



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

REPORT ON CORPORATE GOVERNANCE AND THE SHAREHOLDING STRUCTURE

in accordance with article 123-*bis* of the Consolidated Law on Finance

(traditional administration and control model)

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DEFINITIONS

231 Model: Organisation, management and control model for the prevention of crimes pursuant to Italian Legislative Decree 231/2001.

231 Supervisory Body: established by the Board of Directors to oversee the operation, compliance and updating of the Bank's organisational, management and control model pursuant to Italian Legislative Decree 231/2001.

Bank of Italy Supervisory Provisions for Related Parties: Bank of Italy Circular no. 285/2013, Chapter 11, Part III, on risk assets and conflicts of interest with respect to related parties.

BMPS/Bank/Issuer/Company: Banca Monte dei Paschi di Siena S.p.A.

Board: the Board of Directors of the Issuer.

Civil Code: the Italian Civil Code.

Code/Corporate Governance Code: the Corporate Governance Code, approved by the Corporate Governance Committee on 31 January 2020, applicable as of January 2021.

Companies with concentrated ownership: companies in which a single shareholder, or a plurality of shareholders which participate in a shareholders' voting agreement, holds, directly or indirectly (through subsidiaries, trustees or third parties), the majority of the votes that can be exercised in the ordinary Shareholders' Meeting. For this type of company, the Code provides for a proportional application of its principles and recommendations.

Consob Issuer Regulation: the Regulation for Issuers promulgated by Consob with its resolution no. 11971 of 14 May 1999, as subsequently amended.

Consob Related Parties Regulation: the Regulation for transactions with related parties promulgated by Consob with its resolution no. 17221 of 12 March 2010, as subsequently amended.

Consolidated Law on Banking/TUB (Testo Unico Bancario): Italian Legislative Decree no. 385 of 1 September 1993, as subsequently amended.

Consolidated Law on the statutory audit of accounts: Italian Legislative Decree no. 39 of 27 January 2021, as subsequently amended (implementing Directive 2006/43/EC).

Consolidated Law on Finance/TUF (Testo Unico della Finanza): Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended.

CRD Directive: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as subsequently amended, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

Financial Reporting Officer: Manager in charge of drawing up the corporate accounting documents pursuant to Article 154-*bis* of the Consolidated Law on Finance.

MEF Decree no.169/2020: "Regulation on requirements and eligibility criteria for the appointment of corporate officers of banks, financial intermediaries, collective guarantee financial consortia "Confidi", electronic money institutions, payment institutions and deposit guarantee schemes" issued by the Ministry of Economy and Finance with Decree no. 169 of 23 November 2020, effective for appointments after 30 December 2020.

Montepaschi Group/Group: Monte dei Paschi di Siena banking group.

Related Parties Directive: "Group Directive on the management of regulatory compliance regarding related parties, connected persons and the obligations of banking officers" approved by the Board of Directors (most recently on 19 January 2022).

Remuneration Policy Report: Report on the remuneration policy and emoluments paid prepared in accordance with Article 123-ter TUF.

Report: the report on the corporate governance and ownership structure of BMPS, drawn up in accordance with Article 123-*bis* of the TUF.

Significant shareholder: the person who directly or indirectly (through subsidiaries, trustees or third parties) controls the company or is able to exercise significant influence over it or who participates, directly or indirectly, in a shareholders' agreement through which one or more persons exercise control or significant influence over the company.

Supervisory Provisions concerning banks' corporate governance: Bank of Italy Circular no. 285/2013, First Part, Title IV, Chapter 1.

Supervisory Provisions for Banks on Remuneration Policies and Practices in Banks and Banking groups: Bank of Italy Circular no. 285/2013, Part One, Title IV, Chapter 2.

Supervisory Provisions regarding the internal control system: Bank of Italy Circular no. 285/2013, First Part, Title IV, Chapter 3.

Sustainable success: the objective that guides the actions of the Board of Directors and that consists of creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the company.

Top Management: senior managers who are not members of the board of directors and have the power and responsibility for planning, directing and controlling the activities of the company and the group it heads.

Year: the financial year to which the Report refers.

The definitions contained in the new Corporate Governance Code in force as of 1 January 2021 are also indicated in capital letters.

The information contained in the Report refers to the year ending 31 December 2021, unless otherwise specified.

The 2021 Report

This Report was prepared in accordance with article 123-*bis* of Italian Legislative Decree no. 58 of 24 February 1998 and with the provisions of the Corporate Governance Code for listed companies, to which the Bank adheres, and with reference to the format for the “Report on Corporate Governance” proposed by Borsa Italiana (January 2022).

The Report also fulfils the public disclosure requirements established by the Supervisory Provisions for Banks regarding corporate governance.

Pursuant to Article 123-bis, paragraph 4 of the TUF, the Report is subject to the opinion of the independent auditors PricewaterhouseCoopers S.p.A., which is included in the reports attached to the separate and consolidated financial statements and issued pursuant to art. 14 of the Consolidated Law on Auditing.

The Report, approved by the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. at the meeting on 2 March 2022, is published on the Bank’s website www.gruppomps.it – *Corporate Governance – Modello di Governance – Relazione su Governo Societario e Assetti Proprietari*.

1. ISSUER PROFILE

Banca Monte dei Paschi di Siena S.p.A. is a bank with shares listed on the Mercato Telematico Azionario (Electronic Stock Market) organised and managed by Borsa Italiana S.p.A. As of June 2018, the MPS share has been included in the basket of the FTSE Italia Mid Cap Index.

The Bank carries out banking activities through the various forms of funding and lending in Italy and abroad. It can perform all transactions and banking and financial services permitted by the applicable regulations, establish and manage forms of supplementary pensions, and carry out any other transaction instrumental for, or in any case, connected to the achievement of the company purpose.

As a listed company, BMPS adheres to the Italian and supranational legislative provisions relating to issuers of securities listed on a regulated market and, being a bank, is subject to the applicable legislative, regulatory and supervisory provisions for banks and banking groups.

Based on the criteria indicated in the Supervisory Provisions concerning the corporate governance of banks, BMPS is a significant bank in terms of size and complex operations and is subject to the direct prudential supervision of the European Central Bank.

BMPS is parent company of the Montepaschi Group and, in addition to banking activities, carries out the sole direction, governance and control of the banking, financial and instrumental companies controlled by it, through management and coordination of the Group pursuant the TUB and the Italian Civil Code, and issuance of provisions to Group companies for the implementation of the instructions given by the Supervisory Authorities in the interest of stability of the Banking Group.

Based on the criteria set out in the Corporate Governance Code, BMPS is a company with concentrated ownership.

Sustainability governance was strengthened in 2021, leading to the gradual consolidation of the integration of environmental, social and governance sustainability profiles in the strategic business lines and, in particular, in the risk management system, with the aim of achieving a solid increase in the activities and financial structure of the Bank and the Group to ensure long-term value for shareholders and all stakeholders involved. The company Standard Ethics recently raised the corporate sustainability rating of Banca MPS from "EE-" ("Adequate") to "EE" ("Strong") with a long term expected rating of EE+. The new rating confirms Banca MPS' strong focus of on ESG issues and the concrete steps it has taken to strengthen sustainability governance and the integration of ESG risks in the Bank's management.

For further details, please refer to the Consolidated Non-Financial Statements, prepared pursuant to Legislative Decree no. 254 of 30 December 2016 and published on the website www.gruppomps.it – *Group – Sustainability – Reports*.

The bank's corporate governance system

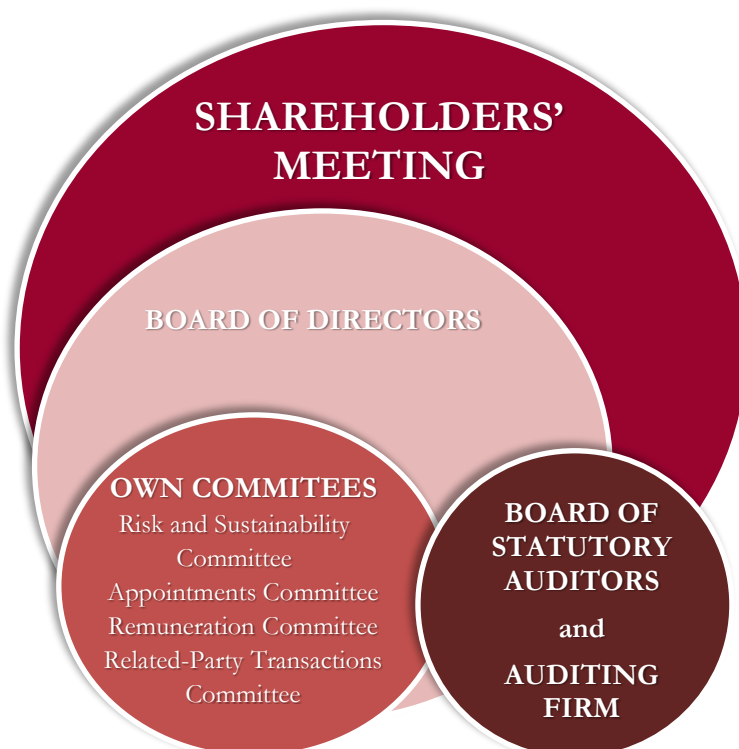
The Bank has adopted a traditional administration and control system consisting of the following corporate bodies:

- The **Shareholders' Meeting** which appoints the members of the Board of Directors and the Board of Statutory Auditors as well as the independent auditors, and establishes their compensation and responsibilities; it approves the financial statements and the allocation of profits, the remuneration and incentive policies, certain extraordinary transactions, such as share capital increases and amendments to the By-Laws (without prejudice to the power of the Board to adjust the By-Laws to regulatory provisions and approve mergers in the cases provided for by Articles 2505 and 2505-*bis* of the Civil Code).
- The **Board of Directors** which defines the strategies and strategically important operations for the Bank and the Montepaschi Group, monitoring their implementation and pursuing Sustainable Success.

The Board operates with the support of its own committees for their respective matters:

- Risk and Sustainability Committee
- Appointments Committee
- Remuneration Committee
- Related-Party Transactions Committee.
- The **Board of Statutory Auditors** with the functions of the “committee for internal controls and statutory audits of accounts” pursuant to the Consolidated Law on Auditing, oversees: (a) compliance with laws, regulations and the By-Laws; (b) the financial information process and the principles of proper administration; (c) the adequacy of the company's organisational, control and administrative-accounting systems and independent audit activities; (d) the procedures for the enforcement of the corporate governance rules established by the Corporate Governance Code; (e) the adequacy of the instruction provided to the subsidiaries by the bank pursuant to Article 114, paragraph 2 of the TUF.

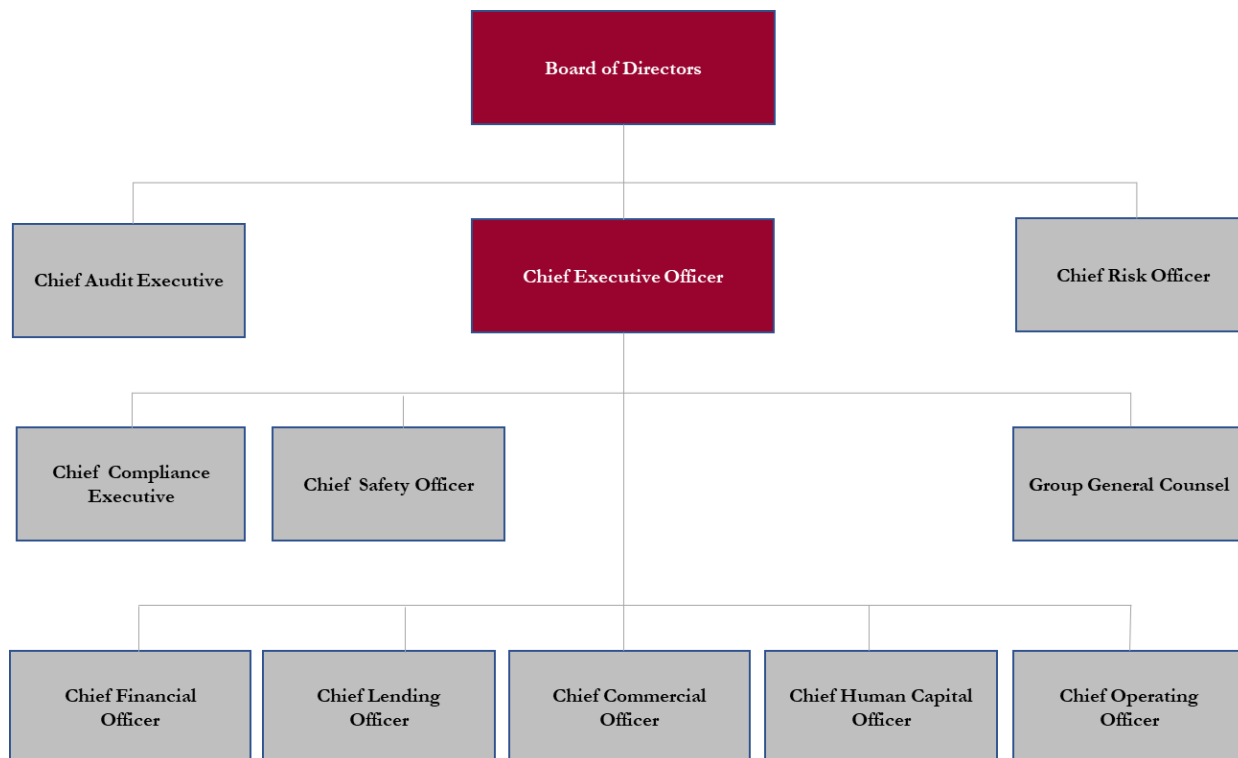
The auditing of accounts is assigned to an independent **Auditing Firm**.



Organisational structure

Through its Head Office, Banca Monte dei Paschi di Siena performs functions of direction, coordination and control over the Group's companies in accordance with the general guidelines set out by the Board of Directors and in the interest of the Group's stability and pursuit of its Sustainable Success.

Organisational chart of the Parent Bank's Head Offices (as at 31 December 2021)



A major simplification of the Bank's Head Office organisational model was carried out in 2021, with the aim of streamlining operating processes and rationalising the number and types of organisational units, while keeping the organisational structure of the commercial network unchanged.

During the year, efforts continued to be focused on improving the quality of work, freeing up commercial time and increasing the quality of service offered to customers, reducing response times and service delivery by streamlining "administrative" activities and cutting document management costs, with a strong emphasis on revising digitising processes.

The Montepaschi Group

The Montepaschi Group is active across Italy and in some of the major international financial markets with operations focused on traditional retail and commercial banking services and a particular commitment towards household customers and Small and Medium Enterprises.

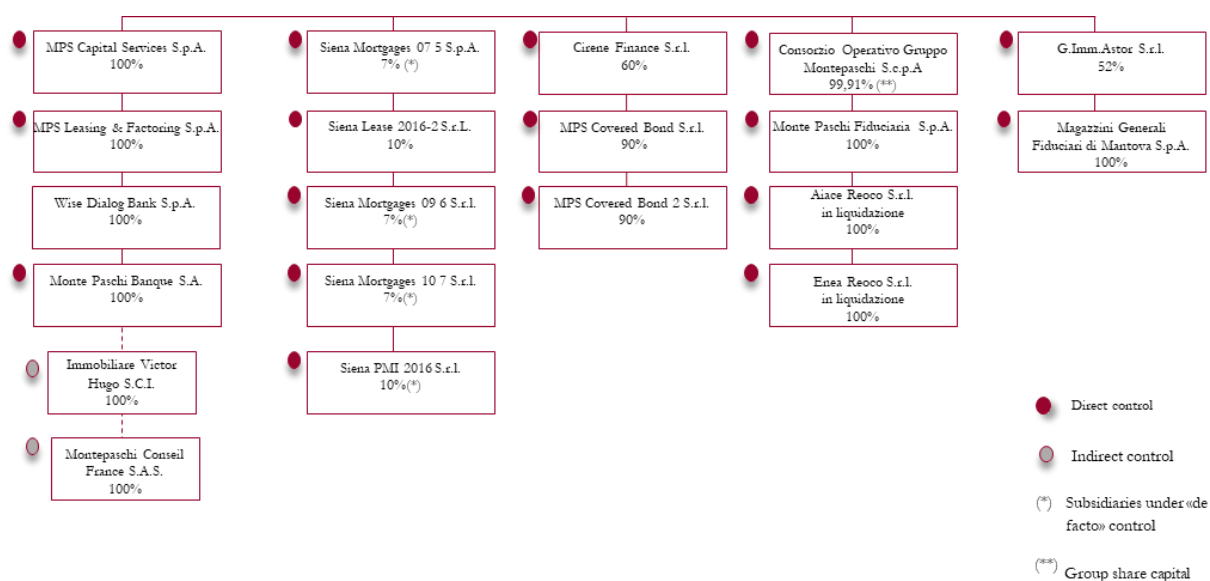
The Group operates through its own specialised companies in all key business areas: leasing, factoring, corporate finance and investment banking. The insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the offer of investment products of independent third parties.

The Group combines traditional services offered through its network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the network of financial advisors through Widiba Bank. Foreign banking operations are focused on supporting the internationalisation processes of corporate clients in all major global financial markets.

Intragroup relations are managed on the basis of a "Regulation for the operating governance of the Group" which governs and coordinates the Group's activities and ensures that results are achieved by means of well-defined rules and clear procedures for assigning management responsibilities, in compliance with the instructions given by the Supervisory Authorities in the interests of the Group's stability.

For additional details, see the website www.gruppomps.it – About us – Presentation.

The Montepaschi Banking Group as at 31 December 2021



The Group bank dedicated to businesses - MPS Capital Services S.p.A., the bank dedicated to financial services - MPS Leasing e Factoring S.p.A. and the digital bank Wise Dialog Bank S.p.A. (Widiba) are the Italian banks controlled by the Parent Company, which based on the current supervisory regulations on corporate governance, qualify as “larger banks or banks with more complex operations” and are subject to the prudential supervision of the European Central Bank. Please note that Montepaschi Banque S.A., a French bank, is also subject to the prudential supervision of the European Central Bank.

2. INFORMATION ON THE OWNERSHIP STRUCTURE

(per Article 123-bis, Par. 1 of the TUF)

a) Share Capital Structure (per Article 123-bis, Par. 1, Letter a) of the TUF)

As at the date of this Report, the company's share capital is equal to Euro 9,195,012,196.85, fully subscribed and paid-in. It is represented by 1,002,405,887 azioni ordinarie, senza valore nominale. ordinary shares without nominal value. There are no other categories of shares. Each share entitles the holder to one vote.

Le azioni BMPS sono ammesse alla negoziazione nel mercato regolamentato organizzato e gestito da Borsa Italiana S.p.A.

All shares are issued in dematerialised form. Procedures for the circulation and legitimation of shares are governed by law.

It should be noted that the Shareholders' Meeting of April 6, 2021, as allowed by the new regulations on the suspension of recapitalisation obligations in the event of significant losses¹, resolved to postpone the decisions pursuant to Article 2446, paragraph 2 of the Italian Civil Code - regarding the reduction of share capital due to total losses exceeding one third of the capital itself - to a subsequent Shareholders' Meeting, which will be called to resolve on measures to strengthen the Bank's capital.

For further information and updates, please refer to the information published on the website www.gruppomps.it.

Other financial instruments granting the right to subscribe newly-issued shares

As at the date of this Report, there are no outstanding financial instruments which grant the right to subscribe newly-issued shares of the Bank.



Stock Granting Plans

In 2021, the Shareholders' Meeting did not approve any Stock Granting plans - involving the free allocation of ordinary BMPS shares - for Montepaschi Group employees.

For the sake of completeness, it should be noted that, as at the date of this Report, no use has been made of the annual Performance Shares Plan approved by the Shareholders' Meeting of 6 April 2021 and intended exclusively for the payment of any severance to Montepaschi Group key personnel.

For more information on previous years, please refer to the relevant information communicated pursuant to Article 84-bis of Consob Issuer Regulation - Information on the assignment of financial instruments to company representatives, employees or collaborators, published on the website www.gruppomps.it – *Investor Relations – Share information – Acquisto azioni proprie e stock granting*. For information on the contents and implementation of these plans, please refer to the respective annual reports on the remuneration policies,

¹ Article 6 of Decree Law no. 23 of April 8, 2020, converted with amendments by Law no. 40 of 5 June, 2020, as novated by Law no. 178 of 30 December, 2020 (2021 Budget Law).

published pursuant to Article 123-ter of the TUF and Article 84-quater of Consob Issuer Regulation, available on the company's website www.gruppompis.it – *Corporate Governance – Remuneration*, as well as to the documents published for the respective Shareholders' Meetings.

b) Restrictions on the transfer of shares (per Article 123-bis, Par. 1, Letter b) of the TUF)

The current By-Laws do not contain clauses restricting the transfer of shares.

c) Significant equity investments (per Article 123-bis, Par. 1, Letter c) of the TUF)

As this is a company with listed shares, the information provided is based on the communications received by the bank in accordance with applicable legislation (Article 120 of the TUF and the implementing Consob Issuer Regulation) and based on other information available as well as the information provided on Consob's website.

Shareholders who, as at 31 December 2021, directly or indirectly owned ordinary shares accounting for more than 3% of the Bank's share capital and who do not fall under the exemptions provided for by Article 119-bis of Consob's Issuer Regulation, are as follows:

Significant shareholders		
Declaring shareholder (entity at the top of the shareholding structure)	Direct shareholder (if different from the declaring shareholder)	% of ordinary capital
MEF (*)		64.230%
Assicurazioni Generali S.p.A. (**)		4.319%
	<i>Generali Italia S.p.A. (2.066%)</i>	
	<i>Alleanza Assicurazioni S.p.A. (1.734%)</i>	
	<i>Genertellife S.p.A. (0.519%)</i>	

(*) Interest held directly by the Ministry of Economy and Finance following the non-proportional, partial demerger with asymmetric option of BMPS in favour of AMCO – Asset Management S.p.A., effective as of 1 December 2020.

(**) Interest held through subsidiaries, communicated to the Bank pursuant to applicable law.

Percentages referring to ordinary and voting share capital (coincident)

The Ministry of Economy and Finance is the Significant Shareholder of the Bank since it is the entity that directly controls the company.

The latest data on the Bank's main shareholders can be viewed at www.gruppompis.it – *Corporate Governance – Shareholding Structure*.

d) Shares with special rights (per Article 123-bis, Par. 1, Letter d) of the TUF)

No shares with special control rights have been issued.

BMPS's By-Laws do not make provisions for shares with multiple or increased voting rights.

e) Employee share ownership: voting rights exercise mechanism (per Article 123-bis, Par. 1, Letter e) of the TUF)

Each employee of the Montepaschi Group holding ordinary BMPS shares deriving from former stock granting plans may exercise his/her voting rights at ordinary and extraordinary Shareholders' Meetings.

f) Restrictions on voting rights (per Article 123-bis, Par. 1, Letter f) of the TUF)

There are no restrictions on voting rights.

g) Shareholder agreements (per Article 123-bis, Par. 1, Letter g) of the TUF)

As at the date of this Report, the Bank is not aware of any shareholders' agreement stipulated in any form pursuant to Article 122 of the TUF, concerning the exercise of the rights inherent in the shares or the transfer thereof.

h) Change of control clauses (per Article 123-bis, Par. 1, Letter h) of the TUF) and provisions of the By-Laws regarding takeover bids (per Article 104, Par. 1-ter and Article 104-bis, Par. 1)

In conducting its core business, the Bank stipulates funding or marketing agreements for products even of significant relevance which may envisage, according to negotiating practices, effects/modifications/settlement of the same in the event of a change in control of the contracting company.

As in the past, there continues to be a shareholders' agreement with AXA relating to the joint venture between BMPS-AXA, a strategic partnership in life and non-life bancassurance and supplementary pensions, signed in March 2007 and renewed in December 2016 until 2027, for the distribution of insurance products through the Bank's retail network.

In 2021, BMPS and its subsidiaries did not enter into any significant agreements that become effective, are amended or terminated in the event of a change in control of the contracting company.

The By-Laws of BMPS do not provide for any exemptions to the passivity rule (Article 104, paragraphs 1 and 1-bis of the TUF) and to the neutralisation rules (Article 104-bis, paragraphs 2 and 3 of the TUF) prescribed by the TUF for takeover bids.

i) Delegated powers to increase share capital and authorisations to buy back stock (per Article 123-bis, Par. 1 Letter m) of the TUF)**– Delegated powers**

At the date of this report, there are no powers assigned to the Board of Directors pursuant to Article 2443 of the Civil Code by the Shareholders' Meeting.

– Purchase of treasury shares

At the date of this Report, there are no existing authorisations by the Shareholders' Meeting for the buy-back of shares pursuant to Article 2357 of the Civil Code.

l) Direction and coordination (per Article 2497 et seq. of the Civil Code)

BMPS is not subject to direction and coordination pursuant to Article 2497 et seq. of the Civil Code since the MEF, albeit a controlling shareholder, has not provided any communications regarding the exercise of direction or coordination of BMPS. In this regard, it should be noted that, on its website, the MEF specifies that it does not exercise direction and coordination of companies in which it holds an interest, pursuant to article 2497 of the Italian Civil Code, referring, in this regard to a rule of authentic interpretation introduced into law by Article 19, paragraph 6 of Legislative Decree no. 78 of 1 July 2009, converted, with amendments, by Law no. 102 of 3 August 2009, by virtue of which in "*Article 2497, paragraph 1, of the Italian Civil Code, entities shall be interpreted as referring to collective legal entities, other than the State, that hold share capital as part of their business activities or for economic or financial purposes.*".

3. COMPLIANCE

(per Article 123-bis, Par. 2, letter a), part I of the TUF)

Adherence to the Corporate Governance Code

The Bank adheres to the Corporate Governance Code of listed companies, as approved in January 2020, accessible to the public on the website of the Committee for Corporate Governance of Borsa Italiana on the page <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf> and on the Bank's website www.gruppompis.it – Corporate Governance – Governance Model.

The corporate governance system has been designed in compliance with the current legislation in force, as well as with banking and financial supervisory regulations and the principles and recommendations of the Corporate Governance Code.

The corporate governance system adopted consists of rules and structures that are coordinated in such a way as to be functional to the performance of the Bank's activities and the pursuit of its strategies, guaranteeing transparent and accurate management of internal relations between the various bodies and functions of the Company and between the latter and its shareholders and investors in general.

The Bank's adherence to the Code of Corporate Governance is based on the balanced composition of corporate bodies, the appropriate balance of powers, the clear distinction of roles and responsibilities, as well as the prevention of conflicts of interest, and rests its organizational fundamentals on the effectiveness of controls, the identification and monitoring of all corporate risks, the adequacy of information flows and corporate social responsibility.

Neither BMPS nor its strategically significant subsidiaries are subject to non-Italian law provisions that influence the corporate governance structure of BMPS itself.

Considerations on the letter from the Chairperson of the Italian Corporate Governance Committee dated 3 December 2021

At its meeting of 2 March 2022, the Board of Directors confirmed the substantial compliance of the Bank's corporate governance model with the principles and recommendations of the Corporate Governance Code.

The issues examined by the Board of Directors included those highlighted in the “**Recommendations for 2022**” provided to Italian listed companies by the Italian Corporate Governance Committee in its letter dated 3 December 2021.

The following conclusions emerged from the analysis of the issues that are important for the Bank:

1) Sustainability²

In 2021, the Committee assessed and discussed the integration of a sustainable development of the Group's activities by incorporating social, environmental and governance-related impacts into business strategies, the internal control and risk management system (*see* Section 9) and the definition of the Group's Remuneration Policies (*see* point 5 below and Section 8.1).

The bank has also adopted a policy for managing dialogue with shareholders and investors, with the aim of facilitating interaction with its shareholders and institutional investors. For further details on the policy, please refer to the document published on the *website* www.gruppompis.it and to Section 12.

² The recommendation refers to the integration of the concept of Sustainability in the definition of the strategies, the internal control system, risk management and remuneration policy of the company with a view to generating value in the long term (“Sustainable success”), providing information in the Corporate Governance Report on how it is pursued and on the approach adopted to promote dialogue with the relevant stakeholders.

2) Assessment of the independence of directors³

Over time, the Board of Directors has paid increasing attention to the process for assessing the independence its members, in compliance with the applicable laws and regulations, the guidelines established by the banking Supervisory Authorities as well as the principles and recommendations set out in the Corporate Governance Code.

With the approval of the Appointments Committee, in 2021, following the issue of MEF Decree no. 169/2020, implementing Article 26 of the (TUB) and the Bank of Italy's supervisory provisions⁴, the Board of Directors aimed to make the assessment of the eligibility of the Bank's directors more effective and transparent by formalising the organisational model adopted by the Group (principles and responsibilities) in an internal directive for the assessment of the eligibility requirements required for the performance of the duties of corporate officers of banks and other financial intermediaries, establishing the criteria for the specific assessment of directors' independence requirements. For further information, please refer to Section 4.7 (Independent Directors).

3) Information flows (deadlines for the provision of documentation)⁵

The regulations of the Board of Directors and the Committees have already put in place precise procedures and timeframes for the provision of documentation to its members, either on a routine basis or in exceptional cases of urgency. There are no general exclusions for providing directors with documents supporting the evaluations and decisions of the Board, except in the cases provided for by specific governance rules/policies adopted by the Bank, as required by banking regulations, in order to address the risk that specific situations of conflict of interest, even potential ones, may affect the independence of judgement of the director or the decisions of the board to which he/she belongs.

In 2021, the information flows actually implemented for the performance and coordination of the work of the Board and the Board Committees continued to be streamlined with a view to ensuring the utmost effectiveness and usability of information provided to corporate officers and in compliance with the EBA guidelines and specific recommendations of the Supervisory Authorities.

