



**EXPLANATORY REPORT
OF THE BOARD OF DIRECTORS OF BANCO BPM SPA
ON ITEM 3 OF THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

(Drawn up pursuant to Art. 123-*ter* of Legislative Decree no. 58 of 24 February 1998, as amended, and pursuant to Article 84-*quater* of the Regulation adopted by Consob Resolution no. 11971 of 14 May 1999, as amended and supplemented)

Ordinary and Extraordinary Shareholders' Meeting of 15 April 2021

Explanatory report of the Board of Directors of Banco BPM S.p.A. on item 3 of the agenda of the Ordinary Shareholders' Meeting called for 15 April 2021, on single call, regarding:

Report on the remuneration policy and on compensation paid of the Banco BPM Group 2021 (section I and section II).

1. **Approval of the remuneration policy (section I) pursuant to the legislative provisions in force. Pertinent and consequent resolutions.**
2. **Approval of the report on compensation paid in 2020 (section II) pursuant to legislative provisions in force. Pertinent and consequent resolutions.**

Dear Shareholders,

We have called you regarding the "Report on the remuneration policy and compensation paid of the Banco BPM Banking Group 2021" (hereinafter also the "**Remuneration Report**"), drafted by the Board of Directors, and in particular to be submitted for your approval:

1. section I of the Remuneration Policy relating to the Group remuneration policy (binding vote);
2. section II of the Remuneration Policy relating to the compensation paid in application of the remuneration policy for the year ended as at 31 December 2020 by the Banco BPM Group (advisory vote).

Remuneration Report

- Section I – 2021 Remuneration policy

Section I of the Remuneration Report is submitted for examination and approval by the shareholders' meeting ("**Remuneration Policy**"), drafted in compliance with the Supervisory Provisions issued by the Bank of Italy (Bank of Italy Circular no. 285/2013 and subsequent additions and amendments, hereinafter "**Supervisory Provisions**"), art. 123-ter of the T.U.F. (Consolidated Finance Act) and Consob Resolution no. 11971 of 14 May 1999 and subsequent additions and amendments ("**Issuers' Regulation**").

The Remuneration Policy defined for 2021 is valid for all personnel of the Banking Group, and contains, in particular: (i) the process for the definition and approval of the remuneration policy and the corporate bodies involved; (ii) the main characteristics of the policy of remuneration in favour of members of the administration and control bodies, employees and associates not holding an employment contract; (iii) the policy relating to the process of identifying the most important personnel; (iv) the methods employed to

ensure the link between the variable component of remuneration and the results, the main parameters taken as a reference, including therein financial and non-financial indicators correlated to the Environmental Social Governance (ESG) area, the underlying reasons and the consistency with the company objectives, strategies and risks; (v) the risk correction mechanisms, the deferment policies and *ex post* correction mechanisms (i.e., *malus* and *claw back*); (vi) criteria for calculating the amounts to be granted in the event of early termination of employment (the latter, however, subject to specific approval at this shareholders' meeting); (vii) the outcomes of the audits of the internal audit department on the consistency of the procedures adopted regarding remuneration in 2020.

- Section II – Compensation paid

Section II of the Remuneration Report is also submitted for examination and advisory approval of the shareholders' meeting ("**Compensation paid**") drafted in compliance with the Supervisory Provisions, art. 123-ter of the T.U.F. and the Issuers' Regulation.

The reports on compensation paid gives an account of the implementation of the remuneration policies of 2020 and provides the disclosure required by the Supervisory Provisions and the Issuers' Regulation.

The outcome of the audits conducted by the internal audit department is also provided.

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Dear Shareholders,

In light of all of the above, we ask you to pass the following resolutions:

Resolution relating to Section I - Remuneration Policy 2021 (binding vote).

"The ordinary Shareholders' Meeting of Banco BPM S.p.A.:

- having examined and acknowledged the content of the Remuneration Report, as well as the outcomes of the audits conducted by the internal audit department of Banco BPM S.p.A., made available to the Shareholders and the public in the manner and within the terms envisaged by the current legislation;*
- taking account of the contents of this Explanatory Report,*

RESOLVES

the approval for matters within its competence - without prejudice to subsequent resolutions

- of the contents of section I of the Remuneration Report, drafted in accordance with art. 123-ter of the T.U.F. and the Supervisory Provisions of the Bank of Italy in force and, as a consequence, in particular, also pursuant to art. 11.3, letter (g) of the Articles of Association, of the policy of remuneration in favour of the Board of Directors, the Statutory auditors and personnel, assigning a mandate to the Chairman of the Board of Directors, to the Chief Executive Officer, jointly and severally and with the right to sub-delegate, in order to correctly and promptly execute these resolutions and the formalities and acts relating and/or consequent to these, attributing them with all the necessary powers, including that of introducing changes or additions to the same that become necessary and/or appropriate in relation to the requests or recommendations of the Supervisory Authorities or the market management company".

Resolution relating to Section II - Compensation paid (advisory vote).

"The ordinary Shareholders' Meeting of Banco BPM S.p.A.:

- *having examined and acknowledged the content of the Remuneration Report, as well as the outcomes of the audits conducted by the internal audit department of Banco BPM S.p.A., made available to the Shareholders and the public in the manner and within the terms envisaged by the current legislation;*
- *taking account of the contents of this Explanatory Report,*

RESOLVES

the approval for matters within its competence of the contents of section II of the Remuneration Report, drafted in accordance with art. 123-ter of the T.U.F. and the Supervisory Provisions of the Bank of Italy in force regarding compensation paid, assigning a mandate to the Chairman of the Board of Directors, to the Chief Executive Officer, jointly and severally and with the right to sub-delegate, in order to correctly and promptly execute these resolutions and the formalities and acts relating and/or consequent to these, attributing them with all the necessary powers, including that of introducing changes or additions to the same that become necessary and/or appropriate in relation to the requests or recommendations of the Supervisory Authorities or the market management company".

Milan, 23 March 2021

The Board of Directors