



**Qualitative-quantitative composition of the Board of Statutory
Auditors**

(6 December 2022)

1. Introduction and legal framework

The Board of Statutory Auditors (also "Control Body") of Banco BPM S.p.A. ("Banco BPM" or the "Bank"), appointed by the Shareholders' Meeting on 4 April 2020 in compliance with the provisions of Article 12 of Italian Ministerial Decree no. 169 of 23 November 2020, approved this document aimed at identifying a qualitative and quantitative profile deemed optimal in order to ensure an adequate collective composition of the Control Body (the "Document" and the "Profile", respectively), in anticipation of the renewal of the Board for the years 2023-2025. The Document is made available to the Shareholders and to anyone who is interested in it, in order to provide indications and recommendations that make it easier to identify suitable candidates to be put forward in view of the next Shareholders' Meeting of Banco BPM.

The composition of the corporate bodies is of central importance for the effective fulfilment of the duties assigned to them by law, the Supervisory Provisions and the Articles of Association.¹ The division of tasks and responsibilities within the corporate bodies must be consistent with the role assigned to them within the administration and control system adopted by the bank.

In line with the general principles of the aforementioned Supervisory Provisions:

- a) from a quantitative perspective, the number of members of corporate bodies must be proportionate to the size and complexity of the bank's organisational structure, in order to effectively exercise management and control over all company operations;
- b) from a qualitative point of view, the correct performance of the functions requires the bodies with control functions (such as the Board of Statutory Auditors in the traditional *governance* system adopted by Banco BPM) to include individuals who:
 - o are fully aware of the powers and obligations inherent in the functions each of them are asked to carry out;
 - o have professional skills suited to the specific role, which are calibrated to the bank's operations and size;
 - o have skills spread among all members and appropriately diversified, so as to allow each member to effectively contribute to the performance of the role assigned to the control body, also with reference to the effective governance of the risks in all areas of the bank;
 - o dedicate adequate time and resources to the complexity of their assignment;
 - o gear their actions towards pursuing the overall interest of the bank, regardless of the shareholding structure that voted them or the list from which they are taken, operating with independent judgement.

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For the sake of completeness, the sources of the applicable national and European legislation concerning the requirements for representatives are summarised below:

- arts. 2397 et seq. of the Italian Civil Code, Royal Decree no. 262 of 16 March 1942 ("Italian Civil Code");
- Italian Legislative Decree no. 385 of 1 September 1993 (Consolidated Banking Law or "TUB");
- Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Law or "TUF");
- Article 36 of Italian Decree Law no. 201 of 6 December 2011 containing "Urgent provisions for the growth, fairness and consolidation of public accounts" ("Salva Italia")

¹ Memorandum no. 285 of 17 December 2013 of the Bank of Italy, as more fully detailed below.

Decree) converted, with amendments, by Italian Law no. 214 of 22 December 2011 ("*Interlocking Directorship*");

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and (EU) Regulation no. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, both as subsequently amended and supplemented;²
- Consob Regulation adopted with Resolution no. 11971 of 14 May 1999 ("*Issuers' Regulation*");
- Italian Ministerial Decree no. 162 of 30 March 2000 relating to the "Regulation containing the rules for establishing the requirements of integrity and professionalism of the members of the Board of Statutory Auditors of listed companies to be issued on the basis of Article 148 of Italian Legislative Decree no. 58 of 24 February 1998" ("*Italian Ministerial Decree no. 162/2000*");
- Italian Ministerial Decree no. 169 of 23 November 2020 setting forth the "Regulation on the requirements and eligibility criteria for the performance of the position of corporate representatives of banks, financial intermediaries, credit unions, electronic money institutions, payment institutions and deposit guarantee systems" ("*Italian Ministerial Decree no. 169/2020*");
- Bank of Italy Memorandum no. 285 of 17 December 2013 containing "Supervisory Provisions for Banks" on corporate governance (Part I, Title IV, Chapter 1) and on the system of internal controls (Part I, Title IV, Chapter 3, Section 2) (the "Supervisory Provisions") as well as the additional provisions of the Bank of Italy in force from time to time regarding the assessment of the suitability of bank representatives;
- Bank of Italy, Supervisory provisions of 5 May 2021 regarding the procedure of evaluation of the suitability of representatives of banks, financial intermediaries, electronic money institutions, payment institutions and deposit guarantee schemes";
- European Banking Authority ("EBA") / European Financial Instruments and Markets Authority ("ESMA"), "*Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders*" (EBA / GL / 2021/06) of 2 July 2021 ("*EBA / ESMA Guidelines*");
- EBA, "*Guidelines on internal governance*" (EBA / GL / 2021/14) of 22 November 2021;
- European Central Bank ("BCE"), Guide to fit and proper assessments of 15 May 2017, last updated in December 2021 ("*ECB Guide*").
- EBA, "*Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML / CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849*" (EBA / GL / 2022/05) of 14 June 2022.

Lastly, it should be noted that in formulating the appropriate recommendations, the following documents in particular were taken into account in the context of self-regulation:

- The Corporate Governance Code, issued by the Corporate Governance Committee of Borsa Italiana S.p.A. in 2020 ("*Corporate Governance Code*"), which the Bank adheres to;

² As amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 ("*CRD V*") and by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("*CRR*") II).

