

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

# **REPORT ON CORPORATE GOVERNANCE AND THE SHAREHOLDING STRUCTURE**

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

**(traditional administration and control model)**

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<b>Issuer:</b>	BANCA MONTE DEI PASCHI DI SIENA S.P.A.
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*English translation for courtesy purposes only. In case of discrepancies between the Italian version and the English version, the Italian version shall prevail*

## CONTENTS

CONTENTS.....	2
<b>DEFINITIONS.....</b>	<b>5</b>
THE 2022 REPORT.....	8
<b>1. ISSUER PROFILE.....</b>	<b>8</b>
The bank’s corporate governance system.....	9
ESG Sustainability in the Bank’s and the Group’s governance system.....	10
Organisational structure.....	13
The Montepaschi Group.....	14
<b>2. INFORMATION ON THE OWNERSHIP STRUCTURE.....</b>	<b>16</b>
a) Share Capital Structure (per Article 123- <i>bis</i> , Par. 1, Letter a) of the TUF).....	16
b) Restrictions on the transfer of shares (per Article 123- <i>bis</i> , Par. 1, Letter b) of the TUF).....	17
c) Significant equity investments (per Article 123- <i>bis</i> , Par. 1, Letter c) of the TUF).....	17
d) Shares with special rights (per Article 123- <i>bis</i> , Par. 1, Letter d) of the TUF).....	17
e) Employee share ownership: voting rights exercise mechanism (per Article 123- <i>bis</i> , Par. 1, Letter e) of the TUF).....	18
f) Restrictions on voting rights (per Article 123- <i>bis</i> , Par. 1, Letter f) of the TUF).....	18
g) Shareholder agreements (per Article 123- <i>bis</i> , Par. 1, Letter g) of the TUF).....	18
h) Change of control clauses (per Article 123- <i>bis</i> , Par. 1, Letter h) of the TUF) and provisions of the By-Laws regarding takeover bids (per Article 104, Par. 1- <i>ter</i> and Article 104- <i>bis</i> , Par. 1).....	18
i) Delegated powers to increase share capital and authorisations to buy back stock (per Article 123- <i>bis</i> , Par. 1 Letter m) of the TUF).....	18
l) Direction and coordination (per Article 2497 et seq. of the Civil Code).....	18
<b>3. COMPLIANCE.....</b>	<b>20</b>
Adherence to the Corporate Governance Code.....	20
Considerations on the letter from the Chairperson of the Italian Corporate Governance.....	20
<b>4. BOARD OF DIRECTORS.....</b>	<b>23</b>
4.1 ROLE OF THE BOARD OF DIRECTORS.....	23
4.2 APPOINTMENT AND REPLACEMENT (per Article 123- <i>bis</i> , Par. 1, Letter l) of the TUF).....	25
Presentation of the lists of candidates.....	25
Election of directors.....	26
Fit and proper requirements for bank directors.....	28
Maximum number of offices held in other companies – time commitment to fulfill duties.....	28
4.3 COMPOSITION (per Article 123- <i>bis</i> , Par. 2, letter d) and d- <i>bis</i> ) of the TUF).....	30
Diversity policies and criteria in the composition of the Board and corporate organisation.....	31
4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (per Article 123- <i>bis</i> , paragraph 2, letter d) of the TUF).....	34
4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS.....	35
Board Secretary.....	37
4.6 EXECUTIVE DIRECTORS.....	37
Chief Executive Officer.....	38
Chairperson of the Board of Directors.....	40

Disclosure of information to the Board of Directors by the directors/delegated bodies .....	40
4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTORS .....	41
Independent directors .....	41
<i>Lead Independent Director</i> .....	43
<b>5. HANDLING OF CORPORATE INFORMATION</b> .....	44
<b>6. BOARD COMMITTEES</b> .....	45
<b>7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS</b> .....	47
<b>– APPOINTMENTS COMMITTEE</b> .....	47
7.1 Self-assessment of the Board of Directors and its Committees .....	47
Appointment and succession of directors and management continuity plans .....	49
7.2 APPOINTMENTS COMMITTEE .....	51
Composition and operations of the Appointments Committee (per Article 123- <i>bis</i> , Par. 2, letter d) of the TUF).....	51
Functions of the Appointments Committee .....	51
<b>8. REMUNERATION OF DIRECTORS</b> .....	54
<b>– REMUNERATION COMMITTEE</b> .....	54
8.1 Remuneration of directors .....	54
8.2 REMUNERATION COMMITTEE .....	56
Composition and operations of the Remuneration Committee (per Article 123- <i>bis</i> , Par. 2, letter d) of the TUF) .....	56
Functions of the Remuneration Committee .....	57
<b>9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b> .....	59
<b>– RISK AND SUSTAINABILITY COMMITTEE</b> .....	59
The general principles of the Internal Control System.....	59
The Internal Control System governance model.....	60
The Board of Directors and the Risk and Sustainability Committee .....	61
Assessment of the Internal Control and Risk Management System .....	62
Board of Statutory Auditors.....	62
231 Supervisory Body .....	62
9.1 CHIEF EXECUTIVE OFFICER.....	63
9.2 RISK AND SUSTAINABILITY COMMITTEE .....	64
Composition and operations of the Risk and Sustainability Committee (per Article 123- <i>bis</i> , paragraph 2, letter d) of the TUF) .....	64
Functions attributed to the Risk and Sustainability Committee.....	65
9.3 MANAGER IN CHARGE OF THE INTERNAL AUDIT FUNCTION.....	69
The roles and responsibilities of the other Corporate Functions in the control system .....	71
Risk Control Function.....	73
Compliance Function .....	74
Internal Validation Function.....	76
Anti-money Laundering Function.....	76
9.4 ORGANISATION, MANAGEMENT AND CONTROL MODEL pursuant to Italian Legislative Decree 231/2001.....	78
231 SUPERVISORY BODY .....	78
9.5 INDEPENDENT AUDITORS.....	79
9.6 FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS .....	80
FINANCIAL DISCLOSURE PROCESS – Main features of the risk management and internal control system pursuant to Article 123- <i>bis</i> , paragraph 2, letter b) of the TUF.....	81
9.7 COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	83

