

This document is a courtesy translation into English of the Board of Directors' Report on the proposed amendments to the Bylaws. In case of any discrepancies between the English and the Italian version, the Italian version shall prevail.



EXPLANATORY REPORT  
OF THE BOARD OF DIRECTORS OF BANCO BPM S.P.A.  
ON ITEM 5 OF THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

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

Ordinary and Extraordinary Shareholders' Meeting  
of 7 April 2022

**Explanatory Report of the Board of Directors of Banco BPM S.p.A. on item 5 on the agenda of the Ordinary Shareholders' Meeting called for 7 April 2022, on single call, regarding the "Approval, within the remuneration policy, of the criteria for calculating any amounts to be granted in the event of early termination of employment or early departure from office of all personnel, including the limits set on said amounts. Pertinent and consequent resolutions".**

Dear Shareholders,

You have been called to the Shareholders' Meeting (binding vote) regarding the proposed approval of the criteria and maximum limits for determining the amounts in the event of early termination of employment, as set forth in the Supervisory Provisions issued by the Bank of Italy (Bank of Italy Circular no. 285/2013 and subsequent additions and amendments, "Supervisory Provisions") regarding remuneration.

In particular, the approval of the criteria for determining any amount to be agreed to personnel in case of early termination of employment, including any limits set for said amount in terms of yearly fixed remuneration and the maximum amount deriving from their application, falls under the competence of the shareholders' meeting.

The criteria for determining the remuneration to be paid in the event of early termination of employment conform to the provisions contained in the 37th update of the Supervisory Provisions issued on 24 November 2021.

The Parent Company is unilaterally entitled to agree any amounts in the event of termination of employment, in observance of the provisions that follow and the currently applicable regulations. These amounts can be awarded for a maximum of 24 months of fixed remuneration and, nonetheless, not exceeding 2.4 million euro (gross per employee).

Amounts for early termination of employment are paid upon termination, even if a staff member has signed an individual agreement with the Group in view of early termination of employment; it is subject to the ascertainment of conditions, with reference to the previous year and pertaining to the capital adequacy indicator at the level of consolidated Common Equity Tier1 (CET1) ratio "phased-in" and the liquidity adequacy ratio at consolidated level Liquidity Coverage Ratio (LCR) regulatory

The amount is determined by considering all elements deemed relevant and in any case:

- the positive results achieved over time;
- the circumstances which led to the termination, taking into account the company

- interest, also with the purpose of avoiding the threat of legal proceedings;
- the roles covered and/or offices held during employment, also in terms of risks assumed by the person;
  - the duration of employment and role;
  - the savings as a result of early termination of employment.

The ascertainment of any fraudulent conduct or gross negligence in the three calendar years prior to termination (assessment of the significance of such offences is carried out by the Parent Company's Board of Directors for persons directly appointed by it, or by the Chief Executive Officer of the Parent Company for all remaining persons) precludes the payment of any indemnity amounts for early termination of employment; the Parent Company's Board of Directors, for persons directly appointed by it, or the Chief Executive Officer of the Parent Company, for all remaining persons, reserve the right to also assess any further misconduct (other than fraudulent or grossly negligent conduct) ascertained during the three calendar years prior to termination.

The amount awarded to identified staff at the time of the early termination of employment is calculated within the upper limit of the variable component to fixed component ratio with reference to the last year of employment, without prejudice to the specific requirements of the Supervisory Provisions.

The Supervisory Provisions also provide a predefined formula, contained in the bank's remuneration policy, which defines the amount to be awarded for early termination of employment, within the context of an agreement between the bank and employees, at any stage of legal proceedings, for the resolution of a current or potential dispute; the amount, if defined in application of said formula, is not included in the calculation of the upper limit of the variable component to fixed component ratio.

The formula adopted by Banco BPM regards identified staff and requires the amount to be determined in the following way: (a) 24 months of fixed remuneration for persons included under "top" identified staff (Chief Executive Officer, General Manager (where appointed), the Joint General Managers and the First Line Managers of the Parent Company, Chief Executive Officer, General Manager, Joint General Manager and Deputy General Manager (where present) of Banca Aletti & C. S.p.A., Banca Akros S.p.A. and; (b) 24 months of fixed remuneration for identified staff not already included in previous point (a), with service seniority in the Group of more than ten years; (c) 18 months of fixed remuneration for other identified staff not already included in previous points (a) and (b).