For further details please refer to Section 4.4 (Functioning of the Board of Directors), section 7.2 (Appointments Committee), Section 8.2 (Remuneration Committee) and Section 9.2 (Risk and Sustainability Committee).

4) Equal treatment and opportunities in the corporate organisation⁶

In addition to Section 4.3 regarding the diversity criteria and policies, for further information on the concrete actions implemented to ensure equal opportunities and the promotion of diversity and inclusion in the organisational model of the Bank and the Group, and, in general, on non-financial issues (environmental, social, HR-related, the respect for human rights and the fight against corruption), please refer to the Consolidated Non-Financial Statement, prepared pursuant to Legislative Decree no. 254 of 30 December 2016 and published on the website www.gruppomps.it - *Group - Sustainability - Report*.

³ The recommendation refers to increasing the quality of the assessment of directors' independence, and the information, in the Report, regarding the criteria used to assess the significance of professional, commercial or financial relationships as well as additional remuneration.

⁴ The "Supervisory Provisions on the process for assessing the eligibility of directors of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee schemes" issued by the Bank of Italy in a provision dated 4 May 2021, effective as of 1 July 2021.

⁵ The recommendation refers to the improvement of pre-meeting disclosure, by formalising the appropriate deadlines for sending documents to directors in the regulations of the Board and of the board committees.

⁶ The recommendation refers to the provision of adequate disclosure on the concrete identification and implementation of measures to promote equal treatment and opportunities between genders across the entire corporate organisation, and monitoring its effective implementation.

5) Clear and sustainable rules for the payment of variable remuneration⁷

The Bank's remuneration framework model (including any variable component), described in the annual Remuneration Policy Report (most recently approved by the Shareholders' Meeting of 6 April 2021), provides for an articulated system of rules and criteria for identifying the fixed and variable components of remuneration, focusing on four main features:

- the meritocracy of remuneration and incentive systems;
- the link between remuneration, risk and sustainable performance;
- consistency with benchmark market practices and compliance with the current regulatory framework;
- transparency towards shareholders and investors.

The Bank has, therefore, adopted a remuneration policy that is not focused exclusively on economic and financial results, but is able to express its commitment to values and principles such as sustainability, gender neutrality, inclusiveness, equal opportunities, as well as listening to, engaging and involving employees.

The model was also developed with the intention to prevent situations of conflict of interest and strengthen a culture of regulatory compliance and responsible risk management, and to achieve increasingly greater coherence in the remuneration of comparable roles and responsibilities, also in relation to their complexity and strategic nature within the Group, offering everyone the same development and career opportunities.

In this respect, the commitments made to the European Commission as part of the precautionary recapitalisation transaction in 2017 are also relevant since they required the Bank to adopt a restrictive policy on variable remuneration that, in recent years, has not allowed any such payments to top management. The commitments undertaken also include an overall salary cap⁸ applied to the Chief Executive Officer/General Manager and other top management roles in the Bank and the Group.

For further details please refer to the "Report on the remuneration policy and on compensation paid", published on the website at www.gruppompis.it- *Corporate Governance - Remuneration*.

The Recommendations for 2022 were also examined by the Risk and Sustainability Committee during the examination of this Report; by the Appointments Committee during its periodic review of the requirements of banking officers and the annual self-assessment of the Board of Directors and the Board sub-committees, and by the Remuneration Committee during its review of the Remuneration Policy Report.

⁷ The recommendation refers to the establishment of clear and measurable rules for the disbursement of the variable component of remuneration and of any severance pay, considering the consistency of such parameters with the strategic objectives of the company and the pursuit of sustainable success, assessing, if necessary, the provision of non-financial, predetermined and measurable parameters in the case of remuneration linked to the achievement of environmental and social objectives.

⁸ The *salary cap* was defined as the average salary of employees at the beginning of the plan (2016) multiplied by ten.

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Board of Directors leads the Bank by pursuing its sustainable success and with a view to improving the long-term financial results as well as the social and environmental impact of the Bank's and the Group's business activity.

The Board is vested with all powers of ordinary and extraordinary administration, in compliance with the powers assigned to the Shareholders' Meeting according to the law, the regulations and the By-Laws, the structure of the powers delegated by the Board itself and, in general, on the basis of the proposal-making powers assigned to the Chairperson, the Chief Executive Officer (if appointed) and the General Manager, with the support of the relevant committees for their respective areas of competence.

Under its exclusive powers (which may not be delegated), the Board of Directors:

- defines and approves the business model, the strategic guidelines for the Bank and the Group, the respective business and financial plans as well as the strategic transactions, assessing the environmental, social and governance sustainability profiles relevant for the generation of long-term value and the pursuit of sustainable success;
- periodically monitors the correct and consistent implementation of the strategic guidelines and business plan in relation to the developments in company management and in the external context of reference, such as the competitive and regulatory scenario; at least every quarter, and also when the Company's and the Group's financial results are presented, it assesses the general operating performance, taking into account the information received from the Chief Executive Officer and the delegated bodies and based on a comparison of the results achieved against those that were forecast;
- defines the *Risk Appetite Framework* ("**RAF**"), i.e. the risk exposure, the tolerance thresholds, the risk limits, the risk governance policies (detection, management and assessment over time) as well as the relevant processes in line with the maximum level of risk that can be assumed, the *business* model and the approved strategic plan (on this subject, please refer to Section 9);
- determines the principles for the general organisation of the Bank, approving (and amending) its organisational structure and main internal regulations, and monitoring their adequacy over time; it ensures on an ongoing basis that tasks and responsibilities are assigned in a clear and appropriate manner, through the definition of a general organisational model and appropriate delegation procedures; it expresses the general guidelines for the structure and operations of the Banking Group, determining the criteria for the coordination and management of the subsidiaries belonging to the same Banking Group, as well as for the implementation of the instructions issued by the Bank of Italy;
- assesses the adequacy of the administrative and accounting system of the Company and its subsidiaries; defines and approves the guidelines of the internal control system, verifying its adequacy, coherence, functionality, efficiency and effectiveness in compliance with the applicable supervisory regulations (see Section 9);
- makes decisions with regard to the transactions of the Bank and, as Parent Company, of its subsidiaries (in this case through the "Parent Company's prior opinion" tool) concerning relevant matters⁹ (matters that have a significant strategic, economic, capital or financial relevance, entailing the assumption of additional risks and for all other matters governed/identified as such by the By-Laws of the Parent Company and the subsidiaries and by Group regulations). The "*Group's Operational Governance Regulation*", approved by the Board of Directors, governs – in close synergy with the other internal regulations – the strategic and operational responsibilities of the Parent Company and the Group companies with regard to corporate processes, the operational mechanisms and the circulation of information flows, in order to

⁹ The By-Laws (Article 17, paragraph 1) in particular, reserves to the Board the power to resolve upon mergers by incorporation of companies entirely owned or held with a share of at least 90% of the capital (see Articles 2365, 2505 and 2505-bis of the Italian Civil Code), as well as the establishment and closing of secondary offices, and any adjustment to the By-Laws in order to comply with regulations.

ensure that common objectives are achieved in compliance with the legal autonomy of the Group companies and the principles for their proper corporate and business management;

- supervises the public disclosure process as well as the communication of the Bank's and the Group's corporate information, with particular regard to inside information (on this subject, please refer to Section 5), and ensures dialogue with shareholders and other relevant *stakeholders* of the Bank, taking also account of the rules and criteria established by corporate regulations, its own internal Regulations and those set out in the specific *policy* of reference, regarding which additional information is provided in Section 12.

For further details on the decisions taken in 2021 by the Board of Directors with the support of the board committees, including those pertaining to strategy and risk identification and management, monitoring and adjustment of the internal control system, the integration of sustainability factors, and the approval of strategic transactions, please refer to Section 7.2 (Appointments Committee), Section 8.2 (Remuneration Committee) and Section 9.2 (Risk and Sustainability Committee).

For the duties and activities carried out by the Board of Directors regarding:

- its appointment and self-assessment, please refer to Section 7;
- its composition and operations, please refer to Section 4.3;
- the remuneration policy, please refer to Section 8.

In early 2022, as part of the process of public disclosure and communication of the Bank's and the Group's corporate information, the Board formalised a specific policy on dialogue with the current and potential shareholders and investors of the Bank. For further information on this, please refer to Section 12.

4.2 APPOINTMENT AND REPLACEMENT (per Article 123-bis, Par. 1, Letter l) of the TUF)

The Shareholders' Meeting appoints the Board of Directors and determines the number of its members, which cannot be less than nine or more than fifteen, as established by the By-Laws.

Directors' term of office is three years and expires on the day of the shareholders' meeting called to approve the financial statements of the most recent financial year of their term. Directors may be re-appointed for a maximum of two consecutive terms after the first one, with the exception of the Chief Executive Officer/Chief Executive Officers, to whom the limitations on the number of terms of office do not apply.

Presentation of the lists of candidates

The Board of Directors is appointed by the Shareholders' meeting on the basis of the lists, which ensures the protection of minority rights as well as a suitable composition in terms of independence, gender and diversity, in compliance with the provisions of the By-Laws and applicable regulations.

Only shareholders that, either individually or together with other shareholders, collectively hold shares representing at least 1% of the Company's share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage required by applicable regulations are entitled to submit lists. To prove ownership of the minimum number of shares required to submit the lists, the Shareholders must provide the relevant certification referring to the date on which the lists are filed and, in any case, within the term provided for the publication of the lists by the Bank.

Candidates in the lists submitted by the shareholders are listed by consecutive number and are inserted in compliance with the procedure set out in Article 15 of the By-Laws to ensure:

- *an adequate number of independent directors*, in each list, at least two candidates – or the only candidate or however at least one third of the candidates in case of lists composed of more than six (6) candidates (rounded up if the quota of one third does not correspond to a whole number) – specifically indicated, shall meet the

independence requirements established by Article 15 of the By-Laws and therefore those required for auditors by law (Article 147-ter of the TUF) and the additional ones provided for by the Corporate Governance Code of listed companies¹⁰;

- *gender balance*, in each list, the requirements on gender balance in force at the time must be complied with¹¹.

With the publication of the guidelines on the qualitative and quantitative composition of the Board of Directors, the outgoing Board of Directors proposes – to support the shareholders who intend to submit lists of candidates to the Shareholders' Meeting – a diverse composition of the Board considered optimal in terms of training, professional skills and experience, diversity and time commitment. On this subject, reference should be made to Section 4.3 - Diversity policies and criteria in the composition of the Board.

Each list submitted within the filing deadline indicated in the notice of call of the Shareholders' Meeting, must be accompanied by the required documentation, which include the: (i) declarations by which the candidates accept their candidacy and certify, under their own responsibility, that there are no reasons for ineligibility and incompatibility and that they meet the requirements prescribed for the office as laid down by applicable law and regulations; (ii) meeting of independence requirements by candidates listed as independent; (iii) the curricula vitae showing the personal and professional characteristics of each candidate, indicating the management and control positions held in other companies and (iv) declarations certifying that there are no situations potentially disqualifying the candidate from holding office (in the case of simultaneous positions as director of BMPS and member of the board of directors, management board or supervisory board of competitor banks not part of the Montepaschi Group, having a banking license issued by the Supervisory Authority and operating in the markets of bank funding or ordinary credit in Italy).

The lists submitted by the shareholders must be filed at the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting and published by the Bank in accordance with applicable regulations.

Each shareholder may submit or contribute to the submission of one list only and each candidate may stand for election in one list only, under penalty of ineligibility.

Lists submitted that do not comply with the By-Laws cannot be voted.

Election of directors

Each shareholder entitled to vote may vote for only one list.

In accordance with Article 15 of the By-Laws, the Board of Directors is elected as follows:

- a) all of the Directors to be elected less three (3) or the smallest number of Directors that exhausts the candidates of the list shall be drawn from the list obtaining the majority of the votes expressed, in the progressive order with which they are listed in that list;
- b) the remaining Directors shall be drawn from the other lists; to this purpose, the votes obtained by the lists shall be divided subsequently by one, two, three, four and so on according to the number of directors still to be elected. The quotients obtained shall be assigned progressively to the candidates of each list according to their related order. The quotients assigned to the candidates of the various lists shall be listed in decreasing order.

The candidates obtaining the highest quotients shall be elected.

If several candidates have obtained the same quotient, the candidate of the list that has not yet elected a director or that has elected the lowest number of directors shall be elected.

¹⁰ For appointments made after 30 December 2020, the independence criteria set out in MEF Decree no. 169/2020 shall apply.

¹¹ The regulations on gender balance (Articles 147-ter and 148 of the TUF and Articles 144-undecies.1 of Consob's Issuer Regulation) establish that al genere meno rappresentato una soglia di almeno due quinti dei componenti gli organi di gestione e controllo delle società quotate.

If none of these lists has elected a director or if all of them have elected the same number of directors, the candidate of the list that has obtained the highest number of votes shall be appointed among these lists.

In the event of equal number of votes and quotients, the entire Ordinary Shareholders' Meeting shall hold a new voting and elect the candidate obtaining the simple majority of the votes.

In any case, even in derogation from the above provisions, at least one director must be drawn from minority list which has obtained the highest number of votes and is in no way linked, either directly or indirectly, with the parties that submitted or voted the list ranking first by number of votes.

For the allocation of the directors to be elected, the Bank's By-Laws do not provide for the exclusion of the lists that have not obtained a percentage of votes equal to at least half the one required by the By-Laws for presentation of the lists (see Article 147-ter, Par. 1 of the TUF), *i.e.* at least 1% of the share capital of the Bank with voting rights in the ordinary Shareholders' Meeting.

If, as a result of the voting, at least one third of the directors that meet the independence requirements provided have not been appointed, the required number of last non-independent directors shall be replaced with independent candidates - drawn from the same lists of the replaced candidates - who have obtained the highest quotient.

The candidate replaced for the purpose of allowing the appointment of the minimum number of independent directors shall in no case be drawn from the minority list which obtained the majority of votes and no way be linked, directly or indirectly, with the parties that submitted or voted the list which obtained the majority of votes. In this case, the non-independent candidate which ranked last but one by quotient achieved shall be replaced.

In addition, if application of the foregoing procedures does not ensure compliance with current regulations on gender balance, the quotient of votes to be assigned to each candidate from the lists shall be calculated by dividing the number of votes obtained by each list by the progressive number of listing of each candidate. The candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists is replaced by the candidate of the least represented gender who has obtained the highest quotient in the same list as the replaced candidate. If candidates from different lists have obtained the same quotient, the candidate of the list with the highest number of directors, or the candidate from the list with the lowest number of votes or, at a parity of votes, the candidate obtaining the lowest number of votes from the Shareholders' Meeting during a specific voting, shall be replaced.

In the event of application of the above procedures, should the number of directors necessary to comply with the minimum number of independent directors and of directors of the least represented gender not be appointed due to an insufficient number of independent directors or of the least represented gender, the Shareholders' Meeting shall appoint the missing directors by resolution approved by simple majority on the basis of the candidatures proposed, there and then, primarily by the parties that submitted the list of the candidate or candidates to be replaced.

With respect to the appointment of the directors who were not appointed for any reason whatsoever in compliance with the procedure provided for herein, the Shareholders' Meeting shall resolve pursuant to and with the majorities provided for by law, without prejudice to the criteria envisaged by legislation in force and by the By-Laws with regard to independent directors and gender balance.

See Section 7 for details on the role of the Board of Directors and the Appointments Committee in the processes for the appointment and succession of directors and for the period self-assessment of the Board.

Fit and proper requirements for bank directors

Banking sector regulations require bank directors to meet the requirements of integrity (standard for all officers), professional experience and independence (tiered based on principles of proportionality), assessed according to the criteria of competence and fairness, including the ability to commit sufficient time to performing their functions effectively.

It is the task of the Bank's Board of Directors to assess the suitability of its members, including their compliance with the so-called interlocking ban pursuant to Article 36 of Legislative Decree 201/2011 – converted into Law 214/2011, which prohibits directors, statutory auditors and general managers from taking on or performing similar duties in competitor companies or groups operating in the credit, insurance or financial markets.

The results of the assessment of the candidates elected at the time of their first appointment are subject to supervisory analysis by the Bank of Italy and the European Central Bank, and are disclosed to the public pursuant to Consob Regulations for Issuers and the Corporate Governance Code. On the basis of the information provided by the persons concerned or otherwise available, the Board of Directors also confirms the suitability of the candidates during their term of office, when any relevant events occur¹² and, in any case, at least once a year.

The Board assesses the requirements against the Italian and European laws in force (Article 26 of the TUB which incorporates the CRD Directive and implementing ministerial provisions¹³, taking also account of the application criteria contained in the “*Guide to fit and proper assessments*” issued by the ECB and the joint EBA-ESMA “*Guidelines on the assessment of the suitability of members of the management body and key function holders*”. The principles and recommendations of the Corporate Governance Code are also taken into account.

With regard to the aspects of governance, it should be noted that as from 2021, in compliance with the current regulations in force, the process of verifying the eligibility requirements will be conducted by the Board of Directors in accordance with the principles and responsibilities contained in the Group Directive on the verification of the eligibility of its own corporate officers and those of the Group's banks and financial intermediaries falling within the scope of application of the regulations (in particular, in accordance with the provisions of MEF Decree no. 169/2020 and the “*Supervisory Provisions on the procedure for assessing the suitability of corporate officers of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee schemes*” issued by the Bank of Italy on 4 May 2021 and effective as of 1 July 2021).

The Directive also includes the model of information flows between the Parent Company and the companies of the MPS Group subject to compliance with the regulations on the eligibility requirements of their officers, in order to coordinate the successful outcome of the administrative procedures initiated, from time to time, with the relevant Supervisory Authorities (Bank of Italy and European Central Bank) as prescribed by the relevant supervisory regulations in force.

¹² If, after the appointment of the officers, there are any events which – in relation also to the bank's operating circumstances – affect the officer's situation, his/her role within the corporate organisation or the collective composition of the Board, the latter shall carry out a new assessment of the fit and proper requirements of the officers concerned, as well as the suitability of the Board's collective composition and its compliance with the maximum number of directorships that can be held.

¹³ MEF Decree no. 169/2020 applies for appointments after 30 December 2020.

4.3 COMPOSITION (per Article 123-*bis*, Par. 2, letter d) and d-*bis*) of the TUF)

The current Board of Directors appointed by the Shareholders' Meeting of 18 May 2020 is composed of 15 members. The Board shall remain in office until the date of the Shareholders' Meeting called to approve the 2022 financial statements.

The table below shows the directors in office at the date of this Report.

	Boardmember	Office	Place and date of birth
1.	Grieco Maria Patrizia (*)	Chairperson	Milan, 1 February 1952
2.	D'Ecclesia Rita Laura (**)	Acting Deputy Chairperson	Foggia, 30 September 1960
3.	Bettio Francesca (**)	Deputy Chairperson	Piove di Sacco (PD), 1 October 1950
4.	Lovaglio Luigi (1)	Chief Executive Officer and General Manager (CEO)	Potenza, 4 August 1955
5.	Bader Luca (**)	Director	Milan, 18 May 1974
6.	Barzaghi Alessandra Giuseppina (**)	Director	Giussano (MB), 29 April 1955
7.	Basilichi Marco (*)	Director	Florence, 3 October 1965
8.	Bastianini Guido	Director	Gavorrano (GR), 10 April 1958
9.	Bochicchio Francesco (**)	Director	Rome, 19 August 1956
10.	Castellano Rosella (**)	Director	Catania, 27 June 1965
11.	De Martini Paola (**)	Director	Genoa, 14 June 1962
12.	Di Raimo Raffaele (**)	Director	Rome, 3 June 1965
13.	Giorgino Marco (**)	Director	Bari, 11 December 1969
14.	Maione Nicola (**)	Director	Lamezia Terme (CZ), 9 December 1971
15.	Rao Roberto (**)	Director	Rome, 3 March 1968

(*) Director meeting the independent requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998).

(**) Director meeting the independence requirements established by the By-Laws: independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998) and by the Corporate Governance Code.

(1) Executive Director, appointed by the Board of Directors of 7 February 2022 to the position of Chief Executive Officer and General Manager (CEO), having been co-opted pursuant to Article 2386 of the Civil Code in replacement of resigning director Olga Cuccurullo.

The Shareholders' Meeting of 18 May 2020 – to which 2 lists of candidates were submitted for appointment to the Board of Directors – approved the relevant resolutions as detailed in the table below. All candidates were elected.

List of candidates ¹⁴	Shareholder	Candidates	Votes obtained by the list at the Shareholders' Meeting
List no. 1 – majority list	Ministry of Economy and Finance (68.247% of share capital)	Maria Patrizia Grieco, Guido Bastianini, Francesca Bettio, Rita Laura D'Ecclesia, Luca Bader, Marco Bassilichi, Francesco Bochicchio, Rosella Castellano, Olga Cuccurullo, Raffaele Di Raimo, Nicola Maione and Roberto Rao.	Total votes 781,694,538, accounting for 94.478349% of the shares entitled to vote and 68.552253% of share capital .
List no. 2 – minority list	- Alleanza Assicurazioni S.p.A. - Eurizon Capital SGR S.p.A. gestore dei fondi: Eurizon Progetto Italia 20, Eurizon PIR Italia 30, Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni, Eurizon Azioni PMI Italia, Eurizon Progetto Italia 40 - Eurizon Capital S.A. gestore del fondo Eurizon Fund comparto Italian Equity Opportunities - Generali Italia S.p.A. - Genertellife S.p.A. (a total of 2.40117% of share capital)	Alessandra Giuseppina Barzaghi, Paola De Martini and Marco Giorgino.	Total votes 45,647,209, accounting for 5.517082% of the shares entitled to vote and 4.003123% of share capital.

All members of the Board in office are non-executive directors, with the exception of the Chief Executive Officer, and meet the eligibility requirements set out in the applicable regulations in force. The presence of eleven independent Directors pursuant to art. Article 15 of the By-Laws (accounting for approximately 74% of the members) ensures effective monitoring of corporate operations.

For detailed information on the personal and professional background of each director in office, please refer to the curricula vitae published on the website at www.gruppompis.it – *Corporate Governance – Board of Directors*.

For additional details and information on the composition of the Board of Directors, please refer to attached Table No. 1 and the 2021 Board Review described in Section 7.1.

¹⁴ On 23 April 2020, the Board of Directors, in compliance with Article 148, paragraph 2 of the TUF and Article 144-quinquies of the Consob Issuer Regulation and considering the recommendations contained in Consob's Notification DEM/9017893 of 26 February 2009, assessed and declared that, to the best of the Bank's knowledge, there existed no material relationship of affiliation pursuant to the above legislation between the shareholders who submitted the so-called "minority lists" for the election of the Board of Directors – identified above as List no. 2 – and the controlling shareholder, the Ministry of Economy and Finance.

Diversity policies and criteria in the composition of the Board and corporate organisation

The By-Laws¹⁵, the Regulations and Self-Assessment Regulations adopted by the Board of Directors, the Supervisory Provisions on Corporate Governance for Banks¹⁶, the rules on the requirements of bank officers¹⁷, as well as the principles and recommendations of the Corporate Governance Code to which the Bank adheres, constitute the regulatory framework for ensuring that the qualitative composition of the Bank's Board of Directors is suitably diversified and efficient with regard to each director's personal characteristics, professional training and expertise, gender, geographical provenance and diversified ability to contribute to the Board's work towards achieving the identified strategic and business objectives.

To this end, when the Board is renewed, **the outgoing Board of Directors identifies the qualitative and quantitative composition of the Board considered optimal *ex ante***, taking also account of the results of the self-assessment and identifying and justifying – with the support of the Appointments Committee – the theoretical candidate profile deemed best suited to the objectives established for the new mandate (strategic, business and corporate governance objectives) and for the ideal, overall composition of the Board of Directors against the objectives identified for the renewed mandate.

In compliance with the criteria established by the By-Laws (in terms of independence and gender), the qualitative composition of the Board proposes the personal and professional characteristics deemed appropriate for the different roles within the Board of Directors (Chairperson, Chief Executive Officer, if appointed, and the other directors) as well as for the suitable composition of the board committees. The recommendations of the Corporate Governance Code (in terms of independence and specific professional skills as well as composition of the board committees) and the Supervisory corporate governance Provisions provide for an optimal qualitative-quantitative composition of the Board of Directors, with members that¹⁸:

- are fully aware of the powers and obligations inherent in the functions that each individual is required to carry out (supervisory or management function, executive and non-executive functions, independent members);
- have the professional requirements to perform the duties assigned to them, including in any committees within the Board of Directors itself, commensurate with the operating and dimensional characteristics of the bank;
- have skills that are appropriately diversified, so each of the members, both within the committees that they participate in and in board decisions, may effectively contribute, among other things, to identify and pursue appropriate strategies and ensure effective governance of risk throughout all areas of the bank;
- dedicate adequate time and resources to the complexity of their task, subject to the compliance with the limitations on the plurality of offices as provided in implementation of the CRD;

¹⁵ Articles 13, 15 and 18.

¹⁶ Section IV – Composition and appointment of the corporate boards.

¹⁷ Article 26 of the TUB and MEF Decree no. 169/2020, in addition to the Guidelines and Recommendations of the European Supervisory Authorities.

¹⁸ The MEF Decree 169/2020, applicable to appointments after 30 December 2020, provides for a suitably diversified composition of the management and control bodies so as to: promote internal debate and dialogue; encourage a plurality of approaches and perspectives when analysing issues and taking decisions; effectively support the corporate processes for the formulation of strategies, management of activities and risk, and control over the work of top management; take into account the multiple interests that contribute to the sound and prudent management of the Bank. For these purposes, the Bank must therefore consider the presence on the Board of members: *a*) that are diversified in terms of age, gender, tenure and, in particular for banks that are significantly active internationally, geographical provenance; *b*) whose collective skills are suitable to achieve the above objectives; *c*) in a number that is suitable to ensure that the board is effective and not oversized. Consideration is also given to the bank's legal form, the type of business carried out, the ownership structure, whether or not it belongs to a banking group, and the constraints arising from legal and regulatory provisions on the composition of corporate bodies.

- address their action to the pursuit of the overall interests of the Bank, regardless of the shareholders who voted for them or the list from which they are selected; they shall operate with autonomy of judgment.

In view of the Shareholders' Meeting of 18 May 2020, which appointed the Board of Directors for the period 2020-2022, the outgoing Board of Directors, with the support of the Appointments Committee, approved the document "*Guidelines of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. to Shareholders on the size and composition of the new Board of Directors*" addressed to all shareholders intending to submit a list of candidates to the Shareholders' Meeting. The document has been published on the Group's website www.gruppompis.it – *Corporate Governance – Shareholders' Meetings and BoDs* and with the other methods provided for by current regulations. For further details on the guidelines, please refer to Section 7.1.

The application of the above-mentioned criteria made it possible to achieve a composition of the Board of Directors which has:

- eleven independent directors pursuant to Article 15 of the By-Laws, accounting for approximately 74% of members, compared to an average of 63% registered in the financial sector;
- a gender balanced composition with average diversity ratios that are in line with primary and supervisory legislation¹⁹: of the fifteen directors in office at the date of this Report, six are female – the less represented gender - (including the Chairperson and the two Deputy Chairpersons of the Board of Directors), accounting for 40%²⁰, and nine are male, accounting for the remaining 60%;
- a diverse age range, from a minimum of 48 years to a maximum of 72 years (and an average age of 59 years);
- met the criteria prescribed for the office, with a broad diversity in terms of training, professional skills and experience, independence and time commitment for the fulfilment of duties, in line with the guidelines on the ideal qualitative and quantitative composition established by the Board of Directors upon the most recent renewal of the board.

The Code of Ethics adopted by the Group is an important governance tool for promoting equal treatment and opportunities between genders across the entire corporate organization, as well as an internal Group regulation that has also been integrated in the 231 Model and is binding for all those involved. The Code of Ethics places the recognition of differences among its fundamental principles and values and promotes a culture of inclusion, considering diversity as an essential asset. People are guaranteed the same opportunities regardless of age, sexual orientation, religious belief, gender, ethnicity and diverse abilities, promoting a working environment that is free from any discrimination. Its application is monitored and checked within the internal control system.

The Group has also developed concrete actions to support diversity and inclusion through an organizational model that centres on the complexity and heterogeneity of the cultural environment. In this regard, the company is also in the process of adopting specific policies, setting out rules of inclusion able to enhance diversity and promote an inclusive work environment and defining the underlying principles that will guide the company's direction as well as the main areas that involve all its people: selection, training, professional development, assessment, remuneration policies, termination of employment, welfare and communication. Please refer to sections 3 and 8 for further information.

¹⁹ The regulations on gender balance in force since 1 January 2020 (Articles 147-ter and 148 of the TUF and Consob Recommendation no. 1/20) establish that the less-represented gender must make up at least two fifths of the members of the management and control bodies of listed companies. The By-Laws aimed at respecting gender balance – according to the principles established by law 120/2011 (the so-called Golfo-Mosca Law) and introduced in Articles 147-ter and 148 of the TUF which required listed companies to ensure that at least one third of their management and control bodies consist of the less represented genders – were applied for the first time for the renewal of the corporate boards of the Bank approved by the Shareholders' Meeting of 16 April 2015.

²⁰ In 2022, the percentage of the least represented gender dropped from 46.67% to 40% following the resignation of a director.

Maximum number of offices held in other companies – time commitment to fulfill duties

Each Director is required to dedicate an adequate amount of time to the performance of his or her duties in the Bank (so-called time commitment) and to comply with the maximum number of directorships held in accordance with the applicable banking supervisory regulations.

