



**Summary Document of the Regulation  
"Organisation, Management and Control Model  
pursuant to Italian Legislative Decree 231/01"**

Last update: 29 November 2022

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# 1 Introduction

## 1.1 Purpose

Banco BPM società per azioni is a bank in the form of a joint stock company resulting from the merger between Banco Popolare - Società Cooperativa and Banca Popolare di Milano S.c.a r.l., which became effective on 1 January 2017.

The bank, inspired by the ABI (Italian Banking Association) guidelines for the adoption of organisational models on the corporate liability of banks of February 2004, as supplemented with reference to the crimes introduced at a later stage, has decided to adopt and effectively implement its own organisation, management and control model suitable to prevent the commission of the crimes indicated in Italian Legislative Decree 231/01 and corresponding to the organisational structure assumed by the Parent Company, considering it a fundamental element of the overall governance system as it guarantees that the business activity is in line with the corporate strategies and policies and is based upon principles of sound and prudent management.

This regulation consists of a:

- “general part” which summarises the regulatory framework of reference and describes the purposes of the model, the adoption, modification and update procedure, the relationships between the bank's model and similar documents of other Group companies, the Supervisory Body, the sanction system, the formation and performance of intercompany services.
- “special part” which, with reference to any type of crimes and offences that the bank has decided to consider based upon the characteristics of its activity, identifies the activities and transactions at risk and the essential elements that the procedures must possess in order to reduce the risks of the aforementioned activities and transactions. That special part constitutes, for the bank, a protocol for the purposes of the decree. The special part is supplemented by other regulatory documents which, drafted in order to define and regulate individual processes typical of the business activity also including 231 aspects, make the adoption of specific “protocols” superfluous.

## 1.2 Scope of application and implementation methods

The regulation is approved by the Board of Directors of the Parent Company.

The general part of the regulation contains the guidelines that, in carrying out the management and coordination activity and notwithstanding the autonomy of each company, the Parent Company issues to the subsidiaries for the implementation of the decree.

The regulation, along with its subsequent amendments, following approval by the Parent Company, is incorporated by the relevant management bodies of the subsidiaries which resolve, insofar as they are responsible, on the incorporation of the regulation and guarantee that their internal regulations are consistent with that of the Parent Company.

## 1.3 Summary of updates

ID number	Date of update	Update summary content
Initial approval	25/05/2017	
1st update	17/04/2018	Update of the predicate crimes cited by Italian Legislative Decree 231/01 and insertion of the figure of "public service officer".
2nd update	17/12/2019	Update of the predicate crimes cited by Italian Legislative Decree 231/01 and removal of the references to the IT outsourcer of the Group and the company BP Property Management, incorporated into the Parent Company.
3rd update	16/06/2020	Update of the predicate crimes cited by Italian Legislative Decree 231/01 (Article 25-quinquiesdecies).
4th update	20/10/2020	Update of the predicate crimes cited by Italian Legislative Decree 231/01 (introduction of Article 25-sexiesdecies, modifications and new crimes against the Public Administration and taxes).
5th update	28/04/2022	Update of the predicate crimes cited by Italian Legislative Decree 231/01 (introduction of Art. 25-octies.1- Crimes in relation to payment instruments other than cash and modifications to crimes of receiving, laundering, reusing and self-laundering and other predicate crimes cited by the Decree).

6th update	29/11/2022	Update of the predicate offenses referred to in Italian Legislative Decree 231/01: introduction of art. 25 - septiesdecies and 25 - duodevicies and drafting of the special part relating to Offenses against cultural heritage.
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## 1.4 Glossary

With reference to the areas and aspects governed in the regulation, the terms described below (in alphabetical order in Italian) are used.

**Senior Staff:** persons who cover roles of representation, administration or management at Banco BPM, companies belonging to the Group or one of its organisational structures having financial and functional autonomy, as well as persons who exercise, even de facto, management or control of the bank. For the purposes of these rules, the bank identifies those persons as the members of the Board of Directors, the standing members of the Board of Statutory Auditors; the Chief Executive Officer, the Joint General Managers, the senior operational and executive managers, the managers of the structures who report directly to the bodies delegated by the Board of Directors and the managers of the departments identified in the Articles of Association and in accordance with legislative or regulatory provisions.

**Bank or Parent Company:** Banco BPM S.p.A.

**Code of Ethics:** internal document adopted by the bank by resolution of its Management Body, which defines the ethical principles with which the Group intends to comply in carrying out its activity.

**Non-Employed Staff:** natural or legal persons, other than senior staff or employees, who cooperate with the bank and provide a service intended only for the same (to be considered “subordinate” in accordance with Italian Legislative Decree 231/2001).

**Counterparties:** natural or legal persons, other than senior staff, employees and non-employed staff, in business relationships with the bank, excluding long-standing contractual relationships falling within the exercise of the institutional activity of financial intermediaries and other entities carrying out financial activity.

**Decree:** Italian Legislative Decree no. 231 of 8 June 2001, as amended and supplemented, as well as the regulations that expressly cite the rules of the same.

**Recipients:** persons to whom the rules contained in the model apply, namely: senior staff and employees. If the senior staff or employees also include directors of subsidiary companies (Italian or foreign), they are considered to be recipients of the model by virtue of the fact that they belong to the parent company. Non-employed staff are also assimilated to the recipients, limited to the general principles of prevention of the crimes.

**Employees:** persons who operate on the basis of relationships that involve their insertion into the company organisation, even in a form other than a subordinate employment relationship for the bank and who are therefore subject to the management or supervision of the senior staff, irrespective of the contract in place, therein including managers (to be considered “subordinates” in accordance with Italian Legislative Decree 231/2001).

**Group:** Banco BPM and all companies directly or indirectly controlled by it in accordance with Article 2359 of the Italian Civil Code.

**Model:** this organisation, management and control model which is understood to be supplemented by the Code of Ethics, by the regulatory system drafted to define and regulate individual processes typical of the company activity (complete in itself and also including the “231 aspects”), by the system of controls and by the system of powers and delegations.

**Legislation:** the set of: (i) laws in force in the State and respective implementing measures, therein including the regulations issued and the interpretations provided by the competent authorities; (ii) company and Group regulation, in force at the time; (iii) the applicable NATIONAL COLLECTIVE LABOUR AGREEMENTS.

**Body:** the Supervisory Body of the bank, appointed in accordance with Article 6 of Italian Legislative Decree 231/2001.

**Procedure:** the codified sequence of internal operating activities, therein including requirements and IT flows, which govern the performance of a business activity or operation.

**Crimes:** crimes that cite the liability of the bank in relation to corporate liability of entities pursuant to Italian Legislative Decree 231/01, to be understood to be included in this regulation, also including administrative offences that may generate similar liability for the bank and for which the model defines suitable principles of prevention.

**Structure:** central or peripheral office structure operating in Italy or abroad (representative offices) with its own autonomy established by the company organisation chart.

**TUB:** Italian Legislative Decree no. 385 of 1 September 1993 (Consolidated Banking and Credit Law).

**TUF:** Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Law).

## **General Part**



## 2 Italian Legislative Decree no. 231 of 8 June 2001

The decree regulates the onset of direct corporate liability - formally of administrative nature<sup>1</sup> - of the entity for the commission of some crimes by persons functionally linked to the same and it involves the applicability of administrative sanctions to the entity itself.

### 2.1 Nature and characteristics of corporate liability

Corporate liability for the commission of one of the crimes for which it is envisaged is added to - and does not replace - the liability (criminal or administrative) of the natural person who is the perpetrator of the crime.

Corporate liability also exists even if the perpetrator of the crime has not been identified or the crime has been extinguished against the perpetrator for a reason other than amnesty.

### 2.2. Cases of crime identified by the decree

Corporate liability arises only in the cases and within the limits expressly envisaged by the law: the entity "may not be held liable for an act constituting a crime if its liability ... in relation to that act and the respective sanctions are not expressly envisaged by a law", that entered into force prior to the commission of the act.

The entity cannot be held liable for the commission of any act constituting a crime, but only for the commission of crimes strictly envisaged by the decree, when the crime was committed/attempted, in the wording contained in its original text and subsequent supplementations, as well as by the laws that expressly cite the rules of the decree.

Italian Law no. 146 of 16 March 2006, ratifying and executing the United Nations convention and protocols against transnational organised crime, adopted by the General Assembly on 15 November 2000 and on 31 May 2001, is of particular significance for the purposes of identifying the relevant circumstances of crime, which identifies in the outlined criminal conduct the liability of the entity. In accordance with Article 3 of that Law, the crime committed by "an organised criminal group" must have the nature of transnationality, namely:

- it is committed in more than one State, or
- it is committed in one State, but a substantial part of its preparation, planning, management or control takes place in another State, or

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<sup>1</sup> The liability indicated in the Decree combines the essential traits of the criminal system and of the administrative system, in an attempt to reconcile the interests of preventive effectiveness, typical of the administrative perspective, with those of the maximum guarantee, resulting from a typically criminal approach.

- it is committed in one State but involves an organised criminal group that engages in criminal activities in more than one State, or
- it is committed in one State but has substantial effects in another State.

### **2.3. Objective criteria for the allocation of liability**

The commission or respective attempt to commit one of the crimes indicated by the decree constitutes the initial presupposition for the applicability of the rules laid down by the decree itself.

The decree identifies other presuppositions of objective nature and others of subjective nature.

A fundamental and essential allocation criterion of objective nature is the fact that the crime was committed "in the interest or alternatively to the benefit of the entity".

This means that corporate liability arises when the illegal act was committed in the interest of the entity or to favour the entity, although it is not actually necessary for this objective to be achieved. This is therefore a criterion that consists of the purpose - even not exclusive - of implementing the illegal act.

The criterion of benefit relates, on the other hand, to the positive result objectively obtained by the entity from the commission of the crime, irrespective of the intention of the person who committed it.

The entity is not, however, liable if the illegal act was committed by one of the persons indicated by the decree "in their own exclusive interest or that of third parties". This means that while the exclusivity of the interest pursued prevents the onset of corporate liability, conversely, liability arises if the interest is common to the entity and to the natural person or refers partly to one and partly to the other.

A further allocation criterion consists of the relationship of organic identification of the perpetrator of the crime with respect to the entity.

The crime must have been committed by one or more qualified persons, which the decree groups into two categories. More specifically:

- by persons who cover roles of representation, administration or management of the entity or of one of its organisational units having financial and functional autonomy, or by those who exercise, even de facto, management and control of the entity (known as senior staff);
- by persons subject to the management or supervision of one of the senior staff (known as "subordinates" who, it is specified, do not solely consist of employees).

If several persons contribute to committing the crime (giving rise to accomplices in the crime: Article 110 of the Italian Criminal Code; essentially the same applies in the case of an offence),

it is not necessary for the "qualified" person to implement, even partly, the typical action, envisaged by law. It is necessary and sufficient for him/her to provide a knowing causal contribution to the perpetration of the crime.

## **2.4. Subjective criteria for the allocation of liability**

The decree identifies a series of conditions - some described positively, others negatively - of a subjective nature (in the broad sense, as it concerns entities) to give rise to liability, which constitute subjective allocation criteria of the illegal act for which the entity is reproached.

In fact, the decree, as a whole, outlines the liability of the entity as direct liability for its own culpable act.

The liability of the entity is excluded if - prior to the commission of the crime - it has adopted and effectively implemented an organisation, management and control model suitable to prevent the commission of crimes of the nature of that which occurred.

Although the law does not lay down the obligation, the bank has decided to adopt a model compliant with the indications of the decree.

## **2.5. Crimes committed by senior staff**

For crimes committed by senior staff, the decree establishes the inversion of the burden of proof of culpability of the accused, as it involves the exclusion of liability if it is demonstrated that:

- "the management body has adopted and effectively implemented, prior to the commission of the act, organisation and management models suitable to prevent crimes of the nature of that which occurred";
- "the task of supervising the functioning of and compliance with the models and dealing with their updates has been entrusted to a Body of the entity having autonomous powers of initiative and control";
- "the persons committed the crime while fraudulently evading the organisation and management models";
- "there was no lack of or insufficient supervision by the Body having autonomous powers of initiative and control".

The conditions listed above must all occur jointly in order for the liability of the entity to be excluded.

## **2.6. Crimes committed by persons subject to management by others**

For crimes committed by subordinates (namely persons in a "subordinate" position), the entity may only be held liable if it is ascertained that "the commission of the crime was made possible by the breach of obligations of management or supervision".

In other words, the entity's liability is based on the breach of duties of management and supervision, duties attributed pursuant to the law to the senior staff within the company or transferred to other persons by virtue of valid delegations of authority.

The rule states that any breach of the obligations of management or supervision does not occur "if the entity, prior to the commission of the crime, has adopted and effectively implemented an organisation, management and control model suitable to prevent crimes of the nature of that which occurred".

## **2.7. Characteristics of the “organisation, management and control model”**

The decree does not regulate the nature and characteristics of the organisation, management and control model: it merely lays down some general principles, partially different in relation to the persons who could commit a crime. In particular, it states that if the crime is committed by senior staff, the entity is not liable if it proves that the model meets the following requirements:

- identifies the activities in the field of which the crimes may be committed (so-called “risk mapping”);
- establishes specific protocols aimed at planning the formation and implementation of the entity's decisions in relation to the crimes to be prevented;
- identifies methods of managing financial resources suitable to prevent the commission of the crimes;
- envisages reporting obligations to the Body in charge of overseeing the functioning of and compliance with the model;
- introduces a regulatory system suitable to sanction any lack of compliance with the measures indicated in the model.

With regard to the crimes that may be committed by subordinates, the model must envisage: "... in relation to the nature and dimension of the organisation as well as the type of activity performed, measures suitable to guarantee the conduct of the activity in respect of the law and to identify and promptly eliminate risk situations".

In relation to the effective implementation of the model, the following steps are required:

- "a periodic verification and possible modification of the same when significant violations of the requirements are discovered or when changes occur to the organisation or the activity";

- "a regulatory system suitable to sanction any lack of compliance with the measures indicated in the model".

## **2.8. Crimes committed abroad**

By virtue of Article 4 of the decree, the entity may be held liable, in Italy, for the commission of some crimes abroad.

