



REGULATIONS FOR TAX MANAGEMENT

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1 Introduction

1.1 Purpose

The Regulations establish the principles, roles and responsibilities for managing tax issues and the associated risk.

1.2 Scope of application and procedures for adoption

The Regulations apply to the Parent Company and to companies in the Banco BPM S.p.A. Group.

The Regulations and subsequent amendments were approved by decision of the Board of Directors of the Parent Company, and thereafter adopted by the competent management bodies of the subsidiaries which, each to the extent of their responsibility, decide on adoption of the Regulations and guarantee that any of their own internal regulations are consistent with those of the Group.

In agreement with the Parent Company and according to the principle of proportionality, the individual subsidiaries can arrange measured application of the principles governed by the Regulations, based on the specific operational characteristics and complexity.

2 General principles

Applicable external regulations in force define tax risk as the “risk of operating in violation of tax regulations or in conflict with the principles or purposes of tax law”.

With the aim of monitoring this risk, the Group defines a tax strategy that envisages:

- the definition of principles which the Group must adopt as standard in managing its taxes;
- the guiding of company business activities in compliance with national and international tax regulations, the prevention of disputes and overall management that offers correct operations and the minimisation of tax risk;
- the establishment and continuous maintenance of a control system which, also through suitable organisational monitoring, ensures the correct and prompt calculation and settlement of taxes due and the satisfaction of all related obligations;
- the assignment of specific monitoring, guidance and supervision responsibilities on tax aspects associated with Group activities.

In managing its taxes, the Banco BPM Group:

- adopts conduct based on the values of fairness, transparency, integrity and professional diligence so as to responsibly manage tax risk, ensuring that the processes and procedures used for this purpose are adequate;
- interprets tax regulations without manipulation and in compliance with their original spirit;
- guarantees consistency with Group strategic guidelines and the values on which they are based;
- does not resort to contrived structures, also of a corporate nature, to circumvent tax regulations;
- establishes relations of mutual fairness, cooperation and transparency with the tax authority, guaranteeing full understanding of the events underlying application of the tax regulations;
- within the Group, promotes the dissemination of a tax compliance culture;
- promotes the professional updating of personnel employed in the structures dedicated to tax matters and ensures that all personnel are made aware of tax regulations.

The principles established in these Regulations apply to the tax management for the entire Group in specific reference to obligations of the Parent Company and every Group company as “taxpayer” (e.g. for direct and indirect taxes), “withholding agent” (e.g. for withholding tax on loans) and “intermediary” (e.g. for FATCA, CRS, tax monitoring reports, etc.).

Corporate liability

Aware that tax revenues form one of the main sources of contributions to economic and social development, the Group, as financial entity operating with institutional and private entities and individuals, protects its image and reputation as elements essential to guaranteeing the growth of its business activities.

In the operational management of activities relevant for tax purposes, the Group must guarantee for example:

- the payment of all taxes due and prompt compliance with obligations imposed by tax regulations;
- efficient management of Group taxes as a whole, avoiding double taxation situations and implementing correct management of transfer pricing regulations;
- the correct calculation of tax payables in compliance with legal provisions and entitlement, without recourse to transactions or activities designed solely or primarily to achieve tax savings and without proposing to customers, personnel or third parties the purchase of products or arrangement of transactions for such purposes;
- the adoption of an internal control system that allows verification of the promptness and formal and substantial fairness of tax obligations.

Strategic and operational decisions

Strategic and operational decisions are adopted by taking into consideration the related tax impact. To this end:

- involvement of the Administration and Budget function is ensured in the analysis of extraordinary transactions and the development of new products, services, new business, entry into new markets, trade agreements, etc.;
- the Administration and Budget function reports to the Risks Committee on the tax aspects of decisions to be adopted, if significant, and on significant aspects of risk management;
- in line with regulatory provisions, the management body of the Parent Company is informed of relations with the Tax Authority, audits and controls that concern Group companies and their outcomes (the “tone at the top” principle envisaged in OECD Guidelines). In the same manner, the management bodies of subsidiaries are informed to the extent of each company’s responsibility.