In compliance with the applicable banking regulations²¹, the Regulations of the Board of Directors define the criteria for assessing whether each director's time commitment is suitable for the effective performance of his or her duties, taking into account any positions held in other companies, enterprises or bodies, any additional work and professional activities carried out as well as any other professional situations or circumstances that may affect the director's time commitment, in compliance, in any event, with the maximum number of directorships established by the regulations themselves.

Regarding the assessment of the number of offices held, based on the banking regulations applicable to larger sized banks or banks with greater operational complexity, the Board considers the:

- quantitative factors regarding the number of positions held in the Bank and the number of positions in other banks or non-competitor commercial companies, excluding from the calculation:
 1. directorships in organisations which do not pursue predominantly commercial objectives and those in companies or entities whose sole purpose is to manage the private interests of the officer (or of the spouse who is not legally separated, the person bound by civil union or de facto cohabitation, relative or kin up to the fourth degree) and which do not require any type of day-to-day management by the exponent; appointments as a professional in professional companies; and appointments as an alternate auditor;
 2. certain multiple directorships falling within the scope of “privileged counting” and which, therefore, count as a single directorship: (a) directorships held within the same group; (b) directorships held within institutions which are members of the same institutional protection scheme; c) directorships held within entities in which the Bank holds a qualifying holding (amounting to at least 10% of the share capital or voting rights or which enables the exercise of a significant influence on the management of that company);
- qualitative factors regarding the nature of the directorship (whether executive or non-executive, whether a member of a Board committee; the size, activity and complexity of the bank or other commercial company, the duration of the additional position; the level of expertise acquired by the officer for carrying out the position in the bank and any synergies between the different positions).

Based on the information provided by the officer, the Board of Directors has made a positive assessment of each director's time commitment and compliance with the maximum number of directorships that can be held.

4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (per Article 123-*bis*, paragraph 2, letter d) of the TUF)

The Regulation of the Board of Directors sets out the rules and procedures it has adopted for its operations, particularly regarding the management of information to be provided to directors, including the members of the Board Committees, so as to ensure efficient management and effective controls.

The Directors observe the strictest confidentiality of all document contents and information received in the course of their duties.

The agenda is set by the Chairperson of the meeting, having heard the Chief Executive Officer and/or General Manager and the Chairpersons of the Board Sub-Committees. The Chairperson convenes the meetings

²¹ MEF Decree no. 169/2020 (Section V), effective for appointments after 30 December 2020, introduced stricter criteria and limits to be complied with for verifying the time commitment and maximum number of offices that can be held (total number of positions in banks or other commercial companies).

according to the procedures and timescales established in its Regulation and by the By-Laws. In accordance with the provisions of the By-Laws, the directors may also take part in the meetings by using teleconference and video conference systems.

The Chairperson ensures that all directors are provided with adequate and comprehensive information and documentation on the agenda items for the Board of Directors' meeting, with suitable advance notice and in a gradual order according to the importance, relevance and complexity of the individual positions to be examined, always complying with the rule that the documentation shall be made available to directors sufficiently in advance to enable them to participate in the discussion and deliberation of the items on the agenda in an informed and considered manner, and, in the case of the board sub-committee meetings, to allow the latter to issue the required supporting opinions to the Board of Directors. Information is made available to Directors and Statutory Auditors using a dedicated procedure accessible via intranet or extranet in a secure environment that enables all Directors and Statutory Auditors to view proposals and annexes and obtain all the preliminary information necessary at least three days – including holidays – barring any urgencies - prior to the date of the convened board meeting. This objective is generally complied with.

During the course of the meeting, all members are entitled to intervene in the discussion, request information or clarifications and make comments. The Chairperson governs and regulates the discussion and, at the end, invites the directors to cast their vote openly.

The Chairperson, in executing the task of managing the Board of Directors meetings and discussions, relies on the contributions of the persons in charge of the corporate functions responsible for the subject matters being examined by the Board of Directors, as well as on the contribution of consultants for certain topics.

The Chairperson begins the meeting by ensuring that the meeting itself has been convened in accordance with due procedure and that it is duly constituted. The Chairperson reminds the directors present to comply with the requirements regarding directors' interests (Article 2391 of the Civil Code and Article 53 of the TUB), the obligations of bank corporate officer (Article 136 TUB), related-party transactions and other internal corporate governance policies or controls²², and invites them to declare any interests in the agenda items and, if so, to comply with all due obligations and procedures. In such cases, the same provisions of the law and Articles 17²³ and 19²⁴ of the By-Laws apply.

The minutes of each meeting are drawn up and signed by the Chairperson and the Secretary, so as to enable a reconstruction of the discussion and the various positions expressed.

The minutes of the meetings are made available to each director through the secured procedure referred to above; the minutes are also submitted to the Supervisory Authority in the cases provided for by regulations and where required.

The Regulation also provides for periodic reporting from the control and risk management functions regarding the results of the activities carried out by them and, with particular attention to any critical issues

²² As provided for by banking regulations, specific governance controls/policies are adopted by the Bank in order to tackle the risk that specific situations of conflict of interest, including potential ones, could compromise the independence of judgement of the representative or the decisions of the Board of Directors.

²³ *Article 17 – paragraph 3.* The Board of Directors promptly reports to the Board of Statutory Auditors on the business activities carried out and on the main economic and financial transactions carried out by the Company, also through its Delegated Bodies, and by its subsidiaries; in particular, it reports on any transactions in which the Directors have an interest on their own account or on behalf of third parties. This report is made verbally, at least on a quarterly basis, when the Board of Directors meets or by written notice to the Board of Statutory Auditors. The obligation of each Director to inform the other directors and the Board of Statutory Auditors of any interest he/she may have in a specified transaction of the Company on his/her own account or on behalf of third parties and to refrain from any resolutions in which he or she has a conflict of interest, on their own behalf or on behalf of a third party, pursuant to the applicable legislation, remains unaffected.

²⁴ *Article 19 – paragraph 1.* In addition to complying with the provisions of Articles 136 of Legislative Decree no. 385 of 1 September 1993, the members of the Board of Directors must inform the Board of Directors and the Board of Statutory Auditors of any business in which they are personally involved or which relates to entities or companies of which they are directors, auditors or employees, except for companies of the MPS Group and they shall refrain from any resolutions in which they have a conflict of interest, on their own behalf or on behalf of any third party, pursuant to the applicable legislation.

detected, by the delegated parties. The Board Committees ensure information flows on the activities carried out by the same Committees to support the work of the Board of Directors, according to the rules set out in their respective regulations.

During 2021, a total of 26 meetings of the Board of Directors were held, with an average duration time of approximately 7 hours and 7 minutes. Each director's attendance at board meetings is shown in Table no. 1.

As at 2 March 2022, a total of 5 meetings were held. A further 14 board meetings have already been scheduled for the remainder of 2022.

4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

The Chairperson of the Board of Directors is responsible for the effective operation of the corporate governance system, ensuring the balance of powers with respect to the Chief Executive Officer (the sole executive director of the Bank); the Chairperson also acts as the contact point for the internal control body and the internal committees.

The Chairperson calls and chairs the meetings of the Board of Directors, ensuring the effective management of Board information and an adequate flow of information within the Board and between the Board and the Board Committees; in compliance with the board and committee regulations, the chairperson ensures the effective coordination between the activities of the board Committees with assessment, proposal-making and advisory functions and the activities of the Board itself.

In order to perform his/her duties effectively, the Chairperson receives no management mandate²⁵.

The By-Laws, internal regulations and specific corporate regulations in force establish the criteria for preparing – with the support of the relevant corporate functions – the information flows, procedures, working methods, meeting schedules and operating practices that ensure the effectiveness and timeliness of the board's and the committee's activity.

Regarding the information flows to the Board, the Chairperson sets the agenda after hearing the opinion of the Chief Executive Officer and/or the General Manager and the Chairpersons of the Board Committees, and convenes the Board meetings in accordance with the procedures and timeframes provided for by the By-Laws (at least five days before the meeting) and the Board Regulation.

The agenda is sent to the Directors and Statutory Auditors, as well as to all members of the Executive Committee and to the Financial Reporting Officer pursuant to Article 154-bis of the TUF, with the latter having the right to request to have access to specific items of interest.

At the invitation of the Chairperson, the Chief Audit Executive attends the meetings of the Board of Directors without voting rights, and has full visibility over all the documentation submitted; the Chief Risk Officer and the Chief Compliance Executive may request to attend the meeting with regard to specific items discussed by the Board and may ask to see the documentation submitted to the Board in relation to the items on the agenda.

The Control Functions (Audit, Risk, Compliance) have full access to the Board's documentation and other documents submitted for prior review/feedback by the Risk and Sustainability Committee.

The distribution of documentation is ensured by the Chairperson, who guarantees that all members are provided with adequate prior information on the agenda items, both in qualitative and quantitative terms, with suitable advance notice and in a gradual order according to the importance, relevance and complexity of

²⁵ Without prejudice to the powers that may be exercised on an urgent basis pursuant to Article 21 of the By-Laws, on the binding proposal of the General Manager and/or the Chief Executive Officer (if appointed), on any business or transaction falling under the Board of Directors' competence, with the exception of those reserved to the latter's exclusive authority. The Chairperson ensures that the board is informed of such decisions at the first subsequent meeting of the board.

the individual items to be examined, always complying with the rule that documentation shall be made available to Directors sufficiently in advance to enable them to examine and evaluate the proposals on the agenda. The documents for the Board of Directors are made available to directors and auditors at least three days – including holidays – prior to the meeting, barring any urgencies.

This allows the Directors to examine the documentation and have at their disposal all the preliminary information necessary so as to be able to participate in the discussion and deliberation of the items on the agenda of the Board meeting in an informed and considered manner, based also on the opinions of the Board Committees provided for each specific matter.

The Chairperson presides over the work and discussion, giving priority to strategic issues, with the possibility, during the board meeting, to make use of the informative contributions of the Bank's and the Group's Executive Managers, or of consultants regarding the specific topics under discussion.

The Chairperson has the important task of promoting internal dialogue and ensuring the balance of powers. In accordance to the duties assigned to the Chairperson by the Civil Code, within the context of the Board's work, he/she encourages and promotes open and critical debate, which is respectful of any differing points of view, and works to ensure that the resolutions reached by the Board are the result of appropriate discussion as well as the informed and reasoned contribution of all its members, promoting constructive debate among the Board members and ensuring an adequate level of understanding of the issues dealt with, thus facilitating a critical review of the proposals by the Board and a balanced decision-making process.

The Chairperson also provides opportunities for all Directors to meet, even outside the Boardroom, to discuss and debate strategic issues, requesting the participation of all Directors in these occasions.

The Chairperson also ensures that: i) the self-assessment process is carried out effectively, in a manner consistent with the degree of complexity of the Board's work, and that any corrective actions identified to address any shortcomings are taken; ii) the Bank prepares and implements induction programmes and training plans as well as succession plans for senior executive positions.

Specific internal regulations also establish the procedures and timing for the submission of reports and documents to the Board of Directors by the corporate functions.

The Chairperson, in agreement with the Chief Executive Officer, acts as a point of reference for the management of requests for dialogue received from individual directors, within the framework of the Shareholder Dialogue Policy adopted by the Bank. For the functions performed at Shareholders' Meetings, please refer to Section 13.

In 2021, the Chairperson of the Board of Directors in office oversaw the Board Induction program, consisting of a series of sixteen training sessions for all officers (directors and statutory auditors). Among these, two induction sessions, in the form of training seminars, were run by SDA Bocconi on “The Corporate Governance of banks: regulation, supervision and best practices” and “The internal controls framework in banks; design, operation and effectiveness”. One session, regarding the 231 Supervisory Body, was held by an external professional, while the remaining thirteen were held by Bank managers and concerned: i) “Remuneration policies”, ii) “The regulatory framework for credit institutions”, iii) “Transparency of banking and financial transactions and services: Applicable regulations, supervision and responsibilities of corporate bodies”, iv) “Focus on AML”, v) “Transactions with related parties and connected persons - Conflict of interest”, vi) “Risk Appetite Framework - RAS 2021 and Budget Process”, vii) “Bank and Group Product Catalogue/Governance of Product Oversight”, viii) “ICAAP, ILAAP and Recovery Plan”, ix) “Credit Risk Management: Approach, Processes and Tools”, x) “IRRBB and Market Risks”, xi) “Lending Processes/Organisation and Credit Monitoring”, xii) “Sustainability and Climate Risks”, xiii) “Bank and Group Product Catalogue/Product Governance”.

Board Secretary

As provided for in Article 16 of the By-Laws, the Board Secretary is appointed by the Board from among the Bank's Senior Management.

The current Board Secretary is the Head of the Group General Counsel Division, Mr. Riccardo Quagliana, who has extensive legal training and skills and long-standing experience in corporate in corporate law and the corporate governance of listed issuers and banks.

The Board Secretary supports the activities of the Chairperson and, with impartial judgement, provides assistance and advice to the Board of Directors on all aspects relevant to the proper functioning of the corporate governance system. He is also responsible for drafting the minutes of board meetings, which are signed jointly with the Chairperson and provide a detailed description of the debate and the various positions expressed.

In the event of the absence of the Secretary, the Chairperson may entrust a Director or an Executive of the Bank with the temporary performance of the Secretary's duties.

In 2021, the Secretary supported the activities of the Chairperson of the Board of Directors, with a particular regard to a) ensuring pre-meeting and supplementary information provided in support of the work of the Board and of the Board Committees, in compliance with the deadlines and methods set out in the relevant regulations; b) coordinating the work of the Board with that of the Committees c) the participation of the Company's and the Group's Executive Managers and of the external consultants, able to provide further information on the items on the agenda; d) the engagement of directors and statutory auditors in training activities organised by the Chairperson (please refer to the previous paragraph); e) the Board's self-assessment process, with the support of the Appointments Committee.

4.6 EXECUTIVE DIRECTORS

In accordance with the Supervisory Provisions, the Regulation of the Board of Directors defines the following as "executive" directors:

- the Chief Executive Officer;
- the directors who have received mandates;
- the directors holding the office of Chief Executive Officer in a strategically significant subsidiary;
- the directors who carry out operations relative to the management of the business, such as the directors who hold management positions at the Bank or at one of its subsidiaries, or who are assigned the task to supervise specific areas of the management of the company, through constant presence in the company, acquiring information on the relative operating structures, participating in management committees and reporting to the Board on the activities carried out.

This definition makes it possible to consider all the members of the Board of Directors, except for the Chief Executive Officer, as "non-executive directors", since, at the date of this Report, the Board of Directors:

- has not assigned mandates to its own members, except for the Chief Executive Officer;
- there are no directors who are managers of the Bank or one of its subsidiaries, except for the Chief Executive Officer who is also the General Manager of BMPS;
- there are no directors with executive responsibilities, as these are defined above, in subsidiaries.

Chief Executive Officer

The Chief Executive Officer, who, at present, also serves as General Manager, is primarily responsible for the management of the Bank.

The Chief Executive Officer of the Bank is vested with proposal-making and decision-making powers, pursuant to the By-Laws and as assigned by the Board of Directors and is responsible for implementing the resolutions adopted by the Board.

The Chief Executive Officer is vested with:

- the power to submit recommendations to the Board of Directors, regarding, *inter alia*:
 - strategic guidelines, strategic transactions, long-term plans and annual budgets for the Bank and Group;
 - the organisational model of the Bank; organisational structure of the Parent Company's central units (changes in responsibilities and functional perimeters between organisational models, changes in units reporting to the Top Corporate Bodies, changes in the structure of the Corporate Control Functions up to Level 1) and of the Regional Areas/Regional Credit Areas; Committees with the duty to support the Board of Directors and provide strategic guidelines; number and responsibilities of the Regional Areas; the Group's general operating policies, including corporate reporting lines;
 - general criteria for the coordination and management of subsidiaries;
 - outsourcing strategies, intra-group outsourcing of the Corporate Control Functions; intra-group or extra-group outsourcing of essential or key functions, including the information system (full outsourcing) or its critical components, and their sub-outsourcing outside the Group; intra-group or extra-group outsourcing of other corporate functions of over Euro 20 million, or of any amount if with the transfer or assignment of human resources or if the contractual agreement exceeds 9 years; authorisation of ancillary changes to intra-group and extra-group outsourcing of over Euro 20 million;
 - key corporate Regulations, Policies and Group Directives on matters under the responsibility of the Board of Directors, in addition to the system of delegated powers, definition of the business model and strategic guidelines for the assumption, management, monitoring and mitigation of the risks to which the Group is exposed;
 - development and management policies, as well as the employee incentive system and hiring plan;
 - definition of internal policies and regulations regarding the legal and economic status of personnel, the appointment and dismissal of the Division Managers and Executives in charge of the units directly reporting to the CEO or to the General Manager and taking any measure in relation to their remuneration and legal status;
 - ordinary legal disputes, labour disputes, tax disputes for amounts over Euro 10 million; filing of complaints;
 - the acquisition/disposal of shareholdings of more than Euro 20 million and all strategic shareholdings and/or those involving changes in the Banking Group and provides an opinion to subsidiaries on the same type of transactions; acquisition and disposal of business units, membership of or withdrawal from trade associations; appointment of representatives of the Montepaschi Group and administrative and operational decisions in strategic equity investments of more than Euro 20 million and in trade associations;
 - final recognition in the income statement of one-off income and expenses in excess of Euro 10 million;
 - sale/transfer of operating or non-operating properties and related management of real and personal property rights for more than Euro 10 million;
 - negotiation and sale of artworks owned by the Bank for any amount if lower than the appraisal or book value, or for an amount higher than Euro 3 million, accumulated over 24 months with the same counterparty;
 - spending for strategic/management intervention amounting to more than Euro 10 million;
- decision-making powers, which include, *inter alia*, the power to:

- manage the Bank's finance portfolio with regard to market risk, liquidity risk and interest rate risk in the banking book, as defined by the Board of Directors and in compliance with the approved budget and within the risk tolerance limits established in the Bank's Risk Appetite Framework;
- authorise expenses of up to a maximum amount of Euro 20 million, within the budget limits approved by the Board of Directors; (with the exception of those that fall within the exclusive competence of the Employer for the protection of health and safety at work²⁶);
- authorise the sale/transfer of operating or non-operating properties and the related management of real and personal property rights for up to a maximum of Euro 10 million;
- exercise decision-making powers in matters of personnel, regarding resources of any order and level (except for cases under the exclusive responsibility of the Board of Directors and of the Employer for the protection of health and safety at work);
- resolve on disposals of non-significant investments which do not involve changes to the Banking Group and equity instruments up to the amount of Euro 20 million;
- resolve on the waiver to exercise option/pre-emption rights, assignment of option rights on capital increases for equity investments/equity instruments classified as non-strategic;
- resolve on participation in and withdrawal from committees of non-trade associations, as well as entities and foundations, excluding trade bodies;
- provide the subsidiaries with a prior opinion on divestments of shareholdings within the amount of Euro 20 million for non-strategic investments;
- appoint representatives of the Montepaschi Group in non-strategic investments, except where the appointees are members of the corporate bodies of the Bank;
- promote executive, summary, insolvency and voluntary jurisdiction proceedings and relative litigation, as well as disputes by the company or counterclaims, also aimed at credit recovery and tax disputes relative to liquidation of taxes on court or out-of-court documents connected to or dependent on recovery, or appear before the court in disputes against the company, without amount limits; disputes by the company or counterclaims even for labour disputes, in addition to appeals and challenges before the tax court for an undefined amount or up to the maximum amount of Euro 10 million;
- file criminal disputes, bring civil action in a criminal proceeding, or withdraw from such proceedings, exercise all other powers envisaged within a criminal proceeding, with the exception to propose or file complaints;
- waive, abandon, rescind the actions and acts and accept similar withdrawals from the other parties; authorise court transactions and resolve to waive appeals against decisions against the Bank for an undefined amount or up to the maximum amount of Euro 10 million;
- approve the contents of regulations (except for those under the responsibility of the Board) and their publication within the internal regulations;
- approve the organisational structure of the Parent Company's central units and network within the pre-established hierarchical levels;
- authorise the final recognition in the income statement of one-off income and expenses in excess of Euro 10 million;
- negotiate spending for strategic/management activities for any amount and authorise them up to Euro 10 million;
- authorise intra-group and extra-group outsourcing of other corporate functions (not Essential or Key Functions or Corporate Control Functions) for up to Euro 20 million, without the disposal or secondment of human resources and with a contractual agreement of less than or equal to 9; ancillary changes on intra-group and extra-group outsourcing for up to Euro 20 million;

²⁶ Please refer to Article 24 of the By-Laws.

- approve the negotiation and sale of artworks owned by the bank for amounts greater than or equal to the appraisal or book value up to Euro 3 million, accumulated over 24 months with the same counterparty;
- authorise the necessary or even only appropriate changes to the composition of the portfolio of strategic initiatives included in the Project Plan approved by the Board of Directors, without affecting the overall spending limit established for the Project Plan itself;
- approve new products, changes to or delisting of existing ones, as well as economic aspects (rates, conditions, commissions, ceilings, etc.) connected with or in any case attributable to the management of relations with customers and of the products/services distributed by the Bank.

No specific powers have been assigned to the Chief Executive Officer in relation to the granting of loans and management of bad loan positions²⁷.

In the event of the absence or impediment of the Chairperson of the Board of Directors and the Deputy Chairperson, the powers which the Chairperson may exercise in an emergency in accordance with the procedures established by the By-Laws, are attributed to the Chief Executive Officer. The decisions taken when exercising these powers must be communicated to the competent body at the first subsequent meeting.

For the powers attributed to the Chief Executive Officer as the person in charge of establishing and maintaining the internal control and risk management system, please refer to Section 9.1.

The Chief Executive Officer does not hold any directorships in other banks.

Chairperson of the Board of Directors

The Chairperson of BMPS's Board of Directors has received no management mandate, does not carry out a specific role in drawing up the corporate strategies and is not the Chief Executive Office, nor the controlling shareholder of BMPS.

Disclosure of information to the Board of Directors by the directors/delegated bodies

The bodies delegated by the Board of Directors report on a quarterly basis on the actual performance of the mandates conferred upon them so as to enable the Board of Directors to check whether the delegated powers have been used correctly and exercise its authority to give directives and assume powers. The Report, pursuant to Article 18, para. 5 of the By-Laws, refers to overall management performance and its foreseeable development as well as to the major transactions carried out by the company and its subsidiaries in terms of nature and size.

There is also annual reporting by all bodies with authority delegated to them by the Board of Directors in relation to equity investments.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTORS

Independent directors

According to Article 15 of the By-Law, independent directors are those who meet the requirements established for statutory auditors pursuant to the law (Article 147-ter of the TUF) as well as the additional requirements set out in the Corporate Governance Code for listed companies.

The independence assessments of non-executive directors are conducted by the Board of Directors subsequent to their appointment and at least once a year - according according to the criteria laid down in the

²⁷ With the exception of the autonomy of Euro 10 million in the area of legal disputes also in relation to bad loan positions.

By-Laws in compliance with applicable regulations, including banking regulations, as well as the additional criteria set out in the Corporate Governance Code – based on the information provided by each director or information otherwise available to the Bank, which is useful for assessing the circumstances that compromise or appear to compromise the independence of the director, with particular reference to positions held in other companies, to existing significant commercial, financial or professional relationships with the Bank or its subsidiaries or with key officers and to any relationship that could be or appears to be such as to compromise the director's independence of judgment, especially in relation to credit positions attributable to directors deemed independent, as established by Supervisory Provisions.

In 2021, the Board of Directors formalised the requirements verification process in a specific "*Directive on the management of regulatory requirements for verifying the eligibility of Corporate Officers and Managers in charge of the key Corporate Functions*", which sets out, inter alia, the criteria for assessing the independence requirements of corporate officers, in compliance with the regulations applicable to listed issuers and banks, and the principles and recommendations of the Corporate Governance Code. For the purposes of assessing independence, the corporate officers concerned are required to notify the Bank of any relationships that the officer has or has had in the three financial years prior to taking office, either directly or indirectly (e.g. through subsidiaries, trust companies, intermediaries or on the basis of agreements in any form whatsoever entered into, the purpose or the effect of which is the concerted exercise of the relevant rights of control; or through companies of which he/she is an executive director, or a partner in a professional firm or consulting company); self-employment or employment relationships or other commercial, financial, investment or professional relationship – even if not on an ongoing basis – with the bank or its executive officers or its chairperson or top management, with the bank's subsidiaries or their executive officers or chairmen, or with a significant shareholder of the bank or its executive officers, chairperson or top management ("Significant Relationships"). The criteria used by the Board of Directors to assess the independence requirements include objective elements (such as the type and nature, amount and consideration of the transactions referring to the Significant Relationships) and subjective elements (for example, whether the counterparty is the officer himself or a company/professional firm linked to the officer by means of a shareholding/corporate position/role in the professional firm). The following are taken into account when assessing whether a Relationship is Significant:

- regarding financial/investment relationships, including lending relationships: their size and specific characteristics, their weight versus the system data (for credit exposures) and, where applicable, the economic and financial situation of the borrower/individual concerned;
- regarding commercial and professional relationships: the characteristics of the transaction/relationship, the amount of the consideration/annual turnover of the individual concerned and, where applicable, their ratio to the overall annual turnover and/or the overall activity carried out and/or the annual costs incurred by BMPS and/or the Montepaschi Group attributable to the same type of contractual relationship or to similar positions;
- the current payment, or payment in the three previous financial years, of significant additional remuneration by Banca MPS, a subsidiary or the parent company, on top of the fixed remuneration paid for the office and for the participation in committees as recommended by the Corporate Governance Code or as provided for by applicable regulations.

At the start of its mandate, the Board of Directors, during its meeting on 12 June 2020, assessed the independence requirements for 11 non-executive directors out of a total of 15. The requirements were confirmed by the Board on 25 February 2021 during the annual assessment of the requirements of its directors (conducted according to the criteria of the previous Corporate Governance Code in order to ensure continuity, while also taking account of the recommendations in the present Corporate Governance Code. The most recent assessment of the independence of Directors on 2 March 2022, conducted by the Board according to the above criteria, confirmed the following:

- the directors Rita Laura D'Ecclesia, Francesca Bettio, Luca Bader, Alessandra Giuseppina Barzaghi, Francesco Bochicchio, Rosella Castellano, Paola De Martini, Raffaele Di Raimo, Marco Giorgino and Roberto Rao did not have any commercial, professional or financial relationships with the Bank or its

subsidiaries in the three years prior to the appointment and during the mandate, either directly or through companies or firms and/or professional associations with which they have or have had a professional relationship;

- for the director, Nicola Maione – owner of the Law Firm of the same name – some professional relationships were identified as a result of the legal assistance he provided to the Group. Following his election to the Board, the Bank did not assign him any further professional duties and Mr. Maione has only continued to follow – even during the appeal process - certain cases for which he had already been appointed as the Bank's lawyer prior to taking up his office as director. The fees received by the director for these services in 2021 were approximately 6.3% of the Firm's total annual revenues. As in the previous years, these professional relationships were found to be insignificant and not sufficient to affect his position as independent director;
- based on the declarations made by the directors themselves and confirmed, the Chairperson, Maria Patrizia Grieco, and the Director Marco Bassilichi were deemed to be independent under the TUF but not under the Corporate Governance Code and, therefore, were not assessed as independent pursuant to the Bank's By-Laws. It should be noted that under the new Corporate Governance Code, being Chairperson, and therefore a “key officer” of the Bank, is no longer included among the circumstances compromising or appearing to compromise the independence of a director. For the sake of continuity, during the annual independence assessment, the Chairperson's original evaluation as a non-independent director was confirmed, having been assessed – post-appointment – according to the previous Corporate Governance Code.

The Board of Directors in office, therefore, consists of a majority of independent directors (11), well above the minimum threshold of at least two directors required by the Corporate Governance Code and at least one third required by Article 15 of the By-Laws, and is sufficient for the establishment of board committees.

The Board of Statutory Auditors verifies the correct application of the criteria and assessment procedures adopted by the Board of Directors for the evaluation of its members' independence and will communicate this in its report to the Shareholders' Meeting convened for the approval of the financial statements.

There is no evidence that directors who qualified as independent in the appointments list have undertaken to maintain this requirement for the entire duration of their term of office or, if necessary, to resign.

In 2021, under the coordinatio of the Lead Independent Director, the independent directors met without the other directors present on 17 May 2021.

Lead Independent Director

At the request of the majority of independent directors, the Board of Directors meeting of 17 December 2020 unanimously appointed as Lead Independent Director, the independent Director Nicola Maione, who is also Chair of the Appointments Committee and member of the Bank's 231 Supervisory Body (and in the previous mandate, was a member of the Remuneration Committee and Related-Party Transactions Committee).

As established by the Code (Recommendation no. 14), the Lead Independent Director is a point of reference and coordinates the requests and contributions of non-executive directors and, in particular, of the independent ones, and has the task of convening and coordinating the meetings of just the independent directors so that they can discuss the issues deemed relevant in the absence of the other Directors.

5. HANDLING OF CORPORATE INFORMATION

With regard to the strategic supervisory powers assigned to it by the By-Laws in compliance with the Supervisory Provisions on corporate governance, the Board of Directors has adopted specific rules for the internal management and external communication of documents and information regarding the Issuer, in order to regulate the flow of such information, particularly inside information.

Responsibilities for managing the public information process with the external disclosure of documents and information regarding the Bank are set out in the “*Group Directive on disclosure and external relations*”. The Directive in question defines three macro-types of external communication (institutional, economic-financial, corporate and commercial) as well as the so-called “significant” communications. Specific presiding processes have been identified for each type, with a differing degree of involvement of the internal functions and corporate bodies of the Parent Company and the Group, depending on the type and relevance of information to be published. The Directive also governs the certification of the Financial Reporting Officer for documents and communications disclosed to the market regarding accounting information (e.g. press releases and presentation of the periodic financial results), in which he/she is required to declare, pursuant to Article 154-*bis*, paragraph 2 of the TUF, that the accounting information contained in the published documents corresponds to the accounting documents, books and records.