The presuppositions on which this liability are based are:

- the crime must be committed abroad by a person functionally linked to the entity: a member of the senior staff or subordinate person (in the terms already examined above);
- the entity must have its main base in the territory of the Italian State;
- the entity may only be liable in the cases and under the conditions envisaged by Articles 7, 8, 9, 10 of the Italian Criminal Code (and if the law envisages that the culpable natural person is punished at the request of the justice minister, action is taken against the entity only if the request is also made against the entity itself);
- if the cases and conditions envisaged by the aforementioned articles of the Italian Criminal Code are in place, the entity is liable provided that the state authorities of the location in which the act was committed are not taking action against it.

## **2.9. Attempted crime**

The corporate liability of the entity also arises if one of the crimes envisaged by the decree as a source of liability is committed in the form of an attempt (Article 56 of the Italian Criminal Code). The sanction rules of the entity in the event of only an attempted predicate crime envisage, in accordance with Article 26 of Italian Legislative Decree 231/2001, a reduction from 1/3 to half of the sanction for the entity.

## **2.10. Sanctions**

The sanction system envisaged by the decree envisages pecuniary sanctions and preventive sanctions.

The administrative sanctions against the entity are limited to the term of five years from the date of commission of the crime; if any interrupting acts occur, a new limitation period commences.

## 2.10.1 Pecuniary sanctions

Unlike what is envisaged in the rest of the criminal and administrative system, the pecuniary sanction is determined by the judge through a system based on "quotas". Unlike what is established in the rest of the criminal and administrative system, the pecuniary sanction is determined by the judge through a system based upon "shares". Each crime is subject to a minimum and a maximum number of shares, whose monetary value is then determined by the judge (from a minimum of Euro 258.00 to a maximum of Euro 1,549.00 for each share), taking account of the "economic and financial conditions of the entity", in terms which ensure that the sanction is effective.

The pecuniary administrative sanction is applied: (i) by the criminal court or by the court competent to judge the perpetrator of the criminally significant illegal act in accordance with Italian Legislative Decree 231/01; (ii) by the administrative authority, in cases where the entity's liability is envisaged for the administrative crime committed "in its interest or to its benefit<sup>2</sup>".

If the liability of the entity is confirmed, the pecuniary sanction is always applied.

Circumstances of reduction of the pecuniary sanction are applied if the perpetrator of the crime committed the act in his/her own prevalent interest or that of third parties and the entity has not obtained a benefit from it or has obtained a minimal benefit from it and when the damage caused is particularly slight.

The pecuniary sanction deriving from crime is also reduced by one-third to half if, prior to the declaration of the opening of the first instance trial:

- the entity has fully compensated the damage and has removed the harmful or dangerous consequences of the crime or has in any case taken effective action in that sense;
- an organisation, management and control model suitable to prevent crimes of the nature of that which occurred has been adopted and effectively implemented.

For the crimes indicated in Article 187 of the Consolidated Finance Law, if the product or profit achieved by the entity was quite large, the pecuniary sanction is increased by up to ten times that product or profit.

The pecuniary sanction is, on the other hand, increased by one-third if - following the commission of the crimes indicated in Article 25-ter - the entity has earned a significant profit.

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<sup>2</sup> With reference to the provisions of Art. 187-quinquies of Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated law of provisions on financial intermediation") as amended and supplemented.

## 2.10.2 Preventive sanctions

Preventive sanctions are applied in addition to pecuniary sanctions and constitute the most significant afflictive response.

The preventive sanctions envisaged by the decree are:

- temporary or permanent prohibition from exercising the business;
- suspension or revocation of authorisations, licences or concessions functional to the commission of the crime;
- prohibition on contracting with the Public Administration, except to obtain performances of a public service;
- exclusion from funding, loans, contributions or subsidies and possible revocation of those already granted;
- prohibition, temporary or final, on advertising for goods or services.

Preventive sanctions apply only in the cases expressly envisaged and provided that at least one of the following conditions is met:

- the entity obtained from the crime a large profit and the crime was committed:
  - by a senior member of staff;
  - by a subordinate person, if the commission of the crime was facilitated by serious organisational deficiencies;
- in the case of repeated offences.

The preventive sanctions are usually temporary but may exceptionally be applied on a permanent basis.

At the request of the public prosecutor, the judge may apply preventive sanctions to the entity even on a precautionary basis, if there are serious indications of the entity's liability and there are well-founded and specific reasons to believe that there is a concrete risk of crimes being committed of the same nature as that for which action is being taken.

The Consolidated Banking Law <sup>[3]</sup> establishes that preventive sanctions may not be applied on a precautionary basis against banks.

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### <sup>3</sup> Article 97-bis. Liability for an administrative offence resulting from crime.

(1) *(omitted)*

(2) *(omitted)*

(3) *(omitted)*

(4) The preventive sanctions indicated in Article 9, paragraph 2, letters a) and b) of Italian Legislative Decree no. 231 of 8 June 2001 may not be applied on a precautionary basis against banks. In addition, Article 15 of Italian Legislative Decree no. 231 of 8 June 2001 also does not apply to the same.

(5) *(omitted)*.

That rule establishes an information flow between the public prosecutor, the Bank of Italy and CONSOB, concerning proceedings opened against a bank.

The preventive sanctions do not apply (or are revoked, if already applied on a precautionary basis) when, prior to the declaration of opening of the first instance trial, the following conditions occur:

- the entity has fully compensated the damage and has removed the harmful or dangerous consequences of the crime or has in any case taken effective action in that sense;
- the entity has eliminated the organisational deficiencies that led to the crime, by adopting and implementing organisation, management and control models suitable to prevent crimes of the nature of that which occurred;
- the entity has turned over the profit achieved for the purposes of confiscation;
- the perpetrator of the crime committed the act in his/her own prevalent interest or that of third parties and the entity did not obtain a benefit from it or obtained a minimal benefit from it;
- the pecuniary damage caused is particularly slight.

If all that behaviour is in place - considered to be voluntary correction - the pecuniary sanction is applied rather than the preventive sanction.

### **2.10.3. Other sanctions**

In addition to the pecuniary sanctions and preventive sanctions, the decree envisages another two types of sanctions <sup>[4]</sup>:

- confiscation, which consists of the State acquiring the price or profit of the crime (or, when it is not possible to execute the confiscation directly on the price or profit of the crime, of seizing sums of cash, assets or other utilities of equivalent value to the price or profit of the crime);
- publication of the conviction ruling on the internet website of the Ministry of Justice, as well as affixing the same in the municipality in which the entity has its main headquarters.

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<sup>4</sup> Upon the occurrence of the conditions envisaged by Article 15 of the Decree as well as by Articles 3, 10 and 11 of Italian Law no. 146 of 16 March 2006, if the presuppositions are in place to apply a preventive sanction that determines the interruption of the entity's business, the judge, in place of applying the sanction, arranges for the entity's business to be run by an external administrator for a period equal to the duration of the preventive sanction that would have been applied. By express provision of Article 97-bis of the Consolidated Banking Law, that solution does not apply to banks.



## 2.11. Modifying events of the entity

The decree governs the liability of the entity in the case of modifying events (transformation, merger, spin-off and transfer of business).

In general terms, it is established that "the obligation to pay the pecuniary sanction" inflicted on the entity "is the sole responsibility of the entity, with its equity or the common fund".

The direct pecuniary liability of the shareholders or associates is therefore excluded, irrespective of the legal status of the entity.

As general criteria for applying pecuniary sanctions against the entity, those established by civil laws on the liability of the transformed entity for the debts of the original entity apply.

The preventive sanctions remain in place against the entity in which the business branch in which the crime was committed remained (or merged), subject to the right for the entity resulting from the transformation to obtain the conversion of the preventive sanction into a pecuniary sanction, if the reorganisation process following the merger or spin-off eliminated the organisational deficits that made it possible for the crime to be committed.

The decree states that, in the event of "transformation of the entity, the liability remains in place for crimes committed prior to the date on which the transformation took effect".

Changes of legal structure (company name, legal status, etc.) are irrelevant for the liability of the entity: the new entity will be the recipient of the sanctions applicable to the original entity, for acts committed prior to the transformation.

With regard to the possible effects of mergers and spin-offs, the entity resulting from the merger, even by incorporation, "is liable for the crimes for which the entities participating in the merger were liable". Upon the takeover of the entity resulting from the merger in the legal relationships of the merged entities and the combination of the respective company activities, including those in which the crimes were committed, the liability is transferred to the entity produced by the merger.

If the merger occurred prior to the conclusion of the legal case for ascertaining the liability of the entity, the judge must take account of the economic conditions of the original entity, and not those of the entity resulting from the merger.

In the case of a partial spin-off, when the spin-off occurs by transferring only part of the equity of the spun-off company, which continues to exist, the liability of the spun-off entity remains in place for crimes committed prior to the spin-off. The collective entities that benefit from the spin-off, to which the equity of the spun-off company is transferred (in whole or in part), are jointly obligated to pay the pecuniary sanctions due from the spun-off entity for crimes prior to the spin-off. The obligation is limited to the value of the transferred equity: that limit is not

effective for beneficiary entities which have received - even only in part - the business branch in which the crime was committed.

Finally, the decree regulates the phenomenon of the sale and transfer of the company. In the case of sale or transfer of the company in which the crime was committed, the transferee is jointly obligated with the transferor entity for paying the pecuniary sanction, within the limits of the value of the transferred company and subject to the benefit of prior enforcement of the transferor entity.

The liability of the transferee - as well as being limited to the value of the company being sold (or transferred) - is also limited to the pecuniary sanctions that result from the mandatory accounting records, or are due for offences of which the transferee was in any case aware.

## **2.12. Predicate crimes and other offences**

### **2.12.1. The original core of predicate crimes**

The decree establishes some groups of crimes, which may give rise to corporate liability.

The “rules on the administrative liability of legal persons, companies and associations even without legal personality, in accordance with Article 11 of Italian Law no. 300 of 29 September 2000” issued with Italian Legislative Decree no. 231 of 8 June 2001, originally introduced Articles: **24** "undue receipt of funds, fraud in detriment to the State or a public body or to obtain public funds and cyber fraud in detriment to the State or a public body" and **25** "corruption and bribery".

### **2.12.2. Subsequent implementation of the group of predicate crimes**

The list of crimes was subsequently expanded by:

1. Italian Decree Law no. 350 of 25 September 2001, which introduced Article **25-bis** "forgery of currency, public credit cards and revenue stamps";
2. Italian Legislative Decree no. 61 of 11 April 2002, which introduced Article **25-ter** "corporate crimes";
3. Italian Law no. 7 of 14 January 2003, which introduced Article **25-quater** "crimes for purposes of terrorism or subversion of the democratic order";
4. Italian Law no. 228 of 11 August 2003, which introduced Article **25-quinquies** "crimes against the individual";
5. Italian Law no. 62 of 18 April 2005, which introduced Article **25-sexies** "market abuse" (crimes and respective administrative offences);

6. Italian Law no. 262 of 28 December 2005, which inserted, at Article 25-ter, the crime indicated in Article 2629-bis of the Italian Civil Code "failure to communicate a conflict of interest" and doubled the pecuniary sanctions envisaged by Art. 25 ter;
7. Italian Law no. 7 of 9 January 2006, which introduced Article **25-quater.1** "practices of female genital mutilation";
8. Italian Law no. 38 of 6 February 2006, which modified Article 25-quinquies, paragraph 1, letters b) and c), introducing the extension of the legislation also to the pornographic material indicated in Article 600-quater of the Italian Criminal Code;
9. Italian Legislative Decree no. 231 of 21 November 2007, which incorporated Directive 2005/60/EC on prevention of the use of the financial system for the purpose of money laundering and terrorist financing which introduced Article **25-octies** "receiving, laundering and use of cash, assets and utilities of illegal origin";
10. Italian Law no. 48 of 18 March 2008 (ratification and execution of the Council of Europe Convention on Cybercrime, made in Budapest on 23 November 2001 and rules of adjustment of the domestic legal system) which introduced Article **24-bis** "cyber crimes and unlawful data processing";
11. Italian Legislative Decree no. 81 of 9 April 2008, in implementation of Article 1 of Italian Law no. 123 of 3 August 2007, on the protection of occupational health and safety which introduced Article **25-septies** "manslaughter or serious or very serious injuries committed in violation of the rules on occupational health and safety";
12. Italian Law no. 94 of 15 July 2009 (public safety provisions) which, after Article 24-bis of the decree, inserted Article **24-ter**: "organised crimes";
13. Italian Law no. 99 of 23 July 2009 (provisions for the development and internationalisation of enterprises, as well as in relation to energy) which:
  - supplemented Article 25-bis of the decree with the crimes indicated in Articles 473 and 474 of the Italian Criminal Code and modified the title of that article, replacing it with the following: "forgery of currency, public credit cards, revenue stamps and identification instruments or signs";
  - inserted, after Article 25-bis of the decree, Article **25-bis.1** "crimes against trade and industry";
  - inserted, after Article 25-octies of the decree, Article **25-novies**: "crimes in relation to copyright infringement";
14. Italian Law no. 116 of 3 August 2009 (ratification and execution of the United Nations Convention against Corruption, adopted by the UN General Assembly on 31 October 2003 with resolution no. 58/4, signed by the Italian State on 9 December 2003, as well as rules of internal adjustment and modifications to the Italian Criminal Code and Code of Criminal Procedure) which introduced after Article 25-novies of the Decree, Article **25-decies**: "inducement not to make statements or to make untrue statements to the judicial authority";
15. Italian Legislative Decree no. 121 of 7 July 2011 (implementation of Directive 2008/99/EC on the protection of the environment, as well as Directive 2009/123/EC amending Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements) which introduced after Article 25-decies of the Decree, Article **25-undecies** "environmental crimes";
16. Italian Legislative Decree no. 109 of 16 July 2012 (implementation of Directive 2009/52/EC which introduces minimum standards on sanctions and measures against employers of

