

**Credito
Valtellinese**



**REPORT
ON CORPORATE GOVERNANCE AND
OWNERSHIP STRUCTURES**

Pursuant to Article 123-*bis* of the Consolidated Finance Act
(traditional administration and control model)

2020 FINANCIAL YEAR

APPROVED BY THE BOARD OF DIRECTORS
ON 8 MARCH 2021

CONTENTS

Table of contents

1.	ISSUER'S PROFILE.....	5
2.	INFORMATION ON THE OWNERSHIP STRUCTURES.....	8
3.	COMPLIANCE.....	12
3.1	Considerations on the letter of 22 December 2020 of the Chairman of the Corporate Governance Committee.....	12
4.	BOARD OF DIRECTORS	14
4.1	Appointment and replacement.....	14
4.2	Composition.....	17
4.3	Role of the Board of Directors	22
4.4	Delegated Bodies	27
4.5	Other Executive Directors	31
4.6	Independent Directors	31
4.7	Lead Independent Director.....	32
5.	PROCESSING CORPORATE INFORMATION	33
6.	INTERNAL BOARD COMMITTEES	34
7.	APPOINTMENT COMMITTEE.....	35
8.	REMUNERATION COMMITTEE.....	38
9.	REMUNERATION OF DIRECTORS	41
10.	CONTROL AND RISK COMMITTEE.....	42
11.	INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	46
11.1	Bodies and control functions.....	47
11.2	Control functions and essential elements of the internal control and risk management system	50
11.3	Head of the Internal Audit function	56
11.4	Manager in charge of financial reporting and other company roles and functions.....	57
11.5	Main characteristics of the risk management and internal control system in relation to the financial reporting process.....	59
11.6	Coordination between parties involved in the internal control and risk management system.....	61
11.7	Organisational Model pursuant to Italian Legislative Decree 231/2001	63
11.8	Whistleblowing	64
11.9	Auditing Firm	64
12.	DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS	66
13.	APPOINTMENT OF STATUTORY AUDITORS.....	67

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS.	71
15. INVESTOR RELATIONS.....	74
16. SHAREHOLDERS' MEETINGS.....	75
17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES.....	78
18. CHANGES SINCE THE END OF THE YEAR.....	81
TABLES.....	82

GLOSSARY

Corporate Governance Code: the Corporate Governance Code for Listed Companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria in force until 31 December 2020.

Corporate Governance Code/Code: the Corporate Governance Code for Listed Companies approved in January 2020 by the Corporate Governance Committee. The Code will have to be applied by companies adopting it as from 1 January 2021, informing the market in the corporate governance report to be published during 2022.

Italian Civil Code: the Italian Civil Code.

Board: the Board of Directors of Credito Valtellinese S.p.A.

CRD IV: Capital Requirements Directive IV, Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.

Supervisory Provisions: Bank of Italy Circular no. 285 of 17 December 2013, most recently updated on 22 September 2020.

Financial year: the company year ended as at 31 December 2020, to which the Report refers.

Creval Group/Group: the Group is composed of the parent Credito Valtellinese S.p.A. and its subsidiaries, i.e. Creval PiùFactor S.p.A. and Stelline Real Estate S.p.A.

Consob Issuers' Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.

Consob Markets' Regulation: the Regulation issued by Consob by means of resolution no. 20249 of 2017 (as subsequently amended) regarding the markets.

Consob Related Party Regulation: the Regulation issued by Consob by means of resolution no. 17221 of 12 March 2010 (as subsequently amended) regarding related party transactions.

Report: the report on corporate governance and ownership structures that companies are required to draft in accordance with Article 123-bis of the Consolidated Finance Act.

Articles of Association: the Articles of Association of Credito Valtellinese S.p.A.

TUF/Consolidated Finance Act: Italian Legislative Decree no. 58 of 24 February 1998.

TUB/Consolidated Banking Act: Italian Legislative Decree no. 385 of 1 September 1993.

1. ISSUER'S PROFILE

Foreword

The bank Credito Valtellinese S.p.A. (hereinafter "Credito Valtellinese", "Creval", the "Bank" or the "Issuer") is a bank based in Sondrio, established in 1908.

The Bank is an issuer of securities listed on the Electronic Stock Market (MTA) managed by Borsa Italiana S.p.A.

Creval's overall "corporate governance" framework was defined in compliance with the applicable national and European regulations, as well as the recommendations contained in the Corporate Governance Code.

Creval is also subject to the provisions contained in the Supervisory Provisions issued by the Bank of Italy and, in particular, to those governing corporate governance for banks (Supervisory Provisions, Part I, Title IV, Chapter 1). Pursuant to the aforementioned Supervisory Provisions, Creval, given a bank with shares listed on regulated markets (Borsa Italiana) qualifies as a bank of larger size and greater operating complexity and, as part of the Single European Supervisory Mechanism, as a "Less Significant Institution". Credito Valtellinese is therefore subject to direct supervision by the national Supervisory Authority and, indirectly, by the ECB, according to a proportionality principle.

Creval is the Parent of the Credito Valtellinese Banking Group.

The Parent Creval carries out management and coordination activities on the companies of the Group, also pursuant to Article 61 of the Consolidated Banking Act and issues provisions for the carrying-out of the instructions given by the Supervisory Authorities in the interest and for the stability of the Group.

Structure of Credito Valtellinese Group

At 31 December 2020, the Credito Valtellinese Banking Group consisted of the parent Creval (present in Italy in eleven regions with a network of 355 branches), as well as of:

- Creval PiùFactor S.p.A., company dedicated to activities granting loans to the public pursuant to Articles 106 et seq. of the Consolidated Banking Act.
- Stellite Real Estate S.p.A., R.E.o.Co. (Real Estate Owned Company), company dedicated to asset repossessing.



Administration and control model

Creval adopts the traditional administration and control model, through the following Corporate Bodies:

- Shareholders' Meeting, sovereign body that is the apex of the structure with respect to supervision, management and control, in which the shareholder structure is represented. The Shareholders' Meeting appoints the Board of Directors and the Board of Statutory Auditors.
- Board of Directors, with the function of company strategic supervision and management. The Board of Directors is responsible for the ordinary and extraordinary administration of the Bank pursuing its sustainable success; within the Board, consultancy committees are formed to develop proposals to the Administrative Body (Risk Committee, Appointment Committee, Remuneration Committee, and Related Party Committee).
- Board of Statutory Auditors, with administration control functions, responsible for supervising the following, based on the provisions of Article 149 of the Consolidated Finance Act:
 - compliance with the law and the memorandum of association;
 - compliance with the principles of correct administration;
 - adequacy of the Bank's organisational structure to the extent of their authority, of the internal control system and the accounting administrative system and its reliability in correctly representing operating performance;
 - methods of implementing corporate governance regulations provided for in codes of conduct drafted by regulated market management companies or by similar associations, including the Bank, through public disclosure, affirming compliance;

- adequacy of provisions set forth by the Bank to subsidiaries in accordance with Article 114, paragraph 2 of the Consolidated Finance Act.

The traditional model adopted seems to fully meet the need of ensuring the efficiency of the decision-making and management process. The effectiveness of the model that has always been adopted by the Bank is confirmed as being the most functional for the performance of the company's activities and the pursuit of its strategies as well as suitable for adequately enhancing the demands and needs of the shareholder structure, as part of sound and prudent management and the overall effectiveness of the control systems, also following the transformation of Creval from a cooperative into a joint-stock company at the end of 2016.

SME qualification

Creval comes under the definition of SME pursuant to Article 1, paragraph 1, letter w-quater.1) of the Consolidated Finance Act and Article 2-ter of the Consob Issuers' Regulation, based on the value of the average market capitalisation for the last four financial years, amounting to: 2018 (EUR 589 million), 2019 (EUR 455 million), 2020 (EUR 479 million) respectively.

This Report was drafted in accordance with the provisions of Article 123-bis of the Consolidated Finance Act and is prepared in accordance with the "Format for corporate governance reports – VIII edition", published by Borsa Italiana S.p.A. in January 2019.

The report also contains the information required by other provisions, with special reference to Article 144-decies of the Consob Issuers' Regulation (personal and professional characteristics of each director, also through the reference to the appropriate section of the website).

2. INFORMATION ON THE OWNERSHIP STRUCTURES (pursuant to Article 123-bis of the Consolidated Finance Act) at 31 December 2020

a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a) of the Consolidated Finance Act)

The share capital - fully subscribed and paid in and comprising only ordinary shares (Table 1) - amounted to EUR 1,643,508,053.06, divided into 70,149,694 ordinary shares with no par value.

The Extraordinary Shareholders' Meeting held on 24 April 2020 approved (i) the reverse split of outstanding ordinary shares without par value at a ratio of 1 share for every 100 existing ordinary shares of the bank and (ii) the coverage of the negative equity items, resulting after the allocation of the profit for the year, through the use of the available reserves and for the remaining part through a voluntary reduction of the share capital, thus creating the conditions for a return to the dividend distribution. Following the reverse split, as from 1 June 2020 the composition of Creval's share capital, showing the previous share capital, is as follows.

	Current share capital		Previous share capital	
	EUR	No. of shares	EUR	No. of shares
Total of which	1,643,508,053.06	70,149,694	1,916,782,886.55	7,014,969,446
ordinary shares (bearing dividend)	1,643,508,053.06	70,149,694	1,916,782,886.55	7,014,969,446

The shares carry equal rights, both as regards allocation of profits and distribution of the remaining assets in the event the Bank goes into liquidation. Share dividends must be collected within five years of the payment date; amounts not collected will be transferred to the legal reserve, as provided for in Article 42 of the Articles of Association.

No share-based incentive plans which involve a share capital increase, even free-of-charge, are envisaged.

b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) of the Consolidated Finance Act)

The shares are personal, freely transferable and non-divisible. There are no limitations or restrictions on the free transfer of shares.

c) Significant investments in capital (pursuant to Article 123-bis, paragraph 1, letter c) of the Consolidated Finance Act)

At the date of preparation of this Report, based on communications received pursuant to the law published by Consob, and other information available to Creval, shareholders who directly or indirectly hold shares representing more than 3% of the Issuer's share capital, relevant pursuant to Article 120 of the Consolidated Finance Act and Consob Resolution no. 21672 of 13 January 2021, are presented in the following table¹.

DECLARER	DIRECT SHAREHOLDER	% SHARE CAPITAL
ALTERA ABSOLUTE INVESTMENTS	ALTERA ABSOLUTE INVESTMENTS	7.070 ²
DUMONT DENIS	DGFD SA	5.784
CREDIT AGRICOLE SA	CREDIT AGRICOLE ASSURANCES SA	9.847
ALGEBRIS (UK) LIMITED	ALGEBRIS (UK) LIMITED	5.286
DWS INVESTMENT GMBH	DWS INVESTMENT GMBH	5.188
Petrus Advisers Ltd	Petrus Advisers Ltd	3.015
Samson Rock Capital LLP	Samson Rock Capital LLP	4.180
Hosking Partners LLP	Hosking Partners LLP	4.596
Toscafund Asset Management LLP	Toscafund Asset Management LLP	4.500

d) Securities with special rights (pursuant to Article 123-bis, paragraph 1, letter d) of the Consolidated Finance Act)

No securities have been issued that grant special controlling rights.

e) Shareholdings of employees: voting rights mechanism (pursuant to article 123-bis, paragraph 1, letter e) of the Consolidated Finance Act)

There are no employee shareholding systems in place.

¹ The representation of the amount of shares held constitutes the best estimate, at the date of this report, but still does not ensure that it matches the actual shareholding.

² The owner of the shares whose voting right is exercised by the declarer is ALTERA ABSOLUTE GLOBAL MASTER FUND.

f) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) of the Consolidated Finance Act)

There are no restrictions on the voting rights.

g) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g) of the Consolidated Finance Act)

The Board of Directors is not aware of the existence of shareholder agreements pursuant to Article 122 of the Consolidated Finance Act.

h) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h) of the Consolidated Finance Act) and provisions of the Articles of Association concerning takeover bids (pursuant to Articles 104, paragraph 1-ter and 104-bis, paragraph 1)

The Board of Directors is not aware of any agreements that become effective, are amended or terminate in the event of a change of control of the company. There are no provisions of the Articles of Association concerning takeover bids.

i) Delegated powers for share capital increases and authorisation to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) of the Consolidated Finance Act)

At the date of preparation of this Report, no powers to increase share capital had been delegated to the Board of Directors in accordance with Article 2443 of the Italian Civil Code.

At 31 December 2020, Creval held 6 treasury shares. At the date of this Report, the Shareholders' Meeting did not authorise any further purchases of treasury shares pursuant to Articles 2357 et seq. of the Italian Civil Code.

l) Management and coordination activities (pursuant to Article 2497 et seq. of the Italian Civil Code)

The Bank is not subject to management or coordination in accordance with Article 2497 et seq. of the Italian Civil Code.

Specifically:

- information required by Article 123-bis, first paragraph, letter i) of the Consolidated Finance Act ("agreements between the company and directors ...") is included in the section of the Report related to directors' remuneration;
- information required by Article 123-bis, first paragraph, letter l) of the Consolidated Finance Act ("applicable law for the appointment and

replacement of directors (...) and for the amendment of the Articles of Association, if different from those laws and regulations additionally applicable") is included in the section of the Report related to the Board of Directors.

3. COMPLIANCE (pursuant to Article 123-bis, paragraph 2, letter a) of the Consolidated Finance Act)

Creval adopted the Corporate Governance Code for listed companies, approved in December 2011 and last updated in July 2018 by the Corporate Governance Committee and in force until 31 December 2020.

The Corporate Governance Code is available on the website of the Corporate Governance Committee <https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

In preparing this Report, account has been taken of the "Format for corporate governance and ownership structures report" prepared by Borsa Italiana S.p.A. and updated to January 2019.

In pursuance of the comply or explain principle, Creval indicated and justified in the Report any deviations from the recommendations of the Code.

Neither Creval nor its subsidiaries are subject to provisions of non-Italian law that would influence the corporate governance structure.

3.1 Considerations on the letter of 22 December 2020 of the Chairman of the Corporate Governance Committee³

The Chairman brought to the attention of the Board of Directors the communication received on 22 December 2020 from Patrizia Grieco, Chairman of the Corporate Governance Committee.

The main areas for improvement identified by the Committee - in line with the set of recommendations made over the last four years and considering that the new version of the Code will come into force in 2021 - concern in particular (i) the sustainability of the company's business in defining strategies, of the internal control and risk management system and of the remuneration policy, which must also be integrated on the basis of an analysis of the relevance of factors that may affect the generation of value in the long term; (ii) the terms of the disclosure to the board of directors; (iii) the quality of the independence evaluations of directors; (iv) the self-assessment of the board with a special attention to the board's contribution to the definition of strategic plans and to the role of the board in overseeing the board review process; (v) the remuneration policy, with a special attention to the variable component, its weight and its relation to long-term performance objectives including non-financial parameters, the limitation of the possibility to pay amounts not related to pre-determined parameters, the criteria and procedures for the allocation of

³ Paragraph 19.0 of the Format for the Report on Corporate Governance and ownership structures

employee termination benefits and the verification that the fees paid to non-executive directors and members of the control body is appropriate to the competence, professionalism and commitment required by their office.

The Board of Directors acknowledged that, on the whole, based on the initiatives undertaken also on the initiative of the Board Committees (such as, for example, the succession plan for the top-level executive, remuneration policies, sustainability) and of the concrete application of the aforesaid recommendations, the degree of compliance with the indications provided by the Committee is high and progressively improving, also with reference to the quality of the information provided to the market as part of the annual report on corporate governance.

The Board of Directors also took note of the communication and the indications formulated therein, sharing the objectives outlined for the purposes of an increasingly conscious application of the principles of the Code to ensure a governance system in line with best practices and the expectations of all stakeholders.

The recommendations formulated in the communication of the Chairman of the Corporate Governance Committee have also been submitted to the Board of Statutory Auditors for matters within its competence.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement (pursuant to Article 123-bis, paragraph 1, letter I) of the Consolidated Finance Act)

Directors are appointed by the Shareholders' Meeting based on lists presented by shareholders, according to the provisions of the Articles of Association.

The Bank's Board of Directors has the right to present its own list of candidates (the "BoD List"). The lists are composed of a minimum of 3 and a maximum of 15 candidates, with the exception of the BoD List, which may only contain a maximum of 12 candidates. The majority of the candidates in the BoD List must be independent at the time of election. In the lists, the candidates must be listed according to a progressive numbering system and the candidates that meet independence requirements must be expressly indicated.

Each list must be compiled in such a way as to guarantee gender balance among candidates, and must therefore ensure that at least two-fifths of candidates on the list are of the less represented gender. The lists must be presented at the company's registered office, including through remote communication methods, according to the procedures indicated in the call notice for the Shareholders' Meeting, by which the presenters may be identified, no later than the twenty-fifth day prior to the date set for the Shareholders' Meeting in first or single call. The lists will be made available to the public at the registered office, on the website, or through other methods envisaged in governing laws or regulations at least twenty-one days prior to the date of the Shareholders' Meeting. With the exception of the BoD List, each list must be signed by one or more of the Shareholders whose percentage of the share capital is not less than that provided by prevailing laws or regulations.

Each Shareholder may participate in the presentation of one list only, and if this is not complied with, his or her endorsement will not be counted for any of the lists. Each candidate may be presented in one list only, under penalty of ineligibility.

In compliance with the Supervisory Provisions, the Board of Directors expresses, in view of each renewal, an indication on its optimal quantitative and qualitative composition, taking into account the results of the self-assessment.