Regulatory compliance

The Group guides its business activities in compliance with the context of tax laws in its countries and areas of operation, in reference to the formal aspect of regulations and the effective underlying intentions of the law, interpreting these with consistent and systematic criteria.

To this end, the organisational model of the Parent Company comprises the function dedicated to Administration and Budget, with suitably trained and skilled personnel, which is responsible for monitoring regulatory developments with a view to adapting business processes for the correct fulfilment of tax obligations and tax risk limitation.

Where necessary, the Group makes use of external advisors to manage tax matters and obligations. Such advisors are coordinated solely by the Administration and Budget function, which supports selection from among those that ensure commitment to compliance with the principles covered in the Regulations.

Management of the tax variable

Tax risk is managed at operating level through a complex system of controls and procedures that guarantee constant verification of the accuracy of data entered in tax returns, tax payments and communications to the Tax Authority.

The effectiveness and implementation level of such monitoring and procedures is periodically verified so as to take the necessary mitigating actions and changes, where appropriate.

Any issues of particular importance that might emerge are managed promptly in order to eliminate or minimise resulting economic and reputational risk. To this end, the opinion of external professionals or a Tax Authority ruling can be obtained by means of legally envisaged procedures (e.g., tax ruling requests). The most complex and significant issues are brought to the attention of the management bodies of the Parent Company and subsidiaries concerned, so that they can express their own assessments.

In the corporate processes for the approval of transactions, new products and services, the Administration and Budget function has to assess the impact and tax risks associated with the proposal and, if considered necessary, request further information and/or changes. If its assessments on the impact and tax risks prove negative, the function has the option of vetoing approval of the proposal.

Relations with the Tax Authority

The Group establishes relations of full cooperation with the Tax Authority, responding to requests received as quickly and transparently as possible and ensuring that conduct is never adopted that could, to some extent, hinder Tax Authority audit activities or generate the effect of concealing the ultimate beneficiaries of income flows.

In addition, if the prerequisites are met, as required the Group assesses the adoption of initiatives designed to further improve relations and increase opportunities to cooperate with the Tax Authority (e.g., cooperative compliance procedures or systems).

Dissemination of tax compliance culture

The Group encourages and promotes the tax risk sensitisation of members of the corporate bodies and all personnel, with a view to strengthening control over the risk deriving from business activities and to foster the creation of a corporate culture of compliance with tax regulations.

In addition to the above, the Group does not envisage remuneration plans for its directors and personnel associated with the tax saving component and strictly forbids them to subscribe or offer investments, products and other transactions based on a mere tax benefit to the Group, customers and other counterparties.

The principles sanctioned by these Regulations are based on the Group tax strategy and integrate those governed by the Code of Ethics, compliance with which constitutes an integral part of the contractual obligations of entities operating within the Group.

3 Roles and Responsibilities

3.1 Parent Company

Board of Directors

- within corporate regulations, governs the principles and rules to be complied with in managing Group taxes;
- within the Group, promotes sensitisation on tax risk management and a corporate culture of compliance with tax regulations.

Chief Executive Officer

- adopts internal regulations which must be complied with in managing the tax variable, guiding and supervising their implementation;
- manages and maintains relations with the Tax Authority with which it legally represents the Parent Company, also through the Administration and Budget function and personnel specifically assigned to such duties.

Risks Committee

- performs an advisory and support role for the Chief Executive Officer and the administrative and control bodies in assessing the tax impact of decisions to be adopted and on significant aspects of tax risk management.

New Products and Markets Committee

- for the entire Group, examines and approves proposals of new products and services, entry to (or exit from) new markets and distribution channels, introduction of new counterparties or the launch of new activities, taking into account the opinions and results of controls by the competent corporate functions regarding risks associated with the proposals and, in particular, the Administration and Budget function as regards tax risk and impact.