Regarding the disclosure of inside information, reference is made to the “*Group Directive on the Management of prescribed Market Abuse requirements*” which provides for a specific authorisation process involving the Chief Executive Officer, the Divisions of the Group General Counsel, Chief Risk Officer, Chief Financial Officer, Chief Compliance Executive, the Communications function and the internal functions responsible for generating and handling all information flows relevant to these purposes.

The Directive and the operating instructions regarding the management of regulatory compliance with regard to market abuse set out the principles and guidelines for the internal management of inside information. The controls put in place concern first and foremost the Parent Company, in its capacity as listed issuer, but also the other Group companies that qualify as intermediaries authorised to provide investment services. The Group companies adopt their own internal regulation, in compliance with the rules and processes described in the Parent Company’s regulation, adapting the rules, responsibilities and internal processes in line with the characteristics and size of each subsidiary.

The inside information management process ensures that confidentiality is strictly protected and monitored during the circulation of such information before it is disclosed to the public, in order to prevent any rumours and leaks as well as the misuse of inside information by those who become aware of it, either directly or indirectly.

The company regulation therefore contains specific standards of conduct which employees with access to confidential information must adhere to, in addition to specific security measures which must be complied with that concern the handling of inside information.

The Parent Company’s corporate officers (directors, statutory auditors, strategic executives and individuals closely connected to them) are also subject to the duty of disclosure to the market and Consob set out in the “*Managers Transactions*” Regulation regarding any transactions involving BMPS shares, debt instruments or derivatives or other derivative-linked financial instruments.

A register of persons with access to inside information concerning both the Parent Company and listed third-party issuers has been created and is constantly monitored.

6. BOARD COMMITTEES

(per Article 123-bis, Par. 2, letter d) of the TUF)

In compliance with the corporate governance regulations in force, Article 17 of the By-Laws requires that committees with advisory and proposal-making duties be established within the Board of Directors. The Committees are composed of a number between 3 and 5 non-executive, mainly independent directors (with the exception of the Related-Party Transactions Committee consisting solely of independent directors), ensuring the presence of at least one of the directors elected by minority shareholders (if any).

Following its inauguration, at its meeting on 19 May 2020 the Board of Directors established the following sub-committees:

- **Appointments Committee**, with the following main tasks:
 - supporting the Board of Directors in the process of appointing directors, proposing, in the case provided for by Article 2386, first paragraph of the Civil Code, candidates for the office of director;
 - supporting the Board of Directors in the processes of self-assessment as well as the assessment of the requirements, size and composition of the board, as well as defining Top Management succession plans;
 - upon proposal of the Chairperson, submitting proposals to the Board of Directors for the appointment of the Chief Executive Officer
- **Remuneration Committee**, with the task, of:
 - submitting, to the Board, proposals for the remuneration of the chief executive Officers and of the other directors holding special offices, as well as of the General Manager, and monitoring application of the resolutions adopted by the Board;
 - periodically assessing the criteria adopted for the remuneration of executives with strategic responsibilities, monitoring their application and submitting general recommendations on the matter to the Board of Directors.
- **Risk and Sustainability Committee**, with the main function of supporting the Board of Directors in fulfilling its tasks to define the guidelines of the internal control and risk governance system and assess that the internal control and risk governance system is adequate, effective and properly functioning, as well as to approve the company asset assessment policies and processes. As of April 2020, the Committee has also been assigned the task of supporting the Board of Directors in matters regarding Sustainability, taking into account the recommendations of the Corporate Governance Code and in line with the best practices of the banking system. In particular, the Risk and Sustainability Committee performs the following functions:
 - supports the Board of Directors in determining the Risk Appetite Framework (RAF) and risk governance policies, also with a view to contributing to the Bank's sustainable success;
 - conducts a prior examination of activity plans (including the audit plan) and of the periodic reports from the Corporate Control Functions to the Board of Directors;
 - carries out assessments and formulates opinions for the Board of Directors regarding compliance with the principles with which the internal control system and the corporate organisation must comply, and the requirements to be met by the Corporate Control Functions, bringing to the Board's attention any weaknesses and consequent remedial actions to be implemented.
- **Related-Party Transactions Committee**, which carries out the functions assigned by the Related Parties Directive, pursuant to the Consob Related Parties Regulation and the Bank of Italy's Supervisory Provisions for Related Parties.

No function of one or more committees was carried out by the entire Board.

With regard to the requirements to be met by Committee members, in addition to the independence and non-executive criteria, as established by the By-Laws and by the regulations in force from time to time, additional specific skills are met for at least one member of the Remuneration Committee (adequate knowledge and experience in financial matters or remuneration policies, to be assessed by the Board at the time of the appointment) and for all the members of the Risk and Sustainability Committee (knowledge, skills and experience such that they can fully understand and monitor the strategies and risk guidelines of the Bank and, for at least one member of the Committee, adequate experience in accounting, finance or risk management).

The committees carry out their operations in compliance with their own internal regulations approved by the Board of Directors and with the By-Laws and legal, regulatory and corporate governance provisions in force at the time.

Each internal regulation defines the tasks and functions of the committee, the criteria and rules for its composition, the procedures for convening, holding and validating meetings, making available the documentation on the items on the agenda (at least five days in advance, except in urgent cases), the availability of resources (including information) for carrying out its tasks, relations with corporate functions, reporting flows and monitoring rules.

Each Committee appoints its own Chairperson, selected from among the independent directors, who is required to convene and chair the meetings and coordinate the committee's work, and a Secretary, selected from among the Bank's senior management.

In light of the issues to be discussed, the corporate functions that worked on the report and/or formulated the proposal, may be required to take part in the works of the Committee, as may one or more representatives of the management another as well as other heads of the Bank's functions and third parties.

For further information on the composition and functioning of the Committees, please refer to Section 7.2 (Appointments Committee), Section 8.2 (Remuneration Committee), Section 9.2 (Risk Control and Sustainability Committee) and Section 10 (Related-Party Transactions Committee).

7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS – APPOINTMENTS COMMITTEE

7.1 Self-assessment of the Board and its Committees

With the support of the Appointments Committee, the Board of Directors continuously, and at least once a year, assesses the correctness and effectiveness of its operations, as well as the adequacy of its size and composition, taking into account professional skills and experience – including managerial experience –, the gender of its members and their seniority in office.

The assessment concerns the Board as a whole and the contribution of each director to the Board's work, and is extended to its internal committees (Risk and Sustainability Committee, Appointments Committee, Remuneration Committee and the Committee for Transactions with Related Parties).

The self-assessment also aims to strengthen the relationships of collaboration and trust between the individual members as well as the specific roles and responsibilities they hold, encouraging active participation.

The self assessment process is governed by the “Self-Assessment Process Regulation” approved by the Board of Directors, which establishes its purposes, methods and timeframes. The results of the self-assessment are recorded in the minutes of the relevant board meeting and made available to the supervisory authorities.

The Chairperson of the Board of Directors ensures that it is carried out effectively and in a manner that is consistent with the degree of complexity of the Board's work; the Chairperson also ensures that the corrective measures established to address any shortcomings that emerge during the self-assessment process are implemented as effectively as possible.

In view of how the process is structured, in addition to the members of the Board of Directors, the members of the Board of Statutory Auditors and other internal subjects are also involved. These are identified by the Chairperson – with the support of the Appointments Committee – at the time of each specific self-assessment, on the basis that they have a background of information that enables them to express an opinion on the work of the corporate boards examined.

The process is divided into an initial preliminary phase, which includes an assessment of the actions taken following the results of the previous self-assessment, as well as any indications received from the Supervisory Authorities; also considered are the corporate events that took place during the year, the Bank's situation, changes to industry regulations as well as all information that is useful for the preparation of the questionnaires to be given to the directors. The questionnaires include “reply” and “comment” so as to allow for each director's observations, reports, assessments and reflections on the issues covered.

A report summarizes, including an analysis of company documentation, and reports the results of the self-assessment process, identifying strengths and areas for improvement.

Based on the Board's examination of this report, the Board - upon proposal and with the support of the Appointments Committee - identifies and examines the main strengths and areas for improvement and adopts the appropriate measures for the performance of its role, including the implementation of any training programmes aimed at increasing the skills and knowledge of its members in relation to the business sector in which the Bank operates, evolving corporate trends, the principles of proper risk management, as well as the legal, regulatory and corporate governance framework.

The Board of Directors conducted its self-assessment and that of its Board Committees for 2021 (“**2021 Board Review 2021**”), with the support of the independent advisory firm Korn Ferry (“**Advisor**”), an independent company, expert in²⁸.

The scope of the 2021 Board Review included:

²⁸ The Advisor only provided the Group with advisory services for the self-assessment of the Board of Directors, the Board of Statutory Auditors of the Bank and the Group's banking companies.

- (i) an assessment of the overall operations and effectiveness of the Board of Directors and its Committees and highlighting their strengths and weaknesses;
- (ii) a detailed review of: a) the size, structure and composition of the Board, focusing on Directors' skills also; and b) the operations of the Board itself, including the number of meetings held, their duration and management; the completeness and timeliness of the information provided in preparation for Board meetings, the work climate within the Board as well as meeting procedures and decision-making processes, the role of the Chairperson, the proper amount of time allocated to debate important issues, with particular reference to the internal control system and risk management system, as well as the definition of medium and long term strategies and the monitoring of company performance;
- (iii) an analysis of the operations of the Committees, including the effectiveness of their activities to support the Board;
- (iv) relations with top management;
- (v) the opinion of the Directors on the work they carried out and the contribution of each Director to the Board's debate and decision-making process; the awareness of all Board members of the issues and principles related to good governance.

All the topics addressed in the 2021 Board Review were examined with the aid of a questionnaire prepared by the Advisor in agreement with the Bank.

The 2021 Board Review was based on the responses to the topics in the questionnaire and the related comments.

As is standard practice, at the conclusion of the analysis, a document was produced regarding the results obtained, highlighting the strengths and areas for improvement of the Board of Directors. In particular, it highlighted the: i) constant commitment and proactive and attentive contribution of the Directors in order to ensure the effectiveness of the Board, which was constantly supported by the Board committees, including in the management of strategic issues; ii) integration of the activities of the Board Committees with those of the Board; iii) appreciation of the Chairperson's ability to guide the Board, stimulating open and transparent Board discussions by all Directors; and iv) the willingness and interest of the Directors in being constantly kept up to date on new banking and governance regulations. As possible areas of improvement, the following were mentioned in particular: i) the methods of interaction, information and involvement of the Board by the Managing Director; ii) the strengthening of the areas of expertise within the Board on digital and technological aspects and strategic vision on the banking sector; and iii) the optimization of information flows and tools for monitoring the implementation of corporate strategies.

Appointment and succession of directors

The Board of Directors is appointed based on the presentation of lists of candidates and in compliance with the provisions of the By-Laws, laws and regulations that ensure the representation of minority shareholders, independent directors and gender balance. For further information, please refer to Section 4.2.

The By-Laws, the Supervisory Provisions on corporate governance for banks²⁹, the Regulation and the self-assessment regulation adopted by the Board of Directors, the rules on the requirements of banks officers, the principles and recommendation of the Corporate Governance Code to which the Bank adheres, constitute the regulatory framework and guiding principles that ensure a transparent and functional process for achieving an adequately balanced, varied and efficient qualitative and quantitative composition of the Board of Directors in terms of the requirements, skills, gender, age, geographical provenance and diversity of contributions required of the directors in order to achieve the strategic and business objectives identified by the Bank.

²⁹ Section IV – Composition and appointment of the corporate boards.

To this end, when the Board is renewed, **the outgoing Board of Directors identifies the qualitative and quantitative composition of the Board considered optimal *ex ante***, taking also account of the results of the self-assessment and identifying and justifying – with the support of the Appointments Committee – the theoretical candidate profile deemed best suited to the objectives established for the new mandate (strategic, business and corporate governance objectives) and for the ideal, overall composition of the Board of Directors, identified with the aim of ensuring the effective and efficient functioning of the Board against the objectives established for the renewed mandate.

In view of the Shareholders' Meeting of 18 May 2020 that provided for the most recent renewal of the Board of Directors (for the period 2020-2022), the outgoing Board of Directors, with the support of the Appointments Committee, approved the document "*Guidelines of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. to Shareholders on the size and composition of the new Board of Directors*" addressed to all shareholders intending to submit a list of candidates to the Shareholders' Meeting. The document was published on the Group's website www.gruppompis.it – Corporate Governance – Shareholders' Meetings and BoDs and with the other methods provided for by current regulations on 8 April 2020, together with the notice of call of the Shareholders' Meeting and, therefore, well in advance of the deadline of 23 April 2020 indicated for the presentation of the lists of candidates. The controlling Shareholder also presented its proposed candidacy for the position of Chairperson of the Bank, published in time for the issue of voting instructions to the Appointed Representative³⁰.

For the replacement of directors terminating their office during their mandate, the provisions of law shall apply, subject to compliance with the fit and proper criteria established by the By-Laws and applicable regulations mentioned above; list voting is not applied.

In addition to the fit and proper requirements of the new director, the Board of Directors, having obtained the opinion of the Appointments Committee, assesses the compliance between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process (in terms of the contribution of skills, professional experience and diversity requirements).

If the majority of directors terminates office, the whole Board of Directors shall be deemed to have resigned, with effect from the date it is re-established.

Directors may be removed from office by the Shareholders' Meeting at any time, subject to the director's right to compensation for damages, if his/her removal is without just cause.

BMPS has a succession plan for the top executive positions (Chief Executive Officer and General Manager), in order to ensure the going concern basis of the bank and avoid any financial or reputational issues in the event of early termination of office.

The identification process approved by the Board of Directors, upon the proposal of the Appointments Committee - which, in turn, is referred to by the Chairperson - and with the favourable opinion of the Remuneration Committee (for the part within its jurisdiction), provides for the definition of a skills and remuneration profile for the role, as well as for the identification and appointment of both the General Manager and the Chief Executive Officer.

The process is updated every three years in line with the expiry of the Board's mandate, or in any case on the basis of the results of the adequacy assessment conducted annually by the Appointments Committee.

In order to ensure continuity, BMPS has put in place succession plans for other corporate positions too. Succession plans make it possible to:

- plan the professional requirement for the Bank's key positions of responsibility and identify, on the basis managerial profiles and experiences, a pool of potential replacements along with the time required for their development into the target position;

³⁰ On this occasion, participation in the meeting was allowed exclusively through the Appointed Representative (for further details, please refer to Section 13).

- monitor the risks of filling company positions that may become vacant over time due to a lack of potential replacements;
- develop resources with managerial growth potential, paying particular attention to inclusion and diversity;
- support the appointment processes for the key roles of responsibility.

7.2 APPOINTMENTS COMMITTEE

At its meeting on 19 May 2020, the Board of Directors set up the Appointments Committee to carry out the functions established by the By-Laws, the applicable Supervisory Provisions on corporate governance and the Corporate Governance Code, which are detailed in its internal regulation.

Composition and operations of the Appointments Committee (per Article 123-bis, Par. 2, letter d) of the TUF)

The current Committee consists of five non-executive, independent members of the Board of Directors.

Members	Office	Listd M/m (**)	Non- executive	Independence under Code	Independence under TUF	(***)
Maione Nicola (*)	Chairperson	M	X	X	X	14/14
Bader Luca (*)	Member	M	X	X	X	13/14
Castellano Rosella (*)	Member	M	X	X	X	12/14
Giorgino Marco (*)	Member	M	X	X	X	11/14
Rao Roberto (*)	Member	M	X	X	X	14/14
Directors who resigned during the period						

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(*) *Non-executive director who meets the independence requirements established by the By-Laws: independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998) and by the Corporate Governance Code.*

(**) *Directors elected from the majority list ("M") or minority list ("m").*

(***) *Number of Committee meetings (out of the total number held) attended by the director.*

The Committee is entitled access to the business information required for it to carry out its duties and has sufficient financial resources to ensure operating independence, with the use of a specific budget. The Committee may also use external consultants, with costs borne by the Bank as part of its own budget.

The Chairperson of the Board of Statutory Auditors or another Statutory Auditor designated by him permanently participates in the work of the Committee, although the other Statutory Auditors are also allowed to participate. The Chairperson of the Board of Directors is invited to permanently participate in the works of the Committee if not already a part of it. The CEO and General Manager may also be invited to attend the Committee meetings, along with the Chairperson of the other Committees.

In 2021, the Committee held 14 meetings, with an average duration of approximately one hour. The minutes of the meeting were duly recorded by the secretary.

A schedule of meetings has been defined for 2022. The Chairperson will convene a meeting whenever there are issues to be discussed that fall under the Committee's area of activity.

As at 2 March 2022, the Committee had held a total of 6 meetings.

Functions of the Appointments Committee

The Appointments Committee mainly supports the Board of Directors in the following processes:

- appointment or co-optation of directors;
- self-assessment of the corporate bodies;
- assessment of fit and proper criteria as well as independence requirements of banking officers pursuant to Article 26 of the Consolidated Law on Banking (TUB), providing opinions on the size and composition of the Board of Directors as well as the professional skills considered necessary within the Board;
- definition of the succession plans for the top executive positions.

In carrying out its duties, the Committee takes into account the objective of avoiding that the decision-making processes of the Board of Directors are dominated by a single individual or groups of individuals that can cause harm to the Bank.

Specifically, the Committee:

A) submits recommendations to the Board of Directors:

- for the appointment of candidates to the office of director in the cases provided under Article 2386, first paragraph of the Civil Code, when a director needs to be replaced;
- on the indication of the Chairperson, for the appointment of the CEO or CEOs;
- for identification of the individuals required to carry out the self- assessment process of the Board of Directors;

B) expresses its opinions to the Board of Directors:

- on recommendation from the Chief Executive Officer, regarding the appointments and succession plans for Top Management of the Bank (General Manager, Division Managers and Managers in charge of the units reporting directly to the CEO);
- on the proposal of the General Manager, regarding the appointments of the Acting Deputy General Manager and the Deputy General Managers;
- on the recommendation of the Chief Executive Officer, as regards the process connected to the succession plans relative to the positions of the Managers in charge of the Bank's major functions;
- on the proposal of the Chief Executive Officer, which will be discussed with the Chairperson of the Board of Directors, regarding the appointment of directors and Statutory Auditors in subsidiaries and investee companies, the autonomous decision-making powers of which lie with the Board of Directors;
- in the event that lists are presented by the Board of Directors to the Shareholders' Meeting, on the appropriateness of the candidates based on an analysis carried out in advance by the Board itself;
- regarding the maximum number of positions held by directors;

C) supports the Board of Directors in its duties and the achievement of its objectives attributed to it by the supervisory regulations:

- in identifying the qualitative and quantitative composition of the Board of Directors considered to be optimal;
- in the subsequent verification of the qualitative and quantitative composition considered to be optimal and the composition that actually ensues from the appointment process;
- in regard to the requirements aimed at ensuring an adequate level of diversification in the overall composition of the Board, without prejudice to the mandatory provisions applicable to listed banks, the committee will set a target in terms of the percentage of the less represented gender and prepare a plan in order to increase this percentage up to the target that has been set;

D) provides its own contribution to the Risk and Sustainability Committee:

- for identification and recommendation of the Managers to be appointed to the company control functions.

In respect of the abovementioned functions, in 2021 the Committee supported the Board of Directors and/or the Risk and Sustainability Committee with recommendations and/or advice on the:

- self-assessment of the Board of Directors;
- periodic assessment of fit and proper requirements for directors, limits on the number of positions held and compliance with the ban on interlocking directorates;
- performance management sheets;
- appointment of the Chief Audit Executive
- appointment of the Bank's Top Management and Managers in charge of the corporate control functions;
- appointment of Directors and Statutory Auditors of subsidiaries and/or investee companies.

The Committee also provided the Board with a quarterly update on the activities carried out. The minutes of the Committee meeting are approved and provided to the Board of Directors and the Board of Statutory Auditors.

8. REMUNERATION OF DIRECTORS – REMUNERATION COMMITTEE

8.1 Remuneration of directors

In compliance with the provisions of Articles 13 and 26 of the By-Laws, the Ordinary Shareholders' Meeting determines the remuneration of the directors and statutory auditors and approves the remuneration and incentive policies, the compensation plans based on financial instruments applicable to the members of the board, the employees and collaborators who are not employees of the Bank and the criteria for determining the compensation payable in the event of early termination of the work relationships or early termination of the office, including the limits set for said compensation in terms of the years of fixed remuneration and the maximum amounts arising from their application.

For these purposes, the Board of Directors, with the support of the Remuneration Committee (*see* Section 8.2) and of the relevant corporate functions involved in the process provided for by the Group Policy on remuneration and incentive policies and practices, prepares and submits to the Shareholders' Meeting an annual “*Report on the remuneration policy and emoluments paid*”, drawn up in accordance with the requirements under Article 123-*ter* of the TUF as well as those deriving from the Supervisory Provisions for banks regarding remuneration policies and practices in banks and banking groups.

The remuneration policy contributes to the company's strategy, the pursuit of long-term interests and the sustainability of the company and illustrates how it provides this contribution. The report, which is divided into two sections, which are subject to the vote of the Shareholders' Meeting (binding for section I and non-binding for section II), also provides Shareholders with precise information on the implementation of the remuneration policies in the previous financial year.

Article 26 of the By-Laws provides that, having heard the opinion of the Board of Statutory Auditors and the recommendation of the Remuneration Committee, the Board of Directors establishes the remuneration of the directors with particular duties in compliance with the By-Laws, including the directors that are members of the Board's internal committees pursuant to Article 17 paragraph 4 of the By-Laws (Appointments, Remuneration, Risk and Sustainability Committee and the Committee for transactions with related parties), except for the remuneration of the Chairperson of the Board of Directors, which is set by the Shareholders' Meeting.

For further detailed information on this subject and, in particular, with regard to the emoluments of the Bank directors and top management in 2021, the share-based remuneration plans, the principles for the accrual and payment of remuneration as well as the compensations paid to directors in the event of resignation, dismissal or termination of the employment relationship following a take-over bid (pursuant to Article 123-*bis*, first paragraph, letter i) of the TUF), please refer to the “*Report on the remuneration policy and emoluments paid*”, published on the website at www.gruppomps.it – *Corporate Governance – Remuneration*.

8.2 REMUNERATION COMMITTEE

At its meeting on 19 May 2020, the Board of Directors set up the Remuneration Committee to carry out the functions established by the By-Laws, the applicable Supervisory Provisions on corporate governance and the Corporate Governance Code, which are detailed in its internal regulation.

Composition and operations of the Remuneration Committee (per Article 123-bis, Par. 2, letter d) of the TUF)

The current Remuneration Committee consists of five members of the Board of Directors, all non-executive and the majority of whom are independent.

Members	Office	List M/m (***)	Non- executive	Independence under Code	Independence under TUF	(****)
Di Raimo Raffaele (*)	Chairperson	M	X	X	X	16/16
Bader Luca (*)	Member	M	X	X	X	16/16
Barzaghi Alessandra (*)	Member	M	X	X	X	16/16
Bassilichi Marco (**)	Member	M	X		X	16/16
De Martini Paola (*)	Member	M	X	X	X	16/16
Directors who resigned during the period						

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(*) *Non-executive director who meets the independence requirements established by the By-Laws: independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998) and by the Corporate Governance Code.*

(**) *Non-executive director who meets the independence requirements established by the By-Laws: independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998).*

(***) *Director elected from the majority list ("M") or minority list ("m").*

(****) *Number of Committee meetings (out of the total number held) attended by the director.*

At least one member of the Committee must have adequate knowledge and experience in financial matters or remuneration policies; such skills are assessed by the board of directors at the time of the appointment.

The Committee accesses the business information required for it to carry out its duties and has sufficient financial resources to ensure operating independence, with the use of a specific budget. With costs born by the Bank as part of its own budget, the Committee may also engage external consultants and experts in remuneration policy issues, provided they do not simultaneously provide strategically significant services to the Chief Human Capital Officer Division, the directors or executive managers with strategic responsibilities such as to compromise the independence of their judgment.

As provided for in its own Rules and Regulations, any member of the Remuneration Committee with a personal or third party interest in a matter on the Agenda must disclose the existence and nature of the interest to the Committee and should leave the meeting during discussion and voting on the item. No director should take part in a Committee meeting in which Board proposals regarding their compensation are formulated.

The Chair of the Board of Statutory Auditors or another Statutory Auditor designated by him/her permanently participates in the work of the Committee; the other Statutory Auditors are also allowed to participate. The Chair of the Board of Directors has a permanent invitation to attend the Committee meetings.

The CEO and General Manager may also be invited to attend the Committee meetings, along with the Chairpersons of the other Committees.

The Bank's Chief Risk Officer is duly and regularly kept informed of the agenda of the Committee meetings. In addition to the attendance requested by invitation from the Committee, the Chief Risk Officer may also decide to attend the meetings at his/her own discretion, in order to ensure, *inter alia*, that the incentive systems take account of all the risks assumed by the Bank, according to methods in line with those adopted for risk management.

In 2021, the Committee held 16 meetings, with an average duration of approximately 1 hour and thirty minutes. The minutes of the meeting were duly recorded by the secretary.

A schedule of meetings is being prepared for 2022. The Chairperson will convene a meeting whenever there are issues to be discussed that fall under the Committee's area of activity.

As at 2 March 2022, the Committee had held a total of 7 meetings.

Functions of the Remuneration Committee

The Remuneration Committee performs the duties as required by the applicable laws, regarding remuneration and incentives policies and practices. In particular, in compliance with the Supervisory Provisions on corporate governance:

- its duties comprise recommendations regarding the compensation of personnel, and the remuneration and incentive systems for the latter are decided upon by the Board of Directors;
- it provides an opinion on the results of the process to determine identified staff, including any exclusions, based also on the information received from the relevant corporate functions;
- it provides recommendations for determination of the criteria for the remuneration of all the identified staff;
- it directly monitors correct application of the rules relative to the remuneration of the managers of the company control functions, in close cooperation with the Board of Statutory Auditors;
- it handles the preparation of the documentation to be submitted to the Board of Directors for the relative decisions to be taken;
- it collaborates with the other internal committees of the Board of Directors, in particular the Risk and Sustainability Committee;
- it ensures that the competent corporate functions are involved in the process of setting up and monitoring the remuneration and incentive policies and practices;
- including through the use of information received from the qualified corporate functions, it expresses its opinion on whether the performance objectives connected to the incentive schemes have been reached and ascertains that other terms and conditions set for the granting of the remuneration have been fulfilled;
- it provides a comprehensive report on the activities of the corporate bodies, including the Shareholders' Meeting;
- it expresses an independent opinion regarding the Group's remuneration policies and practices, in general, with reference to the reconciliation of the staff retention objectives and the limitation of the corporate risks;
- in relation to the provision of investment services, it expresses an opinion regarding the efficiency of the policies for the handling of conflicts of interest and in respect of the risk management obligations connected to the conduct of the personnel, so as to ensure that the interests of the customers are not compromised by the remuneration policies and practices adopted over the short, medium and long-terms.

In this context, the Committee carries out the following tasks:

A) submits recommendations to the Board of Directors:

- on the indication of the Chairperson of the Board of Directors, in the absence of the directly interested parties, regarding the remuneration of the Chief Executive Officers and other directors with specific duties in compliance with the By-Laws, including the directors that are members of Committees within the Board of Directors, pursuant to Article 17, paragraph 4, of the By-Laws, including the remuneration by virtue of any stock option plans or allocation of shares;
- in relation to the remuneration of the General Manager, including the remuneration by virtue of any stock option plans or allocation of shares;
- for determination of the remuneration structure for Managers in charge of the Corporate Control Functions, inclusive of their position-related allowance;
- on the indication of the Chief Executive Officer, regarding the remuneration of the Deputy General Managers, division managers and managers of areas and units reporting directly to the Chief Executive Officer himself.

B) expresses its opinions to the Board of Directors:

- on the proposal of the Chief Executive Officer, regarding the Bank's incentive schemes;
- on the determination of the compensation to be granted in the event of early termination of the relationship, for the executive directors, the General Manager and the managers, if it is not in line with the policies and practices for remuneration and incentives adopted by the Bank.

In regard to the functions described above, in 2021, the Committee provided recommendations and/or advice on the:

- remuneration of identified staff;
- remuneration and allowances for the roles of responsibility in charge of the Corporate Control Functions;
- Remuneration policy report pursuant to Article 123-ter TUF and the identification of Identified Staff;
- report on compliance of remuneration and incentive policies;
- the “Directors & Officers Liability” (“D&O”) insurance coverage;
- revisione sulle politiche e prassi di remunerazione del Gruppo;
- remuneration policies – principle of gender neutrality in remuneration policies;
- examination of retribution items – external benchmark analysis;
- analysis of the use of own shares for the payment of any severance;
- potential application of claw back.

The Committee also provided the Board with a quarterly update on the activities carried out. The minutes of the Committee meeting are approved and provided to the Board of Directors and the Board of Statutory Auditors.

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – RISK AND SUSTAINABILITY COMMITTEE

The Board of Directors defines the guidelines for the internal control and risk management system, so that the main risks of the Bank and its subsidiaries are correctly identified, adequately measured, managed and monitored, while also determining the level of compatibility of these risks with a management that is consistent with the strategic objectives identified and integrated with the elements that are important for the company's sustainable success.

To this end, the Board of Directors approved – most recently in June 2021 – the "Group Policy on the Internal Control System" (hereinafter referred to in this paragraph as the "Policy"), which sets out the general principles and guidelines of the Internal Control System, the governance model, the methods of coordination, collaboration and reporting flows between the functions with control tasks and the corporate bodies as well as towards the Supervisory Authorities.

