processes (in terms of certification of the corrective actions and conducting targeted audits required by the Plans themselves), as well as to deal with specific requests formulated by the Supervisory Authority made as part of or as a result of the aforementioned processes. These activities, too, are obviously an opportunity to check the solidity of the Bank's processes and consequently to be able to direct any other investigations.

The Board was also able to appraise: (i) the coordination activities of the Internal Control Functions performed by the Function, also in relation to the aforementioned audit of the method of assessment of *gaps* and the promotion of more integration and uniformity of the reports of those very Functions; in addition to the identification of areas of possible synergy with the other Internal Control Functions, making it possible to enhance the efficiency of the activities with respect to available resources, without prejudice to the respect for the independence of the Functions themselves; (ii) the huge commitment not just in the cited certification activities linked to the *post-inspection Remedial Plans* (including therein the activities targeted at the issuing of assurance on said plans before approval by the Board of

Directors), but also in the continuous monitoring ensured on the resolution of the issues raised by the Supervisory Authority (and in the related *reporting* to the Bodies).

In the capacity of recipient of precise periodic reporting of the activities set in place and a significant number of *audit reports*, the Control Body was able to recognise the constant attention focussed by the Audit Function: (i) on credit processes, also (besides that already mentioned) with reference to the internal modelling developments and projects inherent to the adaptation to regulatory provisions and the strengthening of the System of Controls for specific operating areas (such as, for example, structured finance activities), noting that the audit activities have often been carried out through *credit file reviews* and in the scope of the necessary checks for certification of closure of the remedial actions; (ii) in the Finance and Markets sphere, also relating to the effectiveness of the operational division of some projects (including adjustment into line with MiFID II regulations),) or the development of internal models; (iii) in the Governance sphere, especially on primary processes for the Bank, like for example ICAAP/ILAAP and Risk Appetite Framework and on specific profiles, like the mortgage collateral monitoring process, management of outsourcing and the valuation of real estate assets.

On the basis of the activities carried out on the whole, although neither serious irregularities emerged, nor were there requests for "highly" urgent remedial actions, the Audit Function confirmed that there were some *gaps* (whose resolution is monitored on an ongoing basis, as well as with *follow-up* interventions), which it was necessary to fix in a timely manner for the proper mitigation of the risks the Group is exposed to.

With specific reference to the Sales Network, the Board of Statutory Auditors, in addition to participating through a Statutory Auditor designated for certain exit meetings, organised to conclude the audits conducted, periodically examined the results of both the inspections and the assessments, the latter aimed at investigating the anomalous (and potentially fraudulent) behaviour of employees. In this regard, the substantial adequacy of the Bank's distribution structure emerges, despite the presence of areas of improvement, especially in the area of Anti-Money Laundering for which, as described above, there was active collaboration with the Function in charge and specific training carried out. The Board was able to identify further consolidation of the first level, second instance control model on the Network Structures, based on the figures of the Audit Representatives at the operational units and Audit structures at the Regional Departments. In this regard, also in light of the outcomes of audits and the checks that the Audit Function performed, the Board renewed the recommendation of paying special attention to the materiality of the first level controls. In this context, the importance of disseminating - also by the Bank's top

management - the culture of controls, in particular on the Commercial Network, remains important, with a view to further strengthening the controls that can also bring benefits to the *business*, promoting the adoption of compliant behaviour also on the basis of deterrence tools such as the SISV.

For that which concerns the checks for unusual behaviour, the Board has ascertained that, when the premises subsist, the Bank has adopted the proper disciplinary provisions, receiving periodic updates on the matter from the Human Resources Function. In this regard, it should be noted that, as a result of its ongoing verification activities and considering the irregularities identified, the Board recommended to continue with the dissemination - via both the Internal Control Functions and the Sales structures and the Human Resources Function - of an increasingly consolidated culture around risk and respect for the rules at all levels of company operations, with the aim of guaranteeing conduct in line with internal and external regulations and the corporate strategies.