- the “Rules of conduct of the Board of Statutory Auditors of listed companies” adopted in 2018 by the National Council of Chartered Accountants and Accounting Experts.

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In identifying the theoretically ideal composition of Banco BPM's Control Body, the Board has taken into account the Bank's governance system, the Articles of Association, the internal regulations of the Corporate Bodies as well as all other relevant statutory and regulatory and soft law provisions in force.

For the purposes of this Document, the Board considered the experience gained during the mandate with regard to the activities and methods of operation and also considered the results of the self-assessment processes carried out in compliance with the Supervisory Provisions, as part of which a qualifying element in terms of synergies and coordination was recognised in the presence of some Statutory Auditors in the Corporate Bodies of other Companies of the Banco BPM Group (“Group”).

The Profile is made available to the Company Shareholders through publication on the website www.gruppo.bancobpm.it - Corporate Governance section in due time for the presentation of the candidature for Standing Auditor and Alternate Auditor for the purpose of appointment of the Board of Statutory Auditors pursuant to the relevant provisions of the Articles of Association, Article 2401 of the Italian Civil Code and in compliance with the provisions on gender balance³, so that the Shareholders can take into account the set requirements and the collective Profile of the Control Body deemed as optimal. The professional profiles of the Statutory Auditors currently in office are available on the website www.gruppo.bancobpm.it – Corporate Governance section.

2. Role and Tasks of the Board of Statutory Auditors

The traditional governance model adopted by Banco BPM gives the Board of Statutory Auditors the task of supervising compliance with the law and the Articles of Association, the observance of the principles of proper administration and the adequacy of the organisational, administrative and accounting structure. The Board of Statutory Auditors also ascertains the adequate coordination of all the Bodies, functions and structures involved in the Internal Control System.

Pursuant to article 36.1. of the Articles of Association, the Board of Statutory Auditors carries out the duties and exercises the control functions laid down by legislation in force at the time, and particularly it supervises:

- (i) compliance with the laws, regulations and the Articles of Association as well as compliance with the principles of proper administration;
- (ii) the adequacy of the Company's organisational and administrative/accounting structure and the financial reporting process, for aspects within its competence;

³ The Consolidated Finance Law, Article 148, paragraph 1-bis, provides that “the company's deed of incorporation also establishes that the distribution of the members referred to in paragraph 1 is carried out in such a way that the less represented gender obtains at least two fifths of the effective members of the Board of Statutory Auditors”. Pursuant to Article 33.3 of the Bank's Articles of Association, the “composition of the Board of Statutory Auditors guarantees gender balance, in compliance with the currently applicable legislation and regulations. Bank of Italy Memorandum no. 285 of 17 December 2013 as amended (First Part, Title IV, Chapter 1, Section IV “Composition and appointment of corporate bodies”) establishes that “The composition of the bodies must reflect an adequate degree of diversification in terms, inter alia, of skills, experience, age, gender, international projection. [...] With particular regard to gender diversity, without prejudice to the provisions of the law, in the bodies with strategic supervision and control functions, the number of members of the least represented gender must account for at least 33% of the members of the body”.

- (iii) 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;
- (iv) the process of statutory auditing of the annual accounts and the consolidated accounts;
- (v) the procedures for the practical implementation of the corporate governance rules that the Company declares it complies with;
- (vi) the adequacy of the instructions handed down by the Company to its subsidiaries in exercising management and coordination activities;
- (vii) the independence of the auditing firm, particularly as regards the provision of non-auditing services.

Pursuant to Article 19 of Italian Legislative Decree no. 39 of 27 January 2010 (as subsequently amended and supplemented, "Italian Legislative Decree no. 39/2020" or "Decree"), the Board of Statutory Auditors is also identified as the "Internal Control and Audit Committee", to which said Decree assigns functions of supervision over the financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, the independent audit of the annual and consolidated accounts and the independence of the independent auditor. In particular, the Board of Statutory Auditors is tasked with:

- (i) informing the Board of Directors of the audited entity of the outcome of the independent audit and transmitting to this Body the additional report referred to in Article 11 of EU Regulation no. 537/2014 of the European Parliament and of the Council of 16 April 2014, accompanied by any observations;
- (ii) monitoring the financial reporting process and making recommendations or proposals to ensure its integrity;
- (iii) controlling the effectiveness of the company's quality and risk management internal control systems and, if applicable, internal audit control systems, with respect to the audited entity's financial reporting, without violating its independence;
- (iv) monitoring the independent audit of the separate and consolidated financial statements, also taking into account any results and conclusions of the quality checks carried out by CONSOB pursuant to Article 26, paragraph 6 of EU Regulation no. 537/2014, where available;
- (v) verifying and monitoring the independence of the independent auditors in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of Italian Legislative Decree no. 39/2010 and Article 6 of EU Regulation no. 537/2014, in particular with regard to the adequacy of the provision of non-audit services to the audited entity, in accordance with Article 5 of said Regulation.