The Policy represents the internal regulatory framework of reference for the functioning and evolution of a "complete, adequate, functional and reliable" control system capable of ensuring sound and prudent management that is consistent with the legislation and regulations (in particular with the Supervisory Provisions regarding the internal control system) and the Group's organisational structure and is in line with national and international standards and best practices.

The general principles of the Internal Control System

The Internal Control System adopted by the Montepaschi Group³¹ with its own rules, functions, structures, resources, processes and procedures plays a central role in the company's organization, given that it:

- represents a key element of knowledge for the company bodies to ensure they are fully aware of the situation and effective monitoring of company risks and their interrelationships;
- directs the changes in strategic guidelines and company policies and ensures the consistent alignment of the organisational framework;
- monitors the efficiency of operational systems and compliance with the prudential supervisory authorities;
- helps promote a culture of risk awareness, compliance with the law and the respect of corporate values.

Consequently, the Internal Controls System takes on a strategic role for the Group and the culture of control assumes a significant position in the scale of corporate values, involving the Bank's entire organisation (company bodies, organisational units, hierarchical levels, staff) in the development and application of logical and systematic methods for identifying, measuring, disclosing and managing risks.

Within the Group model, the components that characterise the control systems are:

- **the control environment** which formalises the roles and responsibilities in the corporate processes, ensuring transparency, accountability and compliance with the principles of sound and prudent management;
- **risk control** through the identification, assessment, management and monitoring of risks originating from the various operating segments. The Group has developed advanced risk management models by adopting organizational systems aimed at integrating strategic/governance processes and management/control processes, in accordance with the "Risk Appetite Framework" defined by the relevant corporate bodies;
- **controls structure** with appropriate rules and instruments adopted by the individual company functions to ensure adequate control activity;

³¹ The Group has adopted a centralised model, whereby the Italian subsidiaries outsource their activities to the Parent Company's internal audit function. Each subsidiary establishes a Local Representative as an interface with the Parent Company's function.

- **information and communication** through the identification, collection and distribution of relevant information through information flows that enable all levels of the structure to adequately perform their respective management tasks and adhere to the obligations set by the internal regulations and legal provisions;
- **monitoring** the Internal Control System to ensure it functions adequately and is update, where necessary.

With a view to integrated management, the areas of improvement identified are communicated to the functions with control tasks in relation to the specific areas of competence, also through mechanisms for coordination and sharing between said entities. The areas of improvement flagged must also be subject to a systematic “follow-up”.

The management of the components concerns all Group Companies and the individual Company Functions.

Regardless of the structures in which they are situated, the Internal Control System contains the following types of control:

- First-level controls, aimed at ensuring the correct performance of transactions, governed and conducted directly by the operational structures through dedicated units or incorporated into the procedures;
- Second-level controls, under the responsibility of the Risk Management, Compliance, Anti-Money Laundering and Validation Functions, are aimed at ensuring proper implementation of the risk management process, respect of the assigned operating limits and compliance with regulations;
- Third-level controls, carried out by the Internal Audit Function, are aimed at identifying violations of the procedures and of the regulations, as well as periodically evaluating the adequacy, operations and reliability of the Internal Control System, providing company management and the Supervisory Authorities with an annual assessment of its suitability.

The Internal Control System governance model

The Policy adopted by the Group provides for the involvement of the following in the Internal Control System:

- a) the Board of Directors (strategic supervision function) with the role of guiding and evaluating the adequacy of the system;
- b) the Chief Executive Officer (management function), as the person in charge of establishing and maintaining the internal control and risk management system;
- c) the Risk and Sustainability Committee, set up within the Board of Directors with the task of supporting the assessments and decisions relating to the internal control and risk management system and approval of the periodic financial and non-financial reports;
- d) the Chief Audit Executive, as the person in charge of verifying that the internal control and risk management system is functioning, adequate and consistent with the guidelines established by the Board of Directors;
- e) the other corporate functions involved in the control activities;
- f) the Board of Statutory Auditors (control function), which oversees the effectiveness of the internal control and risk management system;
- g) the 231/2001 Supervisory Body (control function), which exercises the functions provided for by Article 6, paragraph 1, letter b) of Legislative Decree no. 231/2001.

Board of Directors and the Risk and Sustainability Committee

The Board of Directors exercises its powers of strategic supervision and defines the guidelines of the Internal Control System, verifying that it is consistent with the strategic guidelines and Risk Appetite, and that it is

capable of understanding the development of corporate risks and the interaction among them. In this context, the Board, with the support of the Risk and Sustainability Committee:

- defines and approves the business model, being aware of the risks to which this model is exposed and understanding the methods through which the risks are detected and assessed; it also ensures that the organisational structure is consistent with the activity carried out and the business model adopted, avoiding the creation of complex structures not justified by operating purposes;
- defines and approves the strategic guidelines (and their periodic review), the risk governance policies and the RAF and regularly assesses their adequacy and effectiveness;
- continuously monitors (in line with the strategic plan, the RAF, the ICAAP/ILAAP32 and the budget) the functioning, effectiveness and efficiency of the system, adopting timely corrective measures if any weaknesses and anomalies are identified;
- approves the establishment of the Corporate Control Functions - Internal Audit Function, Compliance Function, Risk Control Functions, Internal Validation Function, Anti-Money Laundering Function - the relevant tasks and responsibilities, the coordination procedures, the information flows among the Functions and between them and the corporate bodies;
- appoints or dismisses the Heads of the Corporate Control Functions and determines their remuneration structure;
- approves the audit plan, on the proposal of the Chief Audit Executive and subject to the opinion of the Board of Statutory Auditors and the Risk and Sustainability Committee;
- defines and approves the criteria for identifying the most important transactions to be submitted for the prior examination of the Risk Control Function;
- approves the process for the distribution of new products and services, the launch of new activities, and the entry into new markets;
- approves the company's policy regarding the outsourcing of company functions;
- approves the process for the development and validation of internal risk measurement systems for determining capital requirements and for risks not used for regulatory purposes, and regularly assesses their effectiveness;
- approves, at least once a year, the regulatory documents having a significant and strategic value for the purposes of risk assumption, management, monitoring and mitigation, according to a predefined framework.

For further details on the activities carried out by the Risk and Sustainability Committee to support Board of Directors, please refer to Section 9.2.

Assessment of the Internal Control and Risk Management System

During 2021, the Board of Directors was informed of the assessments made by the second level Company Control Functions with reference to, each for its own specific area of reference (Annual Risk Management Report, Annual Compliance Report, Annual Validation Report and Annual Anti-Money Laundering Report) and viewed and approved the annual plans for the activities of these functions for 2021 (Risk Plan, Compliance Plan, Validation Plan and the Anti-Money Laundering Plan), as required by the regulation. The planning of activities also takes into account the findings and deficiencies identified by the Supervisory Bodies (ECB, Bank of Italy and Consob) and by the Bank's Internal Audit Function, as well as changes to national and international legislation. Periodic and regular information is provided to the governing bodies regarding Risk Management, Compliance, Validation and Anti-money Laundering.

³² ICAAP - *Internal Capital Adequacy Assessment Process*, ILAAP - *Internal Liquidity Adequacy Assessment Process*.

In April 2021, the Board of Directors examined the assessment formulated by the Internal Audit Function on the adequacy of the control system in 2020 as well as the relevant considerations expressed by the Risk and Sustainability Committee and the Board of Statutory Auditors.

The Board of Directors also approved the activity plan relating to the first year of the 2021-2023 multi-year Audit Cycle, which focuses audit activities on the areas of greatest interest to the company in order to guarantee the planned risk coverage.

Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law, regulations and the By-Laws as well as the proper administration of, adequacy, functioning and reliability of the Internal Control System and the RAF, the compliance with the principles that govern the system itself, the functioning of the Corporate Control Functions and the ICAAP/ILAAP processes.

Furthermore, the Board of Statutory Auditors:

- ensures that the Parent Company's strategic and operational control activities on Group Companies are conducted correctly;
- is involved in the process of appointing/dismissing the Managers in charge of the Corporate Control Functions;
- operates in close cooperation with the corresponding control bodies of the subsidiaries;
- carries out specific control activities on the foreign branches in accordance with the type of risks assumed and the activity performed;
- promptly informs the relevant Supervisory Authorities of any facts or acts of which it becomes aware, that may constitute improper management or a violation of the regulations governing the company's activities.

231/2001 Supervisory Body

The Supervisory Body, which is tasked with a control function, oversees the effectiveness, adequacy, maintenance and updating of the 231/2001 Model adopted by the Group. For details of the role and responsibilities of the 231/2001 Supervisory Body, please refer to Section 9.4.

9.1 CHIEF EXECUTIVE OFFICER

The Board of Directors has assigned the *pro-tempore* Chief Executive Officer – as the corporate body with management functions – the responsibility for establishing and maintaining an effective internal control and risk management system. As part of these responsibilities, the CEO/“Director in charge of the internal control and risk management system”:

- oversees the identification of the main business risks, taking into account the characteristics of the activities carried out by the company and its subsidiaries, and submitting them periodically to the review of the Board of Directors;
- implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system and constantly monitoring its adequacy and effectiveness;
- adjusts the system to changes in the operating conditions and in the legislative and regulatory landscape;
- may ask the internal audit function to carry out audits on specific operating areas and on the compliance of business operations with rules and internal procedures. Such requests are simultaneously conveyed to the Chairperson of the Board of Directors, the Chairperson of the Risk and Sustainability Committee and the Chairperson of the Board of Statutory Auditors;

- reports promptly to the Risk and Sustainability Committee (and to the Board of Directors) on problems and critical issues that emerged during the performance of his or her activity or of which he or she nevertheless has information so that the Committee (or the Board) may take the appropriate action.

In 2021, the CEO identified the main corporate risks, implemented the guidelines established by the Board of Directors regarding the Internal Control and risk management system and followed the development of operating conditions as well as the relevant legislative and regulatory framework, in constant liaison with the other corporate bodies and structural units involved and on the basis of the information flows established within the scope of the Internal Control and risk management system and those, in particular, from the Committee for the Coordination of Functions with Control Tasks (annual plans and reports, inspections on the adequacy and effectiveness of the internal control and risk management system; ongoing monitoring – also through discussions with the Management Committee – of the mitigation activities identified for the management of gaps that emerged from the inspections carried out by the supervisory bodies, whether internal to the Bank or external, as well as the findings from the controls requested and/or received, meetings with the 231 Supervisory Body).

In these activities, the CEO is supported by the “Regulatory Relationship and CEO Staff” unit, which is entrusted with technical-specialist duties in this area and supporting the Committee for the Coordination of Functions with Control Tasks, in addition to the following functions: (i) centralised management of relations with the Supervisory Authorities as part of the Single Supervisory Mechanism and the Single Resolution Mechanism (SRM) – without prejudice to the relations between the corporate control functions and the same Supervisory Authorities for their respective areas of responsibility; (ii) monitoring the execution of the Group’s Restructuring Plan; iii) shared management and coordination of the remedial actions identified by the Supervisory Authorities during their inspections; iv) supervision and monitoring of the main lines of development of the European regulatory framework.

9.2 RISK AND SUSTAINABILITY COMMITTEE

At its meeting on 19 May 2020, the Board of Directors set up the Risk and Sustainability Committee to carry out the functions established by the By-Laws, the applicable Supervisory Provisions on corporate governance and the Corporate Governance Code, which are detailed in its internal regulation.

Composition and operations of the Risk and Sustainability Committee (per Article 123-bis, Par. 2, letter d) of the TUF

In 2021, the Risk and Sustainability Committee consisted of five directors, all non-executive and for the most part independent. Accounting, financial and risk management skills are adequately represented on the Committee.

Members	Office	List M/m (**)	Non- executive	Independence under Code	Independence under TUF	(***)
Giorgino Marco (*)	Chairperson	m	X	X	X	28/28
Castellano Rosella (*)	Member	M	X	X	X	28/28
Cuccurullo Olga (1)	Member	M	X			27/28
D’Ecclesia Rita Laura (*)	Member	M	X	X	X	28/28
Di Raimo Raffaele (*)	Member	M	X	X	X	27/28
Directors who resigned during the period						

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(1) Resigned as a director of the Bank as of 4 February 2022.

(*) Non-executive director who meets the independence requirements established by the By-Laws: independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998) and by the Corporate Governance Code.

(**) Director elected from the majority list (“M”) or minority list (“m”).

(***) Number of Committee meetings (out of the total held) attended by the director.

The Committee accesses the business information required for it to carry out its duties and has sufficient financial resources to ensure operating independence, with the use of a specific budget. The Committee may also engage external consultants, with costs borne by the Bank as part of its own budget, and, where necessary, liaise directly with the internal audit, risk management and the compliance functions.

The Chairperson of the Board of Statutory Auditors or another Statutory Auditor designated by him/her permanently participates in the work of the Committee, although the other Statutory Auditors are also allowed to participate. The Chairperson of the Board of Directors has a permanent invitation to attend the Committee meetings.

The Chairpersons of the other Board Committees are invited to attend the Committee's meetings.

The CEO, General Manager and Director in charge of the Risk Management and internal controls system (currently the CEO) may be invited to attend the Committee's meetings where it is deemed appropriate for the issues under discussion.

The Bank's Chief Risk Officer, Chief Audit Executive and Compliance Officer are officially and regularly kept informed of the Committee's meeting agenda. In addition to receiving the Committee's invitation to attend the meetings, the Chief Risk Officer, Chief Audit Executive and Compliance Officer may also choose to attend the meetings at their own discretion.

Having informed the Committee's Chairperson, the Chief Risk Officer, Chief Audit Executive and Compliance Officer are entitled to add issues to the agenda and subsequently present them to the Committee for proactive debate.

The Chief Financial Officer, as the function responsible for the Bank's sustainability efforts, is regularly kept informed of the agenda of the Committee's meetings on sustainability matters and, having informed the Chairperson and the CEO, may include sustainability-related items in the meeting agenda and consequently present them for proactive dialogue within the Committee.

In 2021, the Committee held 28 meetings, with an average duration of approximately 5 hours and thirty minutes. The minutes of the meeting were duly recorded by the secretary.

A schedule of meetings has been prepared for 2022. The Chairperson will convene a meeting whenever there are issues to be discussed that fall under the Committee's area of activity.

As at 2 March 2022, the Committee had held a total of 5 meetings.

Functions attributed to the Risk and Sustainability Committee

The Committee supports the Board of Directors in issues involving risks and the Internal Control System, with particular attention paid to all those activities that are instrumental and necessary for the Board of Directors to correctly and effectively determine the Risk Appetite Framework ("RAF") and of the risk management policies; it also supports the Board of Directors in matters and issues relating to Sustainability.

Pursuant to the Supervisory Provisions on internal controls, the Committee:

- identifies and proposes – following the contribution of the Appointments Committee – the Managers in charge of the Company Control Functions to be appointed and expresses its opinion for the revocation of any appointment;
- expresses its opinion prior to the determination of the remuneration structure of the Managers in charge of the Corporate Control Functions, and their annual allowance for this position;
- examines in advance the program of operations (including the audit plan) and the annual reports of the control functions addressed to the Board of Directors;
- expresses its evaluations and opinions to the Board of Directors regarding compliance with the principles of the Internal Control System and corporate organization and the requirements that must be fulfilled by the Corporate Control Functions, informing the Board of any critical areas and consequent corrective

actions to be adopted; to this end, it assesses the proposals of the Chief Executive Officer and/or General Manager;

- through its assessments and opinions, contributes to the definition of the Company's policy for outsourcing Corporate Control Functions;
- verifies that the Corporate Control Functions comply with the indications and guidelines provided by the Board of Directors and assists the latter in preparing the coordination document required by the Supervisory Provisions regarding the internal control system;
- assesses the correct use of the accounting principles for the drafting of the consolidated and separate financial statements and, to this end, coordinates with the Financial Reporting Officer and the Board of Statutory Auditors.

With particular reference to the duties regarding management and control of risks, the committee will provide support to the Board of Directors:

- in the definition and approval of strategic guidelines and risk governance policies. For the RAF issue, the Committee provides the recommendations and assessments required in order to allow the Board of Directors to define and approve the risk appetite and risk tolerance, as required by Supervisory Provisions regarding the internal control system;
- the verification of correct implementation of the strategies, risk governance policies and the RAF;
- in examining the content of periodic non-financial information relevant to the internal control and risk management system;
- in defining the policies and evaluation processes for corporate operations, including verification that the price, terms and conditions governing transactions with customers are in line with the business model and risk strategies.

The Committee will furthermore express its opinion on the adequacy of the number of staff assigned to the internal audit function for execution of its responsibilities.

Without prejudice to the competences assigned to the Remuneration Committee, the Committee ascertains that the incentives of the Bank's remuneration and incentive system are in line with the RAF.

The Committee and the Board of Statutory Auditors will exchange all the information of reciprocal interest and, where appropriate, coordinate to carry out their respective duties.

In compliance with the requirements set out in the Corporate Governance Code, it provides its prior support and opinion to the Board of Directors on the occasions when the latter:

- approves the periodic financial and non-financial statements, assessing whether they are suitable to correctly represent the Bank and the Group's business model, strategies, the impact of their business and the performance achieved with particular attention to aspects relevant to the internal control and risk management system as well as Sustainability;
- defines the guidelines for the internal control and risk management system, so that the main risks of the Bank and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, while also determining the level of compatibility of these risks with Bank management that is coherent with the strategic objectives identified, including all the elements that can be relevant for the company's sustainable success;
- assesses, at least once per year, the adequacy of the internal control and risk management system against the characteristics of the Bank and the risk profile assumed, as well as its effectiveness;
- approves, at least annually, the work schedule prepared by the internal audit function, after having received the opinion of the Board of Statutory Auditors and the CEO/Director in charge of the internal control and risk management system;
- assigns the supervisory functions pursuant to Article 6, paragraph 1, letter b) of Legislative Decree 231/2001 to the control body or a body specifically set up for this purpose;

- describes the main features of the internal control and risk management system in the Corporate Governance Report as well as the methods of coordination between the persons involved, indicating the models and best practices applied, providing its opinion on the system's adequacy and giving an account of the choices made regarding the composition of the 231/2001 Supervisory Body;
- approves the Non-Financial Statement pursuant to Legislative Decree 254/2016;
- after hearing the Board of Statutory Auditors, it assesses the findings reported by the external auditor – also after specific discussions with the latter – in the suggestions letter, if applicable, and in the report on the main issues resulting from the audit.

Regarding Sustainability, the Committee:

- supervises Sustainability issues relating to the exercise of business and to its interactions with all stakeholders;
- assesses proposals for guidelines and strategic macro-objectives regarding Sustainability, ensuring their compliance with strategic guidelines;
- formulates proposals regarding environmental and social strategy as well as annual objectives and targets and monitors their implementation over time;
- oversees the development of Sustainability, according also to the relevant international guidelines and principles and monitors performance;
- examines and approves matters relating to Sustainability, including the approval of the “Materiality Matrix” for the Non-Financial Statement.

In supporting the Board of Directors, the Committee:

- assesses, after hearing the Financial Reporting Officer, the auditors and the Board of Statutory Auditors, the correct application of accounting standards and their consistency when preparing the consolidated financial statements;
- provides opinions on specific aspects regarding the identification of key corporate risks;
- examines the periodic reports, in compliance with applicable regulations, on the assessment of the internal control and risk management system, as well as the reports of particular relevance prepared by the Corporate Control Functions;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Corporate Control Functions;
- may request the Internal Audit function to audit specific operating areas, giving notice of this to the Chairperson of the Board of Statutory Auditors;
- reports to the Board of Directors, on a quarterly basis, with a full account of the activities carried out during the quarter.

In regard to the above and as part of its support and assistance to the Board of Directors, in 2021 the Committee provided recommendations and/or advice in relation to the:

- Audit reports received from the Internal Audit Function and the Quarterly Report; the Audit Plan and the specific reports prepared by the Internal Audit function on the activity carried out and the relative results, the assessment of the control systems of the Group and the various updates made on the system itself, as well as the relative follow-up; the information provided by the Corporate Control Functions required by the supervisory provisions;
- reports received from the Chief Risk Officer Division (ICAAP Report, ILAAP Report, Executive Risk Management Report, Recovery Plan, Risk Appetite Monitoring, Pillar III Disclosure) and the information provided by the Chief Risk Officer Division on the inspections conducted by the Supervisory Authority;

- periodic reports prepared by the Chief Compliance Executive Division on the activities conducted, the quarterly updates carried out in the course of the year (Compliance Dashboard), the annual report on compliance of remuneration policies;
- other reports and annual plans of activity prepared by the Corporate Control Functions (Internal Audit, Risk Management, Compliance, Anti-Money Laundering and Validation);
- appointment, remuneration and allowance for the Managers in charge of the Corporate Control Functions;
- proposals and notifications by the Chief Financial Officer Division (Liquidity position, Funding Plan, Group Contingency Funding Plan, Recovery Plan Dry Run Exercise, etc.);
- Capital Plan;
- Strategic Plan;
- Group Risk Appetite Statement, RAF, SREP *Decision*;
- budget guidelines;
- report on legal risks;
- report on cyber risk and security incidents;
- Covid-19 emergency;
- organisational changes to the Bank’s structures and outsourcing/insourcing of certain key operating functions;
- report on procedures for carrying out investment services and activities;
- Business Continuity and Business Continuity Plan; Report on the adequacy of the Business Continuity Management System, BCM testing Plan, update of internal policies;
- cyber security, logical security strategic plan guidelines;
- annual report on outsourced corporate activities;
- lending policies and NPE strategy;
- AIRB model change (*Advanced Internal Ratings based* model for assessment of the credit portfolio);
- de-risking transactions;
- publication and/or update of Group Risk Management Policies and Directives, remuneration and incentive policies and practices as well as governance and control procedures for banking products;
- reports prepared by the Financial Reporting Officer;
- meetings with the independent auditors for the approval of the financial statements and half-year report;
- meetings with the 231/2001 Supervisory Body;
- analysis of the Bank's major strategic projects;
- monitoring of the “Transparency” project;
- analysis, investigations and monitoring exercises concerning assessments, requests and reports made by the Supervisory Authorities (ECB, Bank of Italy, Consob, etc);
- evolution of the Bank's ESG (Environmental Social Governance) governance, review of the 2020 Consolidated Non-Financial Statement and validation of the materiality matrix of information to be included in the 2021 Consolidated Non-Financial Statement.

The Committee also provided the Board with a quarterly update on the activities carried out. The minutes of the Committee meeting are approved and provided to the Board of Directors and the Board of Statutory Auditors.

9.3 MANAGER IN CHARGE OF THE INTERNAL AUDIT FUNCTION

The Board of Directors has sole jurisdiction over the appointment and dismissal of the Manager in charge of the Internal Audit Function.

As of 2021, the Manager in charge of the Internal Audit Function, i.e. the Bank's Chief Audit Executive, is **Massimiliano Bosio**.

The Chief Audit Executive reports to the Board of Directors, has direct access to all information relevant for the performance of his duties and is not responsible for any operational unit. The Chief Audit Executive's organisational positioning precludes hierarchical dependence and/or influence (conditioning) by any operational unit manager.

The Internal Audit Function has dedicated financial resources to carry out its tasks.

The Chief Audit Executive regularly attends the meetings of the Board of Statutory Auditors and the meetings of the Risk and Sustainability Committee and participates in the work of the Board of Directors, interacting with these bodies on an ongoing basis.

The autonomy and impartiality of the Chief Audit Executive Division are ensured through relational mechanisms with the corporate bodies and the independence requirements from an organisational positioning that precludes hierarchical dependence and/or influence (conditioning) by any operational unit manager.

The autonomy and independence of the Internal Audit Function are ensured by the relational mechanisms and functional connections with the Corporate Bodies having strategic supervision, management and control duties, as described below:

- appointment/dismissal of the Chief Audit Executive by the Board of Directors, on the proposal of the Risk and Sustainability Committee, with the help of the Appointments Committee, and having consulted the Board of Statutory Auditors;
- remuneration structure of the Parent Company's Chief Executive Officer, determined by the Board of Directors, on the proposal of the Remuneration Committee and with the prior opinion of the Risk and Sustainability Committee, in line with the Group's remuneration policies;
- approval of the audit plan by the Board of Directors, based on the proposal by the Chief Audit Executive and after obtaining the opinion of the Board of Statutory Auditors and the Risk and Sustainability Committee;
- possible implementation of one-off internal audits by the Board of Statutory Auditors, the 231/2001 Supervisory Body, the Chairperson of the Board of Directors, the Risk and Sustainability Committee and the CEO/Director in charge of the internal control and risk management system;
- periodic and event-driven reporting of the activities carried out to the Board of Statutory Auditors, the 231/2001 Supervisory Body, the Chairperson of the Board of Directors, the Risk and Sustainability Committee and the CEO/Director in charge of the internal control and risk management system;
- presentation to the Board of Directors, at least annually, of a report with the assessment of the control system.

The activities of the Internal Audit Function, defined in the annual audit plan, are part of a broader, multi-year (three-year) audit plan that is subject to the approval of the Board of Directors. In accordance with these plans, the Function must:

- evaluate the completeness, adequacy, functionality and reliability of the other components of the ICS, of the risk management process and other company processes, also regarding the capacity to identify errors and irregularities, ensuring development of the ICS in accordance with the relevant factors (external/internal) and consistently with the Supervisory Provisions regarding the internal control system;

- evaluate the effectiveness of the RAF definition process, the internal consistency of the overall structure and compliance of company operations with the RAF and, in the case of particularly complex financial structures, their compliance with the strategies approved by the corporate bodies;
- check the operational continuity plan;
- verify the conformity of the various company activities, including any outsourced ones;
- verify the adequacy, overall reliability and security of the IT system (ICT audit).

Based on a set of criteria approved by the Board of Directors, the Internal Audit Function communicates the results of its audit activities and assessments to the Board of Statutory Auditors, the Supervisory Board 231/2001, the Board of Directors, the Chairperson of the Board of Directors, the Risk and Sustainability Committee and the CEO/Director in charge of the internal control system. The reporting flows to the corporate bodies were updated in January 2020, in line with the corporate governance rules, the internal control system policy and the audit report distribution criteria, providing for separate quarterly, monthly and event-driven information on specific issues to the control bodies and the Board of Directors.

If any anomalies emerge from its activities, the Internal Audit Function ensures prompt communication to and involvement of the relevant structural units, monitoring the management and mitigation methods/timescales. The Function also periodically provides the corporate bodies of the Parent Company and of the Italian subsidiaries that have centralized the internal audit function with information on the findings from its activities and the progress of follow-up activities; it also provides the Supervisory Authorities with the reports required by the supervisory regulations.

In carrying out its tasks, the Internal Audit Function, which has access to all company data and outsourced activities, complies with the provisions of international professional standards, as set out in the Group's internal audit standards, the audit mandate and the relevant Code of Ethics of the Internal Audit Function. In line with the professional standards for internal auditing activities, at least every five years the Function undergoes an external assessment by a qualified company to certify the quality of internal audit services.

The Internal Audit Function encourages the professional growth of its resources by allowing them to obtain the appropriate professional certifications and qualifications, such as that of Certified Internal Auditors - CIA, the only globally recognised qualification for the internal auditing profession which unequivocally identifies a professional in the sector. This certification is issued by the Italian Association of Internal Auditors - AIIA, officially recognized as the Italian affiliation of the Institute of Internal Auditors (IIA), an international benchmark for professional standards. In addition to CIA, there are other certification pathways for specialized skills (e.g. CISA, CRMA, CFE) in order to ensure the appropriate quality in performing the tasks assigned.

As a third-level control Function, the Internal Audit Function interacts with the Supervisory Authorities on an ongoing basis, carrying out the certifications and/or in-depth analysis of the remedial plans resulting from inspections or requests from inspections and maintains an ongoing dialogue on the effectiveness and efficiency of the control system and on the activities and methods adopted.

In the first quarter of 2021, the Internal Audit Functions of MPS Capital Services Banca per le Imprese S.p.A. and MPS Leasing & Factoring S.p.A. were centralised to the Parent Company, in line with the Supervisory expectations that emerged over time, in order to reinforce the overall supervision of the Group's control system.

All components of the Internal Control System are subject to an internal audit aimed at assessing their adequacy, functionality and coherence with the Group's organisational evolution and the external legislative framework. The approach is primarily risk-based.

Within this context, the Internal Audit Function performs an independent and objective activity aimed, on the one hand, at monitoring - using third-level controls - the regular performance of operations and the evolution of risks and, on the other hand, at assessing the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the Internal Control System, bringing any possible improvements to the attention of the Corporate bodies, with particular reference to the RAF, the

risk management process, as well as the risk measurement and control tools; based on the results of its controls, the Internal Audit Function makes its recommendations to the corporate bodies.

The roles and responsibilities of the other Corporate Functions in the control system

For the purposes of the Internal Control System and considering the cross-sectional nature and complexity of the individual control processes, the model provides - against the clear assignment of responsibilities to each control function - for an allocation of activities and tasks to the various corporate structures involved, based on the principle of competence. This approach makes it possible to benefit from economies of scope, reduce negative outsourcing and increase the effectiveness of actions, identifying the following corporate functions for specific risk areas:

- **Corporate Control Functions** in charge of overseeing the internal control system both for specific risk areas (Risk Management, Validation, Compliance and Anti-Money Laundering), through second-level controls, and for the system as a whole (Internal Audit) through third-level controls;
- **Control Functions** in charge of overseeing the internal control system for the specific areas of competence assigned by the legislative, regulatory, statutory and corporate governance frameworks;
- **Other Corporate Functions** in charge of governing the processes for their areas of competence within the Internal Control System.

The term “Functions with control tasks” jointly identifies the Corporate Control Functions and Control Functions.

Added to these is the Function of the Financial Reporting Officer, a Control Function pursuant to Law 262/2005, that is called upon to prepare the appropriate administrative and accounting procedures and certify their adequacy and effective application.