The following reductions are applied to the amounts set out in previous points (a), (b), (c) if

necessary: (1) elimination in respect of the ascertainment, in the three calendar years prior to termination, of fraudulent or grossly negligent conduct, whose evaluation regarding the significance of the negligence is carried out by the Parent Company's Board of Directors, for subjects directly nominated by it, or by the Parent Company's Chief Executive Officer (or his delegate) for the remaining persons; (2) reduction of 12 months of fixed remuneration in the event of non-achievement of the individual performance in at least one of the two calendar years prior to the termination; (3) 50% reduction if the employee has been operating in the Group for less than three calendar years at the moment of termination, or otherwise, a 25% reduction if at the moment of termination, he/she has held his/her current position (as well as any similar positions) for less than two calendar years.

Irrespective of the method used to define the amount, payment thereof occurs according to the same methods provided for by the short-term incentive plan, defined in the remuneration policy in force on the date of termination, with reference to the last position for which payment of the amount was assessed, without prejudice to specific conditions provided for in the Supervisory Provisions. Therefore, issuing occurs as follows:

- for staff other than identified staff, in cash and on a one-time basis;
- for identified staff (golden parachute):
  - in an up-front portion, amounting to 60% in the event the amount is lower than the particularly high amount established in the remuneration policy in force on the award date, or 40% under all other circumstances;
  - in five equal annual deferred portions, for key top-management personnel (members with executive profile of the Management Body e members of the senior management of the Parent Company, Banca Aletti & C. S.p.A. and Banca Akros S.p.A., responsible for the main business lines of Parent company), irrespective of the amount awarded, and for identified staff who report directly to the Chief Executive Officer of Banca Aletti & C. S.p.A. and Banca Akros S.p.A., in the event in the event that the amount recognized of the annual individual variable remuneration is equal to or higher than the particularly high amount established in the policy in subject of remuneration in force at the time of recognition, or in four deferred installments in the remaining cases;
  - the up-front portion vests on termination of the employment relationship and is allocated within the time limits provided for in the individual agreements; the deferred portions vest annually, the first after twelve months from the date of disbursement of the up-front portion, the subsequent ones at the same interval from the vesting of the previous portion;
  - with regard to the up-front portion, 50% in cash and 50% in Banco BPM ordinary

shares;

- with reference to each deferred portion the part in Banco BPM ordinary shares amounts to 55% in the event deferment is spread over five years, or 50% in remaining cases;
- there is a retention period (sale restriction) on vested shares of one year. For deferred portions, the retention period starts from the moment deferred remuneration is vested. The vesting of the share portions takes place at the same time as the respective cash portions, while actual transfer of ownership takes place at the end of the retention period.
- both for identified staff and remaining staff, only in the absence of ascertained fraudulent conduct or gross negligence committed by the terminated person. In the case of directly appointed personnel, the Parent Company's Board of Directors ascertains whether significant misconduct is present; for remaining employees, this assessment is made by the Chief Executive Officer of the Parent Company. If misconduct is determined, the portions that have not yet been paid are cancelled (malus) and any previously paid ones must be returned (clawback). The assessment takes into account a five year period starting from the time of their vesting.

Agreements stipulated for early termination of employment do not include amounts determined by a court and arbitrary judgement, severance pay and indemnity for lack of notice. In the latter two cases, when their amount is due and determined according to limits established by legislation (they do not fall under variable remuneration and are not subject to the criteria and limits set by the shareholders' meeting).

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Dear Shareholders,

In light of all of the above, we ask you to approve the following proposed resolution:

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

- having examined and acknowledged the contents of the Report on the remuneration policy and compensation paid, in relation to the criteria for the determination of the amounts to be agreed in the event of early termination of employment or early cessation of office, made available to the shareholders and the public in the manner and within the terms envisaged by current legislation;
- taking account of the contents of this Explanatory Report,

RESOLVES

the approval of the criteria for determining the amount to be awarded in the event of the



early termination of employment or early cessation of office, including therein the limits set on said amount in terms of 24 months of fixed remuneration and, nonetheless, not exceeding 2.4 million euro (gross per employee), limits that do not include the indemnity for lack of notice determined according to the legal provisions, the amounts, the amount of which is determined by a judicial and arbitration ruling e the T.F.R.,

assigning a mandate to the Chairman of the Board of Directors, to the Chief Executive Officer, jointly and severally and with the right to sub-delegate, in order to correctly and promptly execute these resolutions and the formalities and acts relating and/or consequent to these, attributing them with all the necessary powers, including that of introducing changes or additions to the same that become necessary and/or appropriate in relation to the requests or recommendations of the Supervisory Authorities or the market management company".

Milan, 15 March 2022

The Board of Directors