Within the scope of its broader supervision of the Control System, the Board has also reviewed the "Summary assessment of the Banco BPM Group's Internal Control System", drawn up by the Audit Function for the year 2022, in order to ensure the completeness, adequacy, functionality and the reliability of the different components of this System, taking into account the judgements issued during the year and those formulated by the other Internal Control Functions and the Control Functions of the Insurance Companies. The Report provides an overall assessment of substantial adequacy on the Group's ICS. In acknowledging the overall judgement, the Board of Statutory Auditors has endorsed the actions undertaken in those areas identified as needing improvement, moreover attributable to the outcomes of the checks carried out and brought to its attention during the year. With reference, more generally, to the remedial actions, and specifically, regarding respect for the deadlines for completion of the activities, despite having witnessed a considerable drop in the *stock* of open issues (both by the Internal Control Functions and the Supervisory Authority and the Auditing Firm) and appreciating the clarity of the supporting reports, the Board of Statutory Auditors asked that the *Owner* Structures of the interventions be more responsible and the Internal Control Functions be more incisive in promoting the closure of the findings, also for those that make provision for remediation actions with a "low" or "medium" level of urgency. In this sense, it appreciated the practice of convening within the Group Internal Control System Coordination Committee the Structures that *own rescheduled* findings or those characterised by high *aging* to discuss the reasons behind the delays.

The Board nonetheless recommended that the Internal Control Functions carry on with a constructive *challenge* in discussions with the other Managerial Structures of the Bank,

making their authority in analysing the various circumstances under examination more and more effective.

Finally, within the scope of the Control System structure, the functional and informational connection between the Board of Statutory Auditors and the Supervisory Board of Banco BPM, established pursuant to Italian Legislative Decree no. 231/2001, is ensured not only by the periodic exchange of the appropriate information flows, but also by the fact that one of the Auditors is also a member of the Body itself. Against this backdrop, the Board acknowledged the adequacy and effectiveness of the Organisational Model adopted pursuant to the regulations of reference (updated in 2022 to acknowledge the regulatory changes introduced) as well as the absence of reports (among those received) relating to their violation for the year in question, as certified in the Annual Report of the Body illustrated by the Chairman at the meeting held on 27 February 2023;

14. with regard to the adequacy of the administrative and accounting system, the Board of Statutory Auditors, in addition to the aforementioned in-depth analyses carried out with the Independent Auditors, from which no significant critical issues of the Internal Control System relating to the financial reporting process emerged, held periodic meetings with the Financial Reporting Officer and proceeded to verify and investigate the process of preparing the 2022 Separate and Consolidated Financial Statements of Banco BPM, as well as their compliance with laws and regulations and consistency with the resolutions adopted by the Board of Directors, also taking into account the indications formulated by the Supervisory Authorities, recalling in particular the recommendations provided by ESMA, most recently, in the communication of 28 October 2022 entitled "*European common enforcement priorities for 2022 annual financial reports*". In relation to these activities, among other things the Board of Statutory Auditors has:
 - (i) *verified the adequacy, in terms of method, of the process that the relevant financial statement assets underwent.* Specifically, the Board ascertained that – as early as when the Interim Financial Statements were drafted and in compliance with the ESMA and Consob indications given on the topic - the assessment analyses were conducted, inter alia, by using a multi-scenario approach and considering, against a backdrop of uncertainty over the future macroeconomic scenarios, the risk inherent to the actual creation of cash flow projections forming the basis of the determination of the value in use. Considering the elements of uncertainty that characterise the current backdrop and that could influence the assessment methods adopted, the Bank also conducted sensitivity analyses in order to appreciate the stability of the recoverable amount with respect to alternative assumptions and situations. All this, as best illustrated in the Notes to the Consolidated Financial Statements, to which reference should be made for details.

Please recall that the long-term scenarios and projections, used for this and for the other main company estimation processes, taking the forecasts and objectives of the new 2021-2024 Strategic Plan approved in November 2021 into account, were defined by the Scenario Council (working group in which, among others, the CRO, the Chief Financial Officer and managers of the Planning and Control, Administration and Financial Statements and Audit Functions participate, the latter as auditor), according to a structured framework which makes provision for materiality triggers, (ii) examined by the ICRSC and (iii) submitted to the Board of Directors for approval, as set forth in the Group *Policy*;

- (ii) ascertained the application of the newly introduced or amended accounting standards, having a mandatory starting point from the 2022 Financial Statements, noting substantial alignment with those followed for the purposes of preparing the Financial Statements as at 31 December 2021, and no particular impacts on Banco BPM's balance sheet or income statement, without prejudice to the additions made necessary due to the acquisition of control of Banco BPM Vita and Banco BPM Assicurazioni.