The Board of Statutory Auditors is also responsible for the procedure aimed at selecting the independent auditors and, to this end, prepares a reasoned proposal to the Shareholders' Meeting on the independent auditors or auditing firms to be appointed pursuant to Articles 16 of EU Regulation no. 537/2014.

3. Qualitative-quantitative composition of the Board of Statutory Auditors

The above-mentioned Provisions and Decree require the Board of Statutory Auditors, for the purpose of appointing or replacing its members and taking into account the applicable regulations:

1. to identify in advance its qualitative-quantitative composition considered optimal in relation to the objectives identified by the regulations, indicating and justifying the theoretical profile (including the characteristics of professionalism and independence) of the candidates deemed appropriate for these purposes;
2. to subsequently verify the correspondence of the qualitative and quantitative composition considered optimal and the actual composition after the appointment process.

The result of the analysis carried out by the Board of Statutory Auditors must be made available to the Shareholders in good time so that they can take it into account when choosing candidates.

In compliance with the regulations and with the aim of providing the Shareholders with clear and detailed guidelines to ensure that the lists of candidates submitted for the next renewal of the Board are consistent with the responsibilities assigned to them, the Board of Statutory Auditors has therefore identified its theoretical qualitative-quantitative profile.

3.1. The quantitative composition

According to Article 33.1. of Banco BPM's Articles of Association, the Board is made up of 5 Regular Auditors, including the Chairperson, and 3 Alternate Auditors.

During the self-evaluation, with specific reference to the aspects related to the quantitative composition of the Body, the position of all of the standing auditors came to light to indicate that the number of regular and alternate members set forth in the Articles of Association is adequate to ensure the correct functioning of the Board itself.

3.2. Qualitative composition: individual suitability requirements of the members of the Board of Statutory Auditors

In the light of the reference framework outlined above, in formulating the recommendation addressed to the Shareholders who will submit candidates for the office of Regular and/or Alternate Auditor, the optimal composition of Banco BPM's Board of Statutory Auditors was defined so as to ensure complementarity in terms of professionalism, experience and skills of its members with particular reference to:

- ensuring that the Board of Statutory Auditors features a balanced combination of profiles and experiences in order to foster internal debates and discussions;
- enhancing profiles with personal and attitudinal characteristics that are able to ensure the best possible performance of the position while encouraging the emergence of a plurality of approaches and perspectives in the analysis of issues, also in contexts such as the Board of Director's internal committees the Statutory Auditors are invited to participate in;
- guaranteeing an adequate diversification of skills so as to effectively supervise the risk management activities while adequately challenging the work of the managers, bearing in mind the multiple interests that contribute to the Bank's sound and prudent management;
- identifying profiles with adequate availability of time and resources to ensure the role is carried out effectively;
- further promoting the diversity requirements already in place, with particular regard to professional training and experience, gender diversity and age diversification.

3.2.1. Professionalism requirements

As indicated in the introduction, in defining the requirements, account was taken of the applicable legislation, including regulatory provisions, with particular reference to the Supervisory Provisions, to the evolution of the regulations for listed companies, to the indications of the ECB Guide that regulate the requirements of professionalism and integrity of company representatives.

Significant attention was also given to the principles of self-regulation contained in the *Corporate Governance Code*.

In relation to the above, the Board of Statutory Auditors defined the optimal composition able to ensure the complementarity of its representatives with regard to the professional experience and skills acquired.

The Board of Statutory Auditors recommends that Shareholders take into consideration, for the purpose of choosing candidates, their possession of a mix of knowledge, skills and technical experience that allows the Board of Statutory Auditors to understand the main business areas and the principal risks to which the Group is exposed, taking into account studies, training and characteristics of the positions held.

All candidates for the position of member of the Board of Statutory Auditors must meet the professional requirements set out in the Articles of Association and the legislation in force at the time (in particular in Article 26 of the TUB and Article 148 of the TUF, as well as Italian Ministerial Decree no. 162/2000 and Italian Ministerial Decree no. 169/2020).

At least two of the Regular Auditors and at least one Alternate Auditor must be chosen from those listed on the Official Register of Auditors with at least three years' experience in the auditing of accounts.

The Chairperson of the Board of Statutory Auditors must:

- (i) be enrolled in the Register of Statutory Auditors and have exercised the statutory audit of accounts for a period of no less than five years, or
- (ii) having exercised, also alternatively, the activities envisaged for the other members of the Board of Statutory Auditors by the regulations in force (as described below) for a period of no fewer than five years.

The Statutory Auditors who do not meet the above-mentioned requirements will be chosen, pursuant to Ministerial Decree 169/2020, from those who have accrued total experience of at least three years, including alternately, in:

- a) independent auditing activities;
- b) professional activities related to the credit, financial, securities and insurance sectors or, in any case, activities that are functional to the bank's activity; the professional activity must be characterised by adequate levels of complexity, also with reference to the recipients of the services provided, and must be carried out on a continuous and significant basis in the above-mentioned sectors;
- c) university teaching activities, as first or second level lecturer, in legal or economic subjects or in other subjects that are in any case functional to carry out the activity of the credit, financial, securities or insurance sector;
- d) managerial, executive or top management functions, under whatever denomination, at public bodies or public administrations that relate to the credit, financial, securities or insurance sector, provided that the body at which the representative carried out such functions is of a size and complexity that are comparable with those of the bank at which the position is to be held.