- illegally staying third-country nationals) which introduced after Article 25-undecies of the Decree, Article **25-duodecies** "employment of third country citizens staying illegally";
17. Italian Law no. 190 of 6 November 2012 (provisions for the prevention and repression of bribery and illegality in the Public Administration) which, with Article 77, modifies:
    - the title of Article 25 of the Decree, entering after the word "corruption", the words "undue inducement to give or promise utilities". following the aforementioned modification, Article 25 of the Decree has the following title: "corruption, undue inducement to give or promise utilities and bribery";
    - the body of the text of Article 25 of the Decree, entering at paragraph 3 the reference to the new Article "319-quater of the Italian Criminal Code";
    - the body of the text of Article 25-ter of the Decree, entering at paragraph 1, after letter s) the following: "s-bis) for the crime of bribery between private entities, in the cases envisaged by the third paragraph of Article 2635 of the Italian Civil Code";
  18. Italian Law no. 6 of 6 February 2014 converting, with amendments, Italian Decree Law no. 136 of 10 December 2013 which introduced into the "environment code" Article 256-bis which envisages the crime of "illegal combustion of waste";
  19. Italian Legislative Decree no. 39 of 4 March 2014 which extended the crimes indicated in Article 25-quinquies of the Decree, to Article 609-undecies of the Italian Criminal Code "solicitation of minors";
  20. Italian Law no. 62 of 17 April 2014, which modified Article 416-ter of the Italian Criminal Code: "political-mafia electoral exchange";
  21. Italian Law no. 186 of 15 December 2014 (provisions on the emergence and return of capital held abroad as well as to strengthen the fight against tax evasion, provisions on self-laundering) which, with Article 3, paragraph 3 inserted (after Article 648-ter of the Italian Criminal Code) Article 648-ter.1 extending the group of predicate crimes indicated in Article **25-octies** of the decree to that of "self-laundering", modifying the title to "receiving, laundering and use of cash, assets and utilities of illegal origin, as well as self-laundering";
  22. Italian Law no. 68 of 22 May 2015 (provisions on crimes against the environment) which extended the group of predicate crimes indicated in Article 25-undecies of the Decree, introducing the following circumstances: "environmental pollution" (Article 452-bis of the Italian Criminal Code), "environmental disaster" (Article 452-quater of the Italian Criminal Code), "unintentional crimes against the environment" (Article 452-quinquies of the Italian Criminal Code) and "trafficking and abandonment of high radioactive material" (Article 452-sexies of the Italian Criminal Code);
  23. Italian Law no. 69 of 27 May 2015 (provisions in relation to crimes against the Public Administration, mafia type associations and falsification of financial statements) which made changes to the crime of "corruption", a predicate crime contained in Article 25 of the decree and the crime of "false corporate communications" at Article 25-ter of the Decree with particular regard to the crime of "false corporate communications";
  24. Italian Law no. 199 of 29 October 2016 (provisions regarding the fight against phenomena of illegal work, exploitation of labour in agriculture and wage realignment in the agricultural sector) which modified the crime of "illegal intermediation and exploitation of labour" (Article

603-bis - Italian Criminal Code) and supplemented Article 25-quinquies "crimes against the individual" of the Decree;

25. Italian Law no. 236 of 11 December 2016 (changes to the Italian Criminal Code and to Italian Law no. 91 of 1 April 1999 on trafficking of organs intended for transplant, as well as Italian Law no. 458 of 26 June 1967 on kidney transplants between living persons) which modified the crime of "criminal association" (Article 416 of the Italian Criminal Code) cited by Article 24-ter "organised crimes" of the Decree;
26. Italian Legislative Decree no. 38 of 17 March 2017, which modified the crime of bribery between private entities and extended the group of predicate crimes indicated in Article 25-ter of the Decree, introducing the circumstance of instigation to bribery (Article 2635 bis – Italian Civil Code);
27. Italian Law no. 161 of 17 October 2017, which introduced into Art. 25-duodecies of Italian Legislative Decree 231/01 additional crimes in relation to illegal immigration indicated in Art. 12 of Italian Legislative Decree 286/1998 and regarding the procured illegal entry and facilitation of illegal immigration;
28. Italian Law no. 167 of 20 November 2017, "provisions for the fulfilment of obligations deriving from Italy's membership of the European Union - European Law 2017" which introduced into Article **25-terdecies** of Italian Legislative Decree 231/01, crimes of racism and xenophobia envisaged by Article 3-bis of Italian Law no. 654 of 13 October 1975, subsequently indicated in Article 604 bis of the Italian Criminal Code - propaganda and instigation to commit crime for reasons of racial, ethnic and religious discrimination - introduced by Italian Legislative Decree no. 21 of 1 March 2018;
29. Italian Law no. 3 of 9 January 2019 "measures to combat crimes against the Public Administration, as well as in relation to limitation of the crime and on transparency of political parties and movements" which modified Articles 13 (paragraph 2), 25 (paragraphs 1, 5, 5 bis), 51 (paragraphs 1 and 2) of Italian Legislative Decree 231/01, introduced among the predicate crimes Article 346 bis of the Italian Criminal Code (trafficking of illegal influences) and the cause of non-punishment indicated in Article 323-ter of the Italian Criminal Code and modified Articles 2635 and 2635-bis of the Italian Civil Code, Articles 316 ter, 318, 322 bis and 346 bis of the Italian Criminal Code;
30. Italian Law no. 39 of 3 May 2019 (ratification and execution of the Council of Europe convention on the manipulation of sports competitions, concluded in Magglingen on 18 September 2014) which introduced Article 25-quaterdecies into Italian Legislative Decree 231/01 (fraud in sports competitions, illegal exercise of gaming or betting and betting exercised with prohibited equipment);
31. Italian Law no. 133 of 18 November 2019 which converts, with amendments, Italian Decree Law no. 105/2019, containing urgent provisions on the national cyber security perimeter and which added to Art. 24-bis ("Cyber crimes and unlawful data processing") of Italian Legislative Decree 231/2001, the crimes indicated in Art. 1, par. 11 of the aforementioned Italian Decree Law;
32. Italian Decree Law no. 124 of 26 October 2019 (Measures to combat tax and contribution evasion and tax fraud), converted with amendments by Italian Law no. 157 of 19 December 2019, which introduced Art. **25 quinquiesdecies**, on tax crimes;

33. Italian Legislative Decree no. 75 of 14 July 2020, implementing Directive EU 2017/1371 on the fight against fraud that harms the Union's financial interests by means of criminal law which introduced Art. **25 sexiesdecies**, concerning crimes of smuggling and made changes and added new crimes to Articles 24 and 25 of Italian Legislative Decree 231/01 (crimes against the Public Administration) and Article 25 quinquiesdecies (tax crimes);
34. Italian Legislative Decree no. 184/2021 of 29 November 2021, which incorporates Directive EU 2019/713 of the European Parliament and of the Council of 17 April 2019, on combating fraud and counterfeiting of non-cash means of payment which introduced into Italian Legislative Decree 231/01, Art. **25-octies.1** (Crimes in relation to non-cash payment instruments);
35. Italian Legislative Decree no. 195/2021 of 30 November 2021, which incorporates Directive EU 2018/1673 of the European Parliament and of the Council on combating money laundering by criminal law, which made changes to the incriminating circumstances of receiving, laundering, reusing and self-laundering provided and punished by Articles 648 of the Italian Criminal Code, 648-bis, 648-ter and 648-ter 1 of the Italian Criminal Code.
36. Italian Law no. 238 of 23 December 2021 (Provisions for the fulfilment of the obligations deriving from Italy's membership of the European Union - European Law 2019-2020) which modified Articles 615-quater, 615-quinquies, 617-quater, 617-quinquies, 600-quater, 609-undecies of the Italian Criminal Code and Articles 184 and 185 of the Consolidated Finance Law.
37. Law no. of 9 March 2022 22 (Provisions on crimes against cultural heritage) which introduced articles **25 - septiesdecies** (Crimes against cultural heritage) and **25 - duodevicies** (Laundering of cultural assets and devastation and looting of cultural and landscape assets);
38. Legislative Decree no. 156/2022 which, in cases of fraudulent declaration through the use of invoices or other documents for non-existent transactions, fraudulent declaration through other artifices and unfaithful declaration, covered in chapter 24 "Tax offenses", extends the punishment to the attempted crime when committed also in the territory of another EU country in order to evade VAT.

### **2.12.3. Additional provisions contained in other regulatory measures**

39. Italian Law no. 146 of 16 March 2006 (ratification and execution of the United Nations convention and protocols against transnational organised crime, adopted by the General Assembly on 15 November 2000 and 31 May 2001) with reference to Articles 3 "definition of transnational crime" and 10 "liability of legal persons";
40. Italian Legislative Decree no. 58 of 24 February 1998 (consolidated law of provisions on financial intermediation, in accordance with Articles 8 and 21 of Italian Law no. 52 of 6 February 1996) with reference to Article 187-quinquies "corporate liability" as amended and supplemented by Italian Legislative Decree no. 107 of 10 August 2018."

The titles of all crimes considered by the decree are indicated in the document “catalogue of crimes and offences indicated in Italian Legislative Decree 231/01” which is updated and made available in the 231 document repository of the company intranet, constituting an integral part of the model.

### 3 Nature of the model

By adopting the model, the bank intends to fulfil the legal provisions, complying with the inspiring principles of the decree, the corporate governance codes and the recommendations of the Supervisory Authorities, and to make the controls and corporate governance system more effective, with particular regard to the aim of preventing the commission of the crimes envisaged by the decree as well as by the laws that expressly refer to them.

The model has the following goals:

- to identify activities that present a risk of commission of the crimes relevant for the bank;
- to identify rules and protocols that govern the risk activities;
- to provide adequate and effective information to the recipients on the methods and procedures to be followed in carrying out the risk activities;
- to identify the sanction consequences that may derive for them or the bank by virtue of the violation of the rules of law, provisions or internal regulations of the bank;
- to disseminate and guarantee the personal acquisition and actual affirmation of a business culture based upon legality, in awareness of the express disapproval by the bank of any conduct that is contrary to the law, regulations, corporate governance rules, indications of the Supervisory Authorities, internal provisions and, in particular, the rules contained in the model;
- to disseminate and guarantee the personal acquisition and actual affirmation of a culture of control, monitoring the achievement of the goals that, over time, the bank - exclusively based upon decisions duly taken by the competent corporate bodies - sets itself;
- to achieve the efficient and balanced organisation of the bank, with particular regard to the clear attribution of powers, the formation of decisions and their transparency and motivation, to preventive and successive controls on the acts and activities, as well as on the correctness and truthfulness of the internal and external information.

The provisions contained in the model supplement those envisaged by the Code of Ethics adopted by the bank, which constitutes their essential foundation.

This model is a bank regulation that is binding for the same and for the recipients to which it is applied.



## 4 Subjective scope of application of the model

The rules contained in the model apply to the recipients, who are required to respect all of its provisions, also in fulfilment of the duties of loyalty, correctness and diligence that arise from the legal relationships established with the bank.

The bank rejects and sanctions any conduct that does not comply with the law and with the provisions of the model and the Code of Ethics and also any behaviour implemented in order to evade the aforementioned provisions, even if the conduct is implemented in the belief that it pursues, even partly, the interest of the bank or with the intention of obtaining a benefit for the bank.

The bank disseminates the model by methods suitable to ensure that it is effectively known by all recipients who are required to guarantee the broadest commitment and utmost professionalism in exercising the assigned duties.

The legislation (including the model) is understood to be known by staff, sent to all departments and therefore operationally effective when published on the company intranet, as envisaged by the Legislative Sources Regulation. The update of the model also involves keeping a log of the document being read by the recipients.

New recruits receive, at the time of hiring, the instruction to access the legal section of the company intranet to read the model in full and they undertake to comply with its requirements, signing a specific declaration in that sense.

Non-employed staff receive, when signing the contract, the summary document of the model, the Code of Ethics and the anti-bribery policies.

Compliance with the contents of the model is also guaranteed, with reference:

- to the general part, by the signature by non-employed staff of a contractual clause in which they declare that they know the decree;
- to the special part, by the duties of supervision which fall upon the contact persons for the outsourced activities instructed to supervise the actions of non-employed staff.

## 5 The bank's model

### 5.1. Evolution of the model

The bank was created on 1 January 2017 by virtue of the merger between Banco Popolare and Banca Popolare di Milano.

Both Banco Popolare and Banca Popolare di Milano had adopted their own organisation, management and control model, adjusting it over time to the changes made to the legislative and regulatory system and to their corporate structure or their organisation or arrangement.

The bank decided to adopt and effectively implement, from its incorporation, a model capable of preventing the commission of the crimes.

The methodological approach adopted to define the model is adjusted to the new situation of a Group created by numerous heterogeneous companies. The model takes account of that complexity and guarantees homogeneity within the Group, without prejudice to the specific responsibilities of the various legal entities, along with the independence and autonomy of the respective Supervisory Bodies, where envisaged.

Given that the supervision of the risks originating from the decree is guaranteed, as well as by the model, by the overall regulatory system which, established in order to define and regulate the individual processes typical of the company activity, also includes controls to mitigate the risk of committing the crimes; at the creation date of the new bank, the continuity and conformity of the operations and controls was guaranteed.

Thereafter, the internal rules were gradually refined, harmonised and streamlined in coherence with the overall evolution of the new Group. The internal rules are constantly adjusted so as:

- to evolve coherently with the evolution of the organisational structures, processes and procedures;
- to enhance the wealth of knowledge in terms of policies, rules and internal regulations that direct and govern the formation and implementation of decisions in relation to the crimes to be prevented;
- to manage with unique criteria the company operating rules, including those relating to the risk areas in accordance with the decree.

With reference to the mapping of the areas and activities at risk, such mapping was initially borrowed from that of the former Parent Companies Banco Popolare and Banca Popolare di Milano, in coherence with the substantial continuity of processes and operations upon the launch of the new Parent Company and subsequently updated several times based upon legislative changes, organisational changes of the bank and company incorporation processes, applying the methodology described below, in coherence with the indications of the industry guidelines, best practices, doctrine and case law.

## 5.2. Organisation control

The maintenance of the model is overseen by the Parent Company's Organisation department which may obtain collaboration from the Audit, Compliance, Legal and Regulatory Affairs Departments of the Parent Company and all other departments by remit, in order to pursue the following objectives:

- to launch and manage the updating process of the model, in view of changes to the 231/01 rules identified by external legislation or on the occasion of substantial changes to the business model or organisational structure which modify or redistribute the risks of committing the crimes;
- to define and maintain a standard method of recording and assessing the risks in accordance with the legislation, with the indications provided by case law and with the best practices of the banking system;
- to report to the Board of Directors, to the senior management lines (insofar as they are responsible) and to the Body of the bank the outcomes of the risk assessment activities, including any improvement actions of the controls, contributing to the overall effectiveness of the system of controls.