<b>10. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES .....</b>	<b>86</b>
10.1 RELATED-PARTY TRANSACTIONS COMMITTEE.....	88
<b>11. BOARD OF STATUTORY AUDITORS .....</b>	<b>91</b>
11.1 APPOINTMENT AND REPLACEMENT.....	91
Presentation of candidates .....	91
Election of candidates.....	92
Replacement of members of the Board of Statutory Auditors .....	92
Requirements and grounds for disqualification from office.....	93
11.2 COMPOSITION AND OPERATIONS (per Article 123- <i>bis</i> , par. 2, letter d) and d- <i>bis</i> ) of the TUF).....	93
Independence.....	94
<b>12. RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS.....</b>	<b>98</b>
Access to corporate information.....	98
Dialogue with shareholders and investors.....	99
<b>13. SHAREHOLDERS' MEETING.....</b>	<b>101</b>
<b>14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES.....</b>	<b>105</b>
<b>15. CHANGES SINCE THE CLOSING DATE OF THE REPORTING YEAR .....</b>	<b>105</b>
<b>TABLES .....</b>	<b>106</b>
Table no. 1: STRUCTURE OF THE BOARD OF DIRECTORS .....	107
Table no. 1- <i>bis</i> : OFFICES HELD BY BANK DIRECTORS IN LISTED OR SIGNIFICANT-SIZED COMPANIES .....	108
Table no. 2 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS.....	109

## DEFINITIONS

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

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

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

**BMPS/Banca/Parent Company/Issuer/Company:** Banca Monte dei Paschi di Siena S.p.A., Parent Company of the Monte dei Paschi di Siena banking group.

**Board members/Directors:** the members of the Board of Directors of the Issuer.

**Board of Directors:** the Board of Directors of the Issuer.

**Board of Statutory Auditors/Control Body:** the Board of Statutory Auditors of the Issuer.

**By-Laws:** the current By-Laws of Banca Monte dei Paschi di Siena S.p.A. (available at [www.gruppomps.it](http://www.gruppomps.it) - *Corporate Governance - Governance Model*) which entered into force following the amendments approved by the Extraordinary Shareholders' Meetings of 12 April 2022 and 15 September 2022

**Civil Code/c.c.:** the Italian Civil Code pursuant to R.D. no. 262 of 16 March 1942.

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

**Code of Ethics:** the Code, approved by the Board of Directors, is the foundation of the Group's activities and sets out the guiding principles, values and rules of conduct (in addition to legal and regulatory obligations) that directors, auditors, management and employees of the Group, business partners, consultants and collaborators are required to abide by.

**Committees:** the Board Committees of the Issuer pursuant to Article of the By-Laws.

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

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

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

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

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

**Consolidated Law on the statutory audit of accounts:** Italian Legislative Decree no. 39 of 27 January 2021, as subsequently amended and supplemented

(implementing Directive 2006/43/EC).

**Consolidated Non-Financial Statement/NFS:** A group report published annually in compliance with the provisions of Articles 3 and 4 of Italian Legislative Decree no. 254 of 30 December 2016, concerning the disclosure of non-financial information useful for ensuring an understanding of the company's performance, its results and the positive and negative impacts of its activities. The report is published on the website [www.gruppompis.it](http://www.gruppompis.it) - *Group - Sustainability - Reports*.

**Corporate Functions:** the individual functions within the Bank's organisational structure, which perform the set of activities required to achieve the company purpose and objectives of the Issuer.

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

**ESG (*Environment, Social, Governance*):** acronym indicating the set of assessment criteria and standards for non-financial activities (environmental, social and good governance) impacting the Issuer.

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

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

**Montepaschi Group/Group:** Monte dei Paschi di Siena banking group of which the Issuer is the Parent Company.

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

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

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

**Shareholders' Meeting:** Meeting of the shareholders of the Issuer.

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

**Supervisory Authorities:** the national or EU authorities which perform supervisory functions over the Issuer's operations in light of specific legal and regulatory provisions.

**Supervisory Provisions on Corporate Governance:** Bank of Italy Circular no. 285/2013, Part I, Title IV, Chapter 1.

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

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

**Sustainability or sustainable development:** according to the 1987 Brundtland Report ('Our Common Future') of 1987, sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, thus reconciling economic development with the preservation of social and environmental balances.