For the purposes of meeting the above requirements, for those Statutory Auditors who are not enrolled in the register of independent auditors, the experience gained during the twenty years prior to taking office is taken into account; experience gained at the same

time in more than one function is counted only for the period of time in which they were carried out, without accumulating them.

Pursuant to Ministerial Decree 162/2000, Statutory Auditors who do not meet the above-mentioned requirement of enrolment in the register of independent auditors will be chosen from those who have accrued total experience of at least three years in:

- a. administration or control activities, or managerial duties with limited companies that have a share capital of not less than two million euro; or
- b. professional activities or tenured university teaching in legal, economic, financial and technical-scientific subjects, strictly related to the company business; or
- c. top management functions at public bodies or public administrations operating in the credit, financial and insurance sectors or, in any case, in sectors strictly related to the company business.

The information proving the candidates' satisfaction of the professionalism requirements, as described above, shall be included in the *curriculum vitae* and in the additional documentation submitted in support of the application.

All candidates for the position of member of the Board of Statutory Auditors should also have a suitable knowledge of English to allow correct understanding of written texts and, therefore, ensure the possibility of directly carrying out their own control activities also on such documents, also pending the adoption of this language in correspondence between the Bank and the European Supervisory Authority.

3.2.2. Competence criteria

Considerable attention was paid to the reference legislation and the regulations, the Supervisory Provisions, the regulations for listed companies (including the Corporate Governance Code), as well as the indications contained in the EBA/ESMA Guidelines and the ECB Guide.

In relation to the above, it is advisable that, in addition to the professionalism requirements, the Shareholders shall take into account, for the purpose of choosing the candidates, the need for such candidates to meet competence criteria aimed at proving their suitability to take on the position – considering the tasks inherent to the position of Statutory Auditor and the size and operating characteristics of Banco BPM – also in the light of the following elements:

- their possession of a mix of knowledge, skills and technical experience that enables the Control Body to understand the main business areas and the main risks the Banco BPM Group is exposed to;
- the overall experience gained, both through studies and training and through practical experience in the positions held;
- the size, level of operational complexity, scope of activities and related risks, and the markets in which candidates have previously operated.

More specifically, the Shareholders shall take into account both the theoretical knowledge (acquired through studies and training) and the practical experience (acquired in the performance of previous or current working activities) of the candidates in one or more of the following fields:

- financial and/or banking markets: to this end, non-executive, executive or supervisory positions in Italy and/or abroad are deemed relevant. The experience gained in relation to the said business in the professional, academic and public sectors is also relevant;

- banking, financial and insurance activities and products;
- risk management (methods of identification, assessment, monitoring, control and mitigation of the main types of risk of a bank, or insurance or reinsurance company, including the responsibilities of a Statutory Auditor in these processes);
- accounting and financial reporting (financial statements, accounting policies and tax matters, gained in the financial and insurance sectors or in auditing firms);
- strategic guidance and planning gained in banks, insurance or reinsurance companies, listed companies or multi-nationals or leading international strategic consulting firms, preferably in financial services;
- information technology in relation to information systems and new technologies applied to the banking, financial and insurance sector gained in leading international strategic consulting firms or in companies, preferably listed, with executive, non-executive or control positions;
- regulation in the banking, financial and insurance sector, gained in leading law firms or in companies or groups of significant size;
- organisational and corporate governance structures, gained in banks, insurance or reinsurance companies, listed or multi-national companies with executive, non-executive or control positions, or with leading international consulting firms;
- internal control systems and other operational mechanisms.

Without prejudice to the above, the following skills and experience are also relevant:

- in human resources, remuneration systems and policies, gained in banks, insurance or reinsurance companies, listed or multi-national companies with executive, non-executive and control roles, or with leading international consulting firms;
- digitalisation and digital transformation processes and ICT risk management;
- in general, sustainability and non-financial reporting and, in particular, the management of environmental and climate risks;
- the identification and assessment of the risk of money laundering and terrorism financing and policies, controls and procedures regarding the fight against money laundering and terrorism financing.

Without prejudice to the competence and experience criteria listed above and to the provisions of the law and of the Articles of Association in force from time to time, it is recommended that these skills and experiences be gathered and acquired in Control and/or Strategic Supervision Bodies or in internal Board Committees with control functions in banking, financial, insurance companies, whether listed or of a size and complexity that are comparable to those of Banco BPM.

With reference to the office of Chairperson of the Board of Statutory Auditors, the following additional requirements may also be assessed: experience acquired in the coordination, supervision or management of human resources as such to ensure effective performance of the functions of coordination and supervision of the works of the Board of Statutory Auditors, promotion of its adequate functioning, also in terms of the circulation of information, effectiveness of debate and stimulation of internal dialogue as well as adequate overall composition of the Board itself.

The experience and skills of the candidates, with a specific indication of the ways in which these have been acquired and their duration, shall appear in their *curricula vitae* and in the other documentation produced in support of the application.