The Policy also provides for compliance with key requirements for each Corporate Control Function with regard to:

- the appointment and removal from office of suitably experienced managers by the Board of Directors, after consulting the Board of Statutory Auditors;
- independence and authority, in appropriate hierarchical-functional positions, without direct responsibility for operational areas or with subordinate relationships to them;
- functional separation, ensuring organisational segregation;
- resources and appropriate skills to carry out their functions;
- remuneration and incentive systems, approved by the Board of Directors on the proposal of the Remuneration Committee and with the opinion of the Risk and Sustainability Committee;
- access to corporate information;
- the responsibility for defining the annual plan of activities to be presented to the Board, the criteria for carrying out its control activities, periodic reporting (at least once a year) to the corporate bodies on the results of the audits conducted and on the actions identified to remedy any shortcomings that may have emerged; follow-up activities.

For specific areas of competence, other Control Functions with oversight responsibilities within the Internal Control System are provided for:

- the Financial Reporting Risk Control Function (risks inherent in Law 262) concerning the Financial Reporting Officer;
- the Lack of Business Continuity Risk Control Function;
- the Occupational Health and Safety Risk Control Function;
- the Correct Processing of Personal Data Control Function;

- the Human Resources/Compensation Function, which – within the scope of the corporate models and rules adopted by the Group in relation to remuneration and incentive policies and practices – is the structure in charge of drawing up the technical contents of the annual proposal on remuneration and incentive policies and practices, to be submitted to the Board and subsequently presented to the Shareholders' Meeting for approval, and supervising the correct implementation of the remuneration policies;
- the Budget and Planning Control Function, whose purpose is to ensure that the Parent Company and the Group as a whole maintain an economic, financial and equity balance;
- the Lack of Control of Outsourced Activities Risk Control Function;
- IT Security Control aimed at defining security policies and overseeing and managing system infrastructure and application anomalies;
- the Tax Compliance function responsible for monitoring compliance with "tax" regulations.

The Parent Company has also set up an organisational unit for the management of the internal whistleblowing system for reporting violations. The unit is in charge of handling the receipt, investigation and assessment of any reports made by staff through the Whistleblowing procedure made available to employees to make good faith reports of negligent, illicit, irregular or improper circumstances and behaviours in the workplace that they suspect or have become aware of in the course of their duties.

The Group policies, directives and company regulations define: the organisational model, responsibilities, processes, operational procedures for liaison with other corporate functions and the reporting flows to be produced.

For the Group companies, based on the criterion of proportionality, the activities are assigned to organisational units of the company or centralised within the Parent Company Functions. The criteria and choices by the individual companies for the various areas, must be coordinated with the respective Parent Company function, as governed by the specific regulations on the individual subject. Compliance with the laws and regulatory provisions in force at the time, the principle of proportionality (level of risk managed) and the functionality of the system of controls (attainment of objectives) must, nonetheless, be guaranteed. In the case of centralisation, specific agreements must be drawn up in line with the provisions of the *“Policy governing the outsourcing of company functions”*.

The remaining company functions guarantee the evolution of the system consistent with the Group development and productive diversification strategies and with the need for increasingly higher levels of reliability of the processes within its competence, which may give rise to company risks connected with ordinary activities (credit, market, etc.); the trends in certain segments, the decisions to create or handle new products or the decision to develop additional business areas also encourage and shape the process of updating control activities.

Risk Control Function

The Risk Control Function takes part in defining the RAF (Risk Appetite Framework) and is involved in the risk governance policies (constantly verifying their adequacy) and the various phases that make up the risk management process and establish operating limits on the assumption of various types of risk.

More specifically, the Risk Control Function:

- constantly verifies the adequacy and effectiveness of the risk management process and of the operating limits;
- develops integrated risk analysis and monitoring methods by planning and implementing the operational and regulatory management measurement system and verifying the compliance and adequacy of the mitigation measures;

- ensures the consistency of the risk measurement and control systems with the processes and methods of evaluation of company activities, coordinating with the company structures concerned;
- constantly monitors the actual risk assumed by the Bank and its consistency with the risk objectives assumed through the Risk Appetite Statement, as well as compliance with the operating limits deriving therefrom, assigned to the operating units in relation to the assumption of the various types of risk;
- verifies the correct monitoring of the trend in individual credit exposures;
- collaborates in the preparation, drafting and monitoring of the Recovery Plan;
- defines, coordinates and prepares risk reporting information for the corporate boards and Top Management;
- participates in the process of analysing the risks of new products and services and those resulting from the entry into new operating and market segments.

With reference to the RAF and the ICAAP and ILAAP processes, the Risk Control Function has the task of:

- defining the risk appetite, as well as the related tolerance and capacity thresholds to be proposed to the Board to formulate consistent risk limits to be assigned to the risk-taking operational units, subject to approval by the Chief Executive Officer/General Manager;
- determining the Group's risk profile and its positioning against the established thresholds, by measuring risks and comparing them with the respective limits and tolerance and capacity thresholds;
- carrying out an independent assessment – with respect to regulatory requirements – of the capital adequacy within the scope of the ICAAP process and the adequacy of the liquidity profile within the scope of the ILAAP process;
- submitting – in collaboration with the Planning function – the proposed Risk Appetite Statement to the Board of Directors;
- monitoring performance, activating the relevant escalation processes, carrying out an annual check of the framework's overall effectiveness through appropriate Risk Appetite Monitoring (RAM) and Risk Appetite Review (RAR) processes;
- defining common operating risk evaluation metrics in line with the RAF, coordinating with the Compliance Function, ICT Function and the Lack of Business Continuity Risk Control Function (BCM);
- providing preventive opinions on the consistency with the RAF of the most significant transactions, by acquiring, if necessary and based on the nature of the transaction, the opinion of the other functions involved in the risk management process.

The Risk Control Function is also required to present the company bodies with an annual report containing the results of the activities performed. This report is also sent to the Supervisory Authorities.

Taking into account the complexity and scope of the activities carried out, the Parent Company's Risk Control Function is organised into specialist structures/units, reporting directly to the Manager in charge of the function, in order to perform its tasks in an efficient and effective manner.

The Parent Company's Risk Control Function has a hierarchical reporting line to the strategic supervisory body (the Board of Directors) and a functional reporting line to the Chief Executive Officer.

On 12 March 2018, the Bank's Board of Directors resolved to assign the responsibility for the Risk Control Function to **Mr. Leonardo Bellucci**, appointed Chief Risk Officer.

The Group has opted for a mixed Risk Control Function, based on the following:

- centralised model for the Italian subsidiaries, identified according to principles of proportionality in relation to their complexity; to this end, the Group avails itself of a Local Representative who has a functional reporting line to the corresponding Parent Company Function, guaranteeing support whenever necessary;

- for the foreign subsidiary, the presence of an appropriate Risk Control Function which has a functional reporting line to the Parent Company Risk Control Function is provided. In order to guarantee the management and coordination of the Parent Company, it is provided that said entity's Risk Control Function is to be involved in the definition and monitoring of the objectives assigned to the corresponding function of the foreign subsidiary, in observance of the restrictions set forth in local regulations. The hierarchical positioning of the Risk Control Function is formalised in each different subsidiary regulation.

For the foreign branches, there is a local Risk Control Function, which reports hierarchically to the Parent Company's Risk Control Function.

Compliance Function

Using a risk-based approach, the Compliance Function oversees the management of the risk of non-compliance with regard to all corporate activities, checking that the internal procedures are adequate for preventing such risk, as provided by the “*Group Directive on non-compliance risk management*”. The regulatory areas for which the oversight of risks pursuant to the primary regulation (“Supervisory Body 231” and “Financial Reporting Officer”, referring respectively to Legislative Decree 231/2001 and law 262/2005) is to be guaranteed by another Corporate Control Function or Control Functions are excluded from the scope of the Compliance Function, unless otherwise provided by specific rules. In this regard, if the aforementioned functions carry out first-level operating activities in corporate processes with a significant impact in terms of the Group's compliance and reputation, with particular reference to customer relations, the Compliance Function carries out second-level controls.

In light of such principles, the Compliance Function is directly responsible for managing the risk of non-compliance for all the regulations falling within the scope of activities of the Parent Company and of the Group's Italian subsidiaries subject to supervision, including the Montepaschi Group Operating Consortium.

Exceptions are the regulatory areas “Health and Safety in the Workplace and Environmental Protection” and “Tax Compliance” for which specific forms of Specialised Oversight have been identified within the Parent Company and the individual Group Companies, in compliance with the Supervisory Provisions. In these circumstances, the Compliance Function is nevertheless responsible for the overall governance process and, in collaboration with the specialised functions in charge, for defining the methods or evaluating non-compliance risk and identifying the relative procedures, which are also subject to periodic auditing, in order to assess the ability to prevent compliance risk. Special reporting mechanisms between the Specialised Oversight units and the Compliance Function are in place for this area.

The following are among the main duties of the Compliance Function:

- identification of the regulations which are applicable to the bank and measurement/assessment of their impact on processes and procedures;
- governance of the different phases of the compliance risk management process;
- ongoing determination of the level of regulatory risk, regular assessments and the calculation of the residual risk to which the Group is exposed;
- proposing organisational measures and procedures the objective of which is to ensure adequate risk monitoring for non-compliance and verification of their relative effectiveness over time;
- monitoring the compliance risks which impact business processes;
- ensuring that the internal procedures adopted are adequate for preventing risk and monitoring their proper application, with the possibility of asking the other Corporate Functions to adopt or amend them;
- second-line controls on operating processes or functions for which compliance risks are deemed significant;

- ex ante assessment of all innovative projects that the bank intends to develop in terms of their compliance with regulations, intervening also in preventing and managing conflicts of interest whether between the various activities carried out by the bank or in respect to employees and corporate officers;
- providing advice and support to the corporate bodies on matters where the risk of non-compliance is significant; collaborating in training activities relevant to the function, also with a view to promoting a corporate culture based on the principles of honesty and fairness.

This is without prejudice to the responsibilities of the Compliance Function as identified by specific regulations, such as, the rules on remuneration and incentive policies and practices, transparency of transactions, integrity of Bank-customer relations, related-party transactions, activities involving risks and conflicts of interest of related parties.

In exercising its own responsibilities, the Compliance Function has access to all the bank's activities, whether central or peripheral, and any significant information, also through direct contact with the personnel.

For the management of non-compliance risk, the Compliance Function has in place specific information flows toward the corporate bodies. Among these is an annual report which contains a result of the activities it has carried out, which is also submitted to the Supervisory Authority.

In the Parent Company, the Compliance Function reports directly to the Chief Executive Officer.

The Group has opted for a centralised Compliance model, which provides for the provision of regulatory compliance monitoring services to the Italian Group companies subject to supervision – including the Group Operating Consortium – using methods and procedures in line with the requirements of the Supervisory Authority and based on established guidelines and principles on outsourcing and the Internal Controls System. The centralisation of the Compliance Functions to the Parent Company not only results in more effective and integrated controls but also provides for the appointment of a Local Representative, for each centralised subsidiary, who has a functional reporting line to the Parent Company's Compliance Function. The Foreign branches have a local Compliance Function that has a hierarchical reporting line to the Parent Company's Compliance Function.

Internal Validation Function

The Internal Validation Function is required to constantly verify the alignment of the risk measurement systems with the company policies and the regulations of the Supervisory Authority. The Internal Validation Function is responsible for validating the advanced internal models of Pillar I as well as some of those of Pillar II identified year by year in the Validation Plan approved by the Board of Directors. It also has the task of preparing the required disclosure on the validated models.

In carrying out said activity, the Internal Validation Function:

- verifies the process of development of internal risk measurement models and the connected management and data quality processes, according to a special methodological framework developed for each risk subject to validation;
- coordinates the functions involved in the validation process which is targeted at assessing the accuracy of the estimates of the internal systems for the measurement of significant risks not used for regulatory purposes, and expressing a judgment on the regular functioning, predictive capacity and performance of the aforementioned internal systems, taking direct action in relation to those falling within the risk perimeter defined;
- monitors the correct functioning of the advanced internal risk measurement models, evaluates the adequacy of measures implemented to fill any gaps and puts the competent bodies into operation if significant delays are identified in the completion of the shared corrective actions;
- periodically informs the company bodies of the results of its activities and the progress status of follow-up activities;

- fulfils an authorisation role prior to the implementation of significant changes to the models, processes and/or procedures connected to the risks validated;
- drafts an annual validation report which summarises the results of the activities performed as well as specific validation reports relating to the risks with the advanced internal model.

Although the Internal Validation Function hierarchically reports to the Parent Company's Risk Control Function, its autonomy and independence are ensured by mechanisms facilitating relations and functional links with the Corporate Bodies having strategic supervision, management and control functions.

For risks included within the scope of validation, the Group opts for a centralised internal validation model implemented in accordance with the outsourcing contracts. To this end, the Internal Validation Function avails itself of Local Representative who guarantee support whenever necessary.

Anti-money Laundering Function

The Bank's Anti-Money Laundering Function is responsible for preventing and combating money laundering and terrorist financing and has the task of coordinating AML governance at Group level.

The responsibility for the Function is assigned to the Chief Risk Officer (CRO) Division, which has a hierarchical reporting line to the Board of Directors, thereby ensuring the required independence of the function.

After assessment by the Board of Statutory Auditors and the Risk and Sustainability Committee, the Group has adopted a centralized model for the Group's Italian subsidiaries and a decentralized model for the foreign branches and the foreign subsidiary. The decentralized model provides for the presence of a specific Anti-Money Laundering Function at the foreign subsidiary and at the foreign branches. The Functions are free from hierarchical relationships with the managers in charge of the operational units and have a functional reporting line to the Anti-Money Laundering Department of the Parent Company.

The Anti-Money Laundering Function (both of the Parent Company and the individual Companies) is equipped with resources that are qualitatively and quantitatively suitable for the tasks to be carried out and has access to all of the activities of the Group Company as well as any information relevant to performing its duties.

The Anti-Money Laundering Function:

- identifies the applicable regulations and assess their impact on the internal processes and procedures;
- collaborates in determining the policies governing the risk of money laundering as well as the various stages of this risk management process;
- collaborates in determining the system of internal controls and procedures aimed at preventing and countering the money laundering risks;
- verifies on an ongoing basis the adequacy of the money-laundering risk management process as well as the suitability of the system of internal controls and procedures and propose organisational and procedural changes to ensure adequate monitoring of money-laundering risks;
- in liaison with the manager in charge of suspicious transactions reporting, conducts checks on the effectiveness of the reporting process and the suitability of the assessments made on customer operations by the first level controls;
- verifies the reliability and adequacy of the information system and pays particular attention to the adequacy of the systems and internal procedures for fulfilling customer due diligence obligations and storing the relative data; for the identification, assessment and reporting of suspicious transactions, the successful detection of other situations subject to mandatory reporting and appropriate storage of the relative documentation and evidences required by regulations;

- in liaison with the senior corporate functions, conducts the annual self-assessment of money laundering risks;
- provides support and assistance to company bodies and to Top Management;
- makes a prior assessment of the risk of money laundering associated with the offer of new products and services;
- oversees, in cooperation with the other corporate functions responsible for training, the preparation of an adequate training plan to professionally develop employees and collaborators on an ongoing basis;
- draw up and provide General Management and the Board of Directors with a document that details the responsibilities, duties and operating procedures for managing the risk of money laundering. The document is constantly updated and is available and easily accessible to all employees;
- prepare the information for the corporate boards and Top Management, promptly informing them of any significant violations or shortcomings found;
- at least once a year, provide the corporate bodies with a report on the initiatives undertaken, the failures identified, the consequent remedial actions to be taken and personnel training activities. The report also includes the results of the self-assessment exercise conducted according to the guidelines provided by the Supervisory Authority;
- carry out enhanced due diligence in cases where, due to objective, environmental or subjective circumstances, the risk of money laundering is especially high;
- transmit the aggregate data concerning the recipient's overall operations and the objective reports regarding transactions at risk of money laundering to the Financial Information Unit (FIU) on a monthly basis;
- in conjunction with the Internal Audit Function, carry out on-site inspections on a sample basis in order to check the effectiveness and efficiency of the procedures in place and identify any critical areas. These inspections are carried out on the basis of a specific work plan drawn up once a year and submitted to the Corporate Bodies;
- cooperate, in its capacity as a specialist anti-money laundering company unit, with the Authorities referred to in Title I, Chapter II of Legislative Decree no. 231 of 21 November 2007.

9.4 ORGANISATION, MANAGEMENT AND CONTROL MODEL pursuant to Italian Legislative Decree 231/2001

The organisational model adopted by the Bank and the companies of the Group for the prevention of risks pursuant to Italian Legislative Decree 231/2001 contains the ethical and operating rules aimed at preventing the significant offences pursuant to the aforementioned Decree. It is updated periodically, or on an event-by-event basis when pre-established cases of necessity occur, for example the detection of the model's inadequacy to prevent the offences pursuant to Legislative Decree no. 231/2001, any significant changes in the organisational structure or processes and/or the addition of new offences within the scope of application of the decree.

The 231 Model consists of the documents:

- Risk Prevention Directive pursuant to Italian Legislative Decree 231/2001, published on the Bank's website, www.gruppomps.it – *Corporate Governance – Governance model*, at the link [Direttiva 231 2020.indd \(gruppomps.it\)](#) to which reference should be made for detailed information on the model and the types of offences it includes.
- Control protocols pursuant to Article 6 of Italian Legislative Decree 231/2001;
- Group Code of Ethics, published on the Bank's website at www.gruppomps.it - *Corporate Governance - Governance Model*;

- Corruption prevention rules.

In particular, the Control Protocols available on the company intranet explain, for each corporate organisational unit, the predicate offences that can theoretically be committed, the existing controls, the principles of conduct to be adopted when carrying out sensitive activities as well as references to the relevant internal company regulations.

The Board of Directors has appointed a 231 Supervisory Body, which is responsible for overseeing the operation of and compliance with the 231 Model, as well as updating it.

The 231 Supervisory Body, which is separate from the Board of Statutory Auditors, has its own internal regulations governing its duties, composition and operating procedures, and its own reporting flows with the Board of Directors, the Board of Statutory Auditors and the 231 Supervisory Bodies of the subsidiaries.

The Board of Directors deemed it appropriate to establish a “mixed” 231 Supervisory Body composed of at least three members, which include two external professionals and a member of the board of directors who is independent under the requirements of the Corporate Governance Code.

As at the date of this Report, the 231 Supervisory Body consists of the following members:

Members	Office	Qualification	Independence under Code
Guglielmetti Romina	Coordinator	External professional	
Maione Nicola (*)	Component	Board member	X
Tognozzi Gianluca	Component	External professional	

(*) *Non-executive director who meets the independence requirements established by the By-Laws: independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998) and by the Corporate Governance Code.*

In exercising its functions, the 231 Supervisory Board is guided by the principles of independence, autonomy and continuity; it has autonomous powers of initiative and control, including the power to request and acquire information from every level and operational sector of the Bank, making use of the relevant Bank functions.

It is required to comply with the disclosure requirements set forth in the Model, particularly regarding the communication of information on the perpetration or attempt to perpetrate crimes in the interest of or for the benefit of the Bank as indicated in the Decree itself, in addition to any violations of rules of conduct as provided in the 231 Model 231 and the Code of Ethics. To protect its full autonomy and confidentiality, the communication can be made directly to the 231 Supervisory Board through a variety of channels, both paper and electronic, as indicated in the corporate website of the Parent Company and of all the other Group companies.

Each year, the Board of Directors provides the 231 Supervisory Board with the financial resources it requires in order to acquire the services and consulting needed for the discharge of its institutional duties. In fulfilling its duties, the 231 Supervisory Board:

- assesses the adequacy of the Model, that is, its essential capacity to prevent conducts which do not comply with the law;
- monitors the effectiveness of the Model, verifying coherence between the actual conduct and the Model, and reports any violations to the Board and the Board of Statutory Auditors;
- analyses the Model’s ongoing reliability and efficiency, with specific reference to organisational changes and newly emerging risks;
- updates the Model, presenting its proposals for amendments to the Board and verifying the implementation and effectiveness of the solutions adopted;

- promotes initiatives to increase awareness and comprehension of the Model by all Bank staff, and plans and monitors the relevant training activities following any modifications and/or significant integrations.

Moreover, it:

- on a yearly basis, prepares a plan of assessments to be conducted with the support of the Bank's internal control functions, informing both the Board of Directors and the Board of Statutory Auditors;
- reports to the Board of Directors on the activities carried out in good time for examination of the documentation at the time of the approval of the Bank's financial statements and half-yearly financial report.
- in view of the fact that each Group company has its own specific 231 Model and its own 231 Supervisory Body, it also provides guidance for the implementation and updating of the Models of the Montepaschi Group companies and coordinates the related Supervisory Bodies.

9.5 INDEPENDENT AUDITORS

As required by Article 13 of the By-Laws as well as the applicable laws and regulations, the Shareholders' Meeting of 11 April 2019, upon the Board of Statutory Auditors' justified proposal, assigned the statutory audit of accounts to PricewaterhouseCoopers S.p.A and approved the related fee for the entire duration of the nine-year mandate (2020-2028).

The Board of Directors, with the prior opinion of the Risk and Sustainability Committee and after hearing the Board of Statutory Auditors, assesses the findings reported by the external auditor – also after specific discussions with the latter – in the suggestions letter, if applicable, and in the report on the main issues resulting from the audit.

9.6 FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

Established by the Bank's By-Laws in compliance with the Article 154-*bis* of the TUF, the Board of Directors, upon the proposal of the General Manager and the mandatory opinion of the Board of Statutory Auditors, has appointed a Financial Reporting Officer, selected from among the company managers with proven accounting and finance experience, conferring upon this person appropriate powers and instruments for the exercise of the duties attributed pursuant to the law.

The Financial Reporting Officer prepares appropriate accounting administrative procedures for the drawing up of the financial statements and certifies, with a special report (pursuant to Article 81-*ter* of the CONSOB Issuer Regulation) attached to the financial statements and the consolidated financial statements:

- the adequacy of the internal control system, in relation to the administrative and accounting procedures and their actual application during the period to which the accounting documents refer;
- compliance with the applicable international accounting standards recognised by the European Union pursuant to EC Regulation no.1606/2002 of the European Parliament and the Council dated 19 July 2002;
- that they correspond to the book and accounting entries and that they provide a true and accurate representation of the equity, economic and financial position of the Bank;
- that the management report includes a reliable analysis of operational performance and results together with a description of the main risks and uncertainties to which the Bank and the business included in the consolidation are exposed.

This certification is also provided to the Board of Directors.

For the documents, communications and accounting disclosures (including interim) disclosed to the market, this Financial Reporting Officer also prepares a declaration confirming correspondence of the disclosures with the accounting records, the accounting books and the documents.

In implementation of the provisions of the law, the Board of Directors has also approved, through a specific Directive, an internal model for the evaluation of the adequacy of the internal control system for administration and accounting and the verification of its effectiveness; this model takes as a reference the main frameworks at the international level (COBIT and CoSo Reports).

As part of this Directive and for the aforementioned purposes, the Financial Reporting Officer has been vested with appropriate powers and instruments. These include the ability both to organise an adequate structure within his area of activity, as well as to prepare specific dedicated budgets, informing the Board of Directors through ordinary human resources and finance management processes.

The current Financial Reporting Officer is **Mr. Nicola Massimo Clarelli**, appointed by the Board of Directors with effect as of 26 November 2016.

A brief Curriculum Vitae of Mr. Clarelli is provided below, which outlines his expertise and experience, graduating with honours from the University of Naples with a Business Administration Degree From 1998 to 2003, he was supervisor in the Auditing area of Arthur Andersen S.p.A. - Financial Services Industry, where he headed multi-disciplinary teams in the auditing of corporate and consolidated financial statements of major banking groups. From 2003 to 2011, he was senior manager at Deloitte Consulting - Strategy & Operations. He has been a chartered accountant and auditor since 2006. Mr. Clarelli joined BMPS in 2011 as Head of Budget & Accounting, responsible for the preparation of the Bank's standalone and consolidated financial statements. In 2015 he was appointed Head of the Administration and Accounts Area.

The Financial Reporting Officer has issued the confirmations and declarations required, while maintaining, as part of his own activity, all those contacts and relations with other external and internal control body, such as the Board of Statutory Auditors, the Independent Auditors, the Supervisory Authorities, the Risk and Sustainability Committee, the Committee for the coordination of functions with control tasks and the Chief Audit Executive Division.

FINANCIAL DISCLOSURE PROCESS – Main features of the risk management and internal control system pursuant to Article 123-bis, paragraph 2, letter b) of the TUF

The Montepaschi Group's financial reporting process, which is integrated into the overall Internal Control and Risk Management System, aims to ensure the credibility³³, accuracy³⁴, reliability³⁵ and timeliness³⁶ of financial reporting and thus enhances the governance of controls.

The methodological model for overseeing the risk of reliability of the financial disclosure of the Montepaschi Group is set forth within the “*Group Directive regarding management of compliance with the provisions for Law 262/2005 (Savings Law)*” and was developed in accordance with the “CoSo Framework” and “COBIT Framework” methodologies, for the IT component, both of which are generally accepted references internationally.

Description of the main features of the existing risk management and internal control system in relation to the financial reporting process

³³ Credibility (of information): information which is correct and compliant with the generally accepted accounting principles and has the requirements demanded by applicable laws and regulations.

³⁴ Accuracy (of information): Information that is neutral and precise. Information is considered neutral if it is free of bias aimed at influencing the decision-making process of its users in order to obtain a predetermined result.

³⁵ Reliability (of information): information that is clear and complete enough to lead to informed investment decisions by investors. Information is considered clear if it facilitates understanding of complex aspects of the company's business, without becoming excessive or superfluous.

³⁶ Timeliness (of disclosure): disclosure that meets the deadlines for its publication.

The Montepaschi Group is required to apply the regulatory provisions set forth in Italian Law 262/2005, within both the separate financial statements of BMPS and the Group consolidated financial statements. To this end, the Group companies have implemented the law and the guidelines issued by the Parent Company and have defined the roles, responsibilities and expected conduct for the respective areas of their competence.

The *Group Internal Control System Policy* defines the methods of coordination and collaboration between the functions with control tasks and the company bodies, the methods of coordination between all functions with control tasks and the flows of information between the control bodies and functions. Coordination is ensured by the role of the CEO/ Director in charge of the internal control and risk management system and the presence of the Committee for the Coordination of the Functions with control tasks, and by the coordinated and integrated management of “areas of improvement”.

a) Stages of the existing risk management and control system in relation to the financial disclosure process

The reference model indicated above and the methodological approach of the Montepaschi Group are based on two fundamental premise:

- the existence of an adequate internal control system at corporate level able to reduce the risks of error and improper conduct in terms of the accounting and financial disclosures (Entity Level Control – ELC);
- oversight and maintenance of sensitive adequate processes for financial disclosures, through formalisation of the activities and the controls and verification in time of their adequacy and effective application.

The methodological approach was developed according to a succession of macro phases of work that took place prior to releasing the certification, as better detailed below:

- identification of the “sensitive” application perimeter (companies and accounts/processes);
- assessment of the significant administrative and accounting processes³⁷ (*Risk & Control Assessment*³⁸). The processes selected are assessed in terms of potential risk for financial disclosure purposes;
- evaluation of the information system (Information Technology General Controls – ITGC). Consists of the assessment of the collection of rules governing the technological infrastructure and software applications supporting the administrative and accounting processes. To this end, the Montepaschi Group opted to hire an independent auditor to carry out the ISAE 3402 Type II certification relative to the assessment of the design and the actual operation of the Control System within the IT domain of the service organisation (Group Operating Consortium);
- assessment of the effectiveness/actual application of the key controls³⁹ over the reference period carried out by the structure managed by the Financial Reporting Officer and supplemented by two ISAE 3402 certifications for administrative-accounting services governed by the Bank’s Back Office Function.⁴⁰

b) Roles and functions involved

³⁷ The information relevance is assessed having regard to the possible effect of its omission or wrong representation on the decisions of entities informed by means of the financial statements.

³⁸ In the Montepaschi Group, risk assessment pursuant to Italian Law 262/05 is placed in the “Integrated Multi Compliance” Area (Operating Risks; Italian Legislative Decree 231/01).

³⁹ “Key” controls are those controls whose absence or inadequacy could, in itself, have a significant impact on the correct representation of the financial information.

⁴⁰ This includes the units that operate in the administrative-accounting area managed by the Finance Operations and Network Operations Functions, as well as the Budget and Accounting organisational unit.

In compliance with the rules and the control process described above, an organisational model has been adopted which involves various functions and structures required to perform specific activities and roles.

- **Control Function, Law 262/2005:** The function supports the Financial Reporting Officer in the operating management, updating and monitoring of the compliance process of the Group, pursuant to Law 262/2005. To this end, it carries out autonomous checks in order to ascertain the effectiveness of the controls over the administrative and accounting procedures and the actual application thereof.
- **Internal Audit Function:** The function interacts with the Financial Reporting Officer in assessing the adequacy of the internal control systems (ELC) and the oversight of the risks relating to the administrative and accounting processes. The function also provides the Financial Reporting Officer with useful information in terms of the facts that emerge, based on the activities carried out, with reference to the risks and the adequacy of the system of controls on the administrative and accounting process.
- **Organisation Function:** The Organisation Function of the Parent Company and the Group companies carry out analysis and maintain the documentation (operating regulations) for the Group processes.
- **Montepaschi Group Operating Consortium:** manages, governs, coordinates and controls the correct operation of the Group's ICT systems. In order to ensure consistency with the methodologies identified by the Financial Reporting Officer (COBIT) it employs the ISAE 3402Type II certification.
- **Local 262 contact persons in the companies that are part of the perimeter:** contact persons identified within the Group companies involved in "262 activities" to support the Financial Reporting Officer. In particular, the local contacts are responsible for issuing a letter – addressed to the Parent Company's Financial Reporting Officer – certifying that the data transmitted to the Parent Company conform to the results of the accounting books and records.