Along with each list, and by the closing date for filing the list at the company headquarters, under penalty of disqualification, a curriculum indicating the personal and professional characteristics of each candidate must be filed in addition to the declarations by which the individual candidates: irrevocably accept their candidature, certify under their own responsibility that there are no reasons to exclude eligibility and no incompatibility issues, and that they meet all the requirements under prevailing law and the Articles of Association to take the office of director and possibly state whether they are "independent" pursuant to the Articles of Association. Any list that does not comply with the requirements or the timeframes set out in the Articles of Association or in prevailing laws and regulations will not be admitted for voting. The inadmissibility of lists not filed in compliance with the procedures and timeframes set forth shall be decided by the Board of Directors, as a matter of

urgency, subject to the opinion of the committee set up to appoint Directors in compliance with legal and regulatory provisions and the provisions of the Corporate Governance Code of Borsa Italiana. The Board of Statutory Auditors will make any decisions on the inadmissibility of the BoD List, subject to the opinion of the committee set up to appoint Directors.

Each Shareholder may vote for one list only. With the understanding that, for purposes of apportioning Directors to be elected, lists are not taken into consideration (including any BoD List) unless they have received a percentage of votes that is at least equivalent to half of the votes required by the current Articles of Association for presenting lists from shareholders, the election of Directors is carried out as follows:

- a) up to 12 Directors are taken from the list that obtained the majority of votes (the "First List") in the order in which they are listed. The remaining 3 Directors are taken from the list that obtained the greatest number of votes from the remaining lists (the "Second List"), in the order in which they are listed;
- b) if the First List does not have a sufficient number of candidates to reach the number of Directors to be elected according to the mechanism described in letter a) above, all the candidates from the First List shall be elected and the remaining Directors shall be taken from the Second List according to the progressive order in which they are listed;
- c) if the Second List does not have a sufficient number of candidates to reach the number of Directors to be elected, the remaining Directors shall be taken from the list receiving the third highest number of votes, then, if necessary, from the fourth highest number of votes and so on, again, in the progressive order in which the candidates are listed;
- d) if the number of candidates included on the lists is less than the number of Directors to be elected, the remaining Directors shall be elected with a resolution adopted by the Shareholders' Meeting with a relative majority, in compliance with independence and gender balance requirements of the Articles of Association and governing legal and regulatory provisions. In the event of equal votes between a number of candidates, a ballot shall be held between said candidates by further shareholder vote;
- e) if only one list is presented or admitted, a maximum of 12 Directors shall be taken from this list. The remaining Directors shall be elected by the Shareholders' Meeting with a relative majority, excluding the votes of the shareholders that presented the single list, on the proposal of the shareholders that have voting rights in accordance with the Articles of Association;
- f) if no lists are submitted or accepted, the Shareholders' Meeting will resolve under the procedure described in letter d) above, from the candidates that were presented by Shareholders at least 16 days prior to the date set for the first or single call of the Shareholders' Meeting, and who comply with the obligation to file the documentation envisaged in paragraph 5 above;
- g) if the necessary minimum number of Independent Directors and/or Directors belonging to the less represented gender is not elected, Directors from the First List

from the highest progressive number who do not meet the requirements are replaced by successive candidates from the same list who meet the requirements. If in applying this criterion, no Directors are identified who meet the necessary characteristics, the replacement criterion will apply to candidates from the Second List, and continuing to the successive lists, from which the elected candidates were taken;

h) if, in applying the replacement criterion as described in letter g) above, no suitable candidates are identified, the Shareholders' Meeting will resolve with a relative majority. In these cases, the replacements will be made beginning from the list that received the most votes and the candidates from the next highest number on the list. The Board replaces directors by co-option, pursuant to Article 2386 of the Italian Civil Code and subsequent appointment at the Shareholders' Meeting without voting lists in accordance with the criteria established by Articles 18 and 19 of the Articles of Association.

Succession plans

In compliance with Bank of Italy's supervisory provisions for banks and consistent with the provisions of the Corporate Governance Code and the Articles of Association, the Board of Directors, on 3 December 2020, with the support of the Appointment Committee, adopted the new "*Succession Plan for top-level executive positions*" ("the Plan") in order to ensure an orderly succession in top-level executive positions in the case in which the term of office expires or for any other reason, in order to ensure business continuity and avoid potential negative financial and reputational effects.

The Plan, which represents an improvement of the first version adopted in 2016, identifies the procedures to be followed in the event of early termination of the positions of General Manager and Chief Executive Officer. (*Principle 5.C.2.*)

In summary, the succession process is divided in the following phases:

- a) defining and reviewing the requirements to effectively fill top-level executive roles;
- b) managing the vacancy period: (both in case of temporary impediment and in case of early termination of office or early termination of the relationship);
- c) managing the selection of the new top-level role holder.

The Plan includes the "Position Profile" for top-level executive positions, which is reviewed and updated annually to take account of any changes in the Bank's strategy or organisational structure.

At its meeting of 3 December 2020, the Board of Directors of Creval, having acknowledged the favourable opinion expressed by the Appointment Committee and the Risk Committee, for matters within its competence, also adopted the "*Guidelines for succession planning for Key Management Personnel*".

4.2 Composition (pursuant to Article 123-bis, paragraph 1, letter d) and d-bis) of the Consolidated Finance Act)

The information concerning the composition of the Board of Directors in office at 31 December 2020 is listed in Table 2 in the appendix.

The current Board of Directors was appointed by the ordinary Shareholders' Meeting of 12 October 2018 based on the lists presented in accordance with the procedures set out in the Articles of Association, as specified below.

List no. 1

List presented jointly by the shareholders Arca Fondi SGR S.p.A., Eurizon Capital SGR S.p.A., Eurizon Capital S.A., Fideuram Investimenti SGR S.p.A., Fideuram Asset Management (Ireland), Interfund Sicav, Mediolanum Gestione Fondi SGR S.p.A., Planetarium Fund Anthilia Silver, which at the date of the above mentioned Shareholders' Meeting hold a total percentage of 4.528% of the share capital. The candidates in List 1 are listed below in the same progressive order as on the list:

1. Anna Doro, born in Florence on 5 September 1965
2. Serena Gatteschi, born in Arezzo on 25 September 1972
3. Stefano Gatti, born in Bergamo on 14 October 1967
4. Paolo Guido Aldo De Martinis, born in Milan on 8 April 1957

List no. 2

List presented by the shareholder DGF S.A. holding 5.12% of the share capital at the date of the aforementioned Shareholders' Meeting. The candidates in List 2 are listed below in the same progressive order as on the list.

1. Luigi Lovaglio, born in Potenza on 4 August 1955
2. Alessandro Trotter, born in Vimercate (MI) on 9 June 1940
3. Stefano Caselli, born in Chiavari (GE) on 14 June 1969
4. Mauro Selvetti, born in Sondrio on 31 July 1960
5. Fausto Galmarini, born in Gallarate (VA) on 25 February 1950
6. Elena Beccalli, born in Monza (MB) on 25 June 1973
7. Massimo Massimilla, born in Ivrea (TO) on 5 June 1980
8. Livia Aliberti Amidani, born in Rome on 15 July 1961
9. Massimiliano Scrocchi, born in Piacenza on 5 February 1970
10. Teresa Naddeo, born in Turin on 22 May 1958
11. Paola Bruno, born in Rome on 23 February 1967
12. Carlo Crosara, born in Vicenza on 14 September 1957
13. Jacob F. Kalma, born in Groningen (Holland) on 6 November 1966
14. Maria Giovanna Calloni, born in Dairago (MI) on 26 December 1964
15. Annalisa Donesana, born in Treviglio (BG) on 9 June 1966

To provide recommendations to Shareholders for the purpose of suitably identifying candidates, the document "Quantitative and Qualitative Composition of the Board of Directors of Credito Valtellinese" was published on 31 August 2018 on the website

www.gruppocreval.com, in the Governance - Ordinary Shareholders' Meeting of 12 October 2018 section. For further details, reference is made to the paragraph "Diversity criteria and policies" in this Report.

(Application Principle 1.C.1., letter h)

The Shareholders' Meeting held on 12 October 2018 appointed the Bank's Board of Directors in the persons of:

- Luigi Lovaglio, Alessandro Trotter, Stefano Caselli, Mauro Selvetti, Fausto Galmarini, Elena Beccalli, Massimo Massimilla, Livia Aliberti Amidani, Massimiliano Scrocchi, Teresa Naddeo, Paola Bruno, Carlo Crosara, taken from list no. 1, which obtained the majority of votes;
- Anna Doro, Serena Gatteschi and Stefano Gatti, taken from list no. 2, which obtained the second highest number of votes.

The Shareholders' Meeting also resolved to set at three years the term of office of the new Board of Directors, which will expire on the date of the Shareholders' Meeting called to approve the financial statements for the year 2020.

On 15 October 2018, the Board of Directors appointed Luigi Lovaglio as Chairman, Alessandro Trotter and Stefano Caselli as Deputy Chairmen, Alessandro Trotter as Substitute Deputy Chairman, and Mauro Selvetti as Chief Executive Officer.

On 21 January 2019, Massimo Massimilla resigned from office. The Board of Directors, on the same date, having acknowledged the resignation of Mr. Massimilla, simultaneously appointed Jacob F. Kalma via co-optation, the first candidate in progressive order among the candidates not elected from the list presented by the shareholder DGFD S.A. on 17 September 2018.

On 24 February 2019, Mauro Selvetti resigned from his office as Chief Executive Officer and General Manager.

At the same time, the Board of Directors resolved to appoint Luigi Lovaglio, former Chairman, as Chief Executive Officer and General Manager of the Bank, as well as Alessandro Trotter, formerly Substitute Deputy Chairman, as Bank Chairman.

Following the resignation of Mauro Selvetti, the Board of Directors simultaneously co-opted Maria Giovanna Calloni, who is the first candidate in progressive order among the candidates, not elected from the list presented by the shareholder DGFD S.A. on 17 September 2018.

The Shareholders' Meeting, held on 30 April 2019, confirmed Jacob F. Kalma and Maria Giovanna Calloni as members of the Board of Directors, with term of office expiring, as the other directors in office, on the date of the Shareholders' Meeting called to approve the Company's financial statements at 31 December 2020.

All Directors satisfy the requirements of professionalism, integrity, and independence for the office, as illustrated in Table 2 of the appendix.

The curriculum vitae of the members of the Board of Directors is available on the bank's website at www.gruppocreval.com in the Governance - Board of Directors section.

Changes in the composition of the Board as from the end of the reporting period.

There were no changes in the composition of the Board as from the end of the reporting period.

Diversity criteria and policies

The Bank applies diversity criteria, including gender diversity, in the composition of the Board of Directors, in compliance with the priority objective of ensuring adequate competence and professionalism of its members, in accordance, inter alia, with the principles of the CRD IV Directive and the "Joint guidelines on the assessment of the suitability of the members of the management body and key function holders" issued jointly by EBA (European Banking Authority) and ESMA (European Securities and Markets Authority) on 26 September 2017 and in force since 30 June 2018 (*Principle 2.P.4.*)

In this perspective, the document "Optimal quantitative and qualitative composition of the Board of Directors of Credito Valtellinese", to be submitted to the shareholders in view of the renewal of offices, provides specific recommendations so that the composition of the new Board reflects an adequate degree of diversification in terms of, inter alia, skills, experience, age and gender.

With regard to gender diversity, the Articles of Association of Creval - following the resolution of the Board of Directors of 13 January 2021 - raised to two-fifths the minimum quota of Board members reserved for the less represented gender for six consecutive mandates starting from the registration date of the aforementioned resolution in the Companies Registry, in compliance with the provisions of Law no. 160 of 27 December 2019 ("2020 Budget Law"), which amended Articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis of the Consolidated Finance Act (*Application Principle 1.C.1. letter i), 4*).

The composition of the current Board, in any case, complies with the aforementioned provision, as Board members belonging to the less represented gender account for more than two-fifths of the Board (seven out of fifteen) (*Application Principle 2.C.3.*).

Moreover, the composition of the Board in office complies with the diversity requirements - specifically listed in the document "Quantitative and Qualitative

Composition of the Board of Directors of Credito Valtellinese" published on 31 August 2018, with regard, in particular, to the following elements:

- age: presence of a wide mix of age/seniority;
- geographic origin;
- professional experience: adequate representation of profiles from different fields: financial institutions, industrial companies, trade associations, professional, academic.

Following the appointment, as required by the Supervisory Provisions, on 29 October 2018, the Board of Directors ascertained that the qualitative and quantitative composition of the elected Board meets and is consistent with the composition identified in advance, noting, in particular, the correspondence between the composition considered optimal by the Board in terms of the complementary nature of skills and professional backgrounds, and the actual composition resulting from the appointment process, noting that the Board is characterised by an adequate mix of managerial experience in the banking, professional and/or academic domain, with specific training on banking matters, legal issues, risk management and the associated control, entrepreneurial and/or association systems. In addition, the majority of Directors have previous experience in the corporate bodies of companies listed on the Stock Exchange.

Maximum number of positions held in other companies

(Application Principle 1.C.3.)

The Board of Directors, which was held immediately after the new Board took office - pending the approval of the regulations implementing Article 26 of the Consolidated Banking Act relating to the requirements of company representatives of Banks - resolved to adopt as early as possible the limits on the number of offices held, established by CRD IV, as referenced by the Supervisory Provisions. CRD IV sets forth that each member cannot hold a total number of offices in banks or other commercial companies, including the office held in the bank, exceeding 4 non-executive offices, or 1 executive office plus 2 non-executive offices.

These limits are currently respected by all Directors in office.

For further details on the offices held by the Bank's directors, please refer to Table 2 in the appendix.

Induction Programme

(Application Principle 2.C.2.)

The Chairman of the Board of Directors ensures that all directors participate, both following their appointment and during their term of office, in training on specific issues with the goal of aligning the knowledge of the recipients with regards to the Bank and the Creval Group and to stimulate discussion and dialogue among the various professionals in the administrative and control bodies.

During the year, the training initiatives primarily focused on risk management and in particular on the new definition of default and AIRB models.

4.3 Role of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Finance Act)

Foreword

Article 26 of the Articles of Association envisages that ordinary Board of Directors' meetings should be held once a month.

During 2020, a total of 17 Board of Directors' meetings were held.

These meetings lasted all-in-all 4 hours, on average.

On average, total attendance at meetings was higher than 97%.

(Application Principle 1.C.1., letter i).

12 meetings have been scheduled for the current year. At the date of preparation of this Report, the Board of Directors met 4 times including the session for the approval of this document.

Reporting to the Board of Directors

All directors are supported with the best conditions to make knowledgeable decisions, by providing the documentation concerning the Board's agenda, which they may also access on-line, through systems with suitable security measures to ensure confidentiality.

Creval adopted the "Rules for the meetings of Administrative Boards of Companies in the Credito Valtellinese Banking Group", in line with Bank of Italy Supervisory Provisions. This document governs the timing for dissemination, type and content of documentation required for the adoption of resolutions on the issues on the agenda, to be sent to individual members. It also defines the duties and responsibilities of the Chairman of the Board of Directors concerning: *(i)* formation of the agenda; *(ii)* preliminary information to members of the Board relating to issues on the agenda; *(iii)* documentation and recording the decision-making process in minutes; *(iv)* ex post availability of said documentation; *(v)* communication of the resolutions to Supervisory Authorities, when required by regulations.

Pursuant to the provisions of said regulation, the complete documentation relating to the Board's agenda is made available on-line at least two days prior to the Board of Directors' meeting.

All documentation relating to Board meetings is available through the on-line procedure, with no time limits.

However, also with a view to actually implementing the indications expressed by the Corporate Governance Committee, with specific reference to the promptness of the pre-meeting disclosure, in fact, the Chairman endeavours to bring forward as far as possible the deadlines for calling meetings, sending the agenda and availability of the relevant documentation from the time the new Board of Directors takes office.

(Application Principle 1.C.5.)

The Chairman, in agreement with the Chief Executive Officer, in dealing with the specific issues concerning the Bank's operations included in the Board meeting agenda, periodically invites the managers in charge of the competent company functions to the meetings, to provide the Directors with in-depth information and explanations. The Chief Executive Officer ensures that those managers remain available so that their participation in the board meetings ensures comprehensive disclosure and replies to questions posed by Directors concerning the Company's operations.

(Application Principle 1.C.6.)

Role and functions of the Board of Directors

The Board of Directors is vested with all powers for the ordinary and extraordinary administration of the Bank, with the exception of those powers that are exclusively reserved to the Shareholders' Meeting.

The directors, pursuant to Article 150 of the Consolidated Finance Act and Article 23, paragraph 2, of the Articles of Association, report to the Board of Statutory Auditors in Board of Directors meetings or the Executive Committee (if it exists) on the activities performed and the most significant transactions from an economic, financial and equity point of view carried out by the Bank or by subsidiaries. In particular, the Directors report on transactions in which they have an interest, on their own behalf or on behalf of third parties.

Based on Article 23, paragraph 3 of the Articles of Association, in addition to powers that cannot be delegated by law, the Board of Directors are granted exclusive responsibility for decisions relating to:

- defining the organisational and corporate governance structure, as well as the general strategies and objectives of the Bank and Group, and verifying their correct implementation;
- approving strategic transactions, business and financial plans, budgets, risk management policies, and the Groups' internal control system;
- approving accounting and reporting systems;
- supervising the Bank's process of public disclosure and communication;
- ensuring effective dialogue with management functions and with managers of the main company functions and verifying the choices and decisions they have made over time;
- appointing, revoking and determining the financial remuneration of the General Manager and other members of General Management;
- forming internal committees of corporate bodies as envisaged in governing legislative and regulatory provisions as well as in the Corporate Governance Code;

- appointing and revoking the Manager in charge of financial reporting, and the heads of the internal audit, compliance and risk control functions;
- acquiring and disposing of qualified equity investments, as defined by Bank of Italy Supervisory Provisions;
- setting up, transferring and closing branches and offices;
- determining the criteria for contributions to charities and cultural and social organisations from a specially designated fund that is established or supplemented by allocating a portion of annual net profit by the Shareholders' Meeting;
- defining the Group's overall business plan, determining the criteria for coordination and management of Group Companies, as well as the criteria for implementing instructions from Bank of Italy;
- approving and amending key internal regulations;
- adopting and changing procedures with the aim of ensuring transparency and substantive and procedural correctness in related party transactions, in accordance with governing laws and regulations;
- related party transactions of greater importance as identified pursuant to the internal procedures of Creval adopted in compliance with governing laws and regulations.