## 5.3. Mapping of risk areas/activities

Mapping is performed on the basis of an examination of the internal documentation and in particular:

- the company organisation chart which highlights the structures, the reporting lines (organisation charts) and responsibilities attributed;
- the resolutions and reports of the management and control bodies and of the Body;
- the updates of the regulatory system of the company and of the Group;
- the system of powers and delegations;
- the system of controls;
- the reports by the structures of changes to the procedures under their remit for the effective implementation of the model;
- the external sources and in particular:
  - the legislative evolution on the administrative liability of entities;
  - the regulations, for the profiles under the remit of the bank, of the European Central Bank, of the Bank of Italy, of CONSOB and of other supervisory authorities;
  - the indications contained in the guidelines of the Italian Banking Association and any other relevant industry guidelines.

The mapping of risks is carried out only for activities performed in person by the bank (or for other Group companies) and not those that are outsourced to other Group companies; the

identification of the risks and the establishment of controls to mitigate them is the responsibility of those outsourcers<sup>5</sup>.

Given, however, that the bank is liable for any crime that may be committed in its interest and to its benefit, the Group outsourcers make available to the bank, by way of the Parent Company's Organisation department, the documentation (the findings of the mapping activities, the specific special parts of its model and any other legislation of relevance for the purposes of the corporate liability rules) in relation to activities managed on behalf of the latter so that the set of recordings of all those who contribute to developing an entire process (several structures of the bank, the bank and the outsourcer, several structures of a single outsourcer, several outsourcers), places the bank - as principal - in a position to have an integrated and organic framework that facilitates:

- the overall recording of the “231 risks” which must be reported in the special parts of the model;
- the overall assessment of the adequacy of the controls implemented to mitigate those risks and those attributable to the outsourcers used for the performance of specific services;
- the identification and monitoring of interventions that must be implemented to mitigate the risks identified overall. In that regard, the bank:
  - in the capacity of principal, monitors the service level received, identifying and reporting without delay to the outsourcers those events that may infer a violation or a risk of violation of the 231 legislation;
  - in the (possible) capacity of outsourcer, produces periodic reporting on the implementation status of the planned improvement interventions with regard to activities performed for other Group companies.

Without prejudice to the foregoing, for each of the structures, the Parent Company's Organisation department, using, where necessary, support from other competent company functions, establishes a dedicated work group in order to:

- prepare risk assessment sheets including all responsibilities as defined in the organisation chart;
- consider the crimes contemplated by the decree at the activation date of the mapping project;

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<sup>5</sup> As the *outsourcer* is the owner of the business organisation that carries out the service, the latter is responsible, primarily, for recording the 231 risks and for adopting organisational measures to prevent them. The protection of the *principal* (who does not have direct powers to intervene in the organisation of those carrying out the service) is implemented contractually.

It follows that each Company records both the activities at 231 risk exercised in person and the activities at 231 risk performed for other Group Companies and that, by virtue of that recording, the *outsourcer* must indicate the controls aimed at preventing the perpetration of crimes also against the *principal*.

- meet the heads of the organisational structures so that they can verify the completeness of the responsibilities attributed to them and the correspondence of the combination of risks/crimes with the responsibilities.

The latter are responsible for:

- the execution, proper functioning and effective application over time of the processes, proposing changes to the procedures under their remit, when those changes appear to be necessary for the effective implementation of the model;
- verifying the existence and proposing to the Organisation department remedies for any deficiencies in the regulations that could give rise to foreseeable risks of commission of the crimes as part of the activities under their remit;
- reporting to the Body any situations of irregularity or anomalous behaviours;
- keeping constantly updated the risk assessment sheet, making it available to the Body;
- modifying the sheets to:
  - supplement them with information regarding: (i) the frequency with which a responsibility is implemented, (ii) the assessment of adequacy of the specific controls imposed to mitigate the risk/crime;
  - amend them (where considered necessary) with respect to contents inserted by the work group;
  - submit their own observations;
  - share their content (even after any discussion with the work group) signing them as a mark of acknowledgement of the 231/01 risks under their responsibility and those of the subordinate structures;
  - return them to the Organisation department.

With reference to the preparation activities of the risk assessment sheets, the work group considers the possible implementing changes of the crimes within the different business areas. In particular:

- it provides examples of the circumstances and occasions of crime that may occur with respect to the internal and external operational context with which the business structures liaise;
- it assesses the risks, correlating them to the significance of the same (in accordance with the decree) in the context of the real and actual business activity (institutional and corporate) of the bank and in coherence with the methodological approach adopted;
- it takes account of the previous affairs of the bank (thereby meaning also events affecting the companies that merged into the bank), the other Group companies, other entities operating in the same sector and the indications contained in the industry guidelines issued by the Italian Banking Association.

At the end of the activities, which are supplemented by constant support and discussion activity with the heads of the structures, the work group carries out a further examination of the risk assessment sheets which:

- involves, where the indications of the structures following changes to the sheets delivered are not sufficiently motivated, an autonomous identification of the risks, which is formally communicated to the heads of the structures in the consolidated sheets returned at the end of the mapping procedures;
- allows, by virtue of an organic and cumulative interpretation of the findings made, for the harmonisation and coherent identification of the risks based upon the degree of marginality or significance;
- ensures impartiality in the assessment of the risks and in the consequent gap analysis.

The business areas that are potentially exposed to risks of commission of the crimes indicated in the 231 rules are indicated in the information relating to the recording and assessment of the risks which the Organisation department prepares at the end of the mapping activities for the structures, for the superordinate structures, for General Management and for the Board of Directors, at the end of the risk assessment activity.

The risk assessment activities are integrated with the circumstances or occasions of crime identified within the managerial committees and those envisaged by the Articles of Association, the corporate bodies and the delegated entities.

That mapping methodology allows for the identification of the connection between the sensitive activities indicated in the special part of the model and each of the company functions exposed to a certain crime risk, allowing each recipient to be clear about the risks to which it is exposed, his/her role and which rules govern his/her actions.

The documentation on the mapping, which constitutes an integral part of the model, is made available in a specific repository of the company network:

- of the Body of the bank
- of the Body of the Group companies for which the bank operates in the capacity of outsourcer.

The monitoring of the areas and activities at risk of commission of the crimes involves verifying the capacity of the model which must be carried out on a three-year basis, or every time significant changes or alterations are made:

- in the legislative and regulatory system, even internal, that regulates the activities;
- in the corporate structure or in its organisation or arrangement;
- in the activity or in the services or goods offered to customers, including financial instruments or products;
- if risks emerge that have previously not been highlighted.

In those cases, the mapping of the processes and company activities in which the risk of commission of one of the crimes expressly cited by the decree may occur must be revised.

## **5.4. The regulatory system, the system of delegations and that of controls as a presupposition of the model**

The bank pays the utmost attention to defining, on a unified basis, the organisational structures, procedures, rules and system of controls in order to guarantee efficiency, effectiveness and transparency in managing the activities and in attributing the respective responsibilities.

Based upon the applicable primary legislation and regulations, the bank has established an overall system of rules that fulfils the function of:

- organising the system of powers and delegations;
- regulating the activities performed within the bank;
- managing the relationships between the various persons involved in the system of controls;
- regulating the information flows between the members of the company organisation and the Group.

The system of rules constitutes the founding basis of a model according to the decree and is defined and constantly monitored in order to respect the regulatory provisions to which the bank is subject in the capacity of bank, Parent Company and company listed on the stock exchange.

That system of rules, as well as the subjection to supervision, for the profiles under their remit, of the European Central Bank, the Bank of Italy, CONSOB and other supervisory authorities, constitutes an effective tool for controlling the prevention of illegal behaviours in general, including those relating to corporate liability.

Control of the risks originating from the decree is guaranteed by this model and by the regulatory system described in the next paragraph, by the system of controls and by the system of powers and delegations, which constitute an integral and essential part thereof.

### **5.4.1. The Group's regulatory system**

The regulatory system is aimed at guaranteeing:

- respect of the business strategies and achievement of the effectiveness and efficiency of the business processes;
- safeguarding of the value of the assets and protection against losses;
- reliability and integrity of accounting and management information;
- compliance of the operations with the law and with the supervisory regulations, as well as with company policies and plans.

It comprises:

- governance documents which oversee the functioning of the bank;
- stricter operating rules (and these include the model) which - also including therein 231 aspects - constitute protocols for the purposes of the rules on corporate liability.

The contents of the regulatory documents listed above are not reported in detail in the model but form part of the broader system of organisation, management and control that the model is intended to integrate and which the senior staff and employees are required to respect.

In order to increase awareness of the risks and controls implemented and to contextualise them in terms of the activities performed, specific information sheets are published, dedicated to each structure of the bank, which highlight the connection between the activities performed, the crimes that could be committed, the general principles of conduct, the specific control principles and the regulatory references in place.

The regulatory corpus, which is contained and catalogued in a specific documentary *repository* of the company *intranet*, is monitored by the Regulatory structure of the Parent Company which is also assigned responsibility for monitoring the overall regulatory process whose concluding act - publication on the company intranet - is the time when the regulatory document is considered to be incorporated in the structures at which it is aimed and becomes operationally effective.

The internal rules as well as the managerial and operational interactions between the different members of the Group are regulated by formal mechanisms of functioning expressed in the regulation on management and coordination.

#### **5.4.2. The system of powers and delegations of authority**

The bank has as its purpose the collection of savings and the exercise of credit, in its various forms, both directly and by way of subsidiary companies.

Banco BPM, both directly and by way of the subsidiary companies, may complete, in respect of the regulations in force and subject to obtaining the required authorisations, all banking, financial and insurance operations and services, including the establishment and management of open or closed pension forms, as well as the other activities permitted for credit bodies, including the issuance of bonds, the exercise of loan activity regulated by special laws and the purchase and sale of business credits.

The bank adopts the traditional management and control system, in accordance with Articles 2380-bis et seq. of the Italian Civil Code. It therefore operates by way of a Board of Directors and a Board of Statutory Auditors.



## **Role of the Board of Directors**

The Board of Directors is responsible for the strategic supervision and management of the business. To that end, the Board of Directors may complete all operations necessary, useful or opportune to implement the corporate purpose, whether of ordinary or extraordinary administration.

The Board of Directors delegates authority for the day to day management of the Company to the Chief Executive Officer who exercises the same in accordance with the general planning and strategic guidelines established by the Board of Directors.

The Board of Directors is responsible, as well as for matters that may not be delegated by law, also for those listed by the Articles of Association of the bank.

The Board of Directors is also attributed, in respect of Article 2436 of the Italian Civil Code, with the power to make resolutions on mergers in the cases envisaged by Articles 2505 and 2505-bis of the Italian Civil Code, spin-offs in the cases envisaged by Article 2506-ter, final paragraph of the Italian Civil Code, capital reductions in the event of shareholder withdrawal, in accordance with Article 2365, paragraph 2 of the Italian Civil Code, and the opening and closure of secondary branches other than those indicated in the Articles of Association, in any case excluding the opening of new administrative branches or the closure of those envisaged by the Articles of Association.

For certain categories of business deals and affairs, the Board of Directors may delegate specific powers, in accordance with the law, to managers, heads of individual branches or other personnel, determining the limits and methods of exercising the delegation, and establishing that the delegated persons may act separately or jointly or through a committee. Unless otherwise established in the assignment, the decisions made by the delegated bodies must be notified to the delegating body. The decisions made by other delegation holders must be notified to the superior body in accordance with the mechanisms established in the applicable regulation resolved by the Board of Directors.

## **Committees internal to the Board of Directors**

The Board of Directors establishes within it, approving the regulation that determines their duties and functioning, in respect of the regulatory provisions in force at the time, the Committees indicated below. The Committees have the duties and roles envisaged for each of them by the legislation, including regulatory, in force at the time and by the Corporate Governance Code of Borsa Italiana S.p.A:

- Appointments Committee;
- Remuneration Committee;
- Internal Control, Risks and Sustainability Committee;
- Related Parties Committee.

The Board of Directors in any case has the right to establish other Committees, drawing up appropriate Regulations, with advisory, investigatory or proposal-making powers.

## **Delegated bodies and roles**

### **Chief Executive Officer**

The Board of Directors appoints from its members a Chief Executive Officer, granting to the same certain attributions and powers of the Board of Directors in accordance with Article 2381, paragraph 2 of the Italian Civil Code. The attributions and powers are listed in the bank's Articles of Association.

In cases of exceptional urgency, the Chief Executive Officer, having liaised with the Chairman of the Board of Directors, may make resolutions regarding any transaction under the remit of the Board of Directors, provided that it is not attributed by mandatory rules of law or by provisions of the Articles of Association to the collegial remit of the Board of Directors and provided that they are transactions regulated by the procedures adopted in accordance with Article 2391-bis of the Italian Civil Code, subject in those cases to compliance with the specific provisions of those procedures for urgent transactions. In any case, the decisions made in that manner must be brought to the attention of the Board of Directors in writing at its next meeting.

The Chief Executive Officer reports, with the General Manager and the Joint General Managers, if appointed and insofar as they are responsible, to the Board of Directors, at least once every quarter, on the general business performance and on its outlook and on the most significant transactions carried out by the company and its subsidiaries.

### **General Management**

General Management of the bank currently consists of two Joint General Managers whose appointment, revocation or replacement (and the determination or amendment of their powers, functions and responsibilities) is resolved by the Board of Directors, at the proposal of the Chief Executive Officer, having liaised with the Chairman of the Board of Directors.

### **Senior operational and executive management**

The senior executive structure of the bank currently includes two figures reporting directly to the Chief Executive Officer; the Chief Financial Officer and the Chief Lending Officer.

### **Structures**

The structures operate on the basis of specific regulations and operating rules (company and Group) which define the respective remits and areas of responsibility and the decision-making and implementing processes regarding the operations of the bank and which are coded, monitored and can be accessed by the whole organisational structure.

Managerial staff and clerical staff with a delegation of authority, or to whom certain duties have been attributed for the work activity to be carried out within the structures to which they are assigned, are responsible for complying with the general and special laws, the Articles of Association and the resolutions of the collegial bodies.

The right of delegation is exercised through a transparent process, always monitored, graduated based upon the role and position covered by the delegate.

The procedures for the company signature on deeds, contracts, documents and correspondence, both external and internal, are also formalised. In particular, except in the case of special personal delegations and specific provisions established to facilitate operations for which sole signature is permitted, deeds issued by the bank require the joint signature of two persons.