9.7 COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Parent Company, within the context of the Group's management and coordination activities, equips the Group with a common system which permits effective control of both the Group's strategic decisions as a whole and of the management balance of the individual components.

Within this context, the Parent Company carries out the following controls:

- strategic, on the evolution of the different areas of activity in which the Group operates and of the risks incumbent on the activities performed;
- management, targeted at ensuring that the conditions for economic, financial and capital balance are maintained by both the individual companies and the Group as a whole; to this end, the Parent Company oversees the preparation of plans, programmes and budgets (company and Group) and, through an analysis of the periodic situations, of interim accounts, of the separate financial statements of the individual companies and of the consolidated financial state;
- technical-operational, aimed at assessing the various risk profiles contributed to the Group by the individual subsidiaries as well as the overall risks of the Group.

Within the Internal Control System of the Group, coordination of the various components is ensured by:

- the Director in charge of the internal control and risk management system (currently the CEO), who is responsible for establishing and maintaining an effective internal control and risk management system;
- the Committee for the Coordination of Functions with control tasks (hereinafter the "Committee"), which is responsible for coordination activities between these functions and implementing them a continuous basis;

- the collaboration between the Functions with Control Tasks, and between the latter and the Control Functions, also through interaction and participation in Management Committees, for the integrated management of the risks to which the Group is exposed;
- the coordinated management of the areas of improvement originating from the Company Control Functions, the Control Functions and the Supervisory Authorities, with the aim of assessing their relevance and, subsequently, defining the overall intervention strategies;
- the coordination in reporting activities, interrelationships and communication with the Supervisory Authorities regarding the Internal Control System;
- reporting tools able to ensure:
 - constant, extensive and homogeneous information regarding the risk profiles the Bank is exposed to and the methods used to monitor these;
 - that the anomalies identified are promptly brought to the knowledge of the appropriate levels (company bodies, if significant) so that they can take the necessary corrective actions in a timely manner;
 - the complete mapping and unique taxonomy of the company processes and risks, adequately structured and meets the needs, qualitatively speaking, of effectiveness and efficiency required by the individual functions able to allow constant and updated alignment of the processes within the Group and the adoption of a common language;
 - valuation metrics, which though different between company functions with control tasks, nevertheless guarantee the dissemination of a common risk management language.

The role of Committee Coordinator was assumed by the Chief Audit Executive, in line with the provisions of Regulation no. 1 - Organisation of Banca MPS.

The CEO/ Director in charge of the internal control and risk management system is kept updated on the activities carried out by the Committee by receiving the minutes of the Committee's meetings.

The Committee meeting is an opportunity for review and discussion between the various Functions with Control Tasks in order to:

- share operating and methodological aspects to identify possible synergies and avoid potential overlapping and duplication of activities;
- monitor the annual plans of the functions with control tasks;
- define the necessary phases and timescales for governing overall planning and reporting activities in relation to company bodies;
- coordinate the different project activities relating to the internal control system with the aim of optimising the actions by identifying possible synergies, overlapping and areas for rationalisation in terms of costs/benefits;
- share “areas of improvement” deriving from all functions with control tasks and the Supervisory Authorities, with the aim of assessing their relevance and subsequently defining the overall intervention strategies with a view to integrated gap management;
- periodically monitor the process for the resolution of the anomalies identified and formalised by said functions to the central functions;
- resolve any conflicts on the attribution of ownership for the removal of gaps.

The circulation of information between the company bodies and the functions with control tasks represents an essential condition for the actual achievement of the objectives pertaining to the efficiency of the management and effectiveness of the internal control system. In addition, the preparation of adequate information flows and in times which are consistent with the relevance and complexity of the information ensures that the different levels of responsibility within the company organisation are fully exploited. To this extent, the Group is equipped with a mapping of information flows targeted at ensuring “valuable interaction

in exercising duties (guidance, implementation, verification and evaluation)” between the entities that comprise the Group’s internal control system. Within said mapping, the following are identified:

- the vertical flows, or structured and formalised information, exchanged between the company bodies and the functions with control tasks;
- the horizontal flows, or structured and formalised information, exchanged between the Company Control Functions and the other Control Functions, both between functions with control tasks and the committees with management duties.

For each information flow identified, the frequency and expiry (if applicable) is also defined.

Relations with the Supervisory Authority are managed by the individual companies of the Group and by the Parent Company to the extent of their respective responsibilities; in particular, CEO Staff and Regulatory Affairs oversees relations with the Supervisory Authorities within the framework of the Single Supervisory Mechanism and Single Resolution Board , acting as both interface and coordinator.

Regarding the areas with the Supervisory Authorities as a whole:

- the reports provided by laws or regulations are drawn up by the Company Function which is entrusted with the relevant responsibility/duty. Whenever these relations contain information of a capital, economic or financial nature, the owner function must verify its compliance with the data contained in the documents and communications of the company already circulated to the market and certified by the Disclosure Reliability Risk Control Function (Financial Reporting Officer);
- for matters that are significant in terms of the risk of non-compliance, the Compliance Function must be involved;
- for matters that are significant in terms of the quantification of risks, the involvement of the Risk Control Function (Risk Management) is required;
- all reports produced by the other Corporate Control Functions are made available to the Internal Audit Function;
- the Parent Company’s Internal Audit has full visibility over the Group's correspondence with the Supervisory Bodies (e.g. requests for information, supervisory meetings, further analyses, etc.) including any inspection visits by them.

In compliance with the obligations set out in the Supervisory Provisions regarding internal control systems, the Parent Company coordinates and sends the following reports annually to the Supervisory Authorities, for all the banks of the Group:

- on the activities performed by the Risk Control (Risk Management), Compliance and Internal Audit functions (the report by the latter includes their assessment of the Internal Control System);
- on the outsourced activities (drafted by the Internal Audit Function);
- on the assessments made on Group companies.

In 2021, the above reports, along with the Report on the activities conducted by the Anti-Money Laundering Function, were approved by the Board of Directors and submitted to the Bank of Italy by the General Secretariat and to the European Supervisor by the CEO Staff AD and Regulatory Affairs.

10. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

With the prior favourable opinion of the Related-Party Transactions Committee and the Board of Statutory Auditors, the Board of Directors of the Parent Company approved the updated " Group Directive governing regulatory requirements regarding related parties, connected persons and the obligations of banking officers" (hereinafter the "**Directive**"), which incorporates in a single document the provisions that apply to the Group regarding the regulation of conflicts of interest pursuant to:

- Consob's Related Parties Regulation, implementing the power attributed to Consob by Article 2391-*bis* of the Civil Code in relation to the transparency and substantive and procedural correctness of transactions with related parties entered into by listed companies;
- The Bank of Italy's Supervisory Provisions on Connected Persons, implementing the power attributed to the Bank of Italy by Article 53 of the TUB in relation to the conditions and limits for the banks' assumption of risks from the engaging into activities with those who can exercise, directly or indirectly, an influence over the management of the bank or the banking group as well as entities related to them;
- Article 136 of the TUB on the obligations of bank executives⁴¹.

The Directive establishes the rules for the composition and operations of the Related-Party Transactions Committee.

The Directive sets out the principles and rules for the Montepaschi Group for monitoring the risk deriving from situations of possible conflict of interest with certain persons close to the bank's decision-making centres; in particular, the perimeter of related parties and connected persons, the obligations connected with the authorisation process for transactions with said persons, the decisions regarding the exceptions applicable to such transactions (excluding the prior opinion of the Related-Party Transactions Committee).

With specific reference to the provisions governing the obligations of bank officers, the Directive applies the procedure pursuant to Article 136 of the TUB to the following obligations undertaken with the bank in which the officer performs administrative, management or control functions: (i) directly or indirectly by the officer himself; (ii) by companies of which the officer has unlimited liability; (iii) by the joint stock companies of which the officer is the sole shareholder (with unlimited liability); (iv) by companies controlled by the officer; (v) by the spouse of the officer under community property rights; (vi) by the dependent children of the officer, without prejudice to the fact that the officer can indicate other companies or entities in which he has overriding interests, even if indirectly, and which he therefore considers should be prudentially subject to the law in question.

The Directive sets out the rules applicable to the Montepaschi Group, aimed at ensuring ongoing compliance with prudential limits and decision-making procedures as well as preventing and managing potential conflicts of interest within any relationship with a connected party.

In compliance with Consob's Related Parties Regulation and the Bank of Italy's Supervisory Provisions on Connected Persons, the procedures are published on the Bank's website and can be found at the following link <https://www.gruppompis.it/corporate-governance/operazioni-con-le-parti-correlate.html>.

The Directive has also been published on the company's website and sent to the subsidiaries for implementation.

The significant transactions with related parties carried out by the Bank in 2021 are described in detail in Part H of the Notes to the Financial Statements.

For the purposes of the above regulations, the Bank has put in place, with the cooperation of all the representatives and the other related parties, the necessary requirements for maintaining a complete and

⁴¹ Article 136 of the TUB, as amended by Legislative Decree 179 of 18 October 2012, converted into Law no. 221 of 17 December 2012 and Article 1, par. 48, letter. a) of Legislative Decree no. 72 of 12 May 2015.

updated archive of significant parties pursuant to the law on transactions with related parties and associated parties and Article 136 of the TUB.

As conflicts of interest could arise between customers and the Bank, other Group companies, the Bank's own managers or employees, other persons that have a relationship with the Bank, whenever any service and investment activity or ancillary service or combination thereof is provided, pursuant to the external regulations that are applicable, the Bank has adopted reasonable measures for the handling of such conflicts, in order to prevent abuse and protect its customers.

The "*Policy on personal transactions in the provision of investment services*", approved by the Board of Directors, outlines the Group's general principles and rules to ensure compliance with the rules regarding personal transactions in the provision of investment services (Article 91 of the Intermediaries Regulation, adopted by Consob with resolution no. 20307 of 15 February 2018) by relevant persons, i.e., those who are involved in activities that may give rise to conflicts of interest in the performance of investment services or who have access to privileged or confidential information. The personal transactions carried out by such persons, both at Group banks and through third-party intermediaries, are filed in a special electronic "Register".

As of 2019, the Bank has adopted a "*Group Directive governing regulatory requirements regarding the conflict of interest of personnel*", which sets out the MPS Group's policy aimed at identifying and preventing or managing any financial or non-financial conflicts of interest of "personnel", including members of the Board of Directors, that could affect the performance of their duties and responsibilities, adopting measures pursuant to Bank of Italy Circular 285/2013, the EBA Guidelines on the Internal Governance of Banks and Investment Firms (section 12), taking also account of Articles 2391 and 2629 of the Italian Civil Code as well as the provisions of Articles 53 and 136 of the TUB and the regulations on related-party transactions.

Also significant in terms of this issue are certain provisions of the By-Laws which provide for particular information flows in cases of interests of the members of the internal administration, management and supervisory bodies or which could involve the independence of directors and Statutory Auditors.

In fact, Article 17 of the By-Laws establishes that the Board of Directors is to report promptly to the Board of Statutory Auditors on the business activities carried out and on the main economic and financial transactions carried out by the Company, also through its Delegated Corporate Bodies, and by its subsidiaries; in particular it must report on any transactions in which the Directors have an interest on their own account or on behalf of a third party. This report is made verbally, at least on a quarterly basis, when the Board of Directors meets or by written notice to the Board of Statutory Auditors. The obligation of each Director to inform the other directors and the Board of Statutory Auditors of any interest he/she may have in a specified transaction of the Company on his/her own account or on behalf of third parties and to refrain from any resolutions in which he or she has a conflict of interest, on their own behalf or on behalf of a third party, pursuant to the applicable legislation, remains unaffected. On this subject, reference should also be made to Section 4.4 – "Functioning of the Board of Directors".

L'articolo 19 dello Statuto prevede, oltre al rispetto delle disposizioni di cui all'articolo 136 del TUB, l'obbligo per i membri del Consiglio di Amministrazione di informare il Consiglio stesso e il Collegio Sindacale su qualsiasi affare nel quale siano personalmente interessati o che riguardi enti o società dei quali siano amministratori, sindaci o dipendenti, salvo che si tratti di società del Gruppo e di astenersi dalle deliberazioni in cui abbiano un interesse in conflitto, per contro proprio o di terzi, ai sensi delle vigenti disposizioni di legge.

10.1 RELATED-PARTY TRANSACTIONS COMMITTEE

At its meeting on 19 May 2020, the Board of Directors set up the Related-Party Transactions Committee, entrusting it with the functions established by the By-Laws, the applicable Supervisory Provisions and the Regulations of the Committee itself.

Composition and operations

The Committee consists of five members of the Board of Directors, all of whom are non-executive and independent. If a member is no longer able to meet the independence requirement, he/she will be removed from the committee.

The table below summarises the composition of the Committee in office and the information on meeting attendance of members.

Members	Office	List M/m (**)	Non- executive	Independence under Code	Independence under TUF	(***)
Rao Roberto (*)	Chairperson	M	X	X	X	16/16
Barzagli Alessandra (*)	Member	m	X	X	X	15/16
Bettio Francesca (*)	Member	M	X	X	X	16/16
Bochicchio Francesco (*)	Member	M	X	X	X	16/16
De Martini Paola (*)	Member	m	X	X	X	12/16
Directors who resigned during the period						

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(*) *Non-executive director who meets the independence requirements established by the By-Laws: independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998) and by the Corporate Governance Code.*

(**) *Director elected from the majority list ("M") or minority list ("m").*

(***) *Number of Committee meetings (out of the total number held) attended by the director.*

The Chairperson of the Board of Statutory Auditors or another Statutory Auditor designated by him/her permanently participates in the work of the Committee, although the other Statutory Auditors are also allowed to participate.

The Chairpersons of the other Board Committees may also be invited to attend the Committee meetings.

The Chairperson may assess whether to invite the corporate functions that have proposed the transactions and/or conducted the negotiations, one or more representatives of management, as well as other managers of bank functions and third party entities (e.g. an independent expert) to take part in the Committee's works, in order to explain the transactions that have been submitted and/or proposed for assessment, and for particular information requirements).

In carrying out its duties, the Committee may also use the services of independent external experts, with costs borne by the Bank.

In 2021, the Committee held 16 meetings, with an average duration of 1 hour and 15 minutes. The minutes of the meeting were duly recorded by the secretary.

A schedule of meetings has been prepared for 2021. The Chairperson will convene a meeting whenever there are issues to be discussed that fall under the Committee's area of activity.

As at 2 March 2022, the Committee had held a total of 2 meetings.

Functions attributed

The Committee carries out the activities and duties assigned to it by the "Group Directive governing regulatory requirements regarding related parties, connected persons and the obligations of banking officers" (hereinafter in this paragraph referred to as the "Directive") approved by the Board of Directors, pursuant to the Consob Related Parties Regulation and the Bank of Italy Supervisory Provisions for Connected Parties.

In particular, the Committee:

- during the approval and updating of the related-parties Directive, the Committee issues a prior analytical and reasoned opinion on the overall suitability of the structures and measures established with respect to the objectives of supervisory regulations. The Committee's opinion is binding for the purposes of the Board of Directors' resolution and is also given if the Compliance Function deems it unnecessary to amend the Directive;
- assesses the transactions of minor and major importance carried out by the Bank that do not fall within the cases of exemption, issuing a reasoned opinion on the interest of the company in carrying out the transaction, as well as the economic convenience of the transaction and the substantial correctness of the conditions applied;
- once the analysis on the existence of the requirements of interest and economic convenience of the transaction and substantial correctness of its conditions is completed, the Committee issues its opinion which can be positive/subject to observations/contrary;
- provides its opinion in the cases required by the Directive in relation to the transactions to be carried out by the subsidiaries;
- monitors the transactions carried out, including ordinary transactions of minor significance that are concluded at arm's length or standard conditions, which are subject to periodic reporting;
- issues a binding opinion, which is analytical and justified, regarding the amendments to the Articles of Association of the Bank which refer to the issue of related parties and connected parties, where required by the supervisory regulations;
- carries out a role in which it evaluates, supports and recommends on issues of organization and conducting internal controls on the overall activity of assuming and managing risks with related parties and connected parties, verifying the coherence of the activity carried out with the strategic and operating guidelines;
- when updating the control policies in accordance with the relevant supervisory provisions, issues a prior binding, analytical and reasoned opinion, also in relation to their suitability for achieving the objectives of the supervisory regulations.

The main activities carried out by the Committee in 2021 were the following:

- the issue of a prior opinion on the assessment of the effectiveness of the regulatory framework and revision of the Directive;
- examination and issue of a prior opinion on proposals for major and minor transactions with related and connected parties;
- examination of quarterly reports prepared by the Compliance Division on transactions with related and connected parties;
- examination of quarterly reports prepared by the Chief Risk Officer Division on the consolidated analysis of risks to connected parties;
- assessment of the proper functioning of governance procedures in the processing of related-party transactions;
- deep-dive meetings regarding the Bank's strategic profile for the relevant profiles.

The Committee has also reported quarterly to the Board of Directors and Board of Statutory Auditors on activities carried out. The minutes of the Committee meeting are approved and provided to the Board of Directors and the Board of Statutory Auditors.

11. BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of three standing auditors and two alternate auditors.

The Auditors remain in office for three years and their term of office expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their office; they can be reappointed.

11.1 APPOINTMENT AND REPLACEMENT

Presentation of candidates

The members of the Board of Statutory Auditors are appointed on the basis of lists submitted by the Shareholders, in compliance with the following paragraphs. The lists are divided into two sections: one for the appointment of the statutory Auditors and one for the appointment of the Alternate Auditors. The candidates must be listed by progressive number and their number must not exceed the number of members to be elected. The lists with a number of candidates equal to or above three must include candidates of different gender in the first two places of the list under the section of the candidates for the office of Statutory Auditors, as provided for in the notice of call of the Shareholders' Meeting, in compliance with current regulation on gender balance. If the section of the Alternate Auditors of the above lists has two candidates, they must be of different gender.

The lists submitted by the shareholders must be filed at the company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting and published in accordance with applicable regulations.

Only shareholders that, either individually or together with other shareholders, collectively hold shares representing at least 1% of the Company's share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage required by applicable regulations are entitled to submit lists.

Each list shall be filed at the Bank's registered office, within the deadline for their filing, together with the documents specified in the notice calling the meeting, including: (i) information concerning the identity of the shareholders who submitted the lists, indicating the total shareholding percentage, in addition to the certificates proving ownership of the shareholding; this right shall be determined taking into account the shares registered to the shareholder on the date on which the lists are filed; (ii) declarations by the candidates in which they accept their candidacy and certify, under their own responsibility, that there are no reasons for ineligibility and incompatibility, including the limit on the number of offices they may hold (as per Article 25, paragraph 11 of the By-Laws) as well as the fact that they meet the requirements prescribed for the office which may be laid down by applicable law and regulations; and (iii) the curricula vitae showing the personal and professional characteristics of each candidate, indicating the management and control positions held in other companies. In addition, in the case of submission of a list by shareholders other than those holding, also jointly, a controlling interest or a relative majority share, the list must also be provided with a statement of the shareholders submitting it, proving that there are no connections, as defined by applicable laws and regulations, with the shareholders holding, also jointly, a controlling interest or relative majority share. Lists submitted that do not comply with the statutory provisions cannot be voted.

The documentation proving ownership of the minimum shareholding required to submit lists may be produced after the filing of the lists but within the term provided for the publication of the lists.

If, upon the deadline scheduled for the filing of the list, only one list, or only the lists submitted by shareholders who - according to applicable laws and regulations - are connected with one another, has/have been filed, other lists may be submitted until the subsequent deadline provided for by regulations in force. In this case, the aforesaid percentages for the submission of the lists are reduced by half.

Each shareholder entitled to vote may vote only one list.

Election of candidates

The appointment of the members of the Board of Statutory Auditors - whose composition is based on diversity criteria defined by the Issuer pursuant to applicable legal and regulatory provisions and in compliance with the Corporate Governance Code (Recommendation no. 8) – is carried out as detailed below:

- a) the first two candidates of the list which has obtained the majority of votes and the first candidate of the list ranking second by number of votes which is not related, directly or indirectly, pursuant to applicable laws and regulations, to the parties who submitted or voted the list ranking first by number of votes shall be elected as Statutory Auditors;
- b) the first candidate of the list which has obtained the majority of votes and the first candidate - or the second candidate if the first is of the same gender as the first candidate of the list which has obtained the highest number of votes - of the list ranking second by number of votes which is not related, directly or indirectly, pursuant to applicable laws and regulations, to the parties who submitted or voted the list ranking first by number of votes shall be elected as Alternate Auditors;
- c) in the case of parity of votes between the first two or more lists, the Shareholders' Meeting shall hold a new voting, voting only the lists with equal votes. The same rule shall apply in the case of parity between the lists ranking second by number of votes which are not related, directly or indirectly, pursuant to applicable laws and regulations, to the parties who submitted or voted the list ranking first by number of votes;
- d) if an elected candidate cannot accept the appointment, the first non-elected candidate in the list of the candidate who did not accept shall be appointed;
- e) the Statutory Auditor taken from the list ranking second by number of votes which is not related, directly or indirectly, pursuant to applicable laws and regulations, to the shareholders who submitted or voted the list ranking first by number of votes shall be elected Chairperson.

Replacement of members of the Board of Statutory Auditors

In the event of death, resignation or termination of the Chairperson of the Board of Statutory Auditors, the Alternate Auditor taken from the list ranking second by number of votes which is not related, directly or indirectly, pursuant to applicable laws and regulations, to the parties who submitted or voted the list ranking first by number of votes shall hold the office of Chairperson, until the Board of Auditors is integrated by the Shareholders' Meeting in compliance with Article 2401 of the Italian Civil Code.

In the event of death, resignation or termination of a Statutory Auditor, he/she shall be replaced by an alternate belonging to the same list as the Auditor being replaced.

Based upon the above appointment criteria for the Alternate Auditors, in the event that gender balance is not complied with, the Alternate Auditor of the least represented gender shall take office regardless of whether he/she is included in the same list as the Auditor being replaced.

In order to appoint Auditors who have not been appointed for any reason whatsoever according to the above-mentioned process, the Shareholders' Meeting resolves by the majority provided for by law, without prejudice to the principle of necessary representation of minority shareholders and the principle of gender balance provided for by legislation in force.

The appointment of Statutory Auditors for the purpose of completing the Board pursuant to Article 2401 of the Italian Civil Code is resolved upon by the Shareholders' Meeting by relative majority and, therefore, without list voting. However, it is understood that the principle of necessary representation of minority shareholders shall be complied with and the principle of gender balance provided for by legislation in force.

Requirements and grounds for disqualification from office

Individuals who find themselves in situations of incompatibility and do not meet the requirements provided for by applicable regulations, cannot be appointed as Statutory Auditors or, if appointed, are removed from office. Any limits to the plurality of offices held as stated by applicable regulations remain unaffected. Any limits to the plurality of offices held as stated by applicable regulations remain unaffected. Auditors are not allowed to hold office in banks other than those belonging to the Monte dei Paschi di Siena Banking Group and the banks jointly controlled.

Auditors are not allowed to hold office in corporate bodies other than the control corporate bodies in other companies of the group or of the financial conglomerate as well as in companies where the Bank also indirectly holds a strategic shareholding.

At least one Statutory Auditor and at least one Alternate Auditor, appointed according to the list voting procedure, shall be registered in the Register of Chartered Accountants and have carried out statutory auditing for at least three years.

The members of the Board of Statutory Auditors can be removed from office by the Shareholders' Meeting only in the cases and according to the procedures provided for by law and, therefore, only due to just cause and by means of a resolution approved by court order, after hearing the person concerned.

11.2 COMPOSITION AND OPERATIONS (per Article 123-bis, par. 2, letter d) and d-bis) of the TUF)

The Shareholders' Meeting of 18 May 2020, to which 2 lists of candidates were submitted for the appointment of members of the Board of Statutory Auditors, passed the related resolutions as detailed in the table below⁴²:

List of candidates	Shareholder	Candidates	Votes obtained by the list at the Shareholders' Meeting
N. 1 – majority list	Ministry of Economy and Finance (68.247% of share capital)	Alessia Bastiani (Standing auditor) - <i>elected</i> Luigi Soprano (Standing auditor) – <i>elected</i> Lorenzo Chieppa (Alternate auditor) - <i>elected</i> Piera Braja (Alternate auditor)	Total votes 781,490,663, accounting for 94.453708% of voting shares entitled to vote and 68.534374% of share capital.

⁴² On 23 April 2020, the Board of Directors, in compliance with Article 148, para. 2 of the TUF and Article 144-quinquies of the Consob Issuer Regulation and considering the recommendations contained in Consob's Notification DEM/9017893 of 26 February 2009, assessed and declared that, to the Bank's knowledge, there existed no material relationships of affiliation between the parties that submitted the so-called "minority list" for the election of the Board of Directors – identified above as List. No. 2 – and the controlling shareholder, the MEF.

List of candidates	Shareholder	Candidates	Votes obtained by the list at the Shareholders' Meeting
N. 2 – minority list	<ul style="list-style-type: none"> - Alleanza Assicurazioni S.p.A. - Eurizon Capital SGR S.p.A. gestore dei fondi: Eurizon Progetto Italia 20, Eurizon PIR Italia 30, Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni, Eurizon Azioni PMI Italia, Eurizon Progetto Italia 40 - Eurizon Capital S.A. fund manager of: Eurizon Fund - Italian Equity Opportunities - Generali Italia S.p.A. - Genertellife S.p.A. (a total of 2,40117% del share capital)	Enrico Ciai (Chairperson) - <i>elected</i> Piera Vitali (Alternate auditor) – <i>elected</i>	Total votes 45,851,084, accounting for 5.541723% of shares entitled to vote and 4.021002% of share capital.

The Board of Statutory Auditors in office, which was appointed at the ordinary Shareholders' Meeting of 18 May 2020 and will remain in office until the Shareholders' Meeting called to approve the 2022 financial statements, consists of the following members:

Members	Office	Place and date of birth
1. Enrico Ciai	Chairperson	Rome, 16 January 1957
2. Luisa Cevasco(*)	Standing auditor	Genoa, 20 May 1961
3. Luigi Soprano	Standing auditor	Naples, 22 February 1959
4. Piera Vitali (*)	Alternate auditor	Mede (PV), 8 June 1949
5. Francesco Fallacara (*)	Alternate auditor	Bari, 14 June 1964

(*) *The Shareholders' Meeting of 6 April 2021 approved to fill the vacancy on the Board of Statutory Auditors following the resignation of Alessia Bastiani (Standing Auditor) on 26 January 2021, and Lorenzo Chieppa (Alternate Auditor) on 11 September 2020. In compliance with the By-Laws and regulations in force, and in accordance with the principle of necessary representation of minorities and the principle of gender balance provided for by current legislation, the proposal submitted on 24 March 2021 by the Ministry of Economy and Finance to appoint Luisa Cevasco as Standing Auditor and Francesco Fallacara as Alternate Auditor for the remaining period of the current term of office, was approved.*

Piera Vitali, who - as the only Alternate Auditor - took over as Standing Auditor on 26 January 2021 following the resignation of Alessia Bastiani, has returned to her position as Alternate Auditor.

For information regarding the *curriculum vitae* of the members of the Board of Statutory Auditors in office, please refer to the Bank's website at www.gruppomps.it – Corporate Governance – Board of Statutory Auditors.

Independence

None of the members of the Board of Statutory Auditors is related to other members of the Board of Statutory Auditors, members of the Board of Directors, the Financial Reporting Officer, the General Manager or the main executives of the company.

The number and the type of duties covered by the Statutory Auditors is in line with the regulations governing the limits on the maximum number of positions for members of Control Bodies, as set forth in Title V-bis, Section V, Chapter II of the Consob Issuer Regulation.

In compliance with current legislation (Article 26 of the TUB, Article 148 of the TUF, combined with Articles 13, 14 and 15 of Ministerial Decree 169/2020) and the Corporate Governance Code (Recommendation no.

9), during the year the Board of Statutory Auditors verified that its members continue to meet the independence requirements. In carrying out these assessments, all the information made available by each member of the Board of Statutory Auditors was taken into account, evaluating all the circumstances that could have potentially compromised the independence established by the TUF, the Corporate Governance Code, and applying all the criteria set out by the same Code with regard to the independence of directors (Recommendation 7, as referred to by Recommendation 9). The results of the assessment were communicated to the Board of Directors, as required by the Code itself.

For further information on the composition of the Board of Statutory Auditors in 2021, please refer to Table no. 2.

* * * * *

In 2021, the Board of Statutory Auditors held a total of 67 meetings, with an average duration of approximately 4 hours.

As at 2 March 2022, the Board of Statutory Auditors had held a total of 18 meetings.

In compliance with the Corporate Governance Code in force (Recommendation no. 37), any BMPS Auditor who, on his own behalf or that of third parties, has an interest in a specific transaction of the Issuer, shall provide prompt and exhaustive information to the other auditors and the Chairperson of the Board of Directors regarding the nature, terms, origin and extent of this interest.

In 2021, in order to adequately perform its supervisory duties pursuant to the principles of proper administration, the Board of Statutory Auditors attended the only Ordinary Shareholders' Meeting held as well as the 26 meetings of the Board of Directors which took place in the course of the year (with a percentage of attendance close to 100%).

At the above meetings, all the issues discussed were examined beforehand and, when necessary, these issues were investigated further and clarifications were obtained also by requesting more information from the Bank's corporate bodies or the competent functions.