The Board of Directors is also responsible for resolutions to adapt the Articles of Association to regulatory provisions, as well as resolutions regarding mergers in the cases envisaged in Articles 2505 and 2505-bis of the Italian Civil Code.

Therefore, pursuant to the Articles of Association, the Board of Directors examines and approves the strategic, business and financial plans of the Bank and the Creval Group, monitoring their implementation, and defines the corporate governance structure of the Bank and of the companies of the Creval Group.

Based on delegated powers and key company policies, the most significant transactions from a financial standpoint are submitted for the Board of Directors' approval. (*Application Principle 1.C.1., letter a*)

The Bank's Board of Directors constantly monitors the strategic development of the various business sectors, with special reference to controlling the risks assumed, as well as constant control of management in order to ensure balance is maintained with respect to the technical management aspects of income, assets and liquidity, and operating control to evaluate the various types of risk that the business is exposed to, which generally fall under the risk management area.

(*Application Principle 1.C.1., letter b*)

The Board of Directors also evaluates the adequacy of the organisational, administrative and accounting structure of the Bank and its strategically significant subsidiaries. It periodically evaluates the functionality, efficiency and effectiveness of the internal control and risk management systems. In the event shortcomings or irregularities emerge, it adopts suitable corrective measures.

In particular, the Board of Directors evaluates the management trend, also through the information reports of the delegated bodies and the Board Committees and by periodically comparing the results achieved with those planned.

The Board assesses the adequacy of the organisational, administrative and accounting structure of the Bank and the companies belonging to the Group, also by issuing policies and guidelines, with a special reference to the internal control system. The Board also ensures that the main business risks are correctly identified and adequately measured, managed and monitored, determining the criteria for the compatibility of these risks with the sound and prudent management of the Bank and the Group.

(Application Principle 1.C.1., letter c)

The delegated bodies report to the Board of Directors and the Board of Statutory Auditors at least quarterly on the general trend in operations, business outlook and the most significant transactions carried out by the Company and its subsidiaries. In fact, this disclosure is provided regularly at the individual board meetings.

(Application Principle 1.C.1., letter d)

Generally, the Board evaluates operating results for the period at every meeting, comparing the results achieved with the programmed results.

(Application Principle 1.C.1., letter e)

In accordance with the Articles of Association and resolutions passed by the Board of Directors, the Board will be exclusively responsible for the examination and approval of operations that are significant from a strategic, economic, asset or financial point of view for the company.

(Application Principle 1.C.1., letter f)

Self-assessment of the Board

The Board of Directors, by virtue of the "*Regulation of the self-assessment process of the Board of Directors of Credito Valtellinese*", annually assesses the effectiveness of its activity and the contribution made by its individual components, through formalised procedures whose implementation it supervises.

The Board of Directors carried out the self-assessment of the Board itself and of the Board committees, relating to 2020, by adhering to the guidelines of the Corporate Governance Code of Listed Companies and Supervisory Provisions; the company Korn Ferry, an independent advisor, was tasked with supporting the self-assessment process, in which all Directors in office took part.

The self-assessment focused on the functioning, size and composition of the Board of Directors and its Committees, including in its analyses the professional characteristics, experience (including managerial experience), gender and seniority of its members.

It should be noted that:

- the process was carried out in accordance with the Bank of Italy Supervisory Provisions on Corporate Governance for banks and in line with the provisions of the Corporate Governance Code for Listed Companies;
- it is carried out by the Board at least annually;
- the above-mentioned process focused on the adequacy of the Board and Board Committees in terms of composition and operation, measured on specific thematic areas, with special reference to those relevant to sound and prudent management.

The process is carried out with the assistance of an external professional chosen taking into account the professional preparation and experience gained in corporate governance matters, as well as the requirements of neutrality, objectivity and independence of judgement that must characterise the Self-Assessment process of the Board of Directors and Committees.

The results of the self-assessment for the 2020 financial year define a positive overall picture of the operation of the Board of Directors and its Committees, showing that they interact effectively and productively with each other and with the Management.

In particular, the following strong points are shown:

- the ability to make adjustments in situations of uncertainty and crisis;
- the leadership of the Chief Executive Officer, unanimously acknowledged by the Directors;
- a balanced mix of age, gender and experience in the composition of the Board.

Some of the issues raised by certain Directors include:

- Recognising the need to adapt the mix of areas of competence currently included in the theoretical profile to the development of business strategy with the introduction of skills in commercial banking and digital transformation.
- Recognising the results obtained thanks to the support of the Risk Committee, which is given further room for improvement.
- Increased opportunities for exchange, including informal or extra-board meetings, between Directors to improve the efficiency of meetings.
- Revision of the number of directors.

As a whole, the areas for improvement that have come to light are more of an organisational and formal nature than of substance and can be easily improved by implementing those recommendations shown by the Board members themselves.
(*Application Principle 1.C.1., letter g*)

4.4 Delegated Bodies

Chief Executive Officer

The Chief Executive Officer Luigi Lovaglio, appointed on 25 February 2019, was attributed the powers and proxies as reported hereunder:

- oversee the operations of the Bank and the Group;
- oversee the strategic coordination, implementation of strategies and management control of the Bank and of the Group;
- oversee the development of the management control and planning system as well as the capital management policies of the Group;
- give operational directions to the subsidiaries within the plans and guidelines established by the Board of Directors, with a view to safeguarding the management equilibrium of each company and in compliance with Supervisory Provisions on this matter;
- see to the implementation and effectiveness of the organisational, administrative and accounting structure approved by the Board of Directors;
- oversee the implementation of credit policies, in line with that set out in business plans and resolutions of the Board of Directors on the matter;
- in the framework of the guidelines defined by the Board of Directors (as the body exercising strategic supervision), bringing to the attention of said company body the results of the audits conducted, implement initiatives and actions necessary to ensure the consistency of the Group's internal control system with the strategic guidelines and the propensity to risk established, as well as to ensure - on an ongoing basis - the completeness, adequacy, functionality and reliability of the internal control system, guaranteeing an integrated risk management process. In that area, he is in charge of:
 - a. ensuring the implementation of the RAF and authorising the overrun of the risk appetite within the limit represented by the threshold of tolerance, and ensuring that immediate reporting is provided to the Board of Directors, identifying the management actions necessary to return the risk assumed to within the set target;
 - b. ensuring the implementation of the risk governance policies and the risk management process as well as its consistency with the risk appetite and risk governance policies, also taking account of the development of the internal and external conditions the bank operates in;

- c. ensuring the implementation of the actions and solutions necessary to guarantee the compliance of the organisation and internal control system with the supervisory provisions;
- d. ensuring the implementation of the process for approving investments in new products, the distribution of new products or services or the launch of new operations or the entry into new markets;
- e. ensuring the implementation of company policy on outsourcing company functions;
- f. ensuring the implementation of the processes and methods for assessing company operations;
- g. ensuring the correct, timely and secure management of information for accounting, management and reporting purposes;
- h. ensuring the full awareness and governability of risk factors and the verification of compliance with the RAF by the corporate bodies and control functions, through the internal information flows established;
- i. ensuring the implementation of the ICAAP process and the internal risk measurement systems to determine capital requirements;
- j. setting up and implementing the necessary corrective or adjustment measures in the event that shortcomings or irregularities emerge or following the introduction of new products, activities, services or significant processes;
- k. promptly reporting to the Risk Committee and to the Board of Directors on problems and critical issues arising in conducting his activities or which he became aware of, so that the Committee and Board can take suitable action;
- submitting to the Board of Directors, in agreement with the Chairman and, if appropriate, through the Board Committees, proposals for defining general management baselines and guidelines and the general organisation structure of the Group, approval of strategic operations, industrial and financial plans, budgets;
- in agreement with the Chairman and with the cooperation of the members of General Management, seeing to the study, preparation of deeds and sending non-binding letters relating to extraordinary operations or agreements, to be submitted to the Board of Directors;
- defining the guidelines of commercial and product policy of the Bank and of the Group;
- defining guidelines and pricing policies, conditions and commissions of the Bank and of the Group;
- making proposals to the Board in respect of the Group's separate and consolidated financial statements and dividend policy;
- proceeding with the assumption, promotion, definition of functions, proxies, powers and financial remuneration of personnel of any rank and level, without prejudice to the exclusive competence of the Board of Directors in relation to the General Management. Vis-à-vis said personnel: adopting any relevant provision, authorising the granting of periods of leave, arranging transfers and secondments, assuming all precautionary and disciplinary measures - including dismissal - and defining leaving entitlements;

- submitting to the Board of Directors, in agreement with the Chairman and, if appropriate, through the Board Committees, proposals for appointing the members of the general management of Subsidiaries as well as directors and auditors of associates;
- appointing - in agreement with the Chairman - the managers of the subsidiaries, proposing their financial package, annual or otherwise; vis-à-vis the said personnel proposing: merit measures, transfers and secondment, retirement pensions;
- approving, without prejudice to the provisions of article 23 of the Articles of Association, changes to the organisational structure and internal regulations;
- seeing to the performance of the main Subsidiaries with minority shares by the Bank and by the Group;
- seeing to the institutional relations with the Supervisory Authorities, other Authorities, Bodies and Associations, in addition to the most important relations with the interlocutors of the Bank and of the Group in agreement and coordination with the Chairman;
- authorising, in agreement with the Chairman, the attendance to the meetings of the subsidiaries and main associates;
- seeing, in agreement with the Chairman, to the corporate communications to the market and, together with the Chairman, relations with the financial community and qualified relations with the press;
- ensuring the implementation of the resolutions of the Board of Directors and Executive Committee (if appointed);
- disbursing and reviewing any and all loans up to a maximum amount of EUR 25,000,000.00 for each position;
- approving repayment plans, transfers to losses, assignments of receivables, settlements, arbitrations and other equivalent instruments that result in a loss for the bank not exceeding the amount of EUR 1,500,000;
- approving the participation in underwriting consortium and syndicates involving a commitment of up to a maximum amount of EUR 25,000,000.00;
- signing contracts for the purchase of goods and services of any type, assigning professional and advisory engagements up to a maximum amount, per contract, of EUR 800,000, without prejudice to observance of the annual spending budget approved by the Board of Directors;
- purchasing, selling and exchanging motor vehicles, machines, movable property, of any type and intangible assets;
- purchasing, selling or exchanging properties up to a maximum amount of EUR 2,000,000.00;
- entering into public and private contracts for works;
- entering into receivable and payable leaseholds;
- approving the Global Portfolio, the Model Portfolios, the Investment Strategies, the list of "Substitute Products" and any interventions or changes thereto.

The Chief Executive Officer is responsible for the management of the company and the situation of interlocking directorates envisaged by the Code does not apply to him.

Chairman of the Board of Directors

The Chairman of the Board of Directors is not assigned general or specific operational authorisations, with specific reference to the formation of business strategies.

(Application Principle 2.C.1.)

The Chairman is not the "chief executive officer in charge of managing the Issuer" nor, at the date of this Report, the controlling shareholder of the Issuer.

Pursuant to Article 21 of the Articles of Association, the Chairman oversees the Company's performance, promotes the effective functioning of the corporate governance system, encourages internal communication and ensures the balance of powers. He/she calls the Board of Directors meetings, coordinates the work, sets the agenda, ensures that suitable in-depth information is provided during the Board sessions and undertakes to provide adequate information on issues to be discussed on the agenda to all Directors.

In cases of absolute urgency, upon proposal by the General Manager or Chief Executive Officer, the Chairman can take decisions on any matter or operation falling under the responsibility of the Board of Directors or the Executive Committee, if appointed, with the obligation to inform the Board of Directors of the decisions taken at its first meeting.

(Principle 2.P.6.)

Reporting to the Board

Pursuant to Article 24, paragraph 3, of the Articles of Association and Article 2381, paragraph 5, of the Italian Civil Code, the delegated bodies must report to the Board of Directors and the Board of Statutory Auditors at least quarterly on the general trend in operations, business outlook and the most significant transactions carried out by the Bank and its subsidiaries.

The Bank adopted the "*Rules for reporting to corporate bodies of the Credito Valtellinese Banking Group*" ("*Rules for reporting*") in line with the Supervisory Provisions. Said document identifies and regulates the frequency and minimum required content of reports to the Board of Directors, as well as the frequency with which the delegated bodies report to the Board of Directors on the powers exercised.

4.5 Other Executive Directors

Apart from the Chief Executive Officer, the Board of Directors of Creval does not include any other executive directors as defined in the Corporate Governance Code. (*Application Principle 2.C.1.*)

4.6 Independent Directors

The Board of Directors included twelve independent directors out of a total of fifteen. (*Application Principle 3.C.3.*)

At the meeting of 8 March 2021, the Board of Directors checked the independence requirements of its members pursuant to Article 17, paragraph 3, of the Articles of Association, the Corporate Governance Code and Article 148, paragraph 3, of the Consolidated Finance Act. As a result of the checks carried out, the following members were confirmed as independent directors: Stefano Caselli, Livia Aliberti Amidani, Elena Beccalli, Paola Bruno, Maria Giovanna Calloni, Carlo Crosara, Anna Doro, Fausto Galmarini, Serena Gatteschi, Stefano Gatti, Jacob F. Kalma and Teresa Naddeo.

The Board of Directors also established that the Chairman Alessandro Trotter no longer possesses the independence requirements. (*Application Principle 3.C.4.*)

In conducting the above assessments on the independence requirement of the directors, the Board of Directors applied all the criteria envisaged by the Corporate Governance Code, textually implemented in Article 17, paragraph 3, of the Articles of Association. (*Application Principles 3.C.1. and 3.C.2.*)

The Board of Statutory Auditors took part, in its full composition, in the Board and internal board meetings in which the Board assessed the independence of its members, verifying the correctness of the application of the assessment criteria and procedures adopted. (*Application Principle 3.C.5.*)

The independent directors met on 5 February 2020 without the presence of the other directors. (*Application Principle 3.C.6.*)

The directors who, on the list for the appointment of the Board of Directors for the three-year period from 2018 to 2020, indicated that they were suitable to be classified as independent did not expressly declare their commitment to remain independent during their office and, if necessary, resign. However, Article 17, paragraph 2, of the Articles of Association states that at least four Directors must satisfy independence requirements and at least five Directors must be non-executive, pursuant to the provisions of applicable Bank of Italy supervisory instructions. Should a director no longer meet the independence requirements set out in Article 17, paragraph 3, that Director shall be disqualified from office, unless said requirements are still met by the minimum number of directors who must meet

them, according to the Articles of Association, in compliance with governing law and regulations.

(Article 5 of the Corporate Governance Code)

4.7 Lead Independent Director

Application Principle 2.C.4., which requires the designation of a "Lead Independent Director" does not apply, as things stand, in that the Chairman of the Board of Directors is not the "chief executive officer in charge of managing the Issuer" and does not exercise control over the company.

5. PROCESSING CORPORATE INFORMATION

The Board of Directors approved the adoption of a specific "Internal procedure of the Credito Valtellinese Banking Group for: privileged information; register of persons who have access to privileged information; communications on internal dealing".

The document defines the rules and operating procedures adopted by the Creval Group in relation to the management and disclosure to the market of privileged information as per Article 7 of Regulation (EU) no. 596/2014 on market abuse ("Market Abuse Regulation") and the management of the register of persons who have access to privileged information.

The policy aims to ensure maximum confidentiality of the information in question, to reduce the risk of offences of insider dealing and market manipulation referred to in Articles 8 and 12 of Regulation (EU) no. 596/2014 being committed, and to ensure the application of legal and regulatory provisions on the processing and disclosure to the market of privileged information and the keeping of the register.

The policy also regulates the establishment and maintenance of the register of persons with access to privileged information, also in accordance with the provisions of Regulation (EU) no. 596/2014.

For the transmission and storage of regulated information, Creval uses the eMarket SDIR dissemination system and the eMarket Storage centralised storage mechanism, both managed by Spafid Connect S.p.A., with headquarters in Foro Buonaparte 10, Milan - website www.emarketstorage.com.

Moreover, Creval, in pursuance of the provisions of Article 19 of Regulation (EU) 596/2014, adopted the "Code of Behaviour on Internal Dealing" concerning the rules on "Transactions carried out by persons with administrative, control or management functions".

The code contains provisions for the implementation of the above mentioned regulatory framework and is available on the website www.gruppocreval.com - Governance section.

(Application Principle 1.C.1., letter j)

6. INTERNAL BOARD COMMITTEES (pursuant to Article 123- bis, paragraph 2, letter d) of the Consolidated Finance Act)

The Board of Directors has set up three internal Committees, as required by the Code and the Supervisory Provisions, broken down as follows:

COMMITTEE			
Role	Risk	Appointment	Remuneration
Chairman	Fausto Galmarini	Teresa Naddeo	Paola Bruno
Member	Elena Beccalli	Paola Bruno	Teresa Naddeo
Member	Carlo Crosara	Anna Doro	Massimiliano Scrocchi
Member	Livia Aliberti Amidani		
Member	Anna Doro		

During the financial year, no Committees that perform the functions of two or more of the Committees envisaged by the Code were set up. (*Application Principle 4.C.1., letter c*)

The functions attributed to the Committees were assigned in line with the provisions of the Corporate Governance Code and the Supervisory Provisions. Each Committee is coordinated by a Chairman who informs the Board of Directors of the activities carried out at the first useful meeting.