### **Role of the Board of Statutory Auditors**

The Board of Statutory Auditors carries out the duties and exercises the control functions envisaged by the legislation in force at the time and, in particular, it supervises:

- compliance with the laws, regulations and Articles of Association as well as respect of the principles of proper administration;
- the adequacy of the Company's organisational and administrative/accounting structure and the financial reporting process, within its scope of responsibility;
- the effectiveness and adequacy of the risk management and control system, the internal audit system, as well as the functioning and adequacy of the overall internal control system;
- the statutory auditing process of the annual accounts and the consolidated accounts;
- the procedures for the proper implementation of the corporate governance rules with which the Company claims to comply;
- the adequacy of the instructions imparted by the Company to its subsidiaries in the exercise of management and coordination activities;
- the independence of the independent auditing company, particularly as regards the provision of non-auditing services.

The Board of Statutory Auditors is invested with the powers established by regulatory and legislative provisions and reports to the Supervisory Authorities pursuant to the regulations in effect at the time.

### **5.4.3. Internal control system**

The internal control system comprises the set of rules, functions, structures, resources, processes and procedures which are aimed, through an adequate process of identification, measurement, management and monitoring of the main risks, at guaranteeing, in respect of sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits indicated in the framework of reference for determining the risk appetite of the Parent Company (Risk Appetite Framework - “RAF”);
- safeguarding of the value of the assets and protection against losses;
- effectiveness and efficiency of company processes;
- reliability and security of company information and IT procedures;
- prevention of the risks to which the bank is exposed, even involuntarily, in unlawful activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- operating and regulatory compliance with respect to the law, the supervisory regulations as well as the internal policies, plans, regulations and procedures.

The internal control system plays a central role in the company organisation and represents a fundamental element of knowledge for the company bodies so that they can guarantee full awareness and responsibility for the effective monitoring of company risks and their interrelations; it directs the strategic guidelines and company policies and, therefore, the organisational context; it oversees the functionality of the management systems and respect of the prudential supervision provisions, promoting the dissemination of the proper culture of risks, legality and corporate values.

Due to these characteristics, the internal control system is of strategic relevance; the culture of control takes an important position in the scale of corporate values, and concerns not only the internal control functions but also the entire company organisation (company bodies, structures, hierarchical levels, personnel) in the development and application of logical and systematic methods for identifying, measuring, communicating, managing and continuously verifying the typical risks of banking activity and of the activity of the Group companies.

In order to be able to achieve this objective, the internal control system must, in general:

- guarantee the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the risk management process and its coherence with the Risk Appetite Framework (RAF);
- envisage widespread control activities in every operating segment and at every hierarchical level;
- ensure that any anomalies identified are promptly brought to the attention of appropriate levels of the business (to the company bodies, if significant) able to activate promptly the corrective interventions and incorporate specific procedures to address any violation of the operating limits.

The bank's internal control system must ensure that the operations as a whole are oriented towards respect of the general principles outlined above, with which the behaviours of individuals, functions and bodies of the same must comply.

The persons involved in the internal control system are the company bodies, board committees, internal control functions, as well as the set of functions that, in accordance with

legislative, regulatory, statutory or corporate governance provisions, are responsible for control, including the Body.

The bank adopts an internal control system based upon three levels, in coherence with the legislative and regulatory provisions in force. That model involves the following types of control:

- line controls (first level controls): they are carried out by the operating structures which are primarily responsible for the risk management process. As part of their operational activity, they must identify, measure, monitor, mitigate and report risks deriving from the ordinary business activity. The purpose of those controls is to guarantee the correct conduct of the operations. They are integrated into the procedures or performed manually through hierarchical, systematic and random inspections;
- controls on risks and on compliance (second level controls): they guarantee the implementation of the risk management process, respect of the operating limits assigned to the various functions and the regulatory and operational compliance of the rules, including those of corporate governance. The functions that perform the second level controls are separate from the operational functions and they contribute to defining the risk management process;
- internal audit (third level controls): they are aimed at identifying violations of the procedures and regulations as well as at assessing periodically the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the information system, with frequency established in relation to the nature and intensity of the risks.

## 6 Adoption, modifications and update of the model

The Board of Directors is exclusively responsible for the adoption, modification and effective implementation of the model.

The Board of Directors:

- modifies the model if significant violations or evasions of the requirements contained therein are identified which reveal its inadequacy, even only partial, to ensure the effective prevention of the crimes and offences;
- updates, in whole or in part, the model, also upon the proposal of the Body, if changes or modifications occur:
  - in the legislative and regulatory system, even internal, that regulates the bank's activity;
  - in the corporate structure or the organisation or arrangement of the bank;
  - in the activity of the bank or its services or goods offered to customers, including financial instruments or products;
- guarantees the effective implementation of the model, by way of assessing and approving the actions necessary to implement and modify it.

The Organisation department defines the structure of the model and investigates proposals to modify the same. Those proposals are communicated in advance to the Compliance department, which provides an opinion of conformity, and subsequently to the Body, which expresses a non-binding opinion.

In derogation of the foregoing, the Organisation function may make changes of non-substantial nature to the model where they are found to be necessary for clarity or efficiency. Those changes are communicated to the Compliance department, to the Body and to the Board of Directors.

By adopting and effectively implementing the model, the bank intends:

- to determine, in all those who operate on behalf of the bank, the awareness that regulatory or contractual consequences may be incurred in the event of a violation of the instructions provided, and criminal and administrative sanctions may be applied against them;
- to reiterate that those forms of illegal behaviour are strongly condemned since they, even if the bank may apparently obtain a benefit from them, are - in any case - contrary, to the provisions of law and to the principles with which the bank intends to comply in exercising its business activity;
- to allow the bank, thanks to monitoring action on the areas of activity at risk, to intervene promptly, in order to prevent or combat the commission of the crimes and to sanction behaviour contrary to its model.

The effective and concrete implementation of the model is also guaranteed:

- by the senior managers and heads of the various structures;
- by the Body, in the exercise of the power of initiative and control granted to the same over the activities performed by the individual structures.

Through the Parent Company's Organisation department, the senior staff and heads of the relevant structures propose to the competent functions any changes to the procedures under their remit, when those changes appear necessary for the effective implementation of the model. The procedures and modifications to the same are promptly communicated to the Body.

The Body reports in writing to the Chairman of the Board of Directors and to the Chief Executive Officer any circumstances that make it opportune or necessary to modify or revise the model. The Chairman of the Board of Directors, in that case, inserts the report of the Body into the agenda of the Board of Directors in order for the relevant resolutions to be made.

## **7 Group guidelines**

### **7.1. Structures based abroad (representative offices)**

The Group operates abroad through structures not having autonomous legal personality (representative offices) which are, to all intents and purposes, recipients of the company's model, irrespective of the jurisdictions in which they operate. If the legislation of the countries in which those structures are based do not envisage similar levels of attention, the latter must comply, in particular, with the contents of the chapter "General principles for the prevention of crimes and offences" of the model, adjusting them to the peculiar aspects of their own situation in coherence with the local regulations in force. If any of the provisions contained in the model are less restrictive than the local legislation, the aforementioned structures adopt the local legislation.

The head of the structure established abroad guarantees the correct implementation and respective monitoring of the general principles for the prevention of crimes and offences issued by the Parent Company. The Supervisory Body receives any internal documents and their updates, prepared with the aim of regulating the implementation of the aforementioned general principles, and a copy of the reporting produced with reference to the regulations also discussed in the model.

### **7.2. Subsidiaries based in Italy**

The Group, having adopted an organisational structure that distinguishes it as a substantially and economically unified enterprise, gives guidance on the choices for implementing the Decree, defining guidelines and frameworks of reference for preparing the organisation, management and control models of the Group Companies.

In relation to the foregoing, the Parent Company has prepared a model that, without prejudice to the autonomy of each company in adopting its own, represents the paradigm to be adopted by the individual banks and the Group Companies.

In that regard, the Parent Company communicates to all banks and companies belonging to the Group the contents of its model and any subsequent issuance or modification.

The subsidiaries based in Italy, bearing in mind the 231 risk profile abstractly attributable to the company, may adopt, for the purposes indicated in the decree, their own organisation, management and control model.

In preparing the organisation, management and control model, the subsidiaries comply with the general principles and contents of the Parent Company's model, notwithstanding the opportunity to acknowledge in the model the specific situations relating to the nature, size, type of activity, corporate structure or arrangement of internal delegations that require or suggest



the adoption of different measures in order to pursue more rationally and effectively the objectives indicated in the model.

If the subsidiaries based in Italy, in adopting their own organisation, management and control model, have not been able to ensure that it conforms to that of the Parent Company, they will send it to the same (administrative functions of the Board of Directors and the Body) highlighting and motivating the deviations.

The subsidiaries indicated in this paragraph resolve on the organisation, management and control model, after having identified the activities that present a risk of commission of the crimes (risk mapping) and the most suitable measures to prevent their commission. To that end, the subsidiaries obtain support from the Parent Company's Organisation department. During the procedure of identifying the risk activities and updating or adopting an organisation, management and control model coherent with that of the Parent Company and until they have approved it, the Group companies shall adopt adequate measures to prevent the illegal behaviour using - if deemed necessary - the collaboration of the competent functions of the Parent Company.

The draft organisation, management and control model is brought to the attention of the respective Supervisory Body (if already established) which expresses its own non-binding opinion. If the management body decides to deviate from that opinion, it must provide adequate motivation for the same.

Within the scope of the management and coordination functions, the Parent Company also provides non-binding instructions on the composition of their Supervisory Bodies to the subsidiaries based in Italy, which constitute the minimum threshold and do not, therefore, exclude the same opting for a higher standard without particular obligations of motivation. If, on the other hand, the management body of the subsidiaries based in Italy decides to adopt less stringent standards, it must adequately motivate its decisions and communicate them to the Parent Company.

In particular, the Parent Company - bearing in mind the corporate purpose, mission, size, operational complexity, organisation and 231 risk profile abstractly attributable to the individual subsidiaries based in Italy - has identified the hypotheses below to which the same may refer in determining the composition of their Supervisory Body.

For banks (other than the Parent Company), the Supervisory Body may comprise three members, including two members internal to the bank or to the Group and an external member in the capacity of Chairman. The choice of mixed composition (internal/external) is aimed at reconciling the knowledge of the enterprise (therefore, more suitable for identifying and monitoring the applicable areas of risk) with the independence of the corporate structure which reinforces the impartiality of the controls and judgements.

The internal members of the Body are representative of resources that may be an expression:

- of the internal control functions of the company or of other Group companies;
- of the Board of Statutory Auditors of the company or of other Group companies;
- of the management body of the company, provided that it is in possession of the independence requirements established by the Articles of Association for the purposes of the Bank of Italy provisions on corporate governance.

The external members of the Body must be persons extraneous to the bank or Group company and the respective corporate structure and must be in possession, as well as of requirements of integrity, correctness and independence, of the professionalism and expertise necessary to carry out the role (lawyers, teachers, financial market experts, accountants, consultants, etc.).

For other corporations, also in implementation of the provisions of paragraph 4-bis of Article 6 of the decree, the functions of the Supervisory Body may be carried out by the Body with control functions. If the company decides to appoint an autonomous Supervisory Body, it must support the decision with appropriate motivation.

### **7.3. Subsidiaries based abroad**

The Parent Company adopts in relation to foreign subsidiaries - in respect of local restrictions - all initiatives aimed at guaranteeing standards of control and safeguards comparable to those envisaged by the Italian supervisory provisions, even in cases where the legislation of the countries in which the branches are based does not envisage the same standards of attention.

This also includes requirements aimed at safeguarding the risk of commission of the crimes in the case, albeit abstract, where natural persons acting on behalf of foreign subsidiaries behave in a manner or produce events that are punished by the decree, in whole or in part, in Italy or abroad, in conjunction with Italian companies (within the limits of what is laid down by Italian legislation<sup>6</sup>).

Some of the most significant circumstances of crimes that may be committed by the subsidiaries in question are, in general, linked to international treaties or directives for which the aforementioned:

- have autonomously established a regulatory system (policies, guidelines, compliance programme, etc.), an organisation and a system of controls aimed at mitigating the risk of committing the crimes of that nature;
- have incorporated the regulations issued by the Parent Company with the aim of establishing a systematic framework of reference of principles and standards on the prevention of crimes with international validity (anti-bribery & corruption, anti-money laundering, anti-insider trading and market manipulation, etc.).

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<sup>6</sup> Articles 7 to 10 of the Italian Criminal Code, in conjunction with Article 4 of the Decree

If the aforementioned legislation does not require similar levels of attention, the foreign subsidiaries must comply with the contents of the chapter “General principles for the prevention of crimes and offences” of the Parent Company's model, adjusting them to the peculiar aspects of their own situation in coherence with their own managerial autonomy and the local regulations in force.

The compliance officer of each foreign subsidiary guarantees the conformity and respective monitoring of the general principles for the prevention of crimes and offences issued by the Parent Company. The Body receives any internal documents and their updates, prepared with the aim of regulating the implementation of the aforementioned general principles, and a copy of the reporting produced with reference to the regulations also discussed in the model.

## **8 Supervisory Body and reporting obligations**

### **8.1. Introduction**

The task of supervising the functioning of and compliance with the model and dealing with its update is entrusted to a Body of the bank having autonomous powers of initiative and control.

### **8.2. Composition, requirements, duration in office and appointment**

#### **8.2.1. Composition**

The Body is a board currently consisting of 5 members, appointed by the Board of Directors as follows:

- 3 persons extraneous to the bank and the respective corporate structure, in line with the provisions below (hereafter, also, external members), one of whom covers the role of chairman;
- 1 standing member of the Board of Statutory Auditors designated by the same;
- 1 internal control function manager.

#### **8.2.2. Requirements**

In choosing the members, the only relevant criteria are those relating to the specific professionalism and expertise required to carry out the functions of the Body, as well as the requirements - to be assessed based upon those established for company representatives of banks envisaged by the applicable industry regulations - of integrity, correctness and, for members external to the bank, independence from the bank.

Furthermore, the following are causes of incompatibility:

- being a director not having the requirements of independence, an executive director or a member of the company to which the accounts auditing assignment has been granted;
- having relationships as a spouse, relative or in-law up to the fourth degree, with the persons indicated in the previous point;
- having been convicted, even with a non-final ruling (whereby conviction ruling also includes that pronounced in accordance with Article 444 of the Italian Code of Criminal Procedure), for one of the crimes;
- having been subjected to the application of the accessory administrative sanctions envisaged by Article 187-quater of the Consolidated Finance Law;

- having been convicted, even with a non-final ruling, for a penalty that involves disqualification, even temporary, from public roles, or temporary disqualification from managerial roles of legal persons and enterprises.

