



**EXPLANATORY REPORT  
OF THE BOARD OF DIRECTORS OF BANCO BPM  
ON ITEM 5 OF THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

(Prepared pursuant to article 125-ter of Legislative Decree no. 58 of 24 February 1998, as amended and supplemented and pursuant to article 84-ter of the Regulation adopted with Consob Resolution no. 11971 of 14 May 1999, as amended and supplemented)

**Ordinary and Extraordinary Shareholders' Meeting of 15 April 2021**

Explanatory report of the Board of Directors of Banco BPM S.p.A. on item 5 of the agenda of the Ordinary Shareholders' Meeting called for 15 April 2021, in single session, regarding:

"Compensation Plans based on shares of Banco BPM S.p.A.:

1. **Approval of the short-term incentive system (2021). Pertinent and consequent resolutions.**
2. **Approval of the long-term incentive system (2021-2023). Pertinent and consequent resolutions."**

Dear Shareholders,

with reference to item 5 on the agenda, you have been convened to this Shareholders' Meeting to resolve, pursuant to article 114-bis, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, as amended and supplemented (**Consolidated Finance Law**), on the "Compensation plans based on shares of Banco BPM S.p.A." for the:

1. 2021 short-term incentive system or short-term incentive plan (the "**2021 Plan**" or "**STI Plan**"), which envisages the award through the allocation of ordinary shares (the "**Shares**") of Banco BPM S.p.A. (the "**Bank**" or the "**Company**") of a portion of the variable remuneration component, addressed to executive members of the Board of Directors and to employees and non-employed staff of the Banco BPM Banking Group who are classified as identified staff;
2. 2021-2023 long-term incentive system or long-term incentive plan (the "**2021-2023 Plan**" or "**LTI Plan**"), which envisages the award through the allocation of Shares of the Bank of the long-term variable remuneration component, addressed to executive members of the Board of Directors and to employees and non-employed staff of the Banco BPM Banking Group who hold top management positions within the Group.

The STI Plan and LTI Plan are proposed within the framework of the Remuneration Policy ("policy") adopted by the Group, with regard to the 2021 short-term incentive plan and the 2021-2023 long-term incentive plan respectively.

The features of the STI Plan and of the LTI Plan are illustrated in the respective documents (the "**Disclosure Documents**") prepared by the Bank pursuant to article 84-bis of Consob Regulation no. 11971/99, as amended and supplemented (the "**Issuers' Regulations**"); the structure of the plans and of the Group Policy is illustrated in the

Banco BPM Banking Group Policy-on-remuneration report and payouts awarded - 2021 (the “**Remuneration Report**”).

The Disclosure Documents and the Remuneration Report are available to the Shareholders and the public, in accordance with the law, inter alia, on the website of the authorised storage platform [www.emarketstorage.com](http://www.emarketstorage.com) and on the Banco BPM website [www.gruppo.bancobpm.it](http://www.gruppo.bancobpm.it) (Corporate Governance section – Remuneration Policies).

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The subject of the remuneration of executive members of the Board of Directors and of the identified staff of listed companies and, more specifically, of the financial sector, is increasingly attracting the attention of international bodies and of regulators, with a view, inter alia, to guide companies to adopt remuneration and incentive systems in line with the values, strategies and long-term objectives of the company. In said context, Banco BPM Group intends to implement:

- a short-term incentive plan (2021). The relative STI Plan envisages around 160 potential beneficiaries, with at least 50% of the incentive awarded through the allocation of Shares, subject to deferral and retention (selling restriction) clauses of one year. The STI Plan’s implementation period runs from the year of reference for the reporting of the results of the 2021 short-term incentive plan to the effective availability of the last deferred portion in Shares (2026, or 2028 in the case of deferral over five years); considering the retention period, the Plan would end in 2028. The maximum requirement is estimated to be 5 million euro for the around 160 potential beneficiaries of the Plan.
- a long-term incentive plan (2021-2023). The relative LTI Plan envisages around 60 potential beneficiaries, for whom the entire incentive is awarded in Shares, subject to deferral and retention (selling restriction) clauses of one year. The LTI Plan’s implementation period runs from the date of approval of the shareholders’ meeting to the effective availability of the last deferred portion in Shares (2028, or 2030 in the case of deferral over five years); considering the retention period, the LTI Plan would end in 2030. The maximum theoretical requirement is estimated to be around 16 million euro.