The Chairman of the Committee can invite the Chairman of the Board of Directors, the Chief Executive Officer, the other directors and, by informing the Chief Executive Officer of it, the representatives of the competent company functions to individual meetings; the members of the Board of Statutory Auditors can attend the meetings of each Committee.

The Committees have the right to access the information and company functions required to carry out their tasks, access to financial resources and make use of external consultants within the terms set by the Board of Directors.

In addition to the above-mentioned Committees, the Board of Directors set up an internal RPT Committee (Related Party Transactions). For further details, refer to paragraph 17 of this Report.

7. APPOINTMENT COMMITTEE

The Board of Directors established an internal Appointment Committee.
(*Principle 5.P.1.*)

Composition and operation of the Appointment Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Finance Act).

The Committee currently in office is composed of three members (*Application Principle 4.C.1., letter a*), appointed from among its members by the Board of Directors on the proposal of the Chairman and chosen from among the independent directors: Teresa Naddeo (Chairman), Paola Bruno and Anna Doro. (*Principle 5.P.1.*)

The Board of Directors appoints the Chairman of the Appointment Committee.

During the financial year, the Appointment Committee held 7 meetings:
Meetings lasted an average of 3:02 hours and all members took part in them.

The Chairman of the Board of Statutory Auditors has always attended the Committee's work and the other Statutory Auditors, or at least one of them, has also attended 5 meetings.

In 2021, at the date of preparation of this Report, 2 meetings of the Appointment Committee were held.

The Head of the General Secretary and Corporate Affairs office also attends the meetings as secretary.

Minutes of the Appointment Committee meetings are duly taken and the Chairman informs the first available Board of Directors' meeting.
(*Application Principle 4.C.1., letter d*)

Functions of the Appointment Committee

The function of the Appointment Committee is to provide consultancy and formulate proposals to the Board of Directors.

Specifically, on the renewal of company officers of the Bank and/or appointment of Directors in the event of co-option pursuant to Article 2386, paragraph 1 of the Italian Civil Code, the Committee assists the Board of Directors in prior identification of the optimal qualitative-quantitative composition of the Board, according to provisions of current Supervisory Provisions on corporate governance of banks, formulating opinions concerning said composition and issuing recommendations on the

professionals deemed appropriate for the Board. (*Application Principle 5.C.1., letter a*).

If the Board presents candidates to the Shareholders' Meeting, or non-independent directors are co-opted, it expresses an opinion on the suitability of said candidates. It also recommends candidates to the Board for the position of Director, where it is necessary to replace Independent Directors, formulates opinions for the Board on the admissibility of the lists of candidates submitted by Shareholders, pursuant to the provisions of the Articles of Association and relevant regulations, and carries out an initial assessment of whether the requirements to hold the office are met (*Application Principle 5.C.1., letter b*). It assists the Board of Directors in the verification the Board is required to carry out following the appointment process, pursuant to applicable regulations and the Articles of Association.

It formulates opinions on any amendments to regulations relating to the number of offices held by Directors, as well as in the periodic self-assessments of said composition, and supports the Board in the verification of compliance with the Regulation adopted by the Bank regarding the limit to the number of administration and control offices held by the Directors in other companies, and formulates opinions on any amendments to said regulation.

It supports the Board in the self-assessment process according to the Supervisory Provisions and in defining succession plans for top-level executive positions, according to Bank of Italy provisions and the Corporate Governance Code.

It exercises all other support functions related to the matters indicated above, in compliance with the regulations and in the cases where the opinion of the Committee is indicated.

The Appointment Committee is able to access the information and company functions required to carry out its tasks and may use external consultants (*Application Principle 4.C.1., letter e*)

During the meeting, the Appointment Committee formulated opinions regarding:

- periodic verification of the requirements for directors pursuant to Article 26 of the Consolidated Banking Act and the Articles of Association;
- applicability of the prohibition of interlocking in relation to the positions taken in companies outside the Creval Group by two Directors;
- results of the self-assessment process of the Board of Directors for 2019;
- preparation of the proposal to amend the "*Regulation of the self-assessment process of the Board of Directors of Credito Valtellinese*";
- definition of the proposal for the new "*Succession Plan for top-level executive positions*";
- definition of the proposal for the adoption of the "*Guidelines for succession planning for Key Management Personnel*";
- the self-assessment process of the Board for the 2020 financial year;

- start of the process to define the optimal qualitative and quantitative composition of the Board of Directors in view of the next renewal of offices.

Consultants from Mercer, as part of the board evaluation for 2019, and from Willis Towers Watson, appointed by the Company, for the definition of the "*Succession Plan for top-level executive positions*" and the "*Guidelines for succession planning for Key Management Personnel*" attended the meetings of the Appointment Committee - at the invitation of the Committee and on individual agenda items.
(*Application Principle 4.C.1., letter f*)

In the financial year, a specific expense account was established as part of the corporate budget called "Consulting for the Appointment Committee", with an amount of EUR 100,000, including VAT, to provide the Committee with the necessary financial resources to carry out its functions.

8. REMUNERATION COMMITTEE

The Board of Directors established an internal Remuneration Committee (*Principle 6.P.3.*).

Composition and operation of the Remuneration Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Finance Act).

The Committee currently in office is composed of three members (*Application Principle 4.C.1., letter a*), appointed from among the members of the Board of Directors upon proposal of the Chairman and chosen from among non-executive directors, with a majority of Independent Directors: Paola Bruno (Chairman), Teresa Naddeo and Massimiliano Scrocchi. (*Principle 6.P.3.*)

The Board of Directors – at the time the Committee was appointed – successfully ascertained that Teresa Naddeo, Committee member, had suitable knowledge and experience in financial matters and remuneration policies. (*Principle 6.P.3.*)

During the financial year, the Remuneration Committee held 6 meetings: The meetings lasted an average of 2:42 hours and were attended by all members.

In 2021, at the date of preparation of this Report, 2 meetings of the Remuneration Committee were held.

The Committee's activities are coordinated by the Chairman, appointed by the Board of Directors from among the independent members of the Committee. Minutes of the meetings are duly taken and the Chairman of the Committee informs the first available Board of Directors' meeting.

The Head of Human Resources also attends the meetings as secretary.

The members of the Risk Committee and the Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by him/her can attend the meetings of the Committee. The Chairman can, from time to time, invite to the meetings of the Committee also other persons whose presence may be of help for the better performance of the Committee's functions.

With regard to the optional attendance of the Chairman of the Board of Statutory Auditors, or of another statutory auditor designated by him/her, attendance at all committee meetings was recorded during the year. (*Comment to Article 6 of the Code*)

The Committee decided to ask representatives of the consulting firm Willis Towers Watson and Georgeson to attend a number of meetings, on specific agenda items of the meetings. (*Application Principle 4.C.1., letter f*)

Functions of the Remuneration Committee

The Committee periodically assesses the adequacy, overall consistency and concrete application of the remuneration policies for directors and key management personnel. (*Principle 6.P.4.*)

Moreover, with the assistance of the relevant company structures, the Committee also prepares the documentation on issues falling within its remit, to be submitted to the Board of Directors for the related decisions, including the document to be submitted annually to the Bank's Ordinary Shareholders' Meeting, also in compliance with Bank of Italy Supervisory Provisions. (*Application Principle 6.C.5.*)

The Committee advises and makes proposals on the remuneration of company officers (directors who carry out certain duties or who have been granted powers, general manager and those carrying out equivalent functions) and of the heads of company internal control functions (*Principle 6.P.4.*); it advises on the determination of the remuneration criteria for risk takers, identified based on applicable Bank of Italy Supervisory Provisions. In these cases, the directors do not attend the committee meetings where proposals are made to the Board concerning their own remuneration (*Application Principle 6.C.6.*). In any case, also with regard to the payments of its members, the Committee's proposal is ratified by the Board of Directors, with the favourable opinion of the Board of Statutory Auditors.

The Committee directly supervises the correct application of the rules concerning the remuneration of the heads of company internal control functions, working closely with the control body; works with the other internal Board committees, and specifically with the Internal Control Committee; insures that the pertinent company functions are involved in drawing up and controlling the remuneration policies and practices; expresses its opinion, also using the information received from the competent company functions, on the achievement of performance targets related to incentive plans and on the verification of other conditions required for fee disbursement. (*Application Principle 6.C.5.*)

The Committee has access to significant company information to achieve the above purposes and may also use external consultants at the Bank's expense, based on the resolution of the Board of Directors. (*Application Principle 4.C.1., letter e*)

On 10 March 2020, the Board of Directors acknowledged that the Remuneration Committee had appointed the independent consulting firm Willis Towers Watson to provide consultancy and assistance during the financial year (*Application Principle 6.C.7.*).

In the financial year, a specific expense account was established as part of the corporate budget called "Consulting for the Remuneration Committee", with an amount of EUR 100,000, including VAT, to provide the Committee with the necessary financial resources to carry out its functions.

9. REMUNERATION OF DIRECTORS

For information concerning this section, refer to the "Report on the Policy on Remuneration and Fees Paid" available in the Governance section on the Company's website www.gruppocreval.com

10. CONTROL AND RISK COMMITTEE

The Board of Directors established a Risk Committee. (*Principle 7.P.3., letter a), no. (ii) and 7.P.4.*)

Composition and operation of the Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Finance Act)

The Committee currently in office is composed of five members (*Application Principle 4.C.1., letter a*), appointed from among its members by the Board of Directors on the proposal of the Chairman and chosen from among the independent directors: Fausto Galmarini (Chairman), Livia Aliberti Amidani, Elena Beccalli, Carlo Crosara and Anna Doro. (*Principle 7.P.4.*)

The Board of Directors, at the same time as the appointment, positively ascertained the possession of adequate experience in accounting, finance and risk management. (*Principle 7.P.4.*)

During the financial year, the Risk Committee met 13 times.

The members of the Committees generally ascertained their participation in the work and the meetings lasted on average 4:55 hours with 98% of members attending.

For the current year, twelve meetings were planned, of which three have already been held as at the date of this Report.

The Committee's activities are coordinated by the Chairman, appointed by the Board of Directors.

Minutes of the meetings are duly taken (*Application Principle 4.C.1., letter d*) and the Chairman of the Committee informs the first available Board of Directors' meeting.

The Chairman and the other members of the Board of Statutory Auditors have always participated in the Committee's work pursuant to Creval's related regulation. (*Application Principle 7.C.3.*)

Functions assigned to the Committee

The Committee, also by virtue of the Supervisory Provisions, performs support functions (with investigative, consulting and proposal duties) for the Board of Directors, as the body exercising strategic supervision, on risks and the internal control system. (*Application Principle 7.C.1., part one*).

Within that scope, the Committee performs:

- a) activities useful and necessary so that the Board may correctly and effectively determine the risk appetite framework (RAF) and risk governance policies;
- b) consulting and proposal functions to the Board to contribute to ensuring the optimum execution by the Board of its duties of guidance and assessment of the adequacy of the internal control and risk management system; (*Application Principle 7.C.2. letters b, d and f*);
- c) support activities, through suitable assessment and assistance, for the valuations and decisions of the Board of Directors concerning approval of periodic financial reports.

The Committee performs the following tasks:

- a) identifies and proposes, with the contribution of Creval's Appointment Committee, the heads of company control functions to be appointed;
- b) pre-emptively examines and expresses an opinion on action plans (including the audit plan) and the annual reports of the company control functions to the Board of Directors, and pre-emptively examines the most important reports drawn up by the internal audit function (*Application Principle 7.C.2., letter c*);
- c) expresses assessments and formulates opinions to the Board of Directors on compliance with the principles that must underlie the internal control system and business organisation and requirements that must be met by the company control functions, bringing to the Board's attention any weaknesses and the resulting corrective actions to be promoted. To that end, it assesses the proposals of the management body. In that area, specifically, it monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function and expresses an opinion on the suitable number of resources necessary to fulfil the responsibilities of the internal audit function. (*Application Principle 7.C.1., part two and Application Principle 7.C.2., letter d*)

It also provides the Board with a preliminary opinion on the resolutions concerning the assessment of the adequacy of the internal control and risk management system in relation to the company's characteristics and the risk profile assumed, as well as its effectiveness;

- d) contributes, through assessments and opinions, to defining the business policy on the outsourcing of company control functions;
- e) verifies that the company control functions correctly follow the instructions and guidelines of the Board of Directors and assists the latter in drawing up the coordination document envisaged by Bank of Italy Circular no. 263 of 27 December 2006, Title V, Chap. 7;
- f) assesses the correct use of accounting standards for drawing up the separate and consolidated financial statements. To that end, it coordinates with the Manager in charge of financial reporting and the Board of Statutory Auditors, having consulted the independent auditors. Similarly, it assesses the homogeneity of the accounting standards for the purpose of drawing up the consolidated financial statements. (*Application Principle 7.C.2., letter a*). It also provides the Board with a preliminary opinion on resolutions concerning the assessment of results stated by independent

auditors in the Additional Report (Article 11 Regulation (EU) no. 537 of 16 April 2014);

g) as part of the RAF, it carries out the required assessments and makes the necessary proposals so that the Board of Directors may define and approve the risk appetite and risk tolerance (*Application Principle 7.C.2., letter b*);

h) supports the Board of Directors in defining and approving the risk governance strategies and policies, as well as in verifying the correct implementation of risk governance strategies and policies and the RAF;

i) supports the Board of Directors in defining the policies and practices for assessing the business operations that constitute the bank's assets, including verifying that the prices and conditions of transactions with customers are consistent with the business model and risk strategies;

j) ascertains that the incentives underlying the remuneration and incentive system of the bank are consistent with the RAF, without prejudice to the responsibilities of the Remuneration Committee;

k) supports, with a preliminary investigation activity, the evaluations and decisions of the Board of Directors relating to the management of risks deriving from adverse events, which the Board body has become aware of.

The Committee also provides the Board with a preliminary opinion on resolutions concerning:

a) the definition of strategies for the internal control and risk management system;

b) the approval of parts of the corporate governance report concerning the description of the main characteristics of the internal control and risk management system and related adequacy assessment.

To better fulfil its tasks, the Committee may ask the internal audit function to conduct audits of specific operating areas, providing the Chairman of the Board of Statutory Auditors with suitable notification thereof. (*Application Principle 7.C.2., letter e*)

The Chairman of the Committee, or another member appointed by the Chairman, will update the Board of Directors on the activities carried out and on the adequacy of the internal control and risk management system, on a half-yearly basis, upon approval of the financial statements and the half-yearly report. (*Application Principle 7.C.2., letter f*)

In carrying out its duties, the Committee works closely with the independent auditors, the Board of Statutory Auditors as well as the Director in charge of the internal control system, the Chief Risk Officer, the Deputy General Manager responsible for the Anti-Money Laundering and Compliance functions, the Head of the Auditing Department and the Manager in charge of financial reporting, and with company control functions.

During the financial year, the Committee duly carried out the tasks it has been assigned by the regulation, developing preliminary opinions in all areas of competency regarding business risk management and the control system: Risk

Appetite Framework, identification of relevant risks, large transactions, credit risk management processes, credit performance monitoring, financial and market risk management processes, management processes for operational risks and other risks, internal validation, stress testing, risk disclosures, assessment of risk management processes and disclosures for the public, the market and the Supervisory Authorities.

The following persons were invited, from time to time, to participate in the Committee meetings on a consultancy basis: the Manager in charge of financial reporting, the Head of the Auditing Department, the Deputy General Manager responsible for the Anti-Money Laundering and Compliance functions and the Chief Risk Officer, who is also Head of the Risk and Control Department, in relation to the discussion of issues that fall under their respective areas of responsibility.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the Chairman of the Board of Statutory Auditors participates in Committee work. However, the other statutory auditors have the right, which can be exercised at their discretion, to attend the meetings. (*Application Principle 7.C.3.*)

In the financial year, a specific expense account was established as part of the corporate budget called "Consulting for the Risk Committee", with an amount of EUR 100,000, including VAT, to provide the Committee with the necessary financial resources to carry out its functions.

(*Application Principle 4.C.1., letter e*)

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

It should be firstly noted that the internal control system is a fundamental element of the overall governance system of banks. It plays a central role in the organisation and makes it possible to ensure effective monitoring of risks and their inter-relations, in order to guarantee that activities are in line with the company strategies and policies and based on principles of sound and prudent management. Therefore, the control system has strategic relevance in view of the medium/long-term sustainability of the Bank's activities.

The Board of Directors considers that Group competitiveness and its stability require a solid and effective internal control system that involves, with different roles, the administrative bodies, the Board of Statutory Auditors, the Management and all personnel, and takes into adequate consideration the reference models as well as national and international best practices.

The control ethos has an important position in the scale of company values; it does not regard solely the company control functions but involves the entire company organisation. Therefore, the control system is an integral part of the Bank's daily activities, as it contributes to the effective monitoring of company risks, protection from losses and the safeguarding of asset value. A good internal control system contributes to preserving correct, effective company operations and ensures compliance with rules and regulations, as well as the faithfulness, accuracy and reliability of company disclosure.

Based on these premises, at the request of the Board of Directors, during the financial year, the internal control system was the subject matter of an assessment activity, carried out by a leading consulting firm, with the aim of assessing its compliance with regulatory requirements, verifying the efficiency and effectiveness of the control processes, with reference to the best practices in the sector, and identifying any areas for improvement in the methods of carrying out control activities by the Functions in charge. The assessment confirmed the substantial compliance of the control system with the Supervisory Provisions and highlighted possible aspects of improvement and efficiency from an evolutionary point of view, against which a specific project was launched, currently being implemented, aimed at implementing the suggested corrective measures.