### **8.2.3. Duration in office of the members**

The members of the Body remain in office for three years. In order to avoid any interruption of the actions of the Body, the expiry of office of its members must be at different times.

Therefore, at the initial appointment phase, the duration of the role of the external members who do not cover the role of chairman, if present, is limited to two years.

The members of the Body:

- may be re-elected if appointed in the capacity of external members;
- may be confirmed for as long as they cover the roles and assignments, if appointed in the capacity of standing member of the Board of Statutory Auditors or manager of an internal control function (internal members).

### **8.2.4. Procedure for assessing and verifying the requirements**

The Board of Directors assesses, within 30 calendar days from the appointment or renewal of the mandate, the continuing possession of the subjective requirements by the members of the Body, in respect of the procedural rules indicated in this paragraph.

Any loss of the aforementioned requirements during the mandate determines the forfeiture of the role or the different sanction indicated below, in line with the provisions contained therein.

The Board of Directors assesses the completeness of the documentation provided by the interested party and may request the production of further documentation constituting proof of possession of the requirements.

The Board of Directors, having examined the documentation presented and any additional documentation requested, decides on the existence of the requirements within thirty (calendar) days from the appointment or renewal of the mandate. The deadline is extended by seven working days for the communication of any additional documentation.

During the mandate, the members of the Body must communicate immediately, in writing, both to the Body and to the Board of Directors, the occurrence of events that connote the lack of the requirements and in any case the launch, in relation to them, of any proceedings (civil, administrative, jurisdictional) theoretically likely to constitute a circumstance of lack of the requirements.

The Board of Directors, within 30 days from the communication by the interested party or from when it becomes aware of a supervening event constituting a circumstance of lack of the requirements, performs a new assessment of suitability limited to the profiles affected by the event, declaring, if appropriate, the forfeiture of the appointment of the member of the Body and, as a result, commencing the appropriate initiatives to replenish the Body in full.

### **8.2.5. Additional circumstances of variations of the Body and rules on revocation**

The assignment of the internal members is also terminated as a result of the termination of the role by virtue of which they were appointed or the loss of the qualification (even in the case of promotion). In that case, the Board of Directors promptly appoints the missing member subject to assessing the existence of the requirements of integrity, professionalism and independence as well as the other requirements.

Without prejudice to the rules on declaration of forfeiture due to lack of - original or supervening - the aforementioned requirements, each member of the Body will be revoked by the Board of Directors only for serious violation of the official duties, with a motivated resolution and subject to the binding and mandatory opinion of the Board of Statutory Auditors.

In derogation of the previous paragraph, the revocation of the auditor from the role of member of the Body due to violation of official duties is declared by the Board of Directors, subject to a resolution of the Board of Statutory Auditors. The motivations are indicated in the resolution of the Board of Statutory Auditors, without prejudice to the rules on the declaration of forfeiture for loss - original or supervening - of the requirements.

In the event of revocation, the Board of Directors promptly replaces the revoked member, subject to assessing the existence of the requirements of integrity, professionalism and independence as well as the other requirements.

## **8.3. Responsibilities, powers and duties of the Body**

The Body, as a collegial body, has autonomous powers of initiative, intervention and control, which extend to all structures of the bank; those powers are exercised in order to carry out effectively and promptly the functions envisaged by the model.

In order to carry out its functions in absolute independence, the Body has autonomous powers of expenditure based upon an annual budget, approved by the Board of Directors at the proposal of the Body itself.

The Body may autonomously use resources that exceed its powers of expenditure, if the use of such resources is necessary to deal with exceptional and urgent situations. In these cases, the Body must inform the Board of Directors.

The Body does not have and may not be attributed, even by way of substitution, powers of managerial, decision-making, organisational or disciplinary intervention, even if relating to subjects or matters involved in the Body's activities.

The control and verification activity carried out by the Body is also strictly functional to the objectives of effectively implementing the model and may not substitute the bank's functions of institutional control.

The Body, as part of its activity aimed at supervising the effective and efficient implementation of the model, holds the following powers of initiative and control, which it exercises in constant respect of the rules of law and the individual rights of workers and persons involved:

- it carries out periodic verification and control activity, the frequency of which is, as a minimum, determined in advance, with motivation, by the Body itself within its action plan;
- it may make use, to carry out and guide its verifications and assessments, of the structures and internal control functions. To that end, it receives from the latter adequate periodic information flows or information concerning specific company situations or performances;
- it has access to all information, held by anyone, concerning the risk activities, therein including documentation produced on the occasion of identification processes of the activities in which the 231 crimes may be committed (risk assessments);
- it holds periodic meetings with the managers of the departments and may request information or the production of documents from all those (recipients and non-employed staff) who carry out or supervise, even on an occasional basis, the risk activities. The obligation of non-employed staff to comply with the request of the body is entered into the individual contracts or applicable regulations;
- it may request information or documents relating to banks and Group companies, by way of a request sent to the Supervisory Body of the individual company;
- it receives from the compliance officers of the subsidiaries based abroad any internal documents and their updates, prepared for the purpose of regulating the implementation of the general principles for the prevention of crimes and offences of the model, and a copy of the periodic reports sent to their relevant corporate body;
- it examines information flows with predetermined frequency and methods, requested from the heads of the structures in which the risk activities are positioned or that are even partly affected by them;
- it may consult external advisors for particularly complex problems or those which require specific expertise; the communication to the Chief Executive Officer may be omitted, under the responsibility of the Supervisory Body, based upon the particular delicacy of the investigations or their subject;
- it submits to the Chief Executive Officer and to the head of the human resources departments reports for the possible launch of sanction procedures envisaged in the specific chapter of the model;
- it sends promptly to the company bodies and to the managers of the internal control functions the information relevant for the conduct of their duties of which it has become aware;

- it verifies the model, the legislation and the procedures adopted for its actual implementation and suggests its update, in accordance with what is envisaged by the same;
- it drafts annually a written report on the activity performed, sending it to the Board of Directors and to the Board of Statutory Auditors in the person of their respective chairmen. The periodic reports prepared by the Body are also drafted to allow the Board of Directors to perform the necessary assessments for making any updates or changes to the model and they must contain, at least:
  - an indication of the activities carried out in the period of reference;
  - any problems that emerged from the implementation checks on the model;
  - the statement of reports received from internal and external persons in relation to the model;
  - the disciplinary procedures and sanctions applied by the bank, if any, with exclusive reference to the risk activities;
  - an overall assessment of the implementation and effectiveness of the model, with possible indications for supplementations, corrections or changes;
  - any use of the budget made available.
- it carries out the functions indicated in the “Sanction System” chapter;
- it is heard, in every circumstance where it is considered necessary or opportune, or if requested by the Body itself, by the Board of Directors or by the Board of Statutory Auditors regarding the functioning of the model and the fulfilment of the obligations imposed by the decree. Similarly, the Body may hear from the Board of Directors and/or the Board of Statutory Auditors.

### **8.3.1. Confidentiality obligation**

The members of the Body as well as the persons who, in any capacity and for any reason, are consulted by the Body or are recipients of its acts, are bound by the confidentiality obligation with regard to all information learned in the exercise of their functions or activities.

### **8.3.2. Self-organisation powers and criteria for their exercise**

The Body governs its own functioning, adopting a regulation that - amongst other things - must regulate the methods of carrying out the activities under its remit, the methods of convening and managing the meetings, the methods of forming resolutions, the management of information flows from and to the Body, and the management of reports to the Body.

The Body carries out its functions being careful to favour, to the best possible extent, rational and efficient cooperation with the bodies and internal control functions existing within the Bank.

The control and verification activity carried out by the Body is also strictly functional to the objectives of effectively implementing the model and may not substitute the bank's functions of institutional control.



## 8.4. Informative assets in support of the Body

The bank activates systems that can collect and process information - both from internal and of external sources - that is useful to know promptly and therefore to be able to manage the risks.

That information, when it presents sensitive 231 profiles, is brought to the attention of the Body (subject to any privacy restrictions imposed by the authorities) so that it may assess it, also in relation to the level of anomalies or weaknesses identified and the opportunity to suggest the introduction of new or different risk mitigation procedures.

The Body exercises its supervisory obligation by analysing:

- the systematic information flows that it receives by virtue of the document approved by the Parent Company's Board of Directors, which defines, inter alia, the information flows between the different departments and control bodies and between the latter and the company bodies;
- reports<sup>7</sup> made by anyone of:
  - information relating to the commission, or reasonable belief of the commission, of the crimes to which Italian Legislative Decree no. 231/01 applies, including the launch of judicial proceedings against senior staff, employees and non-employed staff for the crimes and offences envisaged by the Decree;
  - violations or presumed violations of the rules of conduct or procedure contained in the model, therein including the Code of Ethics, procedures and legislation, which form an integral part of the same;
  - proceedings or information originating from judicial police bodies, or from any other authority, inferring the conduct of investigations, even against unknown persons, for the crimes of relevance pursuant to Italian Legislative Decree no. 231/01, if those investigations involve the Company, the senior staff, employees and non-employed staff;
  - requests for legal assistance sent by the senior staff and by employees if judicial proceedings are launched for the crimes envisaged by the Decree;
  - information on disciplinary or sanction proceedings brought against the senior staff, employees or non-employed staff.

Reports to the Body are preferentially sent via the dedicated online platform, which can be accessed at the address:

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<sup>7</sup> Also in accordance with Italian Law no. 179 of 30 November 2017 "Provisions for the protection of whistleblowers reporting crimes or irregularities of which they have become aware as part of a public or private employment relationship" which introduced into Art. 6 of Italian Legislative Decree no. 231/01 three additional paragraphs relating to the provisions on reports.

**<https://bancobpm.integrityline.org>**

or to the email address:

**Banco BPM Supervisory Body  
c/o Group Corporate Affairs  
Piazza Meda 4, 20100 Milan**

Whistleblowers must send detailed reports of illegal behaviour that are relevant in accordance with Italian Legislative Decree no. 231/01, or violations of the organisation, management and control model pursuant to Italian Legislative Decree no. 231/01, of which they have become aware based upon the functions performed.

Whistleblowers are protected from any form of retaliation or discrimination, direct or indirect, for reasons connected directly or indirectly to the report. In that regard, any dismissal of the whistleblower by way of retaliation or discrimination is invalid, along with any change of duties in accordance with Article 2103 of the Italian Civil Code, and any other measure of retaliation or discrimination adopted against the whistleblower.

The confidentiality of the whistleblower's identity is guaranteed within the limits envisaged by law or determined by the need to protect the Company; disciplinary sanctions are applied, by the competent function, against persons who violate those measures, as well as persons who make, with wilful intent or gross negligence, reports that are found to be groundless.

The activities of managing the reports by the Body are regulated by specific legislation and implemented in conformity with the regulations in force at the time and in respect of principles of confidentiality and correctness.

The Body assesses the reports received and adopts any consequent measures at its reasonable discretion and responsibility, possibly hearing from the whistleblower or the person responsible for the alleged violation and motivating its decisions in writing.

With reference to reports received in accordance with the provisions of the model and the legislation on anti-bribery, the Body informs the Head of the internal reporting system of violations of the rules (IRSV Manager) of the Parent Company if those reports may also constitute a violation of other laws.

Without prejudice to the autonomy of the Body, the latter liaises with the cited IRSV Manager to implement the procedures to examine and assess the reports.

In turn, the IRSV Manager promptly informs the Body, for coordination purposes, of any reports received which affect the themed areas overseen by the same;

- of information concerning:
  - disciplinary and sanction measures applied to senior staff, employees and non-employed staff for violations of the model/decree or the dismissal of proceedings brought against the same with the respective motivations;
  - measures against the bank ordered by the judicial authorities for violations of the decree;
  - other measures against the bank ordered by the Judicial Authorities, by the financial administration or by other entities/authorities in charge of supervising the bank itself (for example: INPS, INAIL, INPDAP, Provincial Employment Directorate, Occupational Medicine, local public bodies, local health authority, fire service, European Central Bank, Bank of Italy, CONSOB, IVASS, Antitrust, Data Protection Supervisory Authority, Ministry of Economic Development, etc.) if those measures are attributable to violations of the model;
  - findings by the independent auditing company.

Unlike reports that constitute reports of events that could potentially give rise to 231 liability for the bank, information relating to facts whose relevance - for the purposes of the 231 rules - is ascertained;

- from other information flows. The Body exercises its supervisory obligations also by analysing information flows originating, as well as from structures that perform duties of control or that may contribute to the system of controls with regard to the oversight of some risks (for example: Financial Reporting Manager pursuant to Article 154-bis of the Consolidated Finance Law, Employer in accordance with Italian Legislative Decree no. 81/2008), also by:
  - specialist departments and heads of structures that operate in 231 risk areas;
  - Supervisory Bodies of outsourcers and relating to outsourced activities;
  - Supervisory Bodies of principals for events that have affected the outsourced activities. With regard to those events, the management body of the principal usually informs the same bodies of the intermediate parent company (if existing) and of the Parent Company who notify them to the respective Supervisory Bodies.

## **8.5. Powers of coordination of the Parent Company's Supervisory Body**

The Supervisory Body is in charge of a single company, considering that the decree envisages that only the individual company and not the Group is classified as an entity.

The autonomy attributed by the legislator to the Supervisory Body concerns both the methods of exercise and the ownership of its powers which cannot, therefore, be classified as deriving from those of the management body or of another body and they cannot be subordinated, for their exercise, to the proposal or request of others.

At the same time, if the company belongs to a Group and the production processes at risk as indicated in the decree are the result of activities carried out by several companies of the Group, the control of those risks requires coordination between the companies taking part in those processes. Therefore, information necessary to carry out production activities that are coordinated between them must circulate between the companies, along with the information necessary to identify the risks and to prevent them.

This results in the establishment of four types of information circuits:

- the circuit between the Group companies, namely between the respective management bodies: the dialogue between the Group companies is regulated in view of the fact that the legitimacy (without prejudice to the consequent responsibilities) of the existence of a power of management and coordination is recognised which, in banking groups, is associated with a duty capable of producing binding effects on the subsidiaries when it is a matter of implementing the instructions prescribed by the Supervisory Authority in the interest of the Group's stability;
- the circuit between each company and its own Supervisory Body: the dialogue between the Supervisory Bodies and the management body of the individual company is required by law and is regulated, inter alia, in the model in coherence with the explicit regulatory provision;
- the circuit between the Supervisory Body of each company and the same bodies of any other Group company involved in the same production processes: the dialogue between the Supervisory Bodies is based upon criteria of equality and non-interference in the supervisory duties and initiatives undertaken by each Body;
- the circuit between the Supervisory Bodies of the subsidiaries towards the Supervisory Body of the parent company (even intermediate, if existing).