The STI Plan and the LTI Plan envisage conditions and results to which the award of the Shares is dependent and accordingly aligns the incentives with the Group’s long-term objectives, therefore bringing management and shareholder interests together, by remunerating the Group’s

identified staff in terms of creating value in the medium/long-term.

For further information - including the reasons behind the adoption of the STI Plan and the LTI Plan, the beneficiaries, the approval or revision process, the conditions and the results on which the assignment of the Shares is dependent and the relating timing of the allocation - please refer to the Disclosure Documents and to the Remuneration Report referred to in item 5 of the agenda of the Shareholders' Meeting.

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Now, therefore, we hereby invite you to approve the following proposed resolutions:

**Resolution on the short-term incentive plan (2021)**

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

- after examining and acknowledging the content of the Explanatory Report of the Board of Directors regarding the STI Plan;*
- after acknowledging the Disclosure Document relating to the STI Plan, made available to the Shareholders and the public in the manner and within the terms envisaged by current legislation;*
- after considering the provisions of the Remuneration Report, also made available to the Shareholders and the public in the manner and within the terms envisaged by current legislation,*

*resolves*

- 1. to approve, pursuant to article 114-bis of the Consolidated Finance Law and article 84-bis of the Issuers' Regulations, the 2021 STI Plan, which envisages the award through the free allocation of ordinary shares of Banco BPM S.p.A. of a portion of the variable remuneration component, to executive members of the Board of Directors and to employees and non-employed staff of the Banco BPM Banking Group who are classified as identified staff, proposed within the framework of the remuneration policy adopted by the same Group with relation to the 2021 short-term incentive plan, according to the terms and the procedures illustrated in the documentation referred to previously;*
- 2. to award mandate to the Board of Directors and on its behalf to the Chairman, to the CEO, separately, for the proper and timely implementation of this resolution and for the formalities and action related and/or consequent to the same, awarding the widest powers to them, including that of*

*delegating said activities to the competent functions of the Bank and/or of Group Companies and to comply with the obligations (also for disclosure to the market) pursuant to the applicable legislation where requested by the Supervisory Authorities or by the market management company."*

### **Resolution on the long-term incentive plan (2021-2023)**

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

- after examining and acknowledging the content of the Explanatory Report of the Board of Directors regarding the LTI Plan;*
  - after acknowledging the Disclosure Document relating to the LTI Plan, made available to the Shareholders and the public in the manner and within the terms envisaged by current legislation;*
  - after considering the provisions of the Remuneration Report, also made available to the Shareholders and the public in the manner and within the terms envisaged by current legislation, resolved*
- 1. to approve, pursuant to article 114-bis of the Consolidated Finance Law and article 84-bis of the Issuers' Regulations, the 2021-2023 LTI Plan, which envisages the award through the free allocation of ordinary shares of Banco BPM S.p.A. of the long-term variable remuneration component, to executive members of the Board of Directors and to employees and non-employed staff of the Banco BPM Banking Group who are classified as Group top management, proposed within the framework of the remuneration policy adopted by the same Group with relation to the 2021-2023 long-term incentive plan, according to the terms and the procedures illustrated in the documentation referred to previously;*
  - 2. to award mandate to the Board of Directors and on its behalf to the Chairman, to the CEO, separately, for the proper and timely implementation of this resolution and for the formalities and action related and/or consequent to the same, awarding the widest powers to them, including that of delegating said activities to the competent functions of the Bank and/or of Group Companies and to comply with the obligations (also for disclosure to the market) pursuant to the applicable legislation where requested by the Supervisory Authorities or by the market management company."*

Verona, 9 March 2021

The Board of Directors