The Creval Group's internal control system is based on:

- control bodies and functions, involving in particular, each insofar as it concerns them, the Board of Directors, the Risk Committee, the Chief Executive Officer as Director in charge of the internal control and risk management system, the Board of Statutory Auditors, as well as the company functions with specific tasks in this regard;

- information flows and methods for coordination between the parties involved in the internal control and risk management system.

11.1 Bodies and control functions

The roles and responsibilities of corporate bodies and control functions are summarised below.

Board of Directors

The Board of Directors defines the guidelines of the internal control and risk management system, so that the main risks of the company and the Group are correctly identified, adequately measured, managed and monitored, determining the criteria of compatibility of these risks with a sound and correct business management. (*Application Principle 1.C.1., letter a*).

Within this scope, the Board defines and approves the Group's Risk Appetite Framework (RAF) that, consistent with the provisions of Bank of Italy Circular 285/2013, represents the system of risk objectives or "*the reference framework that establishes - consistent with the maximum risk that can be undertaken, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies, the reference processes needed to define and implement them*". (*Application Principle 1.C.1., letter b*).

Specific risk objectives, usually referring to the financial year, are defined for first-level metrics both on a long-term basis, to align with the timing of the preparation of the strategic plan, and on an annual basis, in conjunction with operational planning. The Risk Committee carries out preliminary activities and makes the necessary assessments and proposals so that the Board of Directors can define and approve risk objectives and tolerance thresholds and supports the Board in defining and approving risk governance strategies and policies, as well as in verifying the correct implementation of strategies, risk governance policies and the RAF. (*Application Principle 7.C.1., letter a*).

The corporate bodies of the individual Group companies, according to their respective competences, act consistently with the Group's RAF and are responsible for its implementation for the aspects relevant to the specific company situation. The Board reviews the Group's RAF annually to ensure that the business develops in line with the desired risk profile and in compliance with relevant regulations.

The Board of Directors has exclusive responsibility for the appointment and revocation of the heads of the control functions, the definition of the tasks and the relevant responsibilities, the methods of coordination and information flows between said functions and corporate bodies. With the support of the Risk Committee, it

prepares the Control coordination document, in line with the provisions of Circular 285. Specific control powers are assigned to the Chief Executive Officer. The Board of Directors ensures that the control functions are independent and that they have access to all the relevant information to carry out their tasks.

The Board approves, at least once a year, the work plan prepared by the head of the internal audit function, after consulting the Board of Statutory Auditors (*Application Principle 7.C.1., letter b*).

In the process of planning control activities, provision is formally made for sharing between the various company control functions, in order to ensure coordination of their respective planning.

The Risk Committee examines in advance and expresses an opinion on the planning of the activities of the individual control functions submitted to the Board of Directors. (*Application Principle 7.C.4., letter d*).

In line with the aforementioned Supervisory Provisions, on an annual basis at the end of the operating cycle, the company control functions:

- submit a report on activities carried out to the corporate bodies, which describes the checks made, the results obtained, and the weaknesses discovered, as well as remedial actions to be taken;
- report on the completeness, adequacy, functionality, and reliability of the internal control system, each insofar as it concerns them.

During the year, quarterly updates are also provided to the Risk Committee and the Board of Directors regarding the progress status of the control activities and the results.

In the annual reporting process for the activities of the company control functions, the Risk Committee is expected to review in advance and issue an opinion on the annual reports of the functions for the Company's Board of Directors.

In consideration of the above, the Board of Directors performs a regular check on the internal control system through the results of the periodic reports from the company control functions and through additional information flows it received. In the event shortcomings or anomalies emerge, it promptly adopts suitable corrective measures.

Therefore, in said context, the key elements of the overall internal control system and its adequacy for the purpose of constantly and effectively monitoring the major risk areas are subject to continuous assessment by the Board of Directors.

The Board of Directors, having obtained the opinion of the Board of Statutory Auditors, also assesses the adequacy, functionality and reliability of the internal control system at least once a year, when examining the reports of the company control functions provided for by Circular 285. (*Application Principle 7.C.1., letter b*).

Director in charge of the internal control and risk management system⁽⁴⁾

Without prejudice to the competence of the Board of Directors regarding the establishment of the company control functions and the definition of the pertinent roles and responsibilities, in compliance with the provisions of the Corporate Governance Code (*Principle 7.P.3. - Application Principle 7.C.4.*), the Board of Directors identified the Chief Executive Officer as the Director in charge of the internal control and risk management system, whose functions are consistent with the provisions of Circular 285 and the specific powers granted to him.

This role - previously held by the Chief Executive Officer Mauro Selvetti - was assigned to Luigi Lovaglio effective from 25 February 2019.

The Director in charge of the internal control and risk management system, availing himself of the competent control functions:

- identifies the main business risks (strategic, operating, financial and compliance), taking account of the characteristics of the activities carried out by the Bank and its subsidiaries, and submits them periodically, through the heads of the individual control functions, for examination by the Board (*Application Principle 7.C.4., letter a*);
- implements the guidelines defined by the Board, seeing to the design, implementation and management of the internal control and risk management system and constantly checking its adequacy and effectiveness (*Application Principle 7.C.4., letter b*);
- guarantees the adjustment of this system to the trend in the operating conditions and the legislative and regulatory framework (*Application Principle 7.C.4., letter c*);
- has the power to ask the internal audit function to carry out checks on specific operating areas and on compliance with internal rules and procedures in carrying out company transactions, by notifying at the same time the Chairman of the Board, the Chairman of the Risk Committee and the Chairman of the Board of Statutory Auditors thereof (*Application Principle 7.C.4., letter d*);
- promptly reports to the Risk Committee and to the Board of Directors on problems and critical issues arising in conducting his activities or which he became aware of, so that the Board can take suitable action (*Application Principle 7.C.4., letter e*).

The Chief Executive Officer is responsible for adopting all the necessary actions to ensure that the company's organisation and internal control system are aligned with the principles and requirements of current regulations. He continuously checks, through the competent functions (as well as by directly participating in specific managerial risk monitoring and/or control committees), the effective management of overall company risks and the adequacy, effectiveness and efficiency of the related

⁴ Paragraph 11.1 of the Format for the Report on Corporate Governance and ownership structures

control units, also through the definition of adequate policies for the management of such risks. In this area, it facilitates the circulation of an integrated risk culture at all levels in relation to the different types of risks.

Board of Statutory Auditors

The system entrusts control tasks to the company's Board of Statutory Auditors, carrying out the role envisaged by law, supervisory rules, regulations and the Articles of Association.

In this context, note the duties established in Circular no. 285, Part One, Title IV, Chapter 1 "Corporate Governance", which states that the Board of Statutory Auditors oversees "*compliance with the legal, regulatory, and statutory provisions on proper administration and the adequacy of the bank's organisational and accounting structures*".

As an integral part of the overall internal control system, the Bank's control body is responsible for supervising the functionality and effectiveness of the internal control and risk management system as a whole, ascertaining the effectiveness of structures and functions involved in the system and that they are adequately coordinated.

(Principle 7.P.3., letter d)

Furthermore, pursuant to Article 16 of Italian Legislative Decree no. 39/2010, the Bank is defined as a "public-interest entity". Hence, Article 19 of the above decree is applicable to the Bank, which states that "the Internal Control and Audit Committee", identified in accordance with the law as the Board of Statutory Auditors, supervises the financial reporting process, among other items. *(Principle 7.P.3., letter d)*

11.2 Control functions and essential elements of the internal control and risk management system

(Application Principle 7.C.1., letter d.)

The set of business risks is monitored by the Group according to a model that integrates control methods at various levels, all designed to ensure efficiency and effectiveness of operating processes, safeguard the integrity of corporate assets, protect against losses, ensure reliability and integrity of information, and verify that the activity is carried out correctly in compliance with internal and external regulations.

Thus, the essential elements of the internal control model of the Creval Group are summarised below, within which the Bank's internal control system falls as at the date of this Report. Specific sections are dedicated to methods of coordination between the parties that participate in the implementation of the system and in the

framework of risk management and internal control in the financial reporting process pursuant to Article 123-bis, paragraph 2, letter b) of the Consolidated Finance Act.

The definition of the "internal control system" is consistent with the Bank of Italy Supervisory Provisions, Circular 285/2013 - Part One, Title IV, Chapter 3 (hereinafter "Circular 285"). Specifically, *"the internal control system comprises the set of rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following goals:*

- monitoring the implementation of strategies and corporate policies;
- reducing the risk within the limits indicated in the framework of reference for determining the risk appetite of the bank (Risk Appetite Framework - "RAF");
- safeguarding of the asset value and protection from losses;
- effectiveness and efficiency of corporate processes;
- reliability and security of business information and of IT procedures;
- prevention of the risk that the bank is involved, even unintentionally, in illegal activities (with a special reference to those related to money laundering, usury and terrorist financing);
- compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and procedures".

The Group's organisational structure meets the requirement of ensuring, also in relation to the management and coordination activities pursuant to Article 2497 et seq. of the Italian Civil Code and in line with the Supervisory Provisions, that the Parent constantly performs effective controls with regard to all members of the Group. The controls encompass strategic, management, technical and operational aspects:

- a strategic control on the development of the different business areas in which the Group operates and of the risks related to the activities carried on;
- a management control aimed at ensuring maintenance of the conditions of economic and financial balance of the individual companies and of the Group as a whole;
- technical and operational control to assess the various risk profiles of individual subsidiaries and the Group's overall risks.

In line with the Supervisory Provisions and with international best practices, the Creval Group's internal control system was designed to provide for three distinct types of control, each of which has specific characteristics related to the scope, purpose, execution procedures and parties involved, as described below.

- **First-level controls** ("line controls"), aimed at ensuring the correct performance of operations, are carried out directly by the operating structures, the back-office structures and through automation of the information systems of all members of the Group.

- **Second-level controls** (risk management and compliance controls), aimed at ensuring, among other things:
 - the correct implementation of the risk management process;
 - the compliance with the operating limits assigned to various functions;
 - the compliance of business operations to regulations, including self-regulation.

Second-level controls are part of the risk management, validation, compliance and anti-money laundering control functions. Considering the importance of the activities carried out and the responsibilities assigned within the internal control system, those functions have been centralised within the Parent and identified through the following organisational units that are separate and hierarchically independent from the company functions that carry out activities subject to controls (*Principle 7.P.3., letter c*):

- organisational units consisting of the functional area assigned to the Chief Risk Officer, who carries out and is responsible for the activities related to risk control and validation functions;
- organisational units reporting to the Deputy General Manager in charge of Compliance and Anti-Money Laundering, which carries out and is responsible for the activities related to compliance and anti-money laundering functions.

- **Third-level controls:** consist of internal audit activities, aimed at identifying violations of procedures and regulations as well as regularly assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the information system (ICT audit), on a fixed basis in relation to the nature and intensity of the risks.

To that end, the Parent has set up the internal audit function. The activities of this function and related responsibilities are assigned to the organisational units that comprise the Auditing Department.

In organisational terms, for the purpose of guaranteeing their independence, the functional areas reporting to the Chief Risk Officer, the Deputy General Manager in charge of Compliance and Anti-Money Laundering and the Auditing Department are separate from each other and the persons in charge, meeting the requirements of adequate professionalism, have a hierarchical-functional position such as to preserve their authority and autonomy of judgement and not to determine restrictions, intermediations or limits to direct communication by the company control functions with the strategic supervision and control bodies.

Similar to the provisions for the Manager in charge of financial reporting and the internal audit function, the risk management, validation, compliance and anti-money laundering functions also have financial resources, as part of the budget approved by the Board of Directors, to carry out their duties.

In line with the provisions of Circular 285, appointing and revoking the heads of the internal audit, compliance and risk control functions, as well as the Manager in charge of financial reporting falls within the exclusive competence of the Board of Directors. The Risk Committee identifies and proposes, with the contribution of the Appointment Committee, the heads of company control functions to be appointed. Moreover, the Remuneration Committee consults and makes proposals regarding fees for the heads of company internal control functions, directly supervising the proper application of rules on remuneration for these individuals.

From a Group coordination viewpoint and to ensure the effectiveness and integration of controls, the model requires that the other companies of the Group assign the performance of the company control functions to the organisational units set up within the Parent, based on specific agreements and in application of Group Supervisory provisions on outsourcing.

The roles and powers of the individual control functions are described in detail below.

The risk control and validation functions are assigned to the **organisational area of the Chief Risk Officer**, Fabio Salis, who carries out and is responsible for the related activities both with regard to Creval and other Group companies.

The CRO area oversees the operation of the Group's risk system by defining the appropriate methods for measuring the complex of current and future risks, in compliance with the regulatory provisions and management choices identified in the RAF, monitoring them and verifying compliance with the limits established for the various business lines.

All activities are carried out on the basis of a structured framework, characterised mainly by the following elements:

- the RAF, which consists of "the reference framework that establishes - consistent with the maximum risk that can be undertaken, the business model and the strategic plan - the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies, the reference processes needed to define and implement them". At the same time, it is a management tool that supports the achievement of the set objectives and is integrated with strategic and operational planning, and a tool for control that identifies any overruns of the set limits;
- the risk management process, defined in compliance with RAF and intended as "all the rules, procedures, resources (human, technological and organisational) and control activities for identifying, measuring or assessing, monitoring, preventing or mitigating as well as notifying the suitable superiors of all risks assumed or which may be assumed in the various segments, at company and group portfolio level, also applying, in an integrated logic, mutual inter-relations and following the development of the external scenario". The operational limits to the assumption of various types of risk and the related reporting processes are

- consistent with the risk appetite defined within the Risk Appetite Statement and with the development of the economic scenario;
- the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), the results of which are summarised in the ICAAP-ILAAP Report that represents, on the one hand, the point of convergence and synthesis of the equity, economic and financial plans of the risk management, capital management and liquidity management and that, on the other hand, is an essential instrument supporting strategic planning and the implementation of the corporate decisions;
 - the process of defining the Recovery Plan according to the indications of the supervisory bodies (Bank Recovery and Resolution Directive - BRRD, transposed into Italian law by Legislative Decree no. 180 of 16 November 2015), which establishes the methods and measures with which to intervene to restore the long-term economic sustainability of an institution in the event of a serious deterioration in its financial situation;
 - the Contingency Funding and Recovery Plan (CFRP), which describes the procedures to be followed and the actions to be taken in the event of situations of severe stress or significant deterioration of the liquidity profile, or the possibility of such situations occurring. This framework envisages the activation of an intervention plan, according to two critical levels, following an evaluation and escalation process starting from a set of systemic and intolerant indicators; funding sources are also identified and the management levers that the Bodies designated to govern the crisis can activate in order to restore a normal liquidity position. The aim of CFRP is to manage a short-term liquidity crisis limited to this profile. The Restructuring plan, on the other hand, supervises situations of significant deterioration in the economic sustainability and financial situation of the Group.

The **Compliance and Anti-Money Laundering control function**, whose responsibility is assigned to the Deputy General Manager and Compliance Officer Mr. Enzo Rocca, performs and is responsible for activities related to the monitoring of compliance risk and regarding money laundering and terrorist financing.

This Function oversees, using a risk-based approach, the management of compliance risk with regard to all business operations, both of Creval and the other Group companies, verifying that the internal procedures are suitable to prevent said risk.

For the most important rules concerning compliance risk (such as those regarding the exercise of banking business and intermediation, the management of conflicts of interest, transparency in relation to customers and, more generally, regulations protecting consumers) and for those not covered by forms of specialised controls already present within the Bank, the Function is directly responsible for managing the risk in question.

Where specific types of specialised controls are envisaged within the Group, the Compliance Function is responsible, working with the assigned specialised

functions, for defining the assessment methods for compliance risk and identifying the related procedures; it verifies the adequacy of said procedures to prevent compliance risk.

The aforementioned Function plays an important role in creating value for the company, by strengthening and preserving the Group's reputation and the public's trust in its correct operations and management. It also promotes the dissemination of a culture of compliance as an essential prerequisite for good company operation. In relation to anti-money laundering, the Function oversees the effort to prevent and manage the risk of money laundering and terrorist financing and is specifically assigned to prevent and combat the carrying-out of those types of transactions. Said Function supports the company functions in defining strategies for managing the risk of money laundering in relation to the RAF.

The Function constantly verifies that the business procedures align with the goal of preventing and combating the breach of external rules (laws and regulations) and self-regulations concerning money laundering and terrorist financing. Special attention is reserved to the internal systems and procedures targeted at compliance with the customer due diligence obligations, as well as the systems for the identification, assessment and reporting of suspicious transactions and other situations subject to mandatory reporting, as well as appropriate storage of the documentation and information required by the legislation.

The Function oversees the regulatory and organisational framework concerning anti-money laundering, also drawing up suitable training plans, maintains relations with the Supervisory Authorities, with Group governance bodies and with anti-money laundering contacts at Group companies in relation to anti-money laundering issues, drawing up appropriate disclosures.

The internal audit functions are assigned to the **Auditing Department**, which reports to the Board of Directors, and carries out the following tasks:

- verifies, through the activities of the Department's audit units, the completeness, adequacy, functionality and reliability of the internal control system and information system, for the Group as a whole and its individual components, also performing audits on other control functions (Compliance and Risk Management);
- evaluates the process for defining the Risk Appetite Framework (RAF), the risk management process, and other business processes, in line with the provisions of supervisory regulations;
- verifies the suitability of the various business activities, including outsourced activities, monitoring compliance with the law and supervisory regulations, the Articles of Association, as well as internal rules and procedures; assess the compliance of business operations with the Risk Appetite Statement;
- reports the results of audits concluded with negative assessments or that present significant gaps to corporate bodies, as well as possible improvements to risk management policies, measurement tools and procedures;

- ensures constant dialogue with the Board of Statutory Auditors, providing support to it;
- maintains and develops appropriate forms of interaction with other control functions, as part of integrated risk management;
- collaborates with the independent auditors, working with the relevant company function to correct any critical issues found.