The Supervisory Bodies carry out their functions being careful to favour, to the best possible extent, rational and efficient cooperation with the bodies and internal control functions existing in the Company, both in terms of subdivision of activities and sharing of information. In this sense, the bank, also in view of what is envisaged by the supervisory provisions for banks<sup>8</sup>, has approved a document defining, inter alia, the information flows between the different departments or control bodies and between the latter and the company bodies.

Equality does not exclude that one of the Supervisory Bodies may take a leading role in the exchange of information and moderation of dialogue and in general in initiatives that pursue cognitive assistance purposes.

Given that the bank, in the capacity of Parent Company, is required to identify and control the risks of crime in relation to the exercise of the activity of management and coordination and it incurs the risk of increased liability for crimes perpetrated within the organisation of a subsidiary company, the Body of the bank is attributed:

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<sup>8</sup> Bank of Italy Circular 285.

- coordination and guidance of the activities aimed at applying the organisation, management and control model within the scope of the Group companies (that have established one) to ensure its correct and uniform implementation;
- the right to ask the Supervisory Bodies of the Group companies to carry out specific control actions to ensure that the organisation, management and control model is adopted and effective in the respective companies.

As it carries out more extensive supervisory duties than the same bodies of the other companies, the Parent Company's Body receives more complete information flows than any other Body<sup>9</sup>.

The coordination between the Parent Company's Body and the Supervisory Bodies of the Group companies is guaranteed as a minimum by the reporting activity<sup>10</sup>.

The circulation of information concerns, primarily:

- the completeness of registration of the activities in which crimes or offences may be committed;
- the use of control instruments capable of identifying profiles of criticality;
- the identification of any gaps in the models;
- cases of violation of the individual models.

The reporting requirements to the Parent Company's Supervisory Body in relation to acts or events<sup>11</sup> strictly functional to the objectives of effective implementation of the organisation, management and control models are compatible with the principle of autonomy of the Supervisory Bodies of the subsidiaries.

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<sup>9</sup> It is coherent with the regulatory framework that the individual models envisage not only informative obligations of the Company towards the Body but require the Body itself to exercise powers of initiative in requesting and promoting the establishment of those information flows considered necessary in exercising its supervisory duties.

<sup>10</sup> The autonomy, far from discouraging, encourages exchanges of information between the Bodies, given that each of them has an interest in exercising, in the most diligent and careful manner, its duties, obtaining in that regard all useful information and not deferring to the assessments of other Bodies.

<sup>11</sup> By way of example: (a) planning of auditing activities; (b) periodic reports to the Management Body, with specific regard to the conduct of its functions in relation to activities/services provided (also) to third party Companies of the Group; (c) initiatives for informative purposes requiring the involvement of other Bodies; (d) informative-training activities; (e) programme of meetings between Supervisory Bodies or part of the same.

## 9 Sanction System

The decree requires organisation, management and control models to introduce, with reference to persons in a senior position<sup>12</sup> and to persons subject to the management of others<sup>13</sup> (...) a disciplinary system suitable to sanction any lack of respect of the measures indicated in the model (...).

The establishment of an adequate sanction system for any violation of the rules and provisions contained in the model, in the procedures and in the legislation (hereafter, also: 231 regulatory system) is an essential condition to guarantee the effectiveness of the model; behaviour that does not comply with the principles and rules of conduct established by the model constitute a contractual offence.

The application of sanction measures does not prejudice or modify any other criminal, civil or other consequences that may derive from the same offence.

Therefore, any failure to respect the rules and provisions contained in the 231 regulatory system, harming, in itself, the relationship in place with the bank, involves sanction and disciplinary actions, irrespective of any establishment or outcome of any criminal case, in situations where the violation constitutes a crime or offence.

The preliminary assessments and the application of sanctions for violations of the provisions of the model fall within the exclusive power of the functions and bodies of the bank responsible by virtue of the powers granted to them by the Articles of Association or by legislation.

Any violation or evasion of the 231 regulatory system, committed by anyone, must be reported in writing to the Body by those who become aware of it, without prejudice to the procedures and measures under the remit of those holding disciplinary power.

The Body must always be informed of the application of a sanction for a violation of the 231 regulatory system applied against anyone who is required to comply with the same.

### 9.1. General principles for the application of sanctions against employees

The 231 regulatory system constitutes a set of provisions with which employees must comply as also envisaged by the legal and contractual regulations on behavioural rules and disciplinary

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<sup>12</sup> Article 6, paragraph 2, letter e)

<sup>13</sup> Article 7, paragraph 4, letter b)

sanctions.

Any violation or attempted violation of the 231 regulatory system or evasion of the control system envisaged therein for its implementation, carried out in any way, including removal, concealment, destruction or alteration of documentation concerning the 231 regulatory system, constitutes a disciplinary offence. Offences also include the failure to prepare documentation required by the 231 regulatory system, behaviour hindering controls, impeding access to information and documentation by persons in charge of performing controls on the 231 regulatory system, as well as behaviour that encourages the violation or evasion of the system of controls.

As the general rules (and, along with them, the instruments in place on disciplinary sanctions and codes in employment relationships) also apply with regard to what is envisaged by the decree, the bank, in view of any violation of provisions of the 231 regulatory system, launches the disciplinary procedure and applies the respective sanctions in line with specific regulatory and contractual rules that regulate the employment relationship of staff (for Italy, see Article 7 of Italian Law no. 300 of 20 May 1970, Workers' Statute, and, by way of example, the "national collective labour agreement for middle managers and staff of the professional areas employed by credit, financial and instrumental enterprises" and the "national collective labour agreement for managers and employees of credit, financial and instrumental enterprises"), along with any other applicable legal provisions (such as Italian Law no. 179 of 30 November 2017 "Provisions for the protection of whistleblowers reporting crimes or irregularities of which they have become aware as part of a public or private employment relationship").

The type and extent of each of the sanctions are established and applied considering the level of imprudence, malpractice, negligence, fault or the intentional nature of the conduct relating to the act or omission, also taking account of any recidivism, as well as the work activity performed by the interested party and the respective functional position, together with all other particular circumstances that may have characterised the act.

To that end, the bank's human resources department drafts the disciplinary rules relating to sanctions, to infractions in relation to which each of them may be applied and to dispute procedures of the same and brings them to the attention of employees. They apply what is established in that regard by agreements and employment contracts, where existing.

## **9.2. The sanction system pursuant to Italian Legislative Decree 231/01 for employees**

If an employee violates the obligations indicated in the above paragraph, disciplinary sanctions objectively and subjectively correlated to the severity of the infraction are applied, in respect of criteria of proportionality established by the law and by the contractual provisions which regulate the specific employment relationship.

If the violation was implemented by a member of staff having the qualification of manager, the holder of disciplinary power activates the competent functions to commence the proceedings for the purposes of any disputes and any application of the sanctions envisaged by law and by the applicable NCLA. In the absence of a disciplinary system defined in the NCLA applicable to managers, the applicable sanctions consist of dismissal in accordance with Articles 2118 (withdrawal from the permanent contract) and 2119 (withdrawal for just cause) of the Italian Civil Code, which must be resolved by the Board of Directors at the outcome of the procedure conducted in accordance with Article 7 of Italian Law no. 300/1970. For cases that are considered to be less severe and where envisaged by any contracts signed, the holder of disciplinary power may apply a measure of a conservative nature.

### **9.3 The sanction system pursuant to Italian Legislative Decree 231/01 for employees with a foreign employment contract**

Employees at structures abroad having a contract regulated by local legislation, who violate the provisions of the 231 regulatory system, indicated in the paragraph “General principles for the application of sanctions against employees”, are subject to disciplinary sanctions of a conservative nature or expulsion from the relationship, in correlation with the severity of the offence in line with the law and the contractual rules that regulate the specific employment relationship.

### **9.4. The sanction system pursuant to Italian Legislative Decree 231/01 for members of the Board of Directors and the Board of Statutory Auditors**

In relation to members of the Board of Directors or Board of Statutory Auditors who have committed a violation of the model, procedures or legislation established in implementation of the same, any suitable measures permitted by law or by the sanction system, if adopted or envisaged, may be applied.

If the violation concerns a member of the Board of Directors or Board of Statutory Auditors, the Body is immediately informed - by way of a written report - by the Chairman of the Board of Directors or by the Chairman of the Board of Statutory Auditors.

#### **9.4.1 Members of the Board of Directors**

The Board of Directors, with the abstention of the person involved, carries out the necessary assessments and applies, having heard from the Board of Statutory Auditors, the appropriate measures which may even include the revocation on a precautionary basis of the delegated powers as well as the convocation of the Shareholders' Meeting to arrange for any replacement.



If the violation was committed by several members of the Board of Directors and a decision cannot be adopted, in the absence of the persons involved, with the majority of the members of the Board of Directors, the Chairman convenes a Shareholders' Meeting without delay to resolve on the possible revocation of the mandate. If one of the directors involved is the Chairman of the Board of Directors himself, reference is made to the provisions of law on the urgent calling of the Shareholders' Meeting.

#### **9.4.2 Members of the Board of Statutory Auditors**

The Board of Directors and the Board of Statutory Auditors may take, in line with what is envisaged by the Articles of Association and by law, the appropriate measures, including the convocation of the Shareholders' Meeting.

### **9.5 The sanction system pursuant to Italian Legislative Decree 231/01 for non-employed staff**

If circumstances occur that constitute a violation of the decree by non-employed staff, the Body informs the senior staff and the competent employees to whom the contract or relationship refer.

In relation to the severity of the offence and the methods by which the same was implemented, also in line with what is envisaged in the contracts signed with non-employed staff, the bank:

- asks the interested parties to respect the provisions contained in the summary document of the model delivered to them when entering into the contract;
- is entitled, based upon the different contractual types adopted or the different implementation status of the obligations deriving from the contract, to decide not only to withdraw from the existing relationship for just cause but also to terminate the contract due to breach by the persons indicated above and to withdraw any mandate granted.

This is in any case without prejudice to the possibility for the bank to take action for compensation for damages, if that behaviour has caused concrete damages to itself and to the Group, as in the event where sanctions envisaged by the decree are applied by the judicial authority.

### **9.6 The sanction system for employees and senior staff of foreign subsidiaries**

If irregularities are identified in the application of the general principles for the prevention of the crimes and offences in foreign subsidiaries, the Management Body of the company assesses the violation and determines the sanction measure that is most appropriate to the contractual provisions applicable to the employment relationship or, if relating to members of the

management and control bodies, the legislative and regulatory provisions of the country in which the company is based. The decision made by the Management Body of the company must be communicated to the Body.

## 10 Performance of intercompany services

The Group has adopted a business model according to which:

- the Parent Company carries out management and coordination activities of the Group companies, favouring the unitary management of the business;
- the ancillary services undertakings, coordinated by the Parent Company, centralise the service and support functions. Such centralisation is functional to maximising the economies of scale and specialisation, allowing for:
  - the clear attribution of responsibility for processes and activities performed;
  - the complete standardisation of rules and operating processes at Group level;
  - the clear separation between operational and control activities.

As part of its guidance, coordination and control functions, the Parent Company:

- promotes the implementation of the relevant business model adopted and verifies its approach over time in terms of adequacy and alignment to the strategic and operational evolution of the Group;
- defines the company policy on outsourcing, ensuring that the same is coherent with the requirements envisaged by the supervisory regulations;
- defines the contractual standards to be adopted for the formalisation of outsourced services both internally and externally to the Group and with reference to outsourcing internally to the Group:
  - regulates the methods of provision of intercompany services;
  - defines and manages the fee charge-back model, identifying its pricing criteria;
  - oversees the conduct of centralisation processes of company functions;
  - monitors all outsourced activities within the Group based upon the information flows and the periodic reporting sent by the outsourcer internal to the Group.

The bank:

- carries out management and coordination activities;
- performs in person and carries out for other Group companies some business service and support activities;
- grants on outsourcing<sup>14</sup> to Group companies other business service and support activities.

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<sup>14</sup> The so-called production decentralisation may involve several legal techniques (agency work, mandate, commission, etc.). Production decentralisation usually occurs by granting to another Group Company, and therefore to an entrepreneur *pursuant to* Article 2082 of the Italian Civil Code, the execution of an activity. From a civil point of view, the circumstance is positioned, albeit with some variants and adjustments, in the phenomenon of services contracting (see Article 1655 of the Italian Civil Code). As it is a services contract, the *outsourcing* agreement is attributable to a contract with which the Contractor/*Outsourcer* assumes, “*with organisation of the necessary means and management at its own risk*”, “*the completion of a service*”, “*against a cash fee*”, notwithstanding that the “231 risks” and the risks mentioned in the civil definition of the services contract are different.

In view of the foregoing, for risks applicable to the bank indicated in the subsequent special parts, the individual activities at risk are outlined as follows:

activity carried out in person, performed for other Group companies or falling among those of management and coordination	<b>P</b>	
activity performed by third parties on behalf of the bank and regulated by a services contract		<b>T</b>

By making recourse to outsourcing, the bank does not intend:

- to delegate its responsibilities or the responsibility of the company bodies;
- to alter the relationship and obligations towards its customers;
- to jeopardise its ability to respect the obligations envisaged by the supervisory regulations or to place itself in a condition to violate the reserves of activity envisaged by law;
- to prejudice the quality of the internal controls system, considering the overall structure of controls of the Group;
- to hinder supervision.

**10.1. Relationships between the principal and the outsourcer in performances of intercompany services**

The intercompany services provided by the bank (in the capacity of outsourcer) or received by the same (in the capacity of principal) that may affect the activities and operations at risk indicated in the subsequent special part are regulated by a written contract. The list of contractual services is made available to the Body.

Standardised rules for the Group's outsourcing contracts are envisaged by the regulations which, guaranteeing the completeness and linearity of management of those contracts and therefore also the services contracts, contribute to controlling, as well as the operational risk in general, also the 231 risks.

For the purposes of the liability pursuant to the decree, the contracts which regulate the performance of activities or services between the Group companies - albeit not intended exclusively for that purpose - indicate:

- the subject, namely the contracted services or in general the outsourced activities;
- the execution methods of those services (in any case, the perimeter of the activities involved and the methods of carrying out the same are described and regulated by the Group's corporate regulations);
- the determination or objective determinability of the fee;

- the obligations of the parties (principal and outsourcer).

