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BANCA MONTE DEI PASCHI DI SIENA S.P.A.

SHAREHOLDERS' MEETING

12 April 2022 (on a single call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

CONCERNING ITEM 4) ON THE ORDINARY SESSION OF THE AGENDA

pursuant to Article 125-*ter* of Legislative Decree no. 58 of 24 February 1998, as subsequently amended.

REVOCATION OF A DIRECTOR; RELATED AND CONSEQUENT RESOLUTIONS.



**REPORT BY THE BOARD OF DIRECTORS PURSUANT TO ARTICLE 125-TER OF
LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS SUBSEQUENTLY AMENDED.**

Dear Shareholders,

You have been called to this Shareholders' Meeting to resolve upon the following **item 4)** on the agenda of the Ordinary Session:

“Revocation of a Director; related and consequent resolutions”.

On 7 February 2022 the Board of Directors (hereinafter, the “**Board**”) of Banca Monte dei Paschi di Siena S.p.A. (hereinafter, the “**Bank**” or “**BMPS**”) unanimously resolved:

- the revocation, with immediate effect, of Mr. Guido Bastianini, as General Manager, Chief Executive Officer and Director in charge of the internal control and risk management system of BMPS, as well as the revocation of all related powers, while the latter remains in office as a member of the Board of the Bank;
- the replacement by co-optation, pursuant to article 2386 of the Italian Civil Code, with resolution approved by the Board of Statutory Auditors, of Mr. Luigi Lovaglio, following the resignation on 4 February 2022 of the Board member Mrs. Olga Cuccurullo, and his appointment as Chief Executive Officer and General Manager of the Bank.

The Board, taking into account the reasons underlying the revocation of the powers granted and the competence of the Shareholders' Meeting to revoke the Directors' appointment pursuant to article 2383, paragraph 3 of the Italian Civil Code, also reiterated in article 13, paragraph 3, letter b) of the By-Laws, included on the agenda of the Ordinary Session of the first useful Shareholders' Meeting, the revocation of Mr. Guido Bastianini, who is currently still in office as a member of the Board of Directors of the Bank, in order for the Shareholders' Meeting to evaluate and resolve on such matter.

A brief description is given below of some elements which negatively affected the necessary relationship of trust and cooperation between Mr. Guido Bastianini - Managing Director (hereinafter, also “**CEO**”) and General Manager (hereinafter also “**GM**”) of the Bank -, the Chairperson and the Board, as well as the effectiveness of the Board's work. Such elements, listed below in a non-exhaustive manner, formed the basis of the detailed considerations and in-depth assessments made by the Board, which also relied on the opinion of external lawyers, in order to take said Board's resolution of revocation:

- absence, in the various versions of the industrial plan presented by the CEO, of a clear and defined position regarding the alternative between the definition of a stand-alone industrial plan and a plan at the service of a structural operation, as resolved by the Board and as wished by all the Supervisory Authorities, as well as by the major Shareholder, with the consequent need to engage the Board in numerous meetings in order to constantly clarify the purposes of the industrial plan. All of the above combined with a non-proactive attitude



- in identifying the structural path provided under the applicable law and regulations concerning the precautionary recapitalization from which the Bank benefited;
- absence of a clear and defined position – on a few occasions culminated in abstention - with respect to resolution proposals conveyed to the Board by the departments reporting to the CEO/GM, without expressing an opinion by the latter on certain particularly sensitive matters for the Bank; this circumstance forced the Board to act in the absence of a precise management line;
 - misalignments in the execution of certain Board's resolutions to which Mr. Bastianini was delegated;
 - shortcoming in the information provided and misunderstandings between the Board and Mr. Bastianini in relation to the parliamentary hearing of the latter, whose secrecy was not previously authorized by the Board; the Board was therefore not in the position to approve the text submitted to the Commission nor to know the text of the hearing;
 - fluctuations in the numerical forecasts, also highlighted by the Supervisory Authority, in particular with respect to the data made available to the Board of Directors from time to time;
 - lack of information towards the Board of Directors with regard to the meeting held in the second ten days of January between Mr. Bastianini and the major Shareholder, during which the prosecution of the mandate of the same CEO was under discussion;
 - autonomous management of relations with the press (including institutional relations) carried out without the necessary and preparatory internal sharing, also with the competent structures of the Bank;
 - critical aspects in the management of relations with key managerial figures, also characterized by a low level of transparency towards the Board and the internal committees;
 - non-implementation of managerial changes (requested on several occasions) functional to the need to pursue a successful industrial plan;
 - significant delay in formulating a proposal regarding succession plans, which was on several occasions requested by the Chairperson of the Appointments Committee.

In the framework of the complex context of reference, considering the above, also in light of the important issues to be dealt with by the Bank in the immediate future (starting with the envisaged capital strengthening transaction), the Board deemed non-delayable to change the leadership of the Bank, creating a managerial discontinuity and ensuring its shareholders and stakeholders a managerial contribution more suitable to the complexity and sensitivity of the situation. In this regard, it has been noted that no scenario has been autonomously presented, in view of the exit of the Ministry of Economy and Finance from the shareholding structure, a requirement which - as known - derives from the regulatory framework relating to the precautionary recapitalization measures from which the Bank benefits.

In this context, also taking into account the structure of the envisaged capital increase of the Bank, it was deemed necessary for the institution to be led by a manager with appropriate recognition among investors, including international investors, who has the confidence of the Board of Directors and the major Shareholder, and will have a prominent role in the envisaged capital strengthening transaction.



It was therefore considered essential, in the interest of the Bank, a change to its top management and to assign the related prerogatives to a manager with an appropriate profile of recognized skills, also abroad, a broad knowledge and strong relationships with institutional investors, with a suitable track-record in restructuring important credit institutions, as well as a sound leadership and execution skills in complex situations. This decision was considered necessary to ensure the maximum credibility of the Bank in the markets and thus allow the rapid definition and completion of the envisaged capital strengthening transaction and relaunch of the institution.

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Also in light of the significance of the above mentioned elements in relation to the current and prospective strengthening that the Bank is called to deal with in the near future (activities that will require the full involvement and support of the body with the strategic supervision function, as well as the absence of situations of conflict of interest, even potential), the Board of Directors deems that these circumstances require the revocation of Mr. Bastianini also from the position of Director. Therefore, it submits to the Shareholders' Meeting - which is competent body pursuant to article 2383, paragraph 3 of the Italian Civil Code and article 13, paragraph 3, letter b) of the By-Laws - the following resolution proposal.

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Dear Shareholders,

in light of the above, we invite You to approve the following resolution proposal:

“The Ordinary Shareholders' Meeting, having regard to the proposal made by the Board of Directors

RESOLVES

- the revocation of the Director Mr. Guido Bastianini.”

Siena, 11 March 2022

For the Board of Directors
Maria Patrizia Grieco
Chairperson of the Board of Directors