3.2.3. Aptitude requirements

Attention is also drawn to the need to taking into consideration also the aptitude profiles set out in the EBA/ESMA Guidelines as qualifying for the role of member of the Board of Statutory Auditors of Banco BPM and in particular:

- independent judgement, i.e., the ability to be objective, open and prepared for discussion and the ability to take a position and defend it;
- integrity, i.e., the respect for values and the ability to live according to them, honesty and loyalty; authenticity, self-awareness and self-confidence;
- commitment and time availability, i.e., willingness to invest time and energy to learn about the Bank; commitment and preparation.

3.2.4. Integrity requirements

All the candidates for appointment as a member of the Board of Statutory Auditors will have to comply with integrity requirements in accordance with prevailing laws. In particular, they must meet the requirements of integrity set out in Italian Ministerial Decree no. 169/2020 and Italian Ministerial Decree no. 162/2000.

The failure to comply with the integrity requirements will make it impossible to take on the office or will lead to loss of the office.

3.2.5. Correctness criteria

In addition to the requirements of integrity, each member of the Board of Statutory Auditors must meet specific criteria of correctness with regard to their personal and professional conduct, in line with the provisions of Italian Ministerial Decree no. 169/2020, the EBA/ESMA Guidelines and the ECB Guide. Specifically, it should be noted that candidates for the position of member of the Board of Statutory Auditors:

- must not have behaved in a way that, although not constituting an offence, is incompatible with the office of Statutory Auditor of the Bank or that might entail serious prejudicial consequences for the Bank in terms of reputation and public trust;
- must not find themselves – and must not have ever found themselves – in situations that, with regard to the economic activities and financial conditions of the candidates themselves (or of the companies controlled by them, in which they hold a significant interest or are managed by them), are or have been, even potentially, liable to affect their reputation;
- must not be correlated to specific circumstances whose existence could affect the good reputation, honesty, integrity and financial soundness of the candidate.

In order to assess the correctness criteria, the Shareholders shall take into account, among other things, the cases provided for by Article 4 and the criteria set out in Article 5 of Italian Ministerial Decree no. 169/2020.

3.2.6. Availability of time and commitment required of members of the Board of Statutory Auditors

In accordance with the provisions of the applicable law, the availability of time to dedicate to fulfilling the position, in accordance with its nature, quality and complexity, is a basic requirement that candidates for the position of Statutory Auditors will have to be able to ensure.

With regard to Banco BPM's specific situation, it should be noted – for information purposes – that in each year of the 2019-2021 three-year period, the following were held:

41 meetings of the Board of Statutory Auditors, 20 meetings of the Board of Directors, 23 meetings of the Internal Control and Risks Committee (name adopted until 28 April 2021, subsequently "the Internal Control, Risks and Sustainability Committee), 22 meetings of the Appointments Committee, 5 meetings of the Related Parties Committee and 21 meetings of the Remuneration Committee.⁴

For the sake of completeness, it should be noted that, for the current year (2022), until the date of preparation of this document, the following were held: 38 meetings of the Board of Statutory Auditors, 21 meetings of the Board of Directors, 21 meetings of the Internal Control, Risks and Sustainability Committee, 22 meetings of the Appointments Committee, 3 meetings of the Related Parties Committee and 18 meetings of the Remuneration Committee.

The members of the Board of Statutory Auditors attended an average of 100% of the Board meetings, 100% of the meetings of the Board of Directors, and through the Chairperson or the designated Statutory Auditor, the Internal Board Committees.

Apart from the commitment relating to attendance at the meetings, the time that each Statutory Auditor believes he/she has to dedicate to preparation and travel for attendance at said meetings should also be considered.

Attention is also drawn to the expected threshold of attendance at meetings of the Board of Statutory Auditors, in relation to which Article 2404 of the Italian Civil Code states that "... a statutory auditor who, without a justified reason, fails to attend two meetings of the Board during a financial year shall lose his/her office...". Also in relation to the guidelines issued by the Supervisory Authority, it is also considered useful (albeit not indispensable) for candidates to ensure their physical presence at meetings, with the exception of any extraordinary meetings or exceptional circumstances.⁵⁶

Recalling that Article 149 of the TUF states, among other things, that "... those Statutory Auditors who, without a justified reason, fail to attend two meetings of the Board of Directors or of the Executive Committee, shall lose their office...", the Board invites Shareholders to pay attention also to the expected threshold of attendance at the meetings of the Board of Directors and of the Bank's Shareholders' Meetings.⁷

The above must be augmented by the necessary commitment for participation in the sessions of the training and induction plans, which are normally defined annually for the representatives of the main companies of the Group (including the Statutory Auditors of Banco BPM), as well as any additional off-site meetings.

In view of the above, it is recommended – also in line with the guidelines issued by the European Central Bank – that candidates should accept the position of Statutory Auditor when they deem they can devote the necessary energy and time to it, taking into account factors such as: other commitments and circumstances of a personal and professional nature, as well as the positions that they may hold in other companies; the nature, scope and complexity of the functions carried out; the size and situation of the companies in which the position is held; the place or country where these companies are based.