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

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

**Year:** the financial year to which the Report refers, ending 31 December 2022.

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

*For the Sustainability-related items indicated in capital letters, please also refer to the definitions in the 'Group Sustainability and ESG Directive', published on the website [www.gruppompis.it](http://www.gruppompis.it) - Sustainability.*

*Even where not expressly indicated, any references to laws, regulations and provisions applicable, from time to time, to the Issuer, shall also refer to subsequent amendments or additions thereto.*

*The information contained in the Report refers to the year ending 31 December 2022, unless otherwise specified.*

## THE 2022 REPORT

The purpose of this Report is to illustrate to the market the corporate governance and shareholding structure of Banca Monte dei Paschi di Siena S.p.A., in accordance with the provisions of Article 123-*bis* of the TUF and the Principles and Recommendations for Good Governance contained in the Corporate Governance Code of listed companies to which the Bank adheres.

The Report uses the "Corporate Governance Report" format proposed by Borsa Italiana S.p.A. (most recently in January 2022) and provides information on how the Corporate Governance Code is applied, according to the "comply or explain" principle.

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

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

The Report, approved by the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. at the meeting on 8 March 2023, is published on the Bank's website [www.gruppompis.it](http://www.gruppompis.it) – *Corporate Governance – Modello di Governance – Relazione su Governo Societario e Assetti Proprietari* and on the authorised storage platform, E-Market storage [www.emarketstorage.it](http://www.emarketstorage.it).

## 1. ISSUER PROFILE

Banca Monte dei Paschi di Siena S.p.A. is a bank with shares listed on the regulated market Euronext Milan, organised and managed by Borsa Italiana S.p.A. The BMPS share is part of the FTSE Italia Mid Cap Index.

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

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

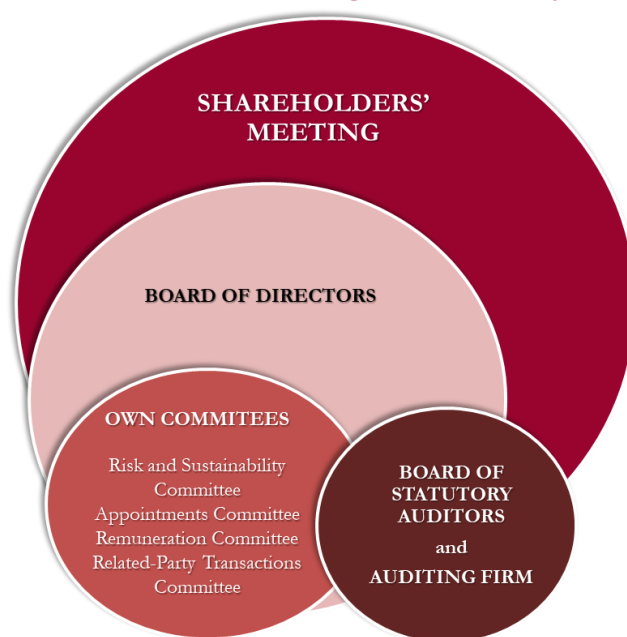
Based on the criteria indicated in the Supervisory Provisions concerning the corporate governance of banks, BMPS is a significant bank in terms of size and complex operations and is subject to the direct prudential supervision of the European Central Bank.

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

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



## The bank's corporate governance system



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

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

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

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

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

## ESG Sustainability in the Bank's and the Group's governance system

The Bank and the Group have a long-standing commitment to nurturing and supporting relations with its customers and the communities in the areas in which it operates, in order to best serve the interests of its stakeholders.

The cultural change seen in recent years regarding the environmental, social and governance (ESG) aspects of companies as well as the ever-increasing attention paid by the market, customers and legislators to these issues, have committed the Bank to developing and strengthening its governance system along the lines of a sustainable model that is progressively integrated into corporate strategies. The objectives identified aim to achieve Sustainable Success through the creating long-term economic value and the enhancement of corporate assets, while considering the direct environmental and social impacts of the Group's activities.

The Bank's Board of Directors incorporates environmental, social and governance aspects into the Bank's business strategies, internal control and risk management system (see Section 9) and the definition of the Group's remuneration policies (see Section 8.1). Since the beginning of 2022, the Bank has had a policy for managing dialogue with shareholders and investors, with the aim of facilitating interactions with its shareholders and institutional investors (see Section 12).

The company Standard Ethics recently confirmed the Bank's corporate sustainability rating of 'EE' ('Strong') and a long term expected rating of EE+ ('Very strong'). In order to continue its commitment to supporting the development of sustainable models and the acceleration of the global economy's transition to zero CO2 emissions by 2050, the Group adheres to the Principles for Responsible Banking and the Net Zero Banking Alliance, which provides for the identification and monitoring of decarbonisation targets for lending and investment portfolios as well as social development goals.

For further details on the Montepaschi Group's management of ESG issues, please refer to the website [www.gruppompaschi.it](http://www.gruppompaschi.it) - *Group - Sustainability - Reports* and, in particular, to the Consolidated Non-Financial Statement, prepared in accordance with Italian Legislative Decree no. 254 of 30 December 2016, which is published therein.

The impact of the ESG approach in the Bank's corporate governance system is reflected in the roles and functions assigned to the various players involved.