11.3 Head of the Internal Audit function ⁽⁵⁾

The Board of Directors resolves exclusively - on the proposal of the Risk Committee and having consulted the Board of Statutory Auditors - on the appointment and revocation of the Head of the internal audit, determining his/her remuneration and allocating suitable resources for the execution of his/her responsibilities. (*Principle 7.P.3., letter b and Application Principle 7.C.1., part two*).

The Head of the Auditing Department is Alberto Della Penna.

As previously described, in terms of organisational profile and for purposes of independence requirements, the Head of the Auditing Department reports directly to the Board of Directors, as the strategic supervision body. Furthermore, the head of the function reports directly to corporate bodies, communicating with them without restrictions or intermediations, and has direct access to the Board of Statutory Auditors. In accordance with Supervisory Provisions, the Head of the function does not have direct responsibility for operational areas subject to control, nor is he/she hierarchically subordinate to the heads of such areas. (*Application Principle 7.C.5., letter b*).

The responsibilities and control tasks of this function with regard to individual risk categories, operating areas, or particular activities are outlined in the company's regulations, including in consideration of specific reference regulation. In general, the supervision, coordination and exercise of internal auditing activities is the responsibility of the Auditing Department. In that area, on one hand, with a view to third-level controls, including through on-site audits, it monitors the regular performance of operations and the evolution of risks and, on the other, assesses the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system, bringing potential improvements to the attention of the corporate bodies, with specific regard to the RAF, the risk management process and the tools for risk management and control. Based on the results of its controls, it formulates recommendations to corporate bodies, also with reference to the IT system.

⁵ Paragraph 11.2 of the Format for the Report on Corporate Governance and ownership structures

The priorities of control activities are defined in the Audit Plan, prepared by the function using a risk-based approach and periodically approved by the Board of Directors (*Application Principle 7.C.5., letter a*).

In a nutshell, during the financial year, the internal audit function regularly performed the controls for which it is responsible according to the audit plan approved by the Board of Directors, operating in all the envisaged areas of intervention (controls on the network and on central structures, on-site and remotely; audits on business processes, audits on the second-level company control functions, controls related to the 231 model, audits on outsourced activities), reporting results to the competent bodies/functions. Consistent with the Supervisory Provisions, the Head of the function reported, in relation to the relevant areas of responsibility, to corporate bodies of the Parent regarding the completeness, adequacy, functionality, and reliability of the relative internal control system (*Application Principle 7.C.5., letter d*). He/she also verified, in accordance with the audit plan, the reliability of the information systems, including accounting systems (*Application Principle 7.C.5., letter g*).

The auditing reports and the annual reports, together with the audits required by specific legal or regulatory provisions, are sent to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors and the Chairman of the Risk Committee, which normally meets on a monthly basis to coincide with the Board of Directors' meetings, as well as to the Chief Executive Officer and the General Manager (*Application Principle 7.C.5., letter f*).

The Risk Committee regulation requires the internal audit function to promptly inform the Committee of any relevant violations or gaps found (e.g., violations that could result in a high risk of regulatory or legal sanctions, significant financial losses, notable impacts on the financial situation, damage to the Company's reputation, or malfunctions in critical IT procedures), according to the Supervisory Provisions that govern these matters (*Application Principle 7.C.5., letters e, f*).

In carrying out his/her role, the Head of the internal audit function has direct access to all information required for this scope and can independently make use of financial resources, in accordance with Circular no. 285 (*Application Principle 7.C.5., letter c*).

The internal audit function was not outsourced to a party external to the Issuer, either as a whole or for operational segments. (*Application Principle 7.C.6.*)

11.4 Manager in charge of financial reporting and other company roles and functions ⁽⁶⁾

The Manager in charge of financial reporting is Simona Orietti, Head of the Accounting, Planning & Control Area.

⁶ Paragraph 11.5 of the Format for the Report on Corporate Governance and ownership structures

Pursuant to the Articles of Association, the Manager in charge of financial reporting is appointed by the Board of Directors, obtaining the mandatory opinion of the Board of Statutory Auditors, and must have at least five years' professional management experience in the areas of accounting and administration in the Bank or Group, or in other listed companies or companies resorting to the equity market, which operate in the banking, finance or insurance sector.

Orietti, appointed by the Board of Directors on 16 April 2011, holds a degree in Business Economics from Luigi Bocconi University of Milan, has gained significant professional and management experience in the accounting and administration area of the Group.

The Manager in charge of financial reporting is assigned the powers and functions established by law. For the effective management of the governance process of the administrative and accounting area, as described in the next section, the area makes use of a support unit established within the Company's Administration and Financial Statements Department, as well as the cooperation and support of other Group company structures. The Manager in charge of financial reporting has adequate economic resources, which can be independently accessed to carry out the relevant duties.

The Manager in charge of financial reporting carries out the certifications and declarations, where also jointly required by the delegated bodies, prescribed by law.

In particular, the Manager in charge of financial reporting certifies, jointly with the Chief Executive Officer, with the appropriate certification on the financial statements, consolidated financial statements and consolidated half-yearly financial report:

- the adequacy and effective application of the administrative procedures;
- the compliance with the international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2012;
- the consistency of the results of the books and the accounting records;
- the suitability to provide a true and fair view of the equity, economic and financial position of the company and the group of consolidated companies;
- the inclusion in the report on operations of a reliable analysis of the operating result, as well the position of the company and of the group of consolidated companies, together with the description of the main risks and uncertainties to which they are exposed.

11.5 Main characteristics of the risk management and internal control system in relation to the financial reporting process

This paragraph of the Report describes the "main characteristics of the risk management and internal control system in relation to the financial reporting process" pursuant to Article 123-bis, paragraph 2, letter b) of the Consolidated Finance Act (hereinafter also the "System").

The risk management and internal control system relating to the financial reporting process of Creval is integrated within the larger internal control system described above. This system is in charge of:

- managing and monitoring the administrative-accounting area for the purposes of Italian Law 262/05, including the definition and verification of the related governance process, the duties assigned to company functions (roles and responsibilities) and communications flows to corporate bodies;
- defining the protocols for communicating with the delegated administrative bodies and the Manager in charge of financial reporting;
- defining information protocols with the business structures involved in governing the obligations required for the purposes of Italian Law 262/05;
- overall governance of control mechanisms that support the process of issuing certifications by the delegated administrative bodies and the Manager in charge of financial reporting;
- overall governance of control mechanisms that support the process of issuing certifications by the Manager in charge of financial reporting;
- developing activities connected with regulatory obligations required by Article 154-bis of the Consolidated Finance Act, by coordinating with internal functions and Group companies.

The Board of Directors approved a specific "Law 262/05 Management Model" policy, with the objective of defining the governance model for the Creval Group financial reporting, in accordance with applicable regulations.

Within this scope, and as more thoroughly described below, the methodological approach was defined, in order to ensure the risk management and internal control system was adequate for the financial reporting process, facilitating the certification by delegated administrative bodies and the Manager in charge of financial reporting. This approach is based on activities of a primarily preventative and proactive nature, aimed at satisfying Creval's low risk appetite for this matter. For operational implementation, international best practices for the internal control and financial reporting system are used and, in particular, the following:

- the COSO Framework, recommended by the Committee of Sponsoring Organizations of the Treadway Commission (for the "Administrative-Accounting Model" and "Company Level Controls");
- COBIT methodologies (for "IT General Controls").

Moreover, the Policy defines the roles and responsibilities for functions that participate in the system and identifies the perimeter of companies to which the risk management and internal control system for financial reporting applies.

The proper structuring of the Model provides a significant competitive advantage, represented by the ability to strengthen control mechanisms and improve not only the transparency of corporate reporting, but also the reliability and credibility of information communicated to the market.

The overall structure of the System is examined by the Board of Directors and, in any event, when significant changes occur involving the applicable regulatory framework, the organisational structure or any problems that could fail to guarantee the regular performance of activities using the operational and procedural methods and within the timeframes defined.

The methodological approach adopted to guarantee suitable risk management and internal control systems for the financial reporting process is organised into the following specific areas.

- "Administrative-Accounting Model", relating to the management (identification, valuation, control and monitoring) of organisational processes (responsibilities, activities, risks and controls) which give rise to the significant/relevant profit and loss, asset and liability, and financial figures in the separate financial statements and condensed interim report, as well as in the deeds and communications released to the market relating to annual and interim accounting disclosure;
- "Company Level Controls", for the purpose of management (identification, valuation, control, and monitoring) of general and governance policies at the Group level, with implications for the quality of financial reporting;
- "IT General Controls", aimed at the management (identification, valuation, control and monitoring) of general rules for governance of technologies, application development and IT applications used in generating financial reporting.

The practical implementation of the model described provides for the involvement of the following corporate and company bodies and functions:

- Creval's Board of Directors and Risk Committee: they receive, regularly or if certain situations arise, a summary from the Manager in charge of financial reporting of activities performed and findings that emerged in applying the Law 262/05 Management Model;
- the Chief Executive Officer, as the delegated administrative body, or in his/her absence, the Board of Directors, through the Chairman, signs the certifications prescribed by law pursuant to Article 154-bis, paragraph 5, of the Consolidated Finance Act;
- the Board of Statutory Auditors supervises "the adequacy of the company's organisational structure to the extent of their authority, of the internal control system, and the accounting-administrative system and the reliability of the latter

- in correctly representing operating events", pursuant to Article 149, paragraph 1, letter c) of the Consolidated Finance Act;
- the Manager in charge of financial reporting ensures effective management of risks defined in Italian Law 262/05, defining appropriate procedures and methods that may also involve various aspects of the operational process; he/she sets up, including through the respective delegated functions, suitable administrative and accounting procedures for the formation of the separate and consolidated financial statements as well as all other financial communications; he/she signs the certifications and statements prescribed by law;
 - a "Law 262/05 Control Unit" was established within the Regulatory Division of Creval's Administration and Financial Statements Department: it ensures a complete and systematic configuration of the Law 262/05 Management Model. This hierarchical placement ensures the proper definition of communication protocols with delegated administrative bodies, the Manager in charge of financial reporting, and corporate bodies, as well as information protocols with business structures involved in overseeing requirements envisaged in Italian Law 262/05;
 - process owners: they ensure, consistent with the provisions in the business policy, the correctness of the documentation structure for their respective responsibilities and verify that it is updated, as well as the correct and effective performance of envisaged activities and controls;
 - Auditing Department: reports on the results of the controls performed as part of the Law 262/05 Management Model, highlighting any issues that emerged. These documents are communicated to the delegated administrative bodies and the Manager in charge of financial reporting and included in the agenda of the Board of Directors to approve financial statements.

11.6 Coordination between parties involved in the internal control and risk management system ⁽⁷⁾

The methods for coordination between the various parties involved in the internal control and risk management system (Board of Directors, Director in charge of the internal control and risk management system, Risk Committee, Head of Internal Auditing, Manager in charge of financial reporting and other company roles and functions with specific internal control and risk management duties, Board of Statutory Auditors) are specified in the "Control Coordination Document" approved by the Board of Directors on 30 June 2014 and last amended on 11 December 2020. This document defines the guidelines and regulates the structure and operation of the internal control system of the Group and the Bank - considering the principle of proportionality (*Principle 7.P.3.*). This is the "general framework" for the business control system, which comprises specific business regulations that supplement and complete the description of the system.

⁷ Paragraph 11.6 of the Format for the Report on Corporate Governance and ownership structures

Specifically, to ensure proper interaction between all of the functions and bodies with control duties, avoiding overlaps or gaps, the "coordination and cooperation model" for the Group and the Bank consists of the following elements:

- clear assignment of duties and responsibilities to avoid areas of potential overlap;
- methods for cooperation and coordination within the internal control system, which have the objective of facilitating the proper interaction between functions/bodies with control responsibilities, and amongst these and the corporate bodies, and that represent parameters of integration in the risk management process; without prejudice to the assignments envisaged by law for control functions, the methods for collaboration and coordination shall not alter, including in substance, the primary responsibilities of corporate bodies for the internal control system;
- information flows between the various functions/bodies, and amongst these and the corporate bodies; these flows are intended as both the definition of general rules valid for flows in the internal control system as well as accurate identification of the information flow in consideration of their relevance for the concrete realisation of the "coordination and cooperation model" and for proper decision-making that is informed and shared.

In light of the above, the controls coordination Document, in line with the provisions of Circular 285, defines the following areas:

- overall approach of the Group and the Bank internal control system, providing an organic illustration of the principles and rules that form the method for setting up, operating and, consequently, updating and assessing said system, along with the definition of the main duties and responsibilities of the functions and bodies with control duties;
- information flows among the various functions/bodies and between these and the corporate bodies;
- methods of cooperation and coordination between the various functions/bodies with control duties where the scopes of control result in synergies or leads to areas of potential overlap.

The Document is valid for all members of the Group.

Also with regard to coordination between the parties involved in the internal control and risk management system, the Board of Statutory Auditors shall be provided with extensive communication and cooperation from Internal Audit, also through joint participation in the meetings of the Risk Committee.

The Board of Statutory Auditors is also the recipient of all reports of the internal audit function.

11.7 Organisational Model pursuant to Italian Legislative Decree 231/2001 ⁽⁸⁾

The "Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001" is understood as the set of operational rules and ethical standards adopted by the company to prevent the commission of the offences set out in said Decree. It was approved and updated by the Board of Directors to adjust its contents to provisions of law that, in previous years, implemented the set of offences that fall under the scope of application of Italian Legislative Decree 231/2001 (*Article 7 of the Code*).

The functions pursuant to Article 6 of the aforementioned Legislative Decree 231/2001 are attributed to a specific independent Supervisory and Control Body, composed of two external professionals and an internal member identified as the Head of Internal Audit, based on the resolution of the Board of Directors of 6 February 2019, for the term coinciding with that of the Board of Directors currently in office and, therefore, until the approval of the 2020 financial statements.

The Chairman of the Board of Statutory Auditors or another Auditor authorised by the Chairman participates in the work of the Supervisory and Control Body.

Considering the distinctive nature of the responsibilities assigned to the Body and the specific professional experience required in carrying out its duties, the Supervisory and Control Body can also make use of dedicated internal staff (e.g., the Human Resources function for defining training plans for employees and collaborators, designed to provide them with appropriate knowledge of regulations referred to in Italian Legislative Decree 231/01, the Legal function for the interpretation of relevant legislation or defining contractual clauses), as well as, in an ongoing manner, the Group's Auditing and Compliance staff, in addition to external parties with specific skills (consultants, attorneys, etc.). The members of the Supervisory and Control Body, if deemed appropriate, may support the staff of the Auditing units or other company functions responsible, as well as any external advisors, in verifying compliance with the Model.

All the elements of the Model are integrated into internal regulations, and compiled in a single document, which includes:

- the list of offences envisaged by Italian Legislative Decree 231/01 and the areas at risk of offence;
- operating protocols;
- the Code of Conduct of the Credito Valtellinese Group;
- the Anti-Corruption Code of the Credito Valtellinese Group;
- the Disciplinary Code of the Credito Valtellinese Group;
- the supplementary clause of contracts with third parties;
- the Regulation of the Supervisory and Control Body.

⁸ Paragraph 11.3 of the Format for the Report on Corporate Governance and ownership structures

The organisational model pursuant to Italian Legislative Decree 231/2001 - updated during the financial year in the light of legislative changes that have led to the introduction of new predicate offences - is published on the website www.gruppocreval.com, Governance section, which also provides information on the updated composition of the Supervisory and Control Body and the company Code of Conduct.

A specific expense account was established as part of the corporate budget assigned to the Supervisory and Control Body, with a limit of EUR 100,000 for 2020, not used, to assign the SB the necessary financial resources to carry out its functions.

11.8 Whistleblowing

The Creval Group has set up a system for employees to report any irregularities or violations of the regulations referred to in the legislative provisions that, since 2015, have gradually intervened on the matter.

The current scope of application of "whistleblowing" extends to:

- acts or facts that may constitute a violation of the rules governing banking activities, as set forth in Article 10, paragraphs 1, 2 and 3 of the Consolidated Banking Act;
- acts or facts that may constitute potential or actual violations of the provisions laid down for the prevention of money laundering and terrorist financing;
- acts or facts that may constitute a violation of the predicate offences pursuant to Legislative Decree 231/01;
- acts or facts that may constitute violations of the rules governing the activities carried out, pursuant to the private insurance code;
- acts or facts that may constitute a violation of the provisions of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Banking Act) as well as Regulation (EU) no. 596/2014 (Market Abuse).

The Group provided its personnel with a specific IT procedure for receiving reports and for the correct management of the related information flows; the rules of operation of the system are formalised in the appropriate company policy, approved by the Board of Directors.

11.9 Auditing Firm ⁽⁹⁾

Based on a reasoned proposal by the Board of Statutory Auditors, the Ordinary Shareholders' Meeting of 28 April 2012 resolved to appoint KPMG S.p.A. to conduct

⁹ Paragraph 11.4 of the Format for the Report on Corporate Governance and ownership structures

the mandatory audit for nine consecutive years starting from 2012 until 2020, pursuant to Article 159 of Italian Legislative Decree 58/1998.

The Ordinary Shareholders' Meeting of 24 April 2020, based on the recommendation prepared by the Board of Statutory Auditors (pursuant to Regulation (EU) no. 537/2014 and Italian Legislative Decree no. 39/2010), resolved to assign the task of mandatory audit for the financial years from 2021 to 2029 to EY S.p.A.