In this regard and by paying special attention to the proper functioning of the Board of Statutory Auditors and to the contribution of each member to the internal debate within the Board, in compliance with Article 16 of Italian Ministerial Decree no. 169/2020, an

⁴ For a complete disclosure, it should be noted that in 2019 (19 meetings) and until 4 April 2020 (2 meetings) an Executive Committee also operated, whose meetings were attended by the Board of Statutory Auditors, through the Chairperson or the Statutory Auditor designated by the latter.

⁵ The possibility of taking part in meetings by video-conference or audio-conference is ensured, however, in compliance with the provisions of the Articles of Association and the Regulation of the Board of Statutory Auditors of Banco BPM.

⁶ As recently occurred in the period of the health emergency due to the Covid-19 pandemic.

⁷ One Shareholders' Meeting for each year of the 2019-2021 three-year period and one in 2022.

estimate was carried out to be used as reference to assess the minimum time deemed necessary for the effective fulfilment of the position, summarised in the following table:

Position	Estimated commitment (days/year)
<i>Chairperson of the Board of Statutory Auditors</i>	100
<i>Auditor</i>	80

3.2.7. Limit to the accumulation of external positions

Pursuant to the provisions of the Articles of association, the limits on the accumulation of the administrative and auditing positions established in the CONSOB regulation and any other applicable provisions apply to members of the Board of Statutory Auditors. According to the provisions of the Issuers' Regulation, in implementing Article 148-bis of the Consolidated Law on Finance (TUF), the persons holding the same office in five issuers cannot hold the position of member of the Board of Statutory Auditors of an issuer.

The member of the Board of Statutory Auditors of an issuer can take on other administration and control positions with the companies indicated by the above-mentioned regulations within the limits established therein. Exempt positions and administration and control positions at small-sized companies (as defined by the above-mentioned regulation) are not taken into account in order to calculate overlapping positions.

A member of the Board of Statutory Auditors who exceeds those limits for reasons outside his/her control will resign from one or more of the previously covered positions within 90 days of becoming aware that said limit has been exceeded.

Moreover, with specific reference to the limits to overlapping positions for the corporate representatives of banks, expressly mentioned also in the Supervisory Provisions, the attention of Shareholders is drawn to the specific provisions in this regard contained in Italian Ministerial Decree no. 169/2020, in the CRD IV Directive and in the "Regulation on the limits to overlapping positions" of Banco BPM.

In particular, pursuant to Article 91 of the CRD IV Directive, Articles 17 and 18 of Italian Ministerial Decree no. 169/2020 and Article 3.1 of the Regulation on limits to overlapping positions of Banco BPM, the members of the Bank's Board of Statutory Auditors may simultaneously (also taking into account the positions held within the Group) only hold one of the following combinations of corporate offices:

a) 1 executive position with 2 non-executive positions;

or

b) 4 non-executive positions.

The indications above are set out in Article 3.1 of said Regulation, on the basis of which the following limits to the assumption of positions are laid down for the Statutory Auditors of the Banks of the Group:

a) those who cover positions with non-executive functions in Banks of the Group, may hold the following combinations of offices:

- 1 executive position and 1 non-executive position in companies not belonging to the Group:

alternatively,

- 3 non-executive positions in companies that do not belong to the Group.

For further details and specifications concerning the limits to overlapping positions, reference should be made to the provisions of the Issuers' Regulation, Italian Ministerial Decree no. 169/2020 and the Regulation on limits to overlapping positions available on the Bank's website (www.gruppo.bancobpm.it – Corporate Governance section).

3.2.8. Grounds for ineligibility, loss of office and incompatibility

For the purpose of the candidacies, the Shareholders shall take into account the following.

In accordance with article 148 of the Consolidated Law on Finance (TUF), the following cannot be elected as Statutory Auditors, and if elected, will lose their offices:

- a) those who find themselves in the conditions provided under article 2382 of the Italian Civil Code;
- b) the spouse, family and in-laws within the fourth degree of kinship of the directors of the Bank, the directors, the spouse, family and in-laws within the fourth degree of kinship of the directors of the companies it controls, the companies that control it or those subject to joint control;
- c) those that are linked to the Bank or its subsidiaries or the companies that control it or those subject to joint control or the directors of the Bank and the parties described under letter b) by self-employment relations or employment relations or other equity-related or professional relations that would compromise their independence.

In accordance with the provisions of article 17 of Italian Legislative Decree no. 39/2010, anyone who had a key role in the independent audit or that carried out an audit on behalf of the auditing firm of Banco BPM may not hold the position of Statutory Auditor in Banco BPM either, unless at least two years have passed since they stopped said work. This prohibition is extended to the employees and Shareholders, other than the key independent audit manager, as well as to any other natural person whose services have been placed at the disposal or under the control of the Independent Auditors, if qualified to practice as independent auditor, for the period of two years from their involvement in the position of Independent Auditor.

In compliance with the provisions of the Supervisory Provisions, the members of the Board of Statutory Auditors may not hold offices in bodies other than those with a supervisory function at other Group Companies in which Banco BPM holds, even indirectly, a strategic interest, meaning an interest of at least 10% of the share capital or voting rights in the ordinary shareholders' meeting of the investee company and 5% of the Banking Group's consolidated regulatory capital.