<p><b>Board of Directors of the Parent Company</b></p>	<ul style="list-style-type: none"> <li>* committed to pursuing Sustainable Success, approves Sustainability-related strategies and policies, ensures their implementation and that the risk management framework includes ESG factors;</li> <li>* approves “materiality analysis” (on non-financial issues to be identified as potentially relevant) and the NFS.</li> </ul>
<p><b>Risk and Sustainability Committee of the Parent Company</b></p>	<ul style="list-style-type: none"> <li>* supports the Board of Directors with assessment, proposal-making and advisory functions in assessments and decisions relating to sustainability and ESG risk management;</li> <li>* monitors the Group's Sustainability positioning.</li> </ul>
<p><b>Board of Statutory Auditors of the Parent Company</b></p>	<ul style="list-style-type: none"> <li>* supervises compliance with the provisions established pursuant to Legislative Decree no. 254 of 30 December 2016 with regard to the preparation of the NFS.</li> </ul>
<p><b>Chief Executive Officer of the Parent Company</b></p>	<ul style="list-style-type: none"> <li>* oversees Sustainability-related activities and actions to be implemented, while monitoring and ensuring the achievement of pre-fixed objectives.</li> </ul>

<b>Management Committee of the Parent Company</b>	<ul style="list-style-type: none"> <li>* through the specific 'ESG and Sustainability' session, supports the Chief Executive Officer in defining strategic guidelines and sustainability policies and in finalising the Sustainability Plan actions;</li> <li>* monitors the evolution of the Sustainability Plan actions by ensuring adequate sponsorship of initiatives and guiding the resolution of critical issues in order to achieve the Group's strategic objectives.</li> </ul>
<b>Head of Sustainability/Sustainability Function</b>	<p><b>ESG</b></p> <ul style="list-style-type: none"> <li>* promote the integration of ESG issues into the Group's strategy;</li> <li>* supervise, while ensuring that all initiatives undertaken by the various parties in carrying out their duties, are in line with the Group's ESG strategy;</li> <li>* responsible for preparing and monitoring the Sustainability Plan and ESG targets as well as the Group's reporting on Sustainability;</li> <li>* supervise the implementation of commitments stemming from national and supranational Sustainability and ESG initiatives and oversee their monitoring and disclosure (e.g., NZBA, PRB);</li> <li>* support the Chairperson of the Board of Directors and the CEO of the Parent Company in managing the dialogue with shareholders and investors on sustainability and ESG issues;</li> <li>* promote the culture of sustainable development within the company.</li> </ul>
<b>Corporate Control Functions</b>	<ul style="list-style-type: none"> <li>* for the aspects under their respective responsibility, develop risk assessment, measurement and management methods in line with the sustainability strategies and actions contained in the Sustainability Plan.</li> </ul>
<b>Corporate Functions of the Parent Company and of the Group Companies</b>	<ul style="list-style-type: none"> <li>* implement the relevant Sustainability Plan actions and support their monitoring;</li> <li>* contribute to the development of a Sustainability-driven culture, the definition of Sustainability strategies and policies, the Sustainability Plan and the NFS;</li> <li>* oversee the risks relating to their Sustainability-related activities;</li> <li>* promote the integration of ESG factors in processes, procedures and IT systems.</li> </ul>
<b>Permanent Sustainability Work Group</b>	<ul style="list-style-type: none"> <li>* Group consisting of Sustainability representatives from each of the Bank's Divisions;</li> <li>* identifies, manages and monitors initiatives aimed at achieving Sustainability goals.</li> </ul>

## SUSTAINABILITY AND THE 2022-2026 BUSINESS PLAN

The **2022-2026 Business Plan** sets out specific actions and goals across all the pillars of Sustainability pillars identified by the Group, taking account of internal and external drivers, which seek to:

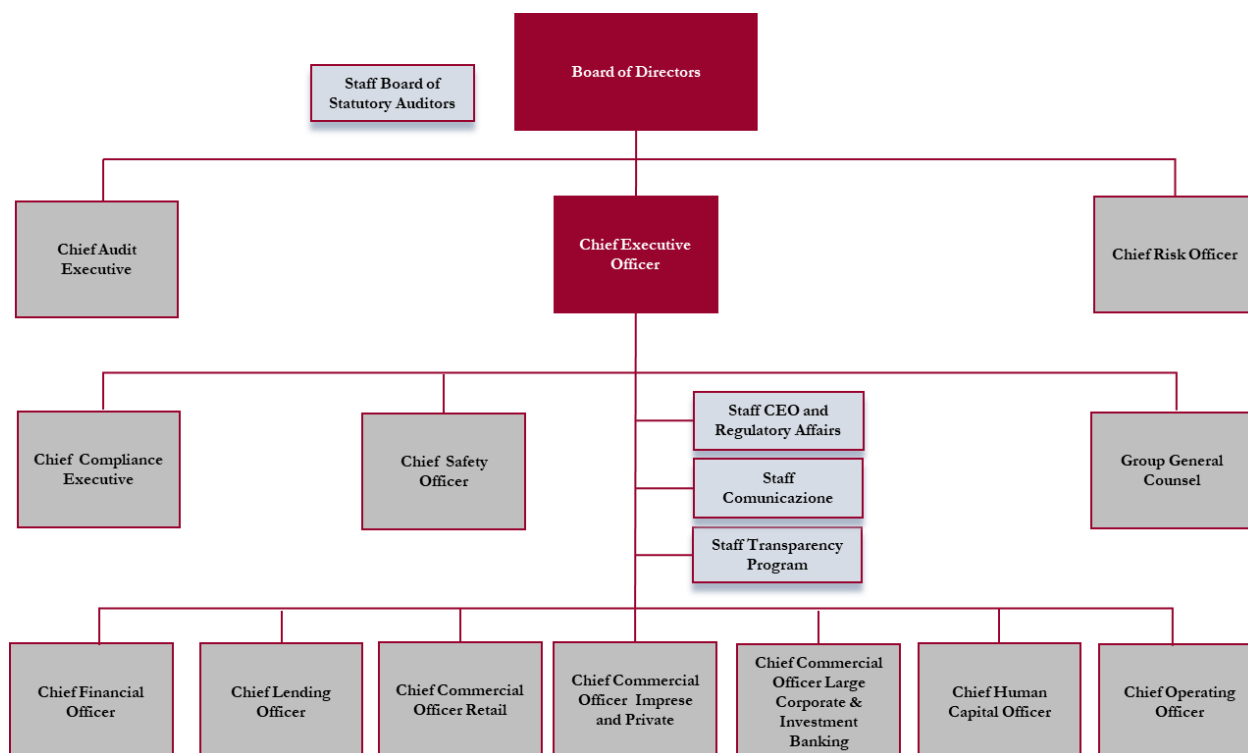
1. gradually reduce direct emissions (-60% vs. 2017);
2. further progress the Diversity & Inclusion Plan aimed at ensuring that 40% of management roles are held by women and that rules on inclusion and pre-certification of gender equality are adopted;
3. unlock human capital through the full enablement of remote working and the implementation of welfare initiatives on the emerging needs of employees, as well as the promotion of an ESG-driven culture through ESG awareness and training programmes for the entire corporate population;
4. continue to play an active role in the areas in which the Bank operates, promoting initiatives in support of local communities, culture and the enhancement of artistic heritage and museums, as well as financial education and job guidance;
5. actively support the ecological and sustainable transition of companies and households with ESG loans accounting for at least 20% of new lending, issuing Euro 2.5 billion of "green" and "social" bonds, achieving 50% of new investment in corporate bonds and expanding the commercial offer of ESG investment products pursuing a 40% share of ESG assets under management out of total placements;
6. adopt ESG-based credit rating systems for the assessment of counterparty risk and credit policies to support transition and achievement of the funded emission reduction targets by 2030 for high-priority sectors identified by the Net-Zero Banking Alliance;
7. complete the strategy integration path by incorporating ESG criteria in all Bank processes, as well as within the performance management system and the incentive and reporting system, and to integrate ESG factors into the risk management and investment policy processes;
8. further strengthen its ESG rating positioning by acquiring an additional general ESG rating.



## Organisational structure

The Board of Directors defines the general and relevant guidelines to ensure the Group’s stability and pursuit of its Sustainable Success. Within this framework, the Parent Company's Head Office performs functions of direction, coordination and control over the Group’s companies.

### Organisational chart of the Parent Bank’s Head Offices (as at 31 December 2022)



In the course of 2022, the models for the “Centres” and “Network” were streamlined. Involving all of the Bank’s units, the process was carried out in three steps.

The first step, completed in July, included the specialisation of the commercial chains with the establishment of the Chief Commercial Officer Retail, the Chief Commercial Officer Corporate and Private and the Chief Commercial Officer Large Corporate & Investment Banking.

The second step, completed in November, saw the elimination of an organisational layer, with the revision of the "Centre-Network" chains for the commercial, credit and support areas, the strengthening of the Chief Commercial Officers' internal units and the simplification of the internal units of Branches and Centres.

The third and final step, completed in December, involved the merger by absorption of the Consorzio Operativo Gruppo Montepaschi into the Parent Company, in order to optimise the governance and delivery of the Group's IT services. The merger of the subsidiaries MPS Capital Services S.p.A. and MPS Leasing & Factoring S.p.A. into the Parent Company is expected to be completed in 2023.

More specifically, the 2022 reorganisation resulted in the transformation of the five Regional Areas and Regional Credit Areas into:

- **14 Regional Retail Divisions**, with a simplified internal structure and reporting directly to the CCO Retail, divided into 132 Districts overseeing an average of about 10 branches each;

- **14 Regional Corporate and Private Divisions**, with a simplified internal structure and reporting directly to the CCO Corporate and Private, with direct supervision of 127 Specialist Centres, of which 73 Corporate Centres 54 Private/Family Office Centres;
- **14 Regional Retail Credit Divisions** (reporting directly to the "Retail Lending Division") and 14 Regional Corporate Credit Divisions (reporting directly to the "Corporate Lending Division"), divided internally by type of management (ordinary and proactive).
- At the same time, the organisation and human capital divisions were also set up.

The branch structure was optimised by integrating the remaining operational components into the commercial lines and simplifying the internal work-division criteria with the maximisation of synergies. The organisation of Corporate Centres was simplified, and the supervision of Small Businesses was strengthened.

The central units were consistently reorganised with a view to simplified reporting and enhancing operational functions. Of particular importance following the merger of the Consorzio Operativo Gruppo Montepaschi was the transfer of responsibility for Information Technology governance to the Parent Company, under the Chief Operating Officer, and the simultaneous reinforcement of IT security through the unification of the governance and technological development components into a single unit.