12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Creval adopts the procedures concerning related party and associated party transactions (the "Creval RPT Procedures"), in accordance with: (i) Article 2391-bis of the Italian Civil Code and the "Related Party Transaction Regulation" issued by Consob with resolution no. 17221 of 12 March 2010 as amended (the "Consob RPT Regulation"), also taking into account the provisions of Consob Communication no. DEM/100786883 of 24 September 2010 as well as (ii) Part Three, Chapter 11, Risk assets and conflicts of interest with respect to associated parties of Circular no. 285 of 17 December 2013 "Supervisory Provisions for banks" - 33rd update of 23 June 2020 (hereinafter, "Regulations of Bankit Associated Parties" and, together with the Consob RPT Regulation, the "RPT Regulations").

The Creval RPT Procedures are published on the website www.gruppocreval.com - Governance - Corporate Documents section and are specifically published in the report on operations, in compliance with Article 2391-bis of the Italian Civil Code.

The Creval RPT Procedures establish, in compliance with the principles laid down in the RPT Regulations, the procedures and rules for ensuring transparency and substantive and procedural correctness of transactions with the Members of the Single Perimeter (hereinafter also referred to as "RPT") carried out directly by Creval or by means of its subsidiaries. The Creval RPT Procedures also define the cases, methods, conditions and circumstances in which, without prejudice to the obligations required, the partial or full exclusion of the application of the Creval RPT Procedures is allowed. The Creval RPT Procedures also adopt the provisions on the assumption of risk assets towards associated parties pursuant to the Regulations of Bankit Associated Parties.

In particular, the Creval RPT Procedures:

- a) identify the scope of application of the same procedures;
- b) identify the transactions of greater importance, lesser importance and for a small amount;
- c) identify the cases of partial or complete exclusion from the enforcement of the decision-making procedures (transactions involving small amounts, ordinary transactions completed at conditions equivalent to market or standard ones, transactions to which Article 136 of the Consolidated Banking Act applies);
- d) exclude from the enforcement of the provisions of the RPT Regulations the transactions carried out with or between subsidiaries, even jointly, and transactions with associated companies provided that there are no significant interests of other related parties.

In compliance with the provisions of Regulations of Bankit Associated Parties, the document "Internal policies regarding controls on risk assets and conflicts of interest in relation to associated parties of the Credito Valtellinese Banking Group", as last updated by the Board of Directors on 12 March 2019, is published on the website www.gruppocreval.com – Governance - Corporate Documents section.

13. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to Article 31 of the Articles of Association, the Board of Statutory Auditors is appointed at the ordinary Shareholders' Meeting and comprises three Standing Auditors and two Substitute Auditors who have the requirements as prescribed by law. The Statutory Auditors remain in office for three years, with the term expiring on the date of the Shareholders' Meeting called to approve the financial statements for their third year of office. They may be re-elected.

Pursuant to Article 32 of the Articles of Association, the entire Board of Statutory Auditors is appointed on the basis of lists containing not more than five candidates and not less than two, presented by the Shareholders, and where the candidates must be listed in progressive order. Each list will comprise two sections: one for the candidates for the position of Standing Auditor and one for the candidates for the position of Substitute Auditor.

The lists must be submitted at the company's registered office, including through remote communication methods, according to the procedures indicated in the call notice for the Shareholders' Meeting, by which the persons submitting them may be identified, no later than the twenty-fifth day prior to the date set for the Shareholders' Meeting in first or single call. The lists will be made available to the public at the registered office, on the website, or through other methods envisaged in governing laws or regulations at least twenty-one days prior to the date of the Shareholders' Meeting. Each list must be signed by one or more Shareholders whose percentage of share capital is not less than that provided by applicable laws or regulations. If, as at the expiry date of said time limit only one list has been submitted, or lists have only been submitted by shareholders which, in accordance with the prevailing provisions, are affiliated to each other, lists may be submitted up to the third day after said date. In this case, the shareholding percentage indicated above is reduced by half.

Each Shareholder may participate in the presentation of one list only, and if this is not complied with, his or her endorsement will not be counted for any of the lists. Each candidate may be presented in one list only, under penalty of ineligibility.

The composition of the lists must ensure compliance with the requirements set out in general regulations or provisions of the Articles of Association for individual members and for the entire Board of Statutory Auditors.

Each list that contains more than two candidates must be composed in such a way as to guarantee gender balance, thus providing that at least two-fifths of the candidates in the section of the list relating to standing auditors, to be calculated in accordance with the regulations in force, belong to the less represented gender.

In addition to that required by the provisions of prevailing law and regulations, the curriculum vitae of each candidate, indicating their personal and professional characteristics, and the declaration by which each candidate irrevocably accepts his or her candidature must be filed along with each list by the closing date for filing the

list at the company registered office under penalty of disqualification. They must also declare, under their responsibility, that there are no reasons to exclude their eligibility, that there are no incompatibility issues, and that they comply with all the legislative and regulatory requirements under prevailing law and the Articles of Association to act as Statutory Auditor.

Any list that does not comply with the requirements or the timeframes set out in the Articles of Association or in prevailing laws and regulations will not be admitted for voting. The inadmissibility of lists not filed in compliance with the procedures and timeframes set forth in Article 32, paragraph 6 of the Articles of Association shall be decided by the Board of Directors, as a matter of urgency, subject to the opinion of the committee set up to appoint Directors, in compliance with legal and regulatory provisions and the provisions of the Code.

Each Shareholder may vote for one list only.

The Board of Statutory Auditors is elected as follows:

a) if no lists are presented or admitted – in compliance with the law, regulations or Articles of Association - the Board of Statutory Auditors and its Chairman will be appointed by the Shareholders' Meeting in compliance with the principles set out in Article 31, paragraph 9 of the Articles of Association, by majority vote in accordance with the Shareholders' Meeting Rules, from the candidates that are presented by Shareholders at least 7 days prior to the date set for the first call of the Shareholders' Meeting in first or single call, and who comply with the obligation to file the documentation provided for in Article 31, paragraph 5 of the Articles of Association;

b) if two or more lists are presented:

i) two Standing Auditors and one Substitute Auditor will be taken from the list that obtained the majority of votes in the order in which they are listed in the list sections;

ii) the third Standing Auditor and the second Substitute auditor will be taken from the list that - among the remaining lists - obtained the majority of votes and is not connected, even indirectly, with the Shareholders who presented the list that obtained the majority of votes, in the order in which they are listed in the list sections;

iii) if the list that obtained the highest number of votes does not have a sufficient number of candidates to ensure the number of Standing and/or Substitute Auditors to be elected in accordance with the above mechanism is reached, all the candidates of the aforesaid list shall be elected and the remaining Auditors shall be taken from the next list in terms of votes obtained, according to the progressive order in which they are listed in each section of the list. If the list that obtained the highest number of votes among the minority lists does not have a sufficient number of candidates to ensure the number of Auditors to be elected in accordance with the above mechanism is reached, the remaining Auditors shall be taken from the list receiving the third highest number of votes, then from the fourth and successively, according to the progressive order in which the candidates are listed;

iv) in the event the lists obtain the same number of votes, the candidate from the list that was signed by a greater number of Shareholders prevails;

c) if only one list is presented or admitted - in compliance with the law, regulations or Articles of Association, the Shareholders' Meeting will vote on it and the candidates in the first and second section of the list shall be elected as Standing

Auditors and Substitute Auditors, respectively. In that case, the Chairman of the Board of Statutory Auditors shall be the first candidate on the list.

If the number of candidates included in the lists submitted and admitted, whether majority or minority lists, is less than the number of Statutory Auditors to be elected, the remaining Statutory Auditors shall be elected, in compliance with Article 31, paragraph 9 of the Articles of Association, with resolution adopted by the Shareholders' Meeting with relative majority. In the event of equal votes between a number of candidates, a ballot shall be held between said candidates by further shareholder vote.

If, even after following the aforementioned criteria for the election of Statutory Auditors, the composition of the Board of Statutory Auditors does not comply with the provisions of Article 31 paragraph 9 of the Articles of Association, the Statutory Auditor from the list obtaining the most votes who would have been elected under the terms of the aforementioned criteria, indicated on the list with the highest progressive number and not of the less represented gender, shall be replaced by the next candidate on the same list that does meet these requirements.

If, despite application of the mechanism pursuant to Article 32, paragraph 10 of the Articles of Association, it is not possible to elect Statutory Auditors that meet the necessary requirements to complete the Board of Statutory Auditors as envisaged in the Articles of Association, or it is not possible to apply the mechanism, the Shareholders' Meeting shall resolve by relative majority vote on proposals from shareholders in attendance to replace one or more Statutory Auditors that would be elected under the terms of the aforementioned criteria, starting from the Statutory Auditor with the highest progressive number on the list that received the least votes. If at least two lists are presented, the Chairman of the Board of Statutory Auditors will be the first candidate listed on the minority list, i.e. the list that obtained the second highest number of votes.

Pursuant to Article 33 of the Articles of Association, in the case of early termination of office of a Standing Auditor, until the next Shareholders' Meeting a replacement shall be taken from the same list, in the progressive order in which they appeared on that list, without prejudice to compliance with the principle of gender balance.

If the Chairman terminates office early, the chairmanship shall be undertaken until the next Shareholders' Meeting by the first Standing Auditor or, failing this, the first Substitute Auditor, drawn from the list which included the Chairman leaving office.

If it not possible to proceed according to the indications above, the Standing Auditor or Chairman leaving office shall be replaced in compliance with provisions of law until the next Shareholders' Meeting.

At Shareholders' Meetings to appoint the Standing or Substitute Auditors required to complete the Board of Statutory Auditors following the termination of office of individual Statutory Auditors, without prejudice to compliance with the principle of gender balance described in Article 31, paragraph 9 of the Articles of Association, instead of list voting, the following method is adopted:

a) if it is necessary to replace Statutory Auditors drawn from a single list presented or from the list that received the most votes, or by voting without lists, or in the event

of adding members in compliance with Article 31, paragraph 9 of the Articles of Association, the appointment of Statutory Auditors to be added and the appointment of a Chairman, if necessary, shall be by relative majority vote on individual candidates presented in accordance with the provisions of Article 32, paragraph 8, letter a) of the Articles of Association;

b) if it is necessary to replace a Statutory Auditor elected from a minority list, the appointment of the Statutory Auditor to be added and the appointment of the Chairman, if necessary, takes place by means of relative majority vote, choosing, where possible and according to the progressive order, from among the candidates that were indicated on the list that included the Statutory Auditor to be replaced or, where this is not possible, from among the candidates who were indicated in the next minority list in terms of votes obtained, provided that the candidates, at least 10 days prior to the date set for the first call of the Shareholders' Meeting, have confirmed their candidature and filed the declaration certifying that there were no causes of ineligibility or incompatibility and that the requirements set forth for the office of Statutory Auditor were satisfied, together with their CV indicating their personal and professional characteristics;

c) if it is not possible to proceed as indicated in the previous point, appointment of Statutory Auditors to be added and the appointment of the Chairman, if necessary, shall be carried out through relative majority vote on individual candidates presented in accordance with Article 32, paragraph 8, letter a) of the Articles of Association, and with the principles expressed in governing legislation and regulations.

14.COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Finance Act).

The information concerning the composition of the Board of Statutory Auditors in office at 31 December 2020 is listed in table 3 in the appendix.

The Board was appointed by the Ordinary Shareholders' Meeting of 30 April 2019 for the three-year period from 2019 to 2021, therefore expiring upon the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2021, through list voting, according to the methods set out in the Articles of Association, as specified hereunder.

- Francesca Michela Maurelli, Chairman of the Board of Statutory Auditors, has been taken from List no. 1, presented by a number of Funds holding a total of 5.71% of the share capital and that obtained votes equal to 28.4% of the shares represented and admitted to voting (corresponding to 13.7% of the share capital);
- Standing Auditors Paolo Cevolani and Alessandro Stradi have been taken from List no. 2 "Trasparenza e valori" (Transparency and values), presented by the shareholder DGF D S.A., holder of a stake of 5.43% of the share capital, and that obtained votes equal to 71.3% of the shares represented and admitted to voting (corresponding to 34.5% of the share capital).

Substitute Auditors Simonetta Bissoli, taken from List no. 2, and Francesco Fallacara, drawn from List no. 1, were appointed.

During the financial year, 61 joint meetings were held at least once a week (in the minutes of these meetings, note was taken of the audit carried out in cooperation with the Territorial Audit Support Service, in which at least one Auditor mandated by the Board of Statutory Auditors participated). There was 100% attendance of the Board meetings, except for 15 meetings in which one of the auditors was absent for justified reasons (the percentage of individual attendance is as follows: Maurelli: 98%, Cevolani 87%, Stradi 88.5%). For the current year, the Board of Statutory Auditors has planned a minimum of 60 meetings, 12 of which have already been held at the date of approval of this Report plus audits at the branches, compatibly with the travel restrictions resulting from the health emergency.

All the members of the Board of Statutory Auditors have degrees in economics and commerce and are registered in the register of auditors. One of the members also has a degree in Law. In addition, the members of the Board of Statutory Auditors hold the professional requirements provided for parties that carry out control functions in banks by prevailing Supervisory Instructions.

With regard to the composition of the Board of Statutory Auditors, the Articles of Association of Creval - following the resolution of the Board of Directors of 13

January 2021 - raised to two-fifths the minimum quota of the members of the Board of Statutory Auditors reserved for the less represented gender for six consecutive mandates starting from the registration date of the aforementioned resolution in the Companies Registry, in compliance with the provisions of Law no. 160 of 27 December 2019 ("2020 Budget Law"), which amended Articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis of the Consolidated Finance Act (Principle 8.C.3). (*Principle 8.C.3*).

The *curriculum vitae* of the members of the Board of Statutory Auditors is available on the Bank's website at www.gruppocreval.com in the Governance - Board of Statutory Auditors section.

The Board of Statutory Auditors formalised the evaluation of the independence of its members to prepare this Report in accordance with the evaluation criteria provided by Article 148, paragraph 3 of the Consolidated Finance Act and the Code (*Application Principle 8.C.1.*). The outcome of this check was sent to the Board of Directors, which took note of it at its meeting on 5 August 2020.

During 2020, the Board of Statutory Auditors took part in the board induction organised by the Bank for the Board of Directors on the new definition of default. The Statutory Auditors also took part independently in various training courses outside the Bank on matters relating to the supervisory activities of the Board (*Application Principle 2.C.2.*). This training activity carried out by the members of the Board of Statutory Auditors, also taking into account the individual as well as the collective training requirements of the control body, aims at strengthening and preserving the sets of technical skills required to perform the role assigned. During the financial year, training and follow-up initiatives focused on legal and regulatory issues.

In compliance with Article 136 of the Consolidated Banking Act and in line with the recommendations of the Corporate Governance Code, without prejudice to the other obligations established by the Italian Civil Code, each Statutory Auditor is obliged to inform in a timely and exhaustive manner the other Statutory Auditors and the Chairman of the Board of Directors about the nature, terms, origin and scope of their interests in a given transaction (*Application Principle 8.C.3.*).

During the year, the Board of Statutory Auditors supervised the independence of the Auditing Firm, ensuring its compliance with prevailing laws and the nature and type of services other than auditing services provided to the Issuer and its subsidiaries by the Auditing Firm and the entities belonging to its network. In 2020, the Board of Statutory Auditors, as the Internal Control and Audit Committee ("CCIRC") also continued to supervise the management of the tender procedure - for the assignment of the mandatory audit for the 2021-2029 nine-year period - pursuant to paragraph 1, letter f) of Article 19 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016. In its capacity as CCIRC, it also maintained a constant flow of information on the development of planned activities and the methods applied with both the Manager in charge of financial reporting and the

Auditing Firm KPMG SpA. In particular, the Board of Statutory Auditors received and examined the Additional Report addressed to it as the Internal Control and Audit Committee pursuant to Article 19 of the aforementioned Italian Legislative Decree no. 39/2010.

In carrying out its activities, the Board of Statutory Auditors coordinated with the internal audit, compliance, anti-money laundering and risk management functions, as well as the Risk Committee, by participating in the meetings of the aforementioned Committee and exchanging relevant information for the fulfilment of the respective tasks (*Application Principles 7.C.3. and 8.C.7.*).

The Board of Statutory Auditors also took part in all the Board of Directors' meetings (17), of the Risk Committee (13), of the Related Party Transactions Committee (11), of the Remuneration Committee (6) and of the Appointment Committee (7). It also took part in the Shareholders' Meeting held on 24 April 2020, at which it was fully present.

As part of its activities, the Board of Statutory Auditors also asked the internal audit function to conduct checks on specific branches, operating areas or company transactions (*Application Principle 8.C.6.*).

15. INVESTOR RELATIONS

The Bank established a specific investor relations' section in both English and Italian on its website, at the address www.gruppocreval.com, which is easily accessed and navigated, and where investor-related information is made available to shareholders, so that they can make informed decisions in exercising their rights. (*Application Principle 9.C.1.*)

The Investor Relations Service is in charge of managing relations with shareholders. (*Application Principle 9.C.1.*)

16. SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, paragraph 2, letter c) of the Consolidated Finance Act)

Duly constituted Shareholders' Meetings represent all shareholders and its resolutions passed in compliance with the law and Articles of Association, bind shareholders even if they are absent or dissenting.

The carrying-out of Shareholders' Meetings is regulated by the provisions of law and the Articles of Association as well as by the regulations approved by the ordinary Shareholders' Meeting ("Shareholders' Meeting Rules").

The ordinary Shareholders' Meeting must be convened at least once a year, within 120 days from the closing of the financial year.

The extraordinary Shareholders' Meetings take place in the cases provided by law. The Shareholders' Meeting is convened by the Board of Directors even in a place other than the registered office, provided that in Italy, according to the law.

