

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 SPA
ON ITEM 4 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 4 of the agenda of the Ordinary Shareholders' Meeting called for 7 April 2022, on single call, regarding:

Report on the remuneration policy and on compensation paid of the Banco BPM Group 2022 (section I and section II).

1. **Approval of the remuneration policy (section I) pursuant to the legislative provisions in force. Pertinent and consequent resolutions.**
2. **Approval of the report on compensation paid in 2021 (section II) pursuant to legislative provisions in force. Pertinent and consequent resolutions.**

Dear Shareholders,

We have called you regarding the "Policy-on remuneration report and payouts awarded of the Banco BPM Banking Group 2022" (hereinafter also the "**Remuneration Report**"), drafted by the Board of Directors, and in particular to be submitted for your approval:

1. section I of the Remuneration Policy relating to the Group remuneration policy (binding vote);
2. section II of the Remuneration Policy relating to the compensation paid in application of the remuneration policy for the year ended as at 31 December 2021 by the Banco BPM Group (advisory vote).

Remuneration Report

- Section I – 2022 Policy-on-remuneration

Section I of the Remuneration Report ("**Policy-on-remuneration**") is submitted for examination and approval by the shareholders' meeting, drafted in compliance with the Supervisory Provisions issued by the Bank of Italy (Bank of Italy Circular no. 285/2013 and subsequent additions and amendments, hereinafter "**Supervisory Provisions**"), art. 123-ter of the T.U.F. (Consolidated Finance Act) and Consob Resolution no. 11971 of 14 May 1999 and subsequent additions and amendments ("**Issuers' Regulation**").

The Policy-on-Remuneration defined for 2022 is valid for all staff of the Banco BPM Banking Group, and contains, in particular: (i) the process for the definition and approval of the remuneration policy and the corporate bodies involved; (ii) the main characteristics of the policy of remuneration – which is gender neutral - in favour of members of the administration and control bodies, employees and associates not holding an

employment contract; (iii) the policy relating to the process of identifying the risk takers; (iv) the methods employed to ensure the link between the variable component of remuneration and the results, the main parameters taken as a reference, including therein financial and non-financial indicators correlated to the Environmental Social Governance (ESG) area, the underlying reasons and the consistency with the company objectives, strategies and risks; (v) the risk correction mechanisms, the deferment policies and *ex post* correction mechanisms (i.e., *malus* and *claw back*); (vi) criteria for calculating the amounts to be granted in the event of early termination of employment (the latter, however, subject to specific approval at this shareholders' meeting); (vii) the outcomes of the audits of the internal audit department on the consistency of the procedures adopted regarding remuneration in 2021.

- **Section II – Payouts awarded**

Section II of the Remuneration Report (“**Payouts awarded**”) is also submitted for examination and a advisory approval of the shareholders' meeting, drafted in compliance with the Supervisory Provisions, art. 123-ter of the T.U.F. and the Issuers' Regulation.

The reports on payouts awarded gives an account of the implementation of the remuneration policies of 2021 and provides the disclosure required by the Supervisory Provisions and the Issuers' Regulation.

The outcome of the audits conducted by the internal audit department is also provided.

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Dear Shareholders,

In light of all of the above, we ask you to pass the following resolutions.

Resolution relating to Section I - Policy-on-remuneration 2022 (binding vote).

“The ordinary Shareholders’ Meeting of Banco BPM S.p.A.:

- having examined and acknowledged the content of the Remuneration Report, as well as the outcomes of the audits conducted by the internal audit department of Banco BPM S.p.A., made available to the Shareholders and the public in the manner and within the terms envisaged by the current legislation;*
- taking account of the contents of this Explanatory Report,*

RESOLVES

the approval for matters within its competence - without prejudice to subsequent resolutions - of the contents of section I of the Remuneration Report, drafted in accordance with art. 123-ter of the T.U.F., the Consob resolution no. 11971 of 14 May 1999 and the Supervisory Provisions of the Bank of Italy in force and, as a consequence, in particular, also pursuant to art. 11.3, letter (g) of the Articles of Association, of the policy of remuneration in favour of the Board of Directors, the Statutory auditors and personnel, assigning a mandate to the Chairman of the Board of Directors and to the Chief Executive Officer, jointly and severally and with the right to sub-delegate, in order to correctly and promptly execute this resolution and the formalities and acts relating and/or consequent to this, 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".

Resolution relating to Section II - Payouts awarded (advisory vote).

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

- having examined and acknowledged the content of the Remuneration Report, as well as the outcomes of the audits conducted by the internal audit department of Banco BPM S.p.A., made available to the Shareholders and the public in the manner and within the terms envisaged by the current legislation;*
- taking account of the contents of the Explanatory Report,*

RESOLVES

the approval for matters within its competence of the contents of section II of the Remuneration Report, drafted in accordance with art. 123-ter of the T.U.F., the Consob resolution no. 11971 of 14 May 1999 and the Supervisory Provisions of the Bank of Italy in force regarding payouts awarded in accordance to the policy-on-remuneration for the year ended 31 December 2021, assigning a mandate to the Chairman of the Board of Directors and to the Chief Executive Officer, jointly and severally and with the right to sub-delegate, in order to correctly and promptly execute this resolution and the formalities and acts relating



and/or consequent to this, 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