3.2 Companies belonging to the Banking Group

In order to pursue complete and actual implementation of the Group's general principles on managing tax issues and the associated risk, the Group companies:

- adopt and apply the guidance established in the tax strategy defined by the Parent Company;
- request advice as necessary and related approval from the Parent Company prior to approving transactions with a significant impact on management of the tax variable;
- provide the Parent Company with their own data and information to allow compliance with tax obligations on behalf of the individual companies and for the Group as a whole;

- provide the Parent Company with the necessary information to respond to any Tax Authority requests to the Parent Company regarding individual Group companies;
- promptly inform the competent Parent Company functions regarding any Tax Authority requests received directly, so as to allow those functions to arrange coordination of the activities.

3.3 Corporate functions

In conducting activities that generate tax effects, all Group personnel must comply with the values of fairness and integrity, tax regulations and related legal interpretations of the Administration and Budget function, in order to responsibly manage associated risks.

Administration and Budget Function

- monitors, provides guidance and supervises tax aspects associated with Group activities, in compliance with current internal and external regulations;
- coordinates the operations of the structures under its responsibility: Tax Affairs, Budget, General Accounting and Supervisory Reporting for tax risk management purposes;
- participates in the New Products and Markets Committee, if necessary stating tax risk management-related reasons that do not allow the authorisation of a new product, service, new business and, in more general terms, all that is not under the responsibility of the Committee;
- informs the Parent Company corporate bodies and the subsidiaries concerned of relations with the Tax Authority, audits and controls that affect individual Group companies and the related outcomes;
- reports to the Risks Committee on the tax impact of decisions to be adopted and/or on significant aspects of tax risk management;
- maintains relations with the Tax Authority as representative of the Parent Company and Group companies on the basis of specific assigned powers.

Through the Tax Affairs structure (tax function):

- fulfils the role of dedicated tax function;
- analyses extraordinary transactions in order to provide correct and complete representation of the tax impact in support of decisions to be adopted;
- provides support to the Administration and Budget function in supplying a correct and complete representation of the needs associated with tax risk management as part of initiatives under the responsibility of the New Products and Markets Committee;
- monitors developments in tax regulations in order to provide guidance on adapting corporate processes, procedures and controls;
- maintains relations with the Tax Authority as representative of the Parent Company and Group companies on the basis of specific assigned powers, also during tax audits and assessments;

- where necessary, requests the opinion of external professionals or obtains a Tax Authority ruling by means of legally envisaged procedures (e.g., tax ruling requests), in order to mitigate risk in the management of Group taxes;
- contributes to defining and guaranteeing the updating of internal regulations in relation to tax matters;
- monitors the execution of direct and indirect tax obligations as taxpayer, obligations as withholding agent and reporting as financial intermediary;
- directly records or provides the other Administration and Budget structures with all information necessary to full and accurate recording of all tax-related corporate events;
- monitors the management of tax disputes in order to minimise their economic impact;
- manages debt collection for the Tax Authority;
- assists all the Group structures by providing advice on solving tax problems deriving from business activities.

Through the Group Accounting Systems Governance structure, the function:

- formally guides action to modify the internal control system on IT processes and procedures, defining the related priorities, monitoring works progress and also monitoring the testing stages.

Compliance Function

This function, also through the Tax Risk Monitoring structure (Specialist Monitoring reporting to the Tax Affairs structure as part of the Administration and Budget function):

- monitors regulatory compliance risk in reference to tax issues, verifying the effectiveness of processes and procedures adopted to ensure adequate monitoring of compliance risks in this respect and proposing changes as necessary;
- periodically informs the competent corporate bodies and functions concerned on the results of audits conducted on compliance of the Group's activities with current tax regulations.
- promotes the formalisation of tax risk management processes;
- expresses its compliance opinion on each new proposal submitted to the new Products and Markets Committee.

Audit Function

- performs audits to assess the internal control system in relation to tax risk management processes.

Human Resources Function

- ensures through training that personnel are suitably informed and aware of the importance of compliance with tax regulations and related interpretations of the Administration and Budget function, as well as the values of fairness and integrity, in carrying out the activities for which they are responsible.