Also please note that besides the already mentioned communications issued by the various Supervisory Authorities during 2022, regarding the main accounting areas, for the preparation of the Financial Statements, given no other communications were received from the Bank of Italy, the provisions issued by the Supervisory Authority pursuant to the communication of 21 December entitled "Update of the supplements to the provisions of Circular no. 262 'Bank financial statements: layouts and rules for preparation' regarding the impacts of COVID-19 and the measures to support the economy", continued to apply;

- (iii) verified, in periodic meetings with the Financial Reporting Manager, that the control activities did not bring to light any significant shortcomings in the operational and control processes that could have impaired the adequacy and actual application of the administrative-accounting procedures for the purposes of a fair view of the balance sheet, income statement and financial situation in compliance with the accounting standards. This view is confirmed by that stated in the "Report on the activities carried out by the Financial Reporting Manager of Banco BPM Group for the purpose of issuing the certification set forth in Article 154 bis of CFL on the annual financial report as at 31 December 2022", as illustrated also below;
- (iv) having ascertained the *disclosure*, contained both in the Group Report on Operations and in the Notes to the consolidated financial statements, of the aspects considered as priorities for the assessments conducted for the purposes of the preparation of the 2022 Financial Statements, including environmental and climate factors, the Russian-Ukrainian conflict and the Covid-19 pandemic, whose possible impacts on future scenarios and financial

results are still characterised by a certain margin of uncertainty.

It should be noted that, according to provisions set forth in ESEF Regulation, the Annual Financial Report was prepared in the new ESEF (European Single Electronic Format) format, which is a combination of XHTML language and the XBRL (eXtensible Business Reporting Language) markups and will be made public according to terms set out in the legislation of reference. Furthermore, the information contained in the Consolidated Financial Statements and, from the year under review, all the information contained in the Notes to the consolidated financial statements that correspond to the mandatory elements of the taxonomy have been mapped according to the "Inline XBRL" specifications defined by ESMA on 28 December 2022, exercising the right of early application of the 2023 taxonomy in accordance with the provisions of Delegated Regulation (EU) 2022/2553.

In his/her Report, for the purpose of issuing the certification set forth in Article 154 *bis* of CFL, mentioned previously, the Financial Reporting Manager has expressed a judgement of substantive adequacy in relation to the characteristics of the company and actual application of the administrative and accounting procedures governing the preparation of the Financial Statements, formulated in light of the residual risk assessment present in the analysed macro-areas and in the identified mitigation actions. In expressing his/her judgement, the Financial Reporting Manager has also taken into account, *inter alia*, the measures adopted in light of the findings identified thereby in the previous year, thus acknowledging the presence of other areas needing improvement which do not influence the overall judgement expressed and which were shared and analysed in depth with the Board during the year.

The Auditing Firm has identified (and reported in its Additional Report provided to the Board of Statutory Auditors) some areas needing improvements which were not assessed as significant deficiencies of the Internal Control System as regards the financial information process. These areas shall be brought to the attention of the Management of the Bank by the Auditing Firm and presented to the Board of Directors by the Board of Statutory Auditors in order to take any relevant decisions.

The Board therefore has no issues to report regarding the adequacy of the administrative-accounting system and its reliability in correctly representing the operational performance. With reference to the accounting reports contained in the Separate and Consolidated Financial Statements at 31 December 2022 of Banco BPM, it must be noted that the certification with no findings was issued by the Managing Director and the Financial Reporting Manager pursuant to Article 81 *ter* of the applicable Consob Issuers' Regulation;

15. the Board of Statutory Auditors has found no issues regarding the adequacy of the internal regulations which govern the guidelines to be provided to the Subsidiaries in order to obtain the

information flows that are necessary to ensure the timely fulfilment of the reporting obligations set forth by the law.