Finally, without prejudice to the other incompatibilities provided for by the regulations in force (including the prohibition of Interlocking Directorships pursuant to Italian Law no. 214 of 22 December 2011), the office of Statutory Auditor, also in the light of the EBA/ESMA Guidelines, is deemed incompatible with political offices, i.e. offices of national member of Parliament and member of the Government. It is also recommended that the position of Statutory Auditor should not be held by persons who are members of the European Parliament or members of the Regional, Provincial or Municipal Boards or Councils (limited to provincial capitals).

3.2.9. Requirements of independence and Independence of judgement

Pursuant to Article 14 of Italian Ministerial Decree no. 169/2020, the following persons may not cover the position of member of the Board of Statutory Auditors:

- a) those who find themselves in one of the situations indicated in Article 13, paragraph

1, letters b), g) and h) of Italian Ministerial Decree no. 169/2020, namely:

- those who are "participants" in the ⁸ Bank;
 - those who are representatives with executive positions in a company in which a representative with executive tasks of the Bank holds the position of member of the Board of Directors or of the Management Body;
 - those who, directly or indirectly, have or have had in the two years prior to taking the position, independent or subordinate employment relations or other relations of a financial, equity or professional nature, even if not continuously, with the Bank or its executive representatives or its Chairperson, with the subsidiaries of the Bank or their executive representatives or their Chairmen, or with a "participant" in the Bank or its executive representatives or its Chairperson, such as to compromise their independence;
- b) the spouse who is not legally separated, a person bound by civil union or de facto cohabitation, a relative or an in-law within the fourth degree of kinship:
- the managers of the Bank's main corporate functions;⁹
 - those who find themselves in the situations stated in letter a) above or in letter c) below;
- c) those who hold, or have held in the last five years, the position of member of the Board of Directors or of the Management Body as well as that of a "participant" in the Bank, the Bank or the Company controlled by it.

This is without prejudice to the possibility for a member of the Board of Statutory Auditors of Banco BPM to hold the office of statutory auditor or member of the supervisory body at the same time in one or more Group Companies;

Furthermore, the Statutory Auditors must meet the independence requirements contained in Article 148, paragraph 3, of the Consolidated Law on Finance (TUF) and in Italian Ministerial Decree no. 169/2020, as well as in the provisions contained in the Recommendations of the Corporate Governance¹⁰ Code.

⁸ Meaning the person who, holding an interest equal to at least 10% of the share capital or voting rights in the Bank, or involving control or the possibility of exercising significant influence over the Bank, is required to apply for the authorisations provided for under Title II, Chapter III, of the Consolidated Law on Banking (TUB) and the relevant implementing provisions.

⁹ Pursuant to Ministerial Decree 169/2020, these are: the managers of the anti-money laundering, compliance, risk control and internal audit functions, as defined by the provisions on internal controls issued in accordance with Article 53 of the Consolidated Law on Banking (TUB), and the *Chief Financial Officer of the Bank*, as well as, where present and if different from the latter, the manager responsible for preparing the corporate accounting documents envisaged by Article 154-bis of the Consolidated Law on Finance (TUF).

¹⁰ Recommendation 9 of Article 2 of the Corporate Governance Code provides as follows: "... All members of the control body meet the independence requirements set forth in recommendation 7 for directors...". Recommendation 7 in turn requires that "... Circumstances that impair, or appear to impair, a director's independence include at least the following: a) whether he/she is a significant shareholder of the company; b) whether he/she is, or has been in the previous three financial years, an executive director or an employee: - of the company, of a strategically important subsidiary of the company or a company under joint control; - of a significant shareholder of the company; c) if, directly or indirectly (e.g. through subsidiaries or companies of which he/she is an executive director, or as a partner of a professional firm or consulting firm), he/she has, or has had in the previous three financial years, a significant commercial, financial or professional relationship: - with the company or its subsidiaries, or with the relevant executive directors or top management; - with a subject who, also jointly with others through a shareholders' agreement, controls the company; or, if the controlling company is a company or an entity, with the relevant executive directors or top management; d) if he/she receives, or has received in the previous three financial years, from the company, one of its subsidiaries or the controlling company, significant additional remuneration compared to the fixed remuneration for the office and to the remuneration set for the participation in the committees recommended by the Code or envisaged by the current legislation e) if he/she has been a director of the company for more than nine financial years, including non-consecutive years, in the last twelve financial years; f) if he/she holds the office of executive director in another company in which an executive director of the company has an administrative position; g)

In this regard, for the purposes of the subsequent assessment of the existence of the suitability requirements of the representative, it should be noted that Article 33.4 of the Articles of Association prescribes that, without prejudice to the additional provisions of the regulations in force at the time, the Statutory Auditors must meet the independence requirements envisaged for independent directors by Article 20.1.6. of the same Articles of Association. This last article contains a definition of the independence requirement that concentrates the aforementioned legislative and regulatory provisions and is therefore, *mutatis mutandis*, also taken into consideration by the Board of Statutory Auditors when verifying the requirement in question by its members. In compliance with this provision of the Articles of Association, for example, a Statutory Auditor who has held an office in the Bank, or has held managerial positions at the Bank, for more than nine years, including non-consecutive, in the last twelve years is not considered independent.