Shareholders' rights

Parties who have the right to vote and can demonstrate that they are thus entitled, according to the methods envisaged in governing legislation and regulations, have the right to participate in Shareholders' Meetings. Parties with voting rights may be represented in Shareholders' Meetings in accordance with the law provisions and the Shareholders' Meeting Rules. The proxy must be communicated, including by electronic mail, according to the instructions in the call notice.

The Board of Directors has the right to designate, for each Shareholders' Meeting and communicated in the call notice, one or more individuals to whom those entitled with voting rights may confer, according to the methods envisaged in applicable regulations, a proxy with voting instructions on all or some of the proposals on the agenda. The proxy has effect only for the proposals for which the voting instructions have been given.

Shareholders can now participate in Shareholders' Meetings using remote communication methods, provided that said systems allow the shareholders to participate and vote, where necessary.

In accordance with provisions in effect for companies listed on regulated markets, Shareholders can request to convene a Shareholders' Meeting, indicating the issues to be discussed.

Shareholders representing at least one-fortieth of share capital may request additions to the list of agenda items to be discussed in the Shareholders' Meeting, included in the meeting call notice, indicating in the request the additional topics they propose, or submitting resolution proposals on matters already on the agenda, under the terms and conditions established by law.

Powers of the Shareholders' Meeting

In addition to discussing the subject matters provided by the law, the ordinary Shareholders' Meeting passes the following resolutions:

- a) approves, on proposal of the Board of Directors, the remuneration and incentive policies and remuneration plans based on financial instruments to Directors, employees, and collaborators not bound to the Bank by contractual relationships;
- b) resolves, on proposal of the Board of Directors, the criteria and limits for determining the remuneration to be granted to risk takers, as defined in legislative and regulatory provisions in effect at a given time, in the event of early termination of employment or office;
- c) resolves, on proposal of the Board of Directors, whether to set a limit on the ratio between the variable and fixed components of individual remuneration that is greater than 100% (1:1 ratio) and, in any case, in accordance with (i) legislative and regulatory provisions in effect at a given time and (ii) the quorum for passing resolutions as per Article 13, paragraph 2 of the Articles of Association;
- d) resolves, on proposal of the Board of Directors, whether to extend the limit envisaged in legislative and regulatory provisions in effect at a given time for the remuneration of the Chairman of the Board of Directors, with respect to the quorum for passing resolutions as per Article 13, paragraph 2 of the Articles of Association;
- e) authorises the execution of related party transactions that the Board of Directors may subject to its examination pursuant to Creval's internal procedures adopted in accordance with the applicable legislation and regulations.

Pursuant to Article 23, paragraph 4, of the Articles of Association, the Board of Directors is responsible for passing resolutions in order to adapt the Articles of Association to regulatory provisions, as well as resolutions regarding mergers in the cases envisaged in Articles 2505, 2505-bis and 2506-ter, paragraph 5, of the Italian Civil Code.

Meeting and resolution quorums

Pursuant to Article 13 of the Articles of Association, unless otherwise envisaged in the Articles of Association, in order for the ordinary and extraordinary Shareholders' Meetings to be considered validly established, as well as for validity in resolutions, the majorities envisaged by law must be met.

The resolutions of the ordinary Shareholders' Meeting with regard to the proposals of the Board of Directors concerning (i) the possible fixing of a limit to the ratio between the variable and fixed component of the individual remuneration of more than 100% (ratio of 1:1) and (ii) the possible derogation from the limit established by the regulations currently in force for the remuneration of the Chairman of the Board of Directors will be approved when:

- the Shareholders' Meeting consists at least of half of the share capital and the resolution is passed with the favourable vote of at least 2/3 of the capital present at the meeting; or

- the resolution is passed with the favourable vote of at least 3/4 of the capital present at the Shareholders' Meeting, whatever the quorum with which it was formed.

Shareholders' Meeting Rules

The Shareholders' Meeting Rules aim to ensure that the meetings progress in an orderly manner in an atmosphere of mutual respect, with a balance between the expectations for protecting the interests and rights of the shareholders and the need to pass resolutions efficiently and effectively. (*Application Principle 9.C.3.*) The most recently updated version of these rules with the resolutions of the Shareholders' Meeting of 29 October 2016 is available to shareholders, also on the Bank's website at the address www.gruppocreval.com in the Governance section.

The Shareholders' Meeting Rules establish that each Shareholder entitled to participate has the right to take the floor on each of the topics in discussion and make suggestions. The request to take the floor can be formalised only after the Chairman has read the agenda and before the discussion on the topic to which the request refers is declared closed. If the request to take the floor is done electronically, the request and the methods used will be previously notified at the beginning of the meeting.

(*Application Principle 9.C.3.*)

Typically, all members of the Board of Directors and the Board of Statutory Auditors attend the company Shareholders' Meetings. In compliance with the timeframes and procedures set out in prevailing regulations, reports and information on the points on the agenda are discussed, accompanied by all useful information and analysis so that the Shareholders' Meetings make knowledgeable decisions. (*Application Principle 9.C.2.*)

The disclosure to the Shareholders' Meeting on the methods of performance of the functions of the Remuneration Committee and on the activities carried out is provided in the "Remuneration report", prepared in accordance with Article 123-ter of the Consolidated Finance Act and submitted annually for approval. (*Comment to Article 6 of the Code*)

The Board of Directors did not deem it necessary to propose to the Shareholders' Meeting amendments to the Articles of Association concerning the percentages set for exercising the actions and rights provided to protect minority shareholders, which refer to the legal and regulatory provisions that apply from time to time. (*Application Principle 9.C.4.*)

17.ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, paragraph 2, letter a) of the Consolidated Finance Act)

In addition to the Committees, on 15 October 2018 the Bank also set up - in line with the provisions of the CONSOB Related Party Regulation and Bank of Italy Circular no. 263 of 27 December 2006, as well as with the "Procedures concerning Related Party and Associated Party Transactions" of the Creval Group - the RPT Committee (Related party transactions).

Composition and operation of the RPT Committee

The Board of Directors currently in office, appointed on 15 October 2018, is composed of the following independent directors: Stefano Gatti, Livia Aliberti Amidani and Serena Gatteschi.

The Chairman of the RPT Committee was appointed by Creval's Board of Directors in the person of Stefano Gatti.

During the financial year, the RPT Committee met 11 times:
The members attended all the meetings, which lasted an average of roughly 2.25 hours

In 2021, at the date of preparation of this Report, two meetings of the RPT Committee were held on 2 February.

Minutes are duly taken of the RPT Committee meetings - as also clarified in the next paragraph.

Periodically, the Chairman of the Committee provides the Board of Directors with a report on the activities carried out by the RPT Committee in the previous quarter. As envisaged by the Creval RPT Procedures, the Board of Directors also receives, on a quarterly basis, a formal report on transactions carried out with Members of the Single Perimeter and, on an annual basis, an aggregate report on the following types of transactions: Ordinary, with Subsidiaries, between Subsidiaries or with Associated Companies, concluded in urgent situations.

The Head of the Compliance Department or his/her delegate attends the Committee meetings as operational support for the purposes of illustrating the proposals.

The Chairman of the Board of Statutory Auditors or another member designated by the Board of Statutory Auditors is invited to attend Committee meetings.

The Committee has also the right to invite to its meetings any person whose presence is considered to be of help for the best performance of the task received.

Functions of the RPT Committee

The duties and functions of the RPT Committee are entrusted by the Creval RPT Procedures on Transactions with Members of the Single Perimeter carried out by Creval, also through its subsidiaries.

Moreover, the RPT Committee reserves the right to provide non-binding comments on transactions that the Bank intends to carry out with Subjects Potentially Associated with a Related Party, as defined and in accordance with the procedures set out in the current Creval RPT Procedures.

The Committee reports to the Board of Directors of Creval and to the Board of Statutory Auditors, at its first available meeting and in any case on a quarterly basis, on the activities carried out by it, ensuring complete and timely information in order to allow full compliance with the provisions contained in the Creval RPT Procedures and the Regulation.

The RPT Committee performs the tasks set out in the Creval RPT Procedures in a manner that ensures adequate traceability of the relevant activities.

The Committee can decide to be assisted, at the Bank's expense, by one or more independent experts of its own choice, without prejudice to compliance, where specified, with the spending limits indicated in the same Creval RPT Procedures. In any case, the RPT Committee is required to inform the Board of Directors in advance of the cost and the name of the independent expert it intends to use.

The activities performed by the RPT Committee during the year are reported below:

- it ordered the review of the document system functional to the activities of the RPT Committee in order to allow the Committee to perform a more extensive evaluation and, if necessary, actions on all types of RPTs and transactions with Potentially Associated Parties;
- it approved the creation of a specific IT procedure, as a tool to support the operations of the Creval Group Functions involved in the investigation, assessment and decision-making process of transactions with Members of the Single Perimeter and Potentially Associated Parties;
- it expressed a favourable opinion on the amendment to the Creval RPT Procedures resolved by the Board of Directors of the Bank on 3 December 2020;
- it favourably accepted the proposed amendments to be made to the document "Control units for the performance of transactions with Members of the Single Perimeter of the Creval Group by the non-banking Companies of the Group", approved by the Board of Directors of the Parent on 3 December 2020, subsequently transmitted to the non-banking Companies of the Creval Group for their adoption;

- it approved the proposed amendments to the Creval RPT Committee Regulation and expressed a favourable opinion on its adequacy and compliance with the current Creval RPT Procedures, sending it to the Bank's Board of Directors for approval, which occurred on 3 December 2020;
- it approved the Review of Group Manual no. 243 - Operating Manual for the management of RPTs and transactions with "Potentially Associated Parties" and ordered its publication on 11 August 2020.

Moreover, during 2020, the RPT Committee expressed a favourable opinion on a transaction of lesser importance carried out by the Bank with a Member of the Creval Group's Single Perimeter.

The Creval RPT Procedures are published on the website www.gruppocreval.com.

18. CHANGES SINCE THE END OF THE YEAR

No changes occurred.

TABLES
TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES at 31.12.2020

SHARE CAPITAL STRUCTURE				
	No. of shares	% of share capital	Listed/unlisted	Rights and obligations
Ordinary shares	70,149,694	100%	Electronic Stock Market (MTA)	All ordinary shares have the same administrative and equity rights
Shares with multiple votes	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (with the right to subscribe to newly issued shares)				
	Listed / unlisted	No. of shares Issued	Category of conversion shares / exercise	No. of conversion shares / exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Office	Members	Year of birth	Date of init. appointment *	In office since	In office until	List **	Executive	Non-Executive	Indep. Code	Indep. CFA	No. of other offices ***10	Control and Risk Committee		Remun. Committee		Appointment Committee		Executive Committee		RPT Committee	
												(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
CEO	Luigi Lovaglio	1955	2018	12/10/2018	31/12/2020	M	X				-	17/17									
C	Alessandro Trotter	1940	2018	12/10/2018	31/12/2020	M		X			3	17/17									
DC	Stefano Caselli	1969	2018	12/10/2018	31/12/2020	M		X	X	X	2	17/17									
D	Livia Aliberti Amidani	1961	2018	12/10/2018	31/12/2020	M		X	X	X	2	16/17	13/13	M						11/11	M
D	Elena Beccalli	1973	2018	12/10/2018	31/12/2020	M		X	X	X	-	14/17	12/13	M							
D	Paola Bruno	1967	2018	12/10/2018	31/12/2020	M		X	X	X	3	17/17			6/6	C	7/7	M			
D	Giovanna Calloni	1964	2019	30/04/2019	31/12/2020	M		X	X	X	1	17/17									
D	Carlo Crosara	1957	2018	12/10/2018	31/12/2020	M		X	X	X	1	17/17	13/13	M							
D	Anna Doro	1965	2018	12/10/2018	31/12/2020	m		X	X	X	2	16/17	13/13	M			7/7	M			
D	Fausto Galmarini	1950	2018	12/10/2018	31/12/2020	M		X	X	X	1	17/17	13/13	C							
D	Serena Gatteschi	1972	2018	12/10/2018	31/12/2020	m		X	X	X	3	17/17								11/11	M
D	Stefano Gatti	1967	2018	12/10/2018	31/12/2020	m		X	X	X	1	17/17								11/11	C
D	Jacob Frans Kalma	1966	2019	30/04/2019	31/12/2020	M		X	X	X	-	16/17									
D	Teresa Naddeo	1958	2018	12/10/2018	31/12/2020	M		X	X	X	2	16/17			6/6	M	7/7	C			
D	Massimiliano Scrocchi	1970	2018	12/10/2018	31/12/2020	M		X			-	16/17			6/6	M					
DIRECTORS TERMINATING OFFICE DURING THE YEAR																					
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quorum required to present lists at the time of the latest appointment (Shareholders' meeting 12 October 2018), pursuant to the Consob resolution no. 20273 of 24 January 2018: the lists are submitted by shareholders who, alone or together with other shareholders, hold shares representing at least 4.5% of the ordinary share capital																					
No. of meetings held during the year: Board of Directors: 17										Control and Risk Committee: 13				Remuneration Committee: 6			Appointment Committee: 7			RPT Committee: 11	

NOTES

Enter the symbols below in the column "Office":

• This indicates the director in charge of the internal control and risk management system.

() This indicates the chief executive officer in charge of managing the issuer (CEO).

° This indicates the Lead Independent Director (LID).

* The date of initial appointment of each director is intended as the date on which the director was appointed for the first time (ever) to the issuer's Board of Directors.

** This column indicates the list from which each director was drawn ("M": majority list; "m": minority list; "BoD": list presented by the Board of Directors).

*** This column indicates the number of offices as director or statutory auditor held by the interested party in other companies listed on controlled markets - including foreign - in holding, banking, insurance or large companies. The Report on Corporate Governance indicates these offices in full.

(*). This column indicates the attendance of directors at the Board of Directors' meetings and the committees, respectively (enter the number of meetings the director attended out of the total number of meetings he/she could have attended; e.g. 6/8; 8/8).

(**). This column indicates the director's position in the Committee: "C": chairman; "M": member

¹⁰ The number is updated as of the date of this Report. No data is provided for directors who have ceased to hold office in that not relevant; moreover, the information in the company's possession may no longer be up to date.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of birth	Date of init. appointment *	In office since	In office until	List **	Indep. based on Code	Part. in meetings of the Board ***	No. of other offices ****
Chairman	Francesca Michela Maurelli	1971	30/04/2019	30/04/2019	31/12/2021	m	X	60/61	7
Standing Auditor	Paolo Cevolani	1963	30/04/2019	30/04/2019	31/12/2021	M	X	53/61	5
Standing Auditor	Alessandro Stradi	1971	30/04/2019	30/04/2019	31/12/2021	M	X	54/61	3
Substitute Auditor	Simonetta Bissoli	1965	30/04/2019	30/04/2019	31/12/2021	M	X		
Substitute Auditor	Francesco Fallacara	1964	30/04/2019	30/04/2019	31/12/2021	m	X		
STATUTORY AUDITORS TERMINATING OFFICE DURING THE YEAR									
-	-	-	-	-	-	-	-	-	-
Quorum required to present lists at the time of the latest appointment (Shareholders' Meeting 30 April 2019), pursuant to the Consob Management Determination no. 13 of 24 January 2019: the lists are submitted by shareholders who, alone or together with other shareholders, hold shares representing at least 2.5% of the ordinary share capital									
Number of meetings held during the year: 61									

NOTES

* The date of initial appointment of each statutory auditor is intended as the date on which the statutory auditor was appointed for the first time (ever) to the issuer's Board of Statutory Auditors.

** This column indicates the list from which each statutory auditor was taken ("M": majority list; "m": minority list).

*** This column indicates the attendance of statutory auditors at the meetings of the Board of Statutory Auditors (enter the number of meetings the statutory auditor attended out of the total number of meetings he/she could have attended; e.g. 6/8; 8/8).

**** This column indicates the number of positions as director or statutory auditor held by the relevant party pursuant to Article 148-bis of the Consolidated Finance Act and the related implementing provisions contained in the Consob Issuers' Regulation. The complete list of positions is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation.

LIST OF OFFICES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The information reported below is that held by the Bank at the date of this Report.

Director	Office	Company	Belongs to the Credito Valtellinese banking Group	
			Yes	No
Alessandro Trotter	Chairman of the Board of Statutory Auditors	Rotolito S.p.A.		X
	Chairman of the Board of Statutory Auditors	Salini Simonpietro e C. S.a.p.a		X
	Limited Partner	Alca S.a.S di Carla Gaslini		X
Stefano Caselli	Director	Generali Real Estate S.p.A.		X
	Chairman	HOPE – Holding di Partecipazioni Economiche S.p.A.		X
Luigi Lovaglio	---	---		
Livia Aliberti Amidani	Standing Auditor	Recordati S.p.A.		X
	Supervisory Director	Bank of Austria Unicredit AG		X
Elena Beccalli	---	---		
Paola Bruno	Director	Retelit S.p.A.		X
	Director	COIMA RES S.p.A. SIIQ		
	Director	Sec Newgate S.p.A.		X
Maria Giovanna Calloni	Director	CAD IT S.p.A.		X
Carlo Crosara	Director and Deputy Chairman	Neafidi soc. coop. per azioni		X
Anna Doro	Standing Auditor	Telecom S.p.A.		X
	Director	Net Insurance S.p.A.		X
Fausto Galmarini	Director	Julia Portfolio Solutions S.p.A.		X
Serena Gatteschi	Standing Auditor	UnoAerre Industries S.p.A.		X
	Standing Auditor	Bertolotti S.p.A.		X
	Standing Auditor	Novart S.r.l.		X
Stefano Gatti	Director	2I Rete Gas S.p.A.		X
Jacob F. Kalma	---	---		
Teresa Naddeo	Director	Astaldi S.p.A.		X
	Standing Auditor	Dufrital S.p.A		X
Massimiliano Scrocchi	---	---		