The Board of Statutory Auditors also promoted the annual performance of a specific review of the handling of insider information and the exchange of information flows between the various Group Companies involved, the results of which showed overall compliance, attesting to the proper functioning of the process analysed, as well as a system of safeguards in terms of internal regulations and a complete IT procedure that is in line with the guidelines issued by Consob in October 2017.

Among the activities completed during the year 2022, also in order to work in close co-operation and facilitate dialogue in the sphere of the Bank's and Group's Control System, pursuant to article 151, paragraph 2 of the CFL and the Supervisory Provisions, the Board maintained a periodic exchange of information flows with the Control Bodies of the main Subsidiaries of the Group (Banca Aletti, Banca Akros and Banco BPM Vita), also receiving updates regarding the Companies controlled by the latter. This initiative was also facilitated by the fact that the Chairman of the Board and two standing members also hold offices in the Boards of the other two Banks and the two Insurance Companies of the Group. Based on the relationships established with the corresponding Control Bodies of the aforementioned Subsidiaries, as well as from the findings submitted by the Internal Control Functions of the Parent Company, in particular by Audit, Compliance and Anti-Money Laundering, no critical issues worthy of being reported have emerged;

16. as already stated, the Board of Statutory Auditors has met periodically with the Managers of the Auditing Firm responsible for the legally-required auditing of the company's records in compliance with the provisions of article 150, paragraph 3, of the CFL for the purpose of exchanging information. The Auditing Firm did not find any acts or facts to be considered as censurable or irregular, which might have required the formulation of any specific remarks pursuant to article 155, paragraph 2 of the CFL, as well as pursuant to article 19, paragraph 3, of Italian Legislative Decree No. 39/2010;
17. with regard to corporate governance rules, it should be noted that Banco BPM has adopted the *Corporate Governance Code* promoted by the Committee for *Corporate Governance*, as communicated to the market through the publication on the corporate website of the "Report on corporate governance and ownership structure", drawn up pursuant to Article 123-bis of the CFL, as amended.

The aforementioned Report illustrates the methods and conduct with which the principles and application criteria of the Code have actually been applied. The Board also acknowledged the "2022 Report on the evolution of corporate governance of listed companies" sent by the

Chairman of the Committee in a letter dated 25 January 2023, together with the "Recommendations of the Committee for 2023", acquiring its indications during a meeting of its own.

It should also be noted that the Extraordinary Shareholders' Meeting of 7 April 2022 approved some amendments to the Articles of Association referring mainly to the regulatory changes on banking *governance* introduced (i) by Italian Ministerial Decree no. 169/2020, (ii) by update no. 35 of Title IV, Chapter 1 of Part One of Bank of Italy Circular no. 285/2013 and (iii) the provisions contained in the *Corporate Governance Code*;

18. following the supervisory activities carried out, as described above, no omissions, censurable facts or irregularities worth mentioning in this report were identified;
19. in conclusion, with regard to all the supervisory activities carried out, the Board of Statutory Auditors of Banco BPM, having acknowledged the going concern statement issued by the Directors and of the judgement of appropriateness issued by the Auditing Firm regarding said assumption, does not consider it necessary to exercise the right to formulate proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of the CFL regarding the approval of the Separate Financial Statements of Banco BPM at 31 December 2022 and the subject matters falling under its competence. The Board, having carried out the necessary checks also in relation to the recommendations made to the banking system by the European Supervisory Authority, has no observations to make regarding the proposal to the Shareholders' Meeting to distribute a dividend of Euro 0.23 per share.

With the approval of the financial statements as at 31 December 2022, the mandate of the Board of Statutory Auditors appointed by the Shareholders' Meeting of the Bank held on 4 April 2020 and subsequently supplemented on 15 April 2021, expires.

Consequently, the Shareholders' Meeting of 20 April 2023 is called to appoint the new Board of Statutory Auditors for the three-year period 2023-2025.

On this occasion, we would like to thank you for the trust placed in the outgoing Board during the years of its mandate.

Milan, 21 March 2023

The Board of Statutory Auditors of Banco BPM S.p.A.



signed Prof. Marcello Priori, Chairman

signed Mr. Maurizio Lauri

signed Ms. Silvia Muzi

signed Mr. Alfonso Sonato

signed Ms. Nadia Valenti