In compliance with the aforementioned Articles 33.4 and 20.1.6 of the Articles of Association and in compliance with *best practices*, at the time of verification by the members of the Board of Directors of the requirement in question, apply the quantitative and / or qualitative criteria identified in general by resolution of the Board as suitable to determine the significance of the financial, equity or professional relationships, even if not ongoing, indicated above.

All members of the Board of Statutory Auditors must act with independent judgement, being aware of the duties and rights relating to the position taken, pursuing the Bank's sound and prudent management and in compliance with all applicable regulations.

Therefore it is recommended that, when selecting candidates, care be taken to identify individuals who are able to perform their duties with objectivity and integrity and who have no direct or indirect interests that could compromise their independent judgement and that may represent a potential risk for the Bank, including from a reputational perspective.

Without prejudice to the above, it should be noted that Banco BPM Group has established specific controls aimed at preventing and mitigating possible conflicts of interest pursuant to current regulations and the guidelines of the Supervisory Authorities.

3.2.10. Guidelines regarding diversity

Without prejudice to the provisions of the legislation and the regulations in force from time to time, in order to ensure adequate discussion and deliberation within the Control Body, it was deemed necessary to ensure that its composition reflects an adequate degree of diversification in terms of gender and skills as well as to adopt an age policy.

In particular, the composition of the Board of Statutory Auditors must ensure a balance between genders, in accordance with current legislation¹¹, according to which at least two-fifths of the elected Standing Auditors must be represented for six consecutive terms.¹²In this regard, reference should be made to what was stated in the introduction.

if he/she is a shareholder or the director of a company or an entity belonging to the network of the company entrusted with the independent audit of the company; h) if he/she is a close family member of a person who is in one of the situations referred to in the previous points. The management body shall predefine, at least at the beginning of its term of office, the quantitative and qualitative criteria for assessing the significance referred to in c) and d) above. In the case of a director who is also a partner in a professional firm or consulting firm, the management body assesses the significance of professional relationships that may have an effect on his/her position and role in the firm or consulting firm, or that otherwise relate to significant transactions of the company and its group, even irrespective of the quantitative parameters...".

¹¹Article 148, paragraph 1-bis, of the Consolidated Law on Finance (TUF).

In compliance with legal and regulatory provisions governing equal access to the bodies of companies listed in regulated markets, and more specifically the amendments to article 148 of the Consolidated Law on Finance (TUF) introduced by article 1, paragraphs 302 and 304, of Italian Law no. 160 of 27 December 2019, it was

In the light of the current reference regulatory context, at least 2 standing members of the Board of Statutory Auditors must belong to the less represented gender.

Furthermore, without prejudice to the provisions of pro tempore governing regulations, in order to ensure that the Control Body, as a whole, can ensure the effective execution of the tasks assigned to it, it is important that its composition provides for the balanced and diverse presence of Statutory Directors who, individually, have gained skills and experience as stated in paragraph 3.2.2 above.

Finally, on the basis of the above-mentioned policy approved by the Board of Directors, the candidates for the position of Statutory Auditors in Banco BPM cannot be older than 75 years, without prejudice to the possibility of passing resolutions derogating from the above criterion on the basis of justified and proven reasons.

3.2.11. Collective suitability of the Board of Statutory Auditors

In order to guarantee the "collective suitability" of the Board of Statutory Auditors, it is advisable that the candidates express a balanced composition of experience and technical knowledge (in the areas already indicated above) that enables the Board of Statutory Auditors to understand the main business areas and the main risks the Banco BPM Group is exposed to.

In particular, in light of the provisions of Article 11 of Italian Ministerial Decree no. 169/2020, the presence of Statutory Auditors will be taken into consideration:

- who are diverse in terms of age, gender and duration of the position;
- whose skills, considered collectively, are suitable for (i) encouraging internal debate and discussions; (ii) promoting the emergence of a plurality of approaches and perspectives in the analysis of issues and in the taking of decisions; (iii) effectively supervising the management of activities and risks, controlling the work of top management; (iv) taking into account the multiple interests that contribute to the sound and prudent management of the Bank.

For the purposes of the above, reference is also made to what is specified in paragraph 3.2 above.

4. Induction and training

Banco BPM has a permanent training and induction plan in place for the members of the Board of Directors, from which the members of the Board of Statutory Auditors also benefit. This includes sessions aimed at facilitating the onboarding of new Directors/Statutory Auditors and recurrent training sessions in order to preserve over time the wealth of technical skills needed to perform the position with the necessary awareness.

Individual training plans will also be deployed if this is necessary to strengthen specific technical knowledge and expertise, also in order to integrate the degree of diversity and the overall experience of the Board of Statutory Auditors.

provided that - starting from the first renewal of the bodies of listed companies after the date of entry into effect of the law (which for Banco BPM took place with the Shareholders' Meeting of 4 April 2020) - the less represented gender for six consecutive terms of office must account for at least two fifths of the standing auditors elected.¹²