## The Montepaschi Group

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

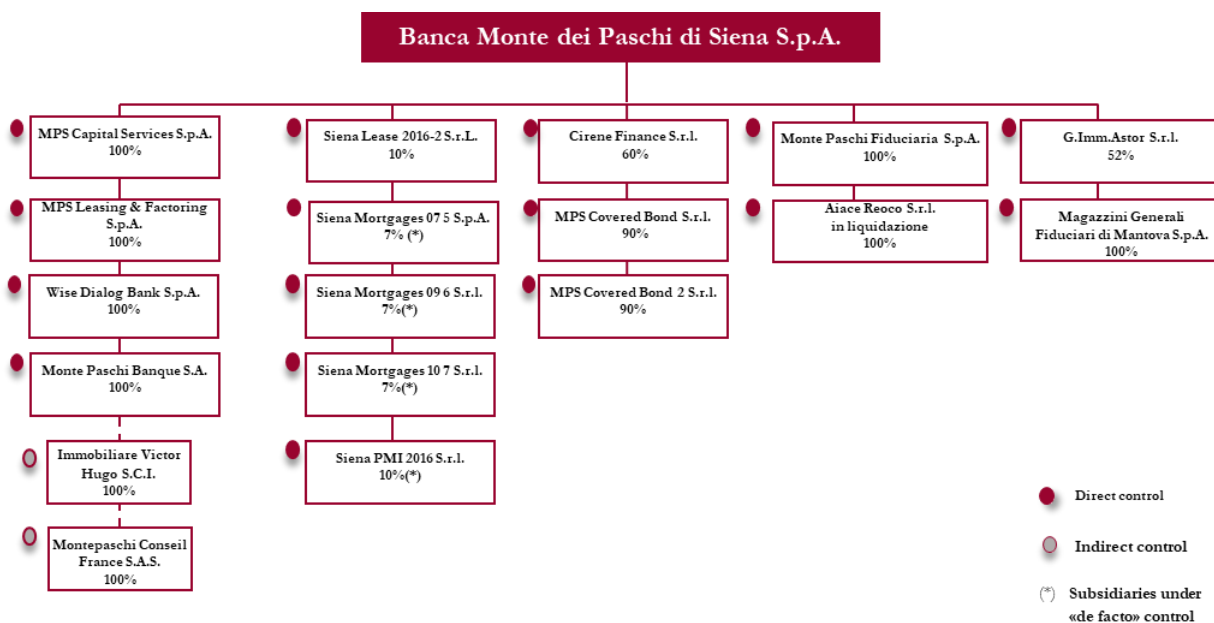
The Group operates in all key business areas: leasing, factoring, corporate finance and investment banking. The insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the offer of investment products of independent third parties.

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

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

For additional details, see the website [www.gruppompis.it](http://www.gruppompis.it) – *About us – Presentation*.

## The Montepaschi Banking Group (as at 31 December 2022)



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

With a view to simplifying the Group's structure, on 22 June 2022, the Parent Company's Board of Directors approved plans to merge the subsidiaries MPS Leasing & Factoring S.p.A., MPS Capital Services S.p.A. and the Consorzio Operativo Gruppo Montepaschi S.c.p.A. into BMPS (the latter becoming effective on 5 December 2022, with accounting effects backdated to 1 January 2022).

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (per Article 123-*bis*, Par 1 of the TUF)

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

As at the date of this Report, the subscribed and paid-in share capital amounts to Euro 7,453,450,788.44, divided into 1,259,689,706 ordinary shares with no indication of nominal value (unchanged from 31 December).

There are no other categories of shares. Each share entitles the holder to one vote.

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

BMPS shares are admitted to trading on the regulated market, Euronext Milan, which is organised and managed by Borsa Italiana S.p.A.

In accordance with the resolutions of Extraordinary Shareholders' Meeting of 15 September 2022, the following transactions involving the share capital were completed:

- the reduction of share capital for losses pursuant to Article 2446 of the Civil Code, from Euro 9,195,012,196.85 to Euro 4,954,119,492.44, without cancellation of shares (since they are without par value);
- reverse stock split of the Issuer's outstanding shares (no. 1,002,405,887 - ISIN Code IT0005218752) in new ordinary shares (no. 10,024,058 ISIN Code IT0005508921) at a ratio of 1 new ordinary share, with regular dividend entitlement, for every 100 existing ordinary shares, after the cancellation of 87 shares to enable the overall balancing of the transaction. The reverse stock split was completed on 26 September 2022 and did not entail any changes to the share capital;
- the increase of share capital to Euro 7,453,450,788.44 (with the issue of 1,249,665,648 new shares with a total countervalue of Euro 2,499,331,296), divided into 1,259,689,706 ordinary shares, with no indication of par value. The transaction, which is one of the pillars of the 2022-2026 Business Plan, was finalized on 15 November 2022, and enabled a significant improvement in the capital ratios of the Bank required by industry supervisory regulations.

For further information and updates, please refer to the information published on the website [www.gruppomps.it](http://www.gruppomps.it).

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

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





## Stock Granting Plans

In 2022, the Shareholders' Meeting did not approve any Stock Granting plans - involving the free allocation of ordinary BMPS shares - for Montepaschi Group employees.

For the sake of completeness, it should be noted that, as at the date of this Report, no use has been made of the annual Performance Shares Plan approved by the Shareholders' Meeting of 6 April 2022 and intended exclusively for the payment of any severance to Montepaschi Group personnel.

For more information on previous years, please refer to the relevant information communicated pursuant to Article 84-*bis* of Consob Issuer Regulation - Information on the assignment of financial instruments to company representatives, employees or collaborators, published on the website [www.gruppomps.it](http://www.gruppomps.it) – *Investor Relations – Share information – Acquisto azioni proprie e stock granting*. For information on the contents and implementation of these plans, please refer to the respective annual reports on the remuneration policies, published pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of Consob Issuer Regulation, available on the company's website [www.gruppomps.it](http://www.gruppomps.it) – *Corporate Governance – Remuneration*, as well as to the documents published for the respective Shareholders' Meetings.