The obligations of the parties are extended to the provisions reported below which must be cited in the contract signed by the same.

The company and Group regulations (including the models), the procedures and the documents cited in the chapter may be used by the parties and by the respective Supervisory Bodies (by way of their administrative functions) by accessing the Group information system. The publication on the company intranet constitutes the time when the company and Group regulations, procedures and, in general, relevant documents for the purposes of the outsourced activities are considered to be known to the parties, allowing for the implementation of the provisions involved in the obligations of the same and the respective Supervisory Bodies in relation to the performance of intercompany services.

The principal and the outsourcer:

- have each adopted an organisation, management and control model pursuant to Italian Legislative Decree 231/01 (hereafter, the model);
- regularly and promptly update the model in relation to the evolution of the legal (regulatory and case law) framework and the changes to the organisation of the individual company and the Group;
- have each acknowledged the model of the other, or, at least, the entire general part of the same and the special parts that are relevant to the outsourced activity;
- mutually undertake:
  - to respect their respective models, with particular regard to the special parts (protocols) that are relevant for the purposes of the outsourced activities;
  - to inform, even by way of their model, the respective Supervisory Bodies to make the communications envisaged by the model itself directly in relation to the liability pursuant to the decree;
  - mutually to acknowledge any changes to the model or the parts of the same relevant to the outsourced activities;
  - to inform each other of any violations that may occur and that may relate to the contract, the outsourced activity or the methods of performing the same;
  - to refrain, in executing the contract, from behaviour that may constitute any circumstance that may involve liability pursuant to the decree.

The outsourcer complies indirectly, as well as with the Code of Ethics, also with the provisions of the model, the procedures and the regulation of the principal and is obliged to:

- carry out carefully and exactly the outsourced activities in respect of the regulations and provisions of the principal;
- record both the activities at risk exercised in person and the activities at risk performed for other Group companies and indicate the controls aimed at preventing the perpetration of crimes and offences in relation to it and in relation to the principal;

- make available to the principal the illustration of the controls adopted and their suitability to prevent the crimes;
- promptly inform the principal of any circumstance that may significantly affect its capacity to execute the outsourced activities or services in conformity with the legislation in force and the contract;
- guarantee the confidentiality of the data relating to the principal or to third parties that are provided to it to carry out the service;
- allow access by the Supervisory Authority to the locations in which the activity is performed and the documentation relating to the same;
- make changes to the contract requested by the Supervisory Authority from the principal;
- produce, at the principal's request, the documentation of its own Supervisory Body with which the latter informs the Management Body of the outcomes of its activity on the controls adopted for the purposes of preventing the crimes involving the activity performed on behalf of the principal.

The principal:

- undertakes to provide to the outsourcer the necessary documentation and information in a truthful and complete manner for the purposes of carrying out the requested performances;
- has the right to access the documentation (including that relating to the identification of risks indicated in the decree) relating to the outsourced activity and to carry out control activity both on the documentation and on the activity itself also by accessing the locations in which the outsourcer operates;
- has the right to view the documents relating to the outsourcer's model. In particular:
  - the entire general part of the same and, in particular, the requirements concerning the appointment, composition and duties of the Supervisory Body;
  - the special parts dedicated to the outsourced activities or the types of risks of crime considered relevant for the aforementioned activities;
  - any additional documentation necessary to verify the existence of the requirements of suitability of the outsourcer's model;
- has the right of withdrawal (express termination clause pursuant to Article 1456 of the Italian Civil Code) in the event of a breach of any of the obligations envisaged for the purposes of preventing the risks pursuant to the decree.

With reference to the Supervisory Bodies of the outsourcer and the principal and for the purpose of the correct fulfilment of their duties:

- the outsourcer's Supervisory Body prepares, at least once a year, a report on the performance of its activities in relation to the services provided. That report is made available to the principal's Management Body and Supervisory Body (also by way of specific shares of the company intranet). This is without prejudice to the communication flows between the principal and the outsourcer as well as between their respective bodies deriving from the membership of both companies to the same Group and the provisions of the respective models dedicated to intercompany relationships.
- the principal's Supervisory Body has the right to:

- access the documentation (including that relating to the identification of risks indicated in the decree) relating to the outsourced activity and to carry out control activity both on the documentation and on the activity itself also by accessing the locations in which the outsourcer operates;
- perform an assessment of the suitability of the outsourcer's model to be effective for the exemption of the principal itself;
- request information from the Supervisory Body or, subject to communication to the latter, from the structures of the outsourcer;
- suggest, having heard from the competent functions, that the outsourcer adopts specific control procedures when this is considered necessary in order to prevent the crimes.

# 11 Training

Training for recipients and non-employed staff for the purposes of knowledge and implementation of the model, managed by the Human Resources department, is mandatory and is diversified in relation to the different company roles, as well as being reiterated periodically.

The training is aimed:

- at informing of the risks of commission of the crimes and offences during the conduct of the business activity;
- at informing of the content of the model, the Code of Ethics and the other regulatory documents including 231 aspects;
- at promoting respect of the application of the rules indicated therein in every phase of conducting the activities.

The training activity aimed at spreading awareness of the legislation indicated in Italian Legislative Decree 231/01 is implemented by way of training modules of both general nature for all employees and of specialist nature differentiated in terms of contents and methods of implementation, based upon the qualification of the recipients, the level of risk of the area in which they operate, and the conduct by persons in senior roles of the bank. Special attention is paid to newly recruited staff.

The bank complies with the obligation to train its staff through specific meetings in classrooms and by making available an e-learning course on the company portal, duly updated upon any legislative changes being made.

The Body verifies the correct and prompt use of the mandatory courses by employees or non-employed staff and identifies any cases of breach, also for the purposes of the consequent application of disciplinary and sanction measures.

The annual training programme is communicated in advance and agreed with the Body.



## **Special Part (protocols)**

## 12 General principles for the prevention of crimes and offences

In relation to the nature and size of the organisational structure specifically involved as well as the type of activity or function performed, suitable measures are taken to improve efficiency in carrying out the activities, guaranteeing constant respect of the law, the relevant regulations and all other rules that regulate the activity itself and verifying the capacity effectively to combat the identified risks.

The Group companies adopt and implement, constantly adjusting them, regulatory, organisational and procedural decisions. In particular, they guarantee:

- a formalised and clear organisational structure, particularly with regard to the attribution of responsibilities, the hierarchical reporting lines, the description of duties and the contrasting of roles;
- a regulatory system that involves (amongst other things):
  - the reconstruction of the formation of legal documents and the respective authorisation levels, in guarantee of the transparency of the decisions made;
  - the absence of subjective identity between those who make the decisions, those who produce accounting evidence of the resolved transactions and those who are required to carry out controls on the same as envisaged by law and by the procedures involved in the system of controls;
  - the safeguarding of principles of transparency, truthfulness, completeness, clarity, reliability and reconstruction, guaranteeing the production of a reliable and faithful picture of the business situation;
  - respect of the regulations on conflicts of interest;
- with regard to the information systems and, in particular, the development and maintenance of applications:
  - the identification of countermeasures and adequate controls to guarantee their correct functioning;
  - the protection of information processed in terms of confidentiality, integrity and availability;
  - the integration with existing systems;
  - respect of the legislation;
- with reference to bonus systems, which respond to realistic objectives coherent with the duties and activity performed and with the responsibilities granted;
- a system of powers of authorisation and signature coherent with the defined organisational and managerial responsibilities, involving, when required, a precise indication of the thresholds of approval of expenses;
- an information-training model that envisages a widespread, effective, authoritative, clear and detailed communication process, integrated with an adequate training programme aimed at those who operate in risk areas, appropriately calibrated based upon the levels

of the recipients, which illustrates the reasons of opportunity, as well as legal motivations, that inspire the rules and their concrete scope;

- a system of line controls (or first level controls) that, supported by IT procedures and by maker-checker mechanisms, guarantees the completeness, correctness and accuracy of the information and data indicated in the documents of the structures;
- with regard to activities related to the management of financial resources:
  - definition of limits to the autonomous use of financial resources, fixing quantitative thresholds coherent to the managerial and organisational responsibilities entrusted to the individual recipients;
  - presence of authorisation procedures, subject to the expression of adequate motivation, for exceeding the limits indicated in the above point;
  - obligation of documentation and registration, in conformity with principles of professionalism and managerial and accounting correctness, of transactions that involve the use of economic or financial resources, so that the decision-making process can be verified and reconstructed, in guarantee of the transparency of the choices made;
  - certification of congruity by the requesting person which must motivate in detail the use of financial resources;
- with regard to human resources, at any level, who are recruited, directed and trained according to the criteria expressed in the Code of Ethics, the principles and provisions of the model and in conformity with the legislation in that regard.

With particular reference to the activities and operations at risk, specific procedures and regulations are adopted which - as well as respecting what is indicated herein - envisage that:

- an appropriate assessment of non-employed staff and counterparties with which the Group intends to liaise is performed, involving the acquisition, as a minimum, of the information envisaged by the anti-money laundering and anti-bribery policies of the Group including, inter alia, the verification, also by acquiring specific documentation or self-certification, of the requirements of reliability and professional morality<sup>15</sup> as well as connections with the Public Administration or with senior staff or employees of the Group companies;
- at least two persons of the bank must be present at formal meetings with the bodies of the Public Administration (or with representatives and agents of the same) and must draft, signing them, specific reports;

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<sup>15</sup> To be considered as the absence of conviction rulings (therein including plea bargains) which constitute *res judicata*, in the previous three-year period relating to the legal/natural person, including Managers or any person who exercises the powers of representation, decision or control of the counterparty, for crimes that affect professional morality according to the law of the applicable State (by way of example: sanction measures by Orders or Professional Boards to which the professionals belong, violations in relation to remuneration and contribution obligations and obligations relating to tax withholdings regarding their employees and non-employed staff, assessment of higher taxable income with respect to what was declared, participation in a criminal organisation, crimes of bribery, lack of respect of the legal provisions on protection of occupational health and safety, money laundering, *market abuse*, *insider trading*, environmental crimes, other crimes indicated in Italian Legislative Decree 231/01). The Parent Company defines for specific types of relationships and according to criteria of proportionality, the measures and different levels of action to be adopted in the establishment and management of the relationship, based upon the severity and existence of any encumbrances.

- the senior staff and employees may not follow up and must immediately report, for the appropriate actions, to their manager and to the Body, any attempt to evade the laws, the model (where applicable), the Code of Ethics, the anti-bribery policies and, in general, the contents of the legislation;
- non-employed staff may not follow up and must immediately report, for the appropriate actions, to the person who supervises them, any attempt to evade the laws, the summary document of the model, the Code of Ethics and the anti-bribery policies;
- the contractual documentation that regulates the granting of assignments to non-employed staff must contain a specific declaration:
  - of knowledge of the decree (where the law applies to the relationship), of the summary document of the model, of the Code of Ethics and of the anti-bribery policies as well as the commitment to comply with them;
  - the undertaking to behave in a manner that does not give rise to any of the criminal circumstances envisaged by the decree itself.

There is also a specific clause that regulates the consequences of the commission (or attempted commission) of the crimes indicated in the decree, where it constitutes the law applicable to the relationship;

- in the case of services and consultancy, less tangible, general transparent criteria are defined, insofar as possible, for determining the conditions of the offer, so that any significant change with respect to market standards can be easily identified and adequately motivated;
- the person responsible for the procedure, if not otherwise identified, is indicated as the manager of the structure in charge of managing the transaction in question;
- the manager, identified as above, may request information and clarifications from all structures, or from individuals who deal with or dealt with the transaction;
- the access to personal data and their processing is compliant with the legislation and is permitted only by authorised persons, guaranteeing confidentiality in the transmission of information;
- if the document archiving or storage service is carried out by a third party, the service is regulated by a contract which requires, inter alia, the entity to respect specific procedures involving suitable controls to prevent the subsequent modification of the documents, except with specific evidence;
- any access to the IT network - both intranet and internet - occurs at least with the use of an asymmetric double key (user id and personal password), periodically changed, or with another solution that is no less effective, allowing the operator to connect to the network limited to the phase of the procedure under his/her remit and to leave non-modifiable evidence of the intervention carried out and the author for any access to the management systems;
- the internal procedures and company processes are guided by principles of organisational, behavioural and technological security and by precise control activities, for adequate control in protection of management and use of the IT systems and information assets in coherence with existing legislation;

- the documents regarding the activities are archived and stored, by the competent structure, by methods that do not permit their subsequent modification, except with specific evidence;
- the access to documents already archived is always motivated and permitted only to persons authorised by the legislation, bodies and internal control functions and the independent auditing company;
- financial flows are not pursued if there is a suspicion that they originate from or may directly or indirectly have as their recipients persons involved in crimes or offences, and the competent company function is immediately notified of the same;
- in the operational management of tax-related activities, the payment of all taxes due and the precise fulfilment of the requirements of tax legislation are guaranteed, along with the correct determination of the tax charge in compliance with provisions and what is legitimately allowed, without making recourse to transactions or activities intended exclusively or primarily to achieve tax savings and without offering products or transactions having such purposes to customers, personnel or third parties;
- activities of prevention and mitigation of fraud in payment systems are carried out in the context of the analysis and assessment of cyber security risks, being positioned in the broader area of the control of cyber risks and they materialise in a series of continuous monitoring activities, which may be attributed to the design of anti-fraud controls, management of attack situations, education of customers and personnel and support to new business initiatives;
- for the purposes of implementing decisions on the use of financial resources, financial and banking intermediaries are used which are subject to transparency and correctness regulations in line with European Union rules;
- with specific reference to activities carried out on outsourcing on behalf of Group companies, these are required to comply with the rules on conflicts of interest pursuant to Art. 2391 of the Italian Civil Code, related parties indicated in Article 53 of the Consolidated Banking Law, obligations of bank representatives indicated in Article 136 of the Consolidated Banking Law, IAS 24 related parties and in accordance with CONSOB Regulation no. 17221.

Possible derogations from the procedures envisaged by the model are permitted, under the responsibility of those who implement them, in cases of particular urgency in the formation or implementation of the decision or in the event that it is temporarily impossible to respect the procedures. In that circumstance:

- the principles of prevention of crimes and offences are respected;
- immediate information is sent to the Body;
- the subsequent ratification by the competent party is requested, where the competences of the latter have been derogated.