It is the task of the Board of Statutory Auditors to ensure the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members in 2021, following the resolution of the Board of Directors on 2 March 2022.

The Board of Statutory Auditors has constantly worked with the internal audit function, both to receive the necessary assistance for the execution of its own audits, and as the recipient of all the inspection reports received based on the agreed distribution criteria, containing the outcomes of the assessments that this function carried out during the year. The Statutory Auditors were thus able to assess the reliability and efficiency of the internal control system adopted by the Bank, not only based on its own corporate setup, but also as a structure overseeing a banking group.

Ongoing and timely information is also exchanged with the Risk and Sustainability Committee, whose meetings are regularly attended by the Auditors. As provided for in the Regulations of this Committee, at least the Chairperson of the Board of Statutory Auditors or an Auditor appointed by them also participates in the work of the Committee. Joint meetings between the Risk and Sustainability Committee and the Board of Statutory Auditors were held during the year when deemed necessary.

The Board of Statutory Auditors also frequently attended the meetings of the Related-Party Transactions Committee, the Appointments Committee and the Remuneration Committee.

Without prejudice to the obligations established for directors in Article 2391 of the Italian Civil Code, the Board of Statutory Auditors also paid particular attention to compliance with supervisory regulations, the By-Laws, and the decision-making procedures adopted in the case of transactions in which members of the administration, management and control bodies of the Bank and Group companies had an interest.

Moreover, the Statutory Auditors verified that the transactions with related parties took place in compliance with the criteria of transparency and substantive and procedural correctness as indicated in the reference

legislation, and that they were concluded as part of ordinary operations on an arm's length basis and resolved on the basis of assessments of mutual economic advantages and in the interests of the Bank.

The Board of the Statutory Auditors also supervised the Issuer's administrative and accounting system through assessments conducted either directly or through the periodic exchange of information with the independent auditors, i.e. PricewaterhouseCoopers S.p.A., which was appointed as independent auditor by resolution of the Shareholders Meeting of 11 April 2019, upon the reasoned proposal of the Board of Statutory Auditors, for the nine-year period 2020-2028. As part of its own assessment of the independence of the auditing firm, the Board of Statutory Auditors did not find any critical aspects with regard to compliance with the relevant regulations, nor did they receive any such reports from PricewaterhouseCoopers.

The Board of Statutory Auditors also carried out the functions of the Committee for Internal Control and Audit required in public entities by the aforementioned Legislative Decree 39/2010, amended by Legislative Decree 135/2016, supervising the financial disclosures process and analysing the contents of the work plan provided by the aforementioned independent auditors, verifying its adequacy in terms of the size and organisational and business complexity of said Bank.

Finally, it should be noted that the Statutory Auditors also verified the Bank's organisational structure in relation to the size and characteristics of its corporate activities and in view of the implementation of the project to simplify the Head Office structure – approved at the Board meeting of 1 March 2021 – in line with the objectives of the Bank's Restructuring Plan agreed with the relevant Authorities. To this end, with the support of the Audit Function, the Auditors conducted special audits with Top Management, the domestic network and through meetings held with the Managers of the various corporate units.

The Parent Company's Board of Statutory Auditors also exchanged information with the corresponding bodies of certain subsidiaries regarding their systems of administration and control and the general performance of company activities.

The Board of Statutory Auditors has interacted constantly with the 231 Supervisory Body, to which the Board of Directors has resolved to assign the relevant monitoring tasks for both the Bank and its main Subsidiaries. In order to ensure that control activities are carried out as fully as possible, the minutes of the Supervisory Body's meetings, once approved, are sent to the Chairperson of the Board of Statutory Auditors. The exchange of information with the Board of Statutory Auditors was therefore deemed adequate and certain actions taken by the Audit Function on the more critical areas were agreed on.

In compliance with the Supervisory Provisions for Banks (Circular no. 285 of the Bank of Italy) and with its own Regulation, the Board of Statutory Auditors underwent a self-assessment process for 2021, using the support of an external advisor (Korn Ferry, an independent consulting firm and expert in corporate governance and board effectiveness).

The self-assessment was, therefore, conducted through the completion of specific questionnaires given to the Auditors by the consultants.

At the end of its analysis, the advisor produced a document containing the results of the assessment, from which it emerged that no specific areas of improvement had been identified in relation to operations of the Board of Statutory Auditors.

12. RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Access to information

Since its listing, and also in view of its correct market positioning, the Bank has maintained an active relationship with shareholders and investors through the corporate functions dedicated to overseeing these relationships:

- the Investor Relations Staff Unit which handles relations with the main investors and operators of the national and international financial community (*Email: investor.relations@mps.it*). Ms. Elisabetta Pozzi is responsible for the Staff Unit;
- the Group General Counsel Division, which is responsible for corporate reporting on corporate governance and relations with shareholders, also with regard to their participation in Shareholders' Meetings (*Email: settore.societario@mps.it*). Mr. Riccardo Quagliana is in charge of the Division and also acts as Secretary to the Board of Directors of the Bank.

Information to the market, investors and the media is provided through the corporate website, www.gruppomps.it, which is updated on an ongoing and timely basis, and the publication – via the storage platform selected by the Bank (currently www.emarketstorage.com) – of press releases, reports, financial-economic and non-financial documents:

- in relation to Shareholders' Meetings, with the publication of extensive documentation concerning the items on the agenda, useful for the exercise of Shareholders' rights, as provided for in detail by the relevant regulations for listed issuers;
- with the publication of the yearly and half-yearly financial reports as well as the interim management reports;
- with the publication of the “Non-Financial Statement” for Sustainability issues.

The Group website www.gruppomps.it collects information and documents considered of interest to investors, which can be consulted in both Italian and English.

The Corporate Governance Section, which can be consulted at [Corporate Governance - Banca MPS \(gruppomps.it\)](http://www.gruppomps.it), contains information on the Bank's corporate governance: By-Laws, composition of corporate bodies and committees, information on the governance model and the control system adopted, annual reports on corporate governance and the shareholding structure, annual reports on remuneration policies, documents relating to shareholders' meetings (such as notices of call, information reports, proxy-granting procedures, shareholders' meeting regulations) and the regulations for the management of regulatory requirements relating to related parties, connected persons and obligations of bank officers.

The **Investor Relations Section**, which can be consulted at [Investor relations - Banca MPS \(gruppomps.it\)](http://www.gruppomps.it), publishes press releases and financial and economic documents: yearly and half-yearly financial reports, periodic management statements, presentations to the financial community, performance of the BMPS share price, strategic plans and documents concerning extraordinary transactions.

The **Sustainability Section**, which can be consulted at [Sostenibilita - Banca MPS \(gruppomps.it\)](http://www.gruppomps.it), is dedicated to social and environmental sustainability issues and contains the annual non-financial statement report on the social and environmental impacts of the activities carried out by the Bank and the Group.

To promote the participation of shareholders at shareholders' meetings and encourage dialogue with shareholders, for each Meeting, the Bank:

- appoints a representative to whom shareholders may, pursuant to art. 135-*undecies* of the Consolidated Law on Finance, grant their proxy with voting instructions – free of charge – on all or some of the proposals on the agenda of the meeting ("Appointed Representative"). The proxy granted to the Appointed Representative must be formalised by the end of the second trading day prior to the date of the meeting

by signing a proxy form, the content of which is governed by the Consob Issuer Regulation and is effective only for the proposals for which voting instructions are given. On this subject, *see* also Section 13, paragraph - The 2021 Shareholders' Meeting - COVID 19;

- moreover, the Bank ensures that shareholders who are customers of the Bank can use the digital banking service to request the notification for attending the Shareholders' Meeting and exercising their voting right (the service can also be used for the shareholders' meetings of all the other listed companies).

Dialogue with shareholders and investors

The Company By-Laws grant the Bank's Board of Directors exclusive authority to oversee the Bank's public information and communications process.

Within this context, the Board, on the proposal of the Chairperson formulated in agreement with the Chief Executive Officer and subject to the opinion of the Risk and Sustainability Committee, has approved BMPS's "*Policy for the management of dialogue with Shareholders and Investors*" ("Dialogue Policy"), in order to promote an ongoing transparent, easily accessible and constructive dialogue with the Bank's Investors⁴³, encouraging an exchange of views capable of improving mutual understanding of their respective expectations and facilitating the exercise of the legitimate rights of the stakeholders involved.

The Dialogue Policy is in line with the Bank of Italy's Supervisory Provisions on the corporate governance of banks, the Principles and Recommendations of the Corporate Governance Code for listed issuers to which the Bank adheres and the objectives of the Shareholders' Rights Directive (SHRD)⁴⁴, which introduced measures to encourage the long-term commitment of shareholders, taking also account of the interests of other relevant stakeholders, with a view to the long-term pursuit of sustainable social and environmental value creation.

The Dialogue Policy represents a tool that is in addition and supplementary to the other ways in which the Bank interacts on an ordinary and ongoing basis with shareholders, investors and more generally with the financial community, which are not regulated by the Dialogue Policy.

This is achieved mainly through the ongoing and timely updating of its website (www.gruppompis.it) and the publication of regulated information on the Bank's selected storage platform (currently www.emarketstorage.com), as well as through the Investor Relations Function, for example when there are meetings with the financial community (conference calls and road shows), which, in addition to being attended by the Investor Relations Function, may also be attended by the Chief Executive Officer and/or other Group executives whose presence is deemed appropriate.

The Dialogue Policy addresses the management of the dialogue outside the Shareholders' Meeting between the Bank and its Investors on matters falling within the competence of the Board of Directors relating to: general operating performance; the financial statements and periodic financial results; corporate strategy, including Sustainability-related strategy; the pursuit of sustainable success; the capital structure; transactions of significant strategic, economic, capital or financial importance, and extraordinary and/or particularly significant events; corporate governance (for example, aspects that characterise the governance system adopted by the Bank, the appointment and composition of corporate bodies, including board committees); the internal control and risk management system, as well as the remuneration policies adopted by the Bank.

The management of the dialogue governed by the policy is entrusted to:

⁴³ The Policy defines Investors as "current or prospective shareholders of the Bank, as well as holders (current or prospective) of financial instruments issued by the Bank, holders of interests relating to the ownership of shares and other financial instruments and rights arising from shares in the capital of the Bank for their own account or for the account of third parties (including, for example, Institutional Investors and asset managers)".

⁴⁴ Directive 2007/36 / EC of the European Parliament and of the Council of 11 July 2007, relating to the exercise of certain rights of shareholders of listed companies, as amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017.

- the Chairperson of the Board of Directors, in consultation with the Chief Executive Officer, for matters of corporate governance of regarding the effectiveness of the Board of Directors and its internal committees;
- the Chief Executive Officer, in agreement with the Chairperson of the Board of Directors, for matters of strategy – including sustainability – management, business and/or issues relating to the periodic financial results.

The Investor Relations Function is the Bank's point of contact, to which all requests for dialogue pursuant to the Dialogue Policy must be sent by Investors, Proxy advisors and rating agencies using the contact details published on the website at www.gruppomps.it – *Investor Relations*.

The Policy **does not concern** the management of the dialogue relating to the conduct of the Shareholders' Meetings or the exercise of the rights of Shareholders falling within the scope of the regulations applicable to listed issuers on the provision of information on the Meeting agenda items, on the submission of questions by the Shareholders before and during the Meeting, on requests for additional items to Meeting agenda and on the presentation of lists of candidates for the position of members of corporate bodies.

Furthermore, the Policy **does not concern** the management of ordinary and ongoing communication (mentioned above) or requests for dialogue with the Bank from parties other than Investors (e.g. customers, suppliers, other stakeholders) who, while qualifying as Investors, have interests other than those of their investment in the Bank's capital.

The dialogue is conducted by the Bank on a reactive or proactive basis, in compliance with any requirements of confidentiality that some information may present, also in light of the regulations on insider information, privacy and confidentiality and the guidelines and recommendations provided by the supervisory authorities, as part of the principles, rules and controls adopted by the Bank's Board of Directors for the internal management and external communication of documents and information regarding BMPS.

For further details, such as on how to request or initiate a dialogue, please refer the Dialogue Policy published at www.gruppomps.it – *Corporate Governance/Investor Relations*.

13. SHAREHOLDERS' MEETINGS

A duly constituted Shareholders' Meeting represents the entire body of shareholders and its resolutions, passed in compliance with the law and these By-Laws, are binding upon all the shareholders, including absent or dissenting shareholders.

The Shareholders' Meetings are regulated by the applicable laws and regulations as well as the By-Laws.

It is normally convened in Siena and may also be convened in a location other than the registered office, as long as in Italy. The Ordinary or Extraordinary General Meeting is held in a single call.

The Ordinary Shareholders' Meeting must be held at least once a year, within 120 days of the financial year end.

Meeting information

The Board of Directors ensures that the information needed by shareholders to exercise their rights at the Shareholders' Meetings in an informed way is made available in a suitable and timely manner, by publishing it well in advance and in compliance with the applicable legislation, on the website - *Corporate Governance - Shareholders' Meetings and BoD*, and by filing it at the company's registered office, the market management company (Borsa Italiana S.p.A.) and on the storage platform ("eMarket storage" - www.emarketstorage.com).

Procedures for shareholders' participation and exercise of rights

The procedures for attending the Shareholders' Meeting and exercising shareholders' rights are detailed in the notice of call of the specific meeting, drawn up in compliance with the applicable legislation and the By-Laws.

Shareholders with voting right who provide proof of their entitlement in accordance with the procedures provided for by the regulations in force, may attend the Shareholders' meeting or be represented by a proxyholder. To facilitate shareholder participation, a variety of procedures for issuing and notifying the proxy to the Company have been established and are detailed in the notice of call.

POWERS OF THE SHAREHOLDERS' MEETING UNDER THE BY-LAWS

The ordinary Shareholders' Meeting:

- a) approves the financial statements;
- b) appoints the members of the Board of Directors and select the Chairman, who shall be under 70 years of age as of the date of appointment, and one or two Deputy Chairmen from among them; removes directors from office;
- c) appoints the Chairperson and the other members of the Board of Statutory Auditors, as well as the Alternate Auditors;
- d) assigns the Statutory audit of accounts, upon the Board of Statutory Auditors' justified proposal, and approves its remuneration;
- e) establishes the remuneration of directors and Statutory Auditors, according to Article 26, and approves the remuneration and incentive policies and compensation plans based on financial instruments in favour of directors, employees and staff – who are not under a contract of employment – of the Bank, the criteria for calculating compensation to be granted in the case of early termination of the employment relationship or early termination of office, including the limits established for such compensation in terms of annual fixed remuneration, and the maximum amount deriving from their application;
- f) resolves upon the responsibilities of the directors and statutory auditors;
- g) resolves upon the acquisition of equity investments in other companies, implying unlimited liability for their obligations;
- h) resolves upon other matters attributed by law to the Shareholders' Meeting;
- i) authorises the implementation of major transactions with related parties falling within the competence of the Board of Directors, in the event that the Board has approved these transactions despite the adverse opinion of the Committee on Related-Party Transactions.

The Extraordinary Shareholders' Meeting:

- a) resolve upon mergers, split-ups, early winding-up of the Company or extension of its duration, capital increases, and any other amendments to the By-Laws ⁴⁵;
- b) resolves upon the appointment and replacement of official receivers, their competence and any other matter assigned to its approval by law.

⁴⁵ As established by Article 17 of the By-Laws, pursuant to Article 2365 of the Civil Code, the Board of Directors resolves upon any mergers as provided for by Articles 2505 and 2505-bis of the Civil Code, the establishment or closing of secondary offices and any adjustments to the By-Laws in order to comply with regulations.

The proxy may be electronically notified using the special section of the Company's website or, as an alternative, by certified electronic mail to a special electronic address according to the procedures stated in the notice of call.

The representative – certifying, under his/her own responsibility, the identity of the delegating party and the compliance of the copy of the proxy with the original – may deliver, in place of the original, a copy of the proxy at the time of receipt before the Shareholders' Meeting; alternatively, the copy may also be electronically notified prior to the date of the Shareholders' Meeting using www.gruppomps.it – *Corporate Governance – Shareholders' Meetings and BoD*, or via digital banking for those who have accessed this service or by certified electronic mail to bancamps.settoreaffarisocietari@postacert.gruppo.mps.it provided that the depositing party, even if a legal entity, uses its own certified electronic mailbox, or by fax to +39/0577/296396.

To further facilitate the participation of shareholders in the Meetings, the Bank appoints a representative to whom shareholders may, pursuant to art. 135-*undecies* of the Consolidated Law on Finance, grant their proxy with voting instructions – free of charge – on all or some of the proposals on the agenda of the meeting ("Appointed Representative"). The proxy granted to the Appointed Representative must be formalised by the end of the second trading day prior to the date of the meeting by signing a proxy form, the content of which is governed by the Consob Issuer Regulation and is effective only for the proposals for which voting instructions are given. On the use of this option during the pandemic, (still ongoing) please refer to Section 13, paragraph – "The 2021 Shareholders' Meeting - COVID 19".

The Bank ensures that shareholders who are customers of the Bank can use the digital banking service to request the notification of their entitlement to attend the Shareholders' Meeting and exercise their voting right. The same digital banking service can also be used for the shareholders' meetings of all the other listed companies.

Proposals of shareholders

Shareholders that represent, even jointly, at least one fortieth (or 2.5%) of the share capital may request, within the time-limits laid down by law, that the items on the agenda be supplemented, indicating the additional items proposed by them in their request, or may submit resolution proposals on items already on the agenda. In this case, the requesting shareholders must submit a report, according to the terms and procedures provided for by law, indicating the reasons for their request and the documents concerning their entitlement to participate in the Shareholders' meeting. Notice of any amendments to the agenda is given to shareholders in the same forms required for publishing the notice of call and within the terms laid down by law.

Any integration to the agenda is not allowed for items upon which the Shareholders' Meeting resolves by law upon the Board of Directors' proposal or on the basis of a plan or a report prepared by the them other than those provided for by Article 125-*ter*, paragraph 1 of the TUF.

Moreover, in order to best ensure the shareholders' right to participate, and, as far as possible in the context of the epidemiological emergency which sees the exclusive involvement of the Appointed Representative, all shareholders are given the opportunity to submit alternative proposals to those formulated by the Board of Directors on the different items on the agenda, within the terms and according to the procedures specified in the notice of call.

Quorum for meeting and decision-making

The Shareholders' Meetings (ordinary and extraordinary) are duly constituted and pass resolutions when the quorums required by law for meetings in single call are represented.

Exceptions to this are:

- (i) regarding the ordinary session, the appointment of the members of the Board of Directors and the Board of Statutory Auditors carried out by voting on the candidates in the lists submitted by the shareholders;

(ii) the decisions to amend the By-Laws concerning matters that are reserved to the Board of Directors in accordance with Article 17 of the Articles of Association (*merger of wholly-owned subsidiaries or companies at least 90% owned - cases provided for in Articles 2505 and 2505-bis of the Italian Civil Code, setting up or closure of secondary offices and amendments to the Articles of Association in order to comply with regulatory provisions*).

The role of the Chairperson

The Chairperson has plenary powers to lead and direct the discussion and exercises these prerogatives having regard to the interest to guarantee the swiftness of the Meeting's vote, ensuring - where necessary, – that the length of the Shareholders' Meeting's business does not prejudice the ability to participate and to express the vote, and that regular course of the Shareholders' Meeting is not disturbed.

The Chairperson establishes the methods for formulating the request to participate, the maximum duration, and the order of participation. During the Meeting, the Chairperson acknowledges the publication of the notice of call, as well as the filing of the documents required by law (e.g. the documents concerning the items on the agenda, including the reports on the related issues and the related resolution proposals) at the registered office and on the storage platform, so that they are available to the shareholders and the public.

Shareholders' Meeting Regulation

Since 2013, the Bank has adopted a Shareholders' Meeting Regulation under which the Chairperson exercises his/her powers for the orderly and proper course of shareholders' meetings, ensuring the participants' right to speak and receive a reply.

The Shareholders' Meeting Regulation is made available to participants when each Meeting is called, on the website at – *Corporate Governance – Shareholders' Meetings and BoD*, and is filed with the company's registered office, the market management company (Borsa Italiana S.p.A.) and the storage platform ("eMarket storage" - www.emarketstorage.com).

The "2021 Shareholders' Meetings – COVID 19"

The COVID-19 epidemiological emergency that has been afflicting the entire world since 2020 and the exceptional regulatory provisions that have been consequently issued over time⁴⁶, have once again led the Bank to carry out the only Shareholders' Meeting in 2021 in such a way as to ensure the best possible protection of the health and safety of all those involved in the event: shareholders, members of the corporate bodies, employees and external consultants.

With this aim, participation in the Ordinary and Extraordinary General Meeting of 6 April 2021 and the exercise of shareholders' voting allowed exclusively through the granting of a specific proxy (or sub-proxy) and voting instructions to the Bank's Appointed Representative pursuant to Article 135-*undecies* of the TUF, thus excluding the shareholders from participating in the Meeting either in person or through audioconference⁴⁷. Participation through audioconference was allowed for members of the Board of Directors and the Board of Statutory Auditors, the Appointed Representative, the appointed Notary Public and any other person whose presence at the Meeting was deemed useful by the Chairperson in relation to the items on the agenda. The Meeting was attended by all the Bank's Directors.

Considering that participation in the Shareholders' Meeting was allowed exclusively through the Appointed Representative and with a view to providing the best possible guarantee that shareholders are able to exercise their rights and effectively dialogue with the Company during the meeting, the Bank has given shareholders a

⁴⁶ Article 106 of Decree Law no. 18 of 17 March 2020, as amended by Article 3, paragraph 6 of Decree Law no. 183 of 31 December 2020.

⁴⁷ Audio conferencing systems ensuring, inter alia, the identification of participants and the possibility of exchanging documents related to these topics.

deadline for submitting any questions on the agenda items or individual proposals for additions to the same agenda, on dates prior to the issue of voting instructions to the Appointed Representative, in order to allow shareholders to have sufficient time to make their assessments and submit their voting instructions to the Appointed Representative, while allowing the Bank to ensure full, transparent and equal disclosure to all shareholders.

To this end, the notice of call provides for different technical procedures and channels of communication communication with the Appointed Representative.

14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

(per Article 123-bis, Par. 2, letter a) of the TUF)

The Bank and the MPS Group have adopted a Code of Ethics which is the foundation of the Group's activities. It sets out the guiding principles, values and rules of conduct (in addition to legal and regulatory obligations) that directors, auditors, Top Management, Group employees, business partners, consultants and collaborators are required to abide by.

The Code of Ethics, approved the Board of Directors, is based on behaviours inspired by the highest ethical and professional standards and is a tool of governance as well as an essential and integral part of the Organisation, Management and Control model for the prevention of crimes pursuant to Legislative 231/01, which is binding for all those involved. Its application is monitored and verified within the system of internal controls.

For any further corporate governance practices adopted by the Bank, please refer to the previous sections of this Report.

15. CHANGES SINCE THE CLOSING DATE OF THE REFERENCE YEAR

The changes in the corporate governance structure as from the closing date of the Financial Year have been included in this Report.

TABLES

Table no. 1: STRUCTURE OF THE BOARD OF DIRECTORS
(1 January - 31 December 2021)

Office	Members	Year of birth	Date of first appointment (*)	In office since	In office until Shareholders' Meeting called to approve the financial statements for	List (submitters)	List (M/m) (**)	Executive	Non - executive	Independence under Code	Independence under TUF	Number of other offices (***)	(****)
Chairperson	Grieco Maria Patrizia	1952	18/05/2020	18/05/2020	2022	Shareholders	M		X		X	3	26/26
Acting Deputy Chairperson	D'Ecclesia Rita Laura	1960	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X	1	26/26
Deputy Chairperson	Bettio Francesca	1950	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		26/26
Chief Executive Officer and General Manager/CEO	Bastianini Guido (1)	1958	18/05/2020	18/05/2020	2022	Shareholders	M	X					26/26
Director	Bader Luca	1974	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		25/26
Director	Barzaghi Alessandra Giuseppina	1955	18/05/2020	18/05/2020	2022	Shareholders	m		X	X	X		25/26
Director	Bassilichi Marco	1965	18/05/2020	18/05/2020	2022	Shareholders	M		X		X	3	26/26
Director	Bochicchio Francesco	1956	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		26/26
Director	Castellano Rosella	1965	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		26/26
Director	Cuccurullo Olga (2)	1972	18/05/2020	18/05/2020	2022	Shareholders	M		X				24/26
Director	De Martini Paola	1962	18/05/2020	18/05/2020	2022	Shareholders	m		X	X	X		26/26
Director	Di Raimo Raffaele	1965	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		26/26
Director	Giorgino Marco	1969	21/12/2017	18/05/2020	2022	Shareholders	m		X	X	X	4	25/26
Director ⁽⁹⁾	Maione Nicola	1971	21/12/2017	18/05/2020	2022	Shareholders	M		X	X	X		26/26
Director	Rao Roberto	1968	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		26/26

Directors who resigned during the year

//

Minimum participation in the capital required for the submission of lists for the final appointment: 1%

NOTE

(1) Appointed *Chief Executive Officer* on 19 May 2020, in office until 7 February 2022. On this date, he also resigned from his role as Director in charge of the internal controls and risk management system.

(2) Director resigned as of 4 February 2022.

(9) *Lead Independent Director* as of 17 December 2020.

(*) Date on which the Director was first appointed to the Bank's Board of Directors.

(**) Director elected from the "majority" list ("M") or "minority" list ("m"). N/a means that the appointment was made without list vote.

(***) Number of offices as director or statutory auditor held in other companies listed in regulated markets, including foreign, in banking, insurance or financial companies or companies of a significant size. The relevant companies are shown in Table 1-bis below, with a specification as to whether the company in which the office is held is part of the the Issuer's group.

(****) Number of meetings (*out of the total number held*) attended by the director.

**Table no . 1-bis: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN COMPANIES LISTED IN REGULATED MARKETS, INCLUDING FOREIGN, IN BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE
(directors in office from 1 January - 31 December 2021)**

DIRECTOR	LIST OF OFFICES	COMPANIES BELONGING TO THE GROUP	
		YES	NO
Grieco Maria Patrizia - Chairperson	Member of the Board of Directors of Ferrari N.A.		X
	Member of the Board of Directors of Amplifon S.p.A.		X
	Member of the Board of Directors of Endesa S.A.		X
D'Ecclesia Rita Laura– Acting Deputy Chairperson	Chairperson of the Board of Directors of Lumen Ventures SIS S.p.A.		X
Bettio Francesca– Deputy Chairperson	N/A		
Bastianini Guido– Chief Executive Officer	N/A		
Bader Luca	N/A		
Barzaghi Alessandra Giuseppina	N/A		
Basilichi Marco	Deputy Chairperson of the Board of Directors of NEXI Payments S.p.A. (ended in January 2022)		X
	Member of the Board of Directors of ITH S.p.A.		X
	Member of the Board of Directors of Base Digitale Group S.r.l.		X
Bochicchio Francesco	N/A		
Castellano Rosella	N/A		
Cuccurullo Olga – resigned as of 4 February 2022	N/A		
De Martini Paola	N/A		
Di Raimo Raffaele	N/A		
Giorgino Marco	Member of the Board of Directors of Real Step Sicaf S.p.A.		X
	Member of the Board of Directors, member of the Control and Risk, Corporate Governance and Sustainability Committee and Chairperson of the Related Parties Committee of Terna S.p.A.		X
	Standing Auditor of RGI S.p.A.		X
	Standing Auditor of Luce Capital S.p.A.		X
Maione Nicola	N/A		
Rao Roberto	N/A		

Table n. 2 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS
(1 January - 31 December 2021)

Office	Members	Year of birth	Date of first appointment *	In office since	In office until Shareholders' Meeting called to approve the financial statements for	List **	Independence under Code	***	Number of other offices ****
Chairperson	Enrico Ciai	1957	18/05/2020	18/05/2020	2022	m	YES	67/67	//
Standing Auditor	Luisa Cevasco ⁽¹⁾	1961	06/04/2021	06/04/2021	2022	M	YES	61/67	//
Standing Auditor	Luigi Soprano	1959	18/05/2020	18/05/2020	2022	M	YES	65/67	//
Alternate Auditor	Piera Vitali	1949	18/05/2020	18/05/2020	2022	m	YES	62/67	//
Alternate Auditor	Francesco Fallacara ⁽¹⁾	1964	06/04/2021	06/04/2021	2022	M	YES	n.a.	//
Auditors who resigned during the year									
Standing Auditor	Alessia Bastiani ⁽²⁾	1968	18/05/2020	18/05/2020	2022	M	YES	42/67	//
Minimum participation in the capital required for submission of lists for the final appointment: 1%									

NOTE

* Date of first appointment means the date on which the Statutory Auditor was appointed for the first time ever to the Board of Statutory Auditors of the Issuer.

** Auditor elected from the "majority" list or "minority" list. N/a means that the appointment was made without list vote.

*** Number of meetings (*out of the total number held*) attended by the auditor.

**** Number of offices as director or statutory auditor held by the individual that are significant pursuant to art. 148-*bis* of the TUF. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of Consob Issuer Regulation.

(1) The Standing Auditor, Luisa Cevasco, and the Alternate Auditor, Francesco Fallacara, were appointed during the Shareholders' Meeting held on 6 April 2021, which approved the improvements to fill the vacancies on the Board of Statutory Auditors, following the resignation of Alessia Bastiani (Standing Auditor) on 26 January 2021 and of Lorenzo Chieppa (Alternate Auditor) on 11 September 2020.

(2) The Standing Auditor, Alessia Bastiani, resigned with immediate effect on 26 January 2021; Piera Vitali, as the only Alternate Auditor, took office as Standing Auditor on the same date and remained in office until the Shareholders' Meeting held for the approval of the 2020 Financial Statements, date from which she took office again as Alternate Auditor.