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

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

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

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

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

Significant shareholders	
Declaring shareholder (entity at the top of the shareholding structure)	% of ordinary capital
Ministry of Economy and Finance - MEF	64.230%

*Percentages referring to ordinary and voting share capital (coincident).*

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

The latest data on the Bank's main shareholders can be viewed at [www.gruppomps.it](http://www.gruppomps.it) – *Corporate Governance – Shareholding Structure*.

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

No shares with special control rights have been issued.

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

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

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

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

There are no restrictions on voting rights.

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

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

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

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

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

In 2022, BMPS and its subsidiaries did not enter into any significant agreements that become effective, are amended or terminated in the event of a change in control of the contracting company.

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

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

– **Delegated powers**

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

– **Purchase of treasury shares**

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

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

BMPS is not subject to direction and coordination pursuant to Article 2497 et seq. of the Civil Code since the MEF, albeit a controlling shareholder, has not provided any communications regarding the exercise of direction or coordination of BMPS. In this regard, it should be noted that, on its website, the MEF specifies that it does not exercise direction and coordination of companies in which it holds an interest, pursuant to

article 2497 of the Italian Civil Code, referring, in this regard to a rule of authentic interpretation introduced into law by Article 19, paragraph 6 of Legislative Decree no. 78 of 1 July 2009, converted, with amendments, by Law no. 102 of 3 August 2009, by virtue of which in "*Article 2497, paragraph 1, of the Italian Civil Code, entities shall be interpreted as referring to collective legal entities, other than the State, that hold share capital as part of their business activities or for economic or financial purposes.*"

### 3. COMPLIANCE

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

#### Adherence to the Corporate Governance Code

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

The Bank's corporate governance system is designed in compliance with the current legislation in force, as well as with banking and financial supervisory regulations and best governance practices defined by the principles and recommendations of the Corporate Governance Code.

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

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

In this regard, it should be noted that in 2022, the Bank's By-Laws were amended by the Extraordinary Shareholders' Meeting of 15 September 2022 in order to bring the wording of the By-Laws into line with the regulatory changes that had taken place, including those resulting from the Corporate Governance Code published in January 2020.

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

#### Considerations on the letter from the Chairperson of the Italian Corporate Governance

In its letter of 25 January 2023, the Chairperson of the Italian Corporate Governance Committee provided listed companies with the main general guidelines on the application of the Corporate Governance Code that had emerged from the monitoring activities carried out by the Committee, making some recommendations for 2023 ("**Committee Recommendations for 2023**").

At its meeting of 8 March 2023, the Board of Directors, with the support of the Risk and Sustainability Committee and the Remuneration Committee for the areas of their respective competences, confirmed the substantial compliance of the Bank's corporate governance model with the principles and recommendations of the Corporate Governance Code and, in particular, with the guidelines contained in the Committee's Recommendations for 2023.

The findings of the assessments conducted on the Committee's 2023 Recommendations are reported in the specific Sections of this Report or the Remuneration Policy Report, listed below:

Recommendation	Findings
<p><b>Dialogue with shareholders</b></p> <p>The Committee invites companies to consider providing information, in their corporate governance report, on the most relevant issues that have been subject to dialogue with shareholders and on any measures adopted to take account of the recommendations that have emerged.</p>	<p><b>See Section 12 – Relations with shareholders and other stakeholders.</b></p>
<p><b>Dialogue with other relevant stakeholders</b></p> <p>The Committee invites companies to provide adequate information in their Corporate Governance Report on the criteria with which</p>	

and ways in which the board of directors has promoted dialogue with other relevant stakeholders.

#### **Assignment of managerial powers to the Chairperson**

The Committee invites companies in which the Chairperson is granted significant management powers to provide adequate reasons for this choice in the Corporate Governance Report, even if the Chairperson does not hold the title of CEO.

*See Section 4.5 – Role of the Chairperson of the Board of Directors.*

#### **Pre-meeting information**

The Committee invites the Boards to establish procedures for the handling of pre-board disclosure that do not include any generic exemptions to the timeliness of disclosure for reasons of data/information confidentiality, and to include in the corporate governance report detailed information on any failure to comply with deadlines specified in the procedures for sending board documents, giving reasons and explaining how adequate in-depth discussions were ensured at the board meeting.

*See sections:*

**4.4 – Functioning of the Board of Directors**  
**6. – Board Committees**

#### **Participation of managers in board meetings**

The Committee invites companies to include in the regulations adopted for the functioning of the board of directors and its committees, the ways in which these bodies can access the relevant corporate functions according to the subject matter, under the coordination of the Chairperson of the board of directors or committee, in agreement with or informing the CEO.

The Committee also invites companies to provide information in the corporate governance report on the actual participation of managers in board and committee meetings, indicating the functions involved and the frequency of involvement.

*See sections:*

**4.4 – Functioning of the Board of Directors**  
**4.5 – Role of the Chairperson of the Board of Directors**  
**6. – Board Committees**  
**7.2 – Appointments Committee**  
**8.2 – Remuneration Committee**  
**9.2 – Risk and Sustainability Committee**  
**10.1 Related-Party Transactions Committee.**

#### **Guidance on optimal compositions**

The Committee stresses the importance of the board of directors, at least in companies other than those with concentrated ownership, expressing guidance on the optimal composition of the board in the run-up to its renewal. The Committee calls on companies to publish such guidance well in advance, so that those submitting lists of candidates can take it into account when composing their list.

*See sections:*

**4.2 – Appointment and replacement of directors**  
**4.3 – Composition of the Board of Directors**  
**7. Self-assessment and succession of directors.**

#### **Criteria for assessing the significance of the relationship that may influence a director's independence**

The Committee stresses the importance of pre-determining and disclosing in the corporate governance report the quantitative parameters and qualitative criteria for assessing the materiality of any commercial, financial or professional relationships and any additional remuneration that could affect a director's independence. The Committee invites companies to consider the appropriateness of providing quantitative parameters, including those defined in monetary terms or as a percentage of the remuneration given for the office and for participation in committees recommended by the Code.

*See Section 4.7 – Independent Directors and Lead Independent Director.*

#### **Transparency of remuneration policies on the weight of variable components**

The Committee invites companies to include an executive summary table in the remuneration policy for the CEO and other executive directors, showing the structure of their remuneration package, with the details and weight of fixed, short-term variable and long-term

*See the Remuneration Policy Report, published on the website [www.gruppomps.it](http://www.gruppomps.it) - Corporate Governance - Remuneration.*

variable components in relation to total remuneration, for, at least, the achievement of the variable component target objectives.

**Long-term horizons in remuneration policies**

The Committee invites companies to include a variable component with a multi-year horizon in their remuneration policies, in line with the company's strategic objectives and the pursuit of sustainable success.

**ESG parameters for the remuneration of directors**

The Committee invites companies with Sustainability-linked incentive schemes for the CEO and other executive directors to provide a clear indication of the specific performance targets to be achieved.

**See Section 8 – Remuneration of directors – Remuneration Committee.**

**See also the Remuneration Policy Report, published on the website [www.gruppomps.it](http://www.gruppomps.it) - *Corporate Governance - Remuneration.***

## 4. BOARD OF DIRECTORS

### 4.1 ROLE OF THE BOARD OF DIRECTORS

The Board of Directors leads the Bank while pursuing Sustainable Success, with a view to improving the long-term financial performance as well as the social and environmental impact of the Bank's and the Group's business activity.

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

The Shareholders' Meeting of 15 September 2022 approved a number of amendments to Article 17 of the By-Laws – which governs the powers of the Board of Directors (in particular, those of exclusive competence) and the duties of the Board Committees – in order to bring the wording of the By-Laws into line with the regulatory changes that have been introduced from time to time, as well as to simplify and streamline the Board's powers in the appointment and dismissal of management, without prejudice to the powers attributed exclusively to the Board by the applicable regulations in force regarding the appointments of the Managers in charge of control functions and of other key corporate functions. Among the aforementioned amendments to the By-Laws, an explicit reference to environmental, social and governance sustainability profiles was included in the definition and approval of the business model, strategic guidelines, business and financial plans and strategic transactions, in view of the importance attached to the issue not only by the Corporate Governance Code and the Supervisory Provisions for banks on corporate governance, but also by BMPS itself, which considers sustainability “*a key factor in the decisions of a prudent management body to guide the actions of its company and define the strategies that best interpret the feelings of all stakeholders*”<sup>1</sup>. In light of the above, an explicit reference to Sustainability was introduced into By-Laws to confirm the Montepaschi Group's commitment to a model of sustainable development and projects that the Group intends to implement in the coming years.

The Board of Directors is vested with the exclusive powers established by the By-Laws and all the non-delegable powers attributed to it by the laws and regulations; under its exclusive powers (which may not be delegated), the Board of Directors:

- defines and approves the business model, the strategic guidelines for the Bank and the Group, the respective business and financial plans as well as the strategic transactions, integrated with the environmental, social and governance sustainability profiles relevant for the generation of long-term value and the pursuit of Sustainable Success;
- periodically monitors the correct and consistent implementation of the strategic guidelines and business plan in relation to the developments in company management and in the external context of reference, such as the competitive and regulatory scenario; at least every quarter, and also when the Company's and the Group's financial results are presented, it assesses the general operating performance, taking into account the information received from the Chief Executive Officer and the delegated bodies and based on a comparison of the results achieved against those that were forecast;
- prepares the draft budget and submits it to the Shareholders' Meeting;
- defines the *Risk Appetite Framework* (“**RAF**”), i.e., the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies (detection, management and assessment over time) as well as the relevant processes in line with the maximum level of risk that can be assumed, the business model and the approved strategic plan (on this subject, please refer to Section 9);
- determines the principles for the general organisation of the Bank, approving (and amending) its organisational structure and main internal regulations, and monitoring their adequacy over time; it ensures on an ongoing basis that tasks and responsibilities are assigned in a clear and appropriate manner,

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<sup>1</sup> BMPS 2021 Consolidated Non Financial Statement “*Letter to stakeholder*”.

through the definition of a general organisational model and appropriate delegation procedures; it expresses the general guidelines for the structure and operations of the Banking Group, determining the criteria for the coordination and management of the subsidiaries belonging to the same Banking Group, as well as for the implementation of the instructions issued by the Bank of Italy;

- defines and approves the guidelines of the internal control system, verifying its adequacy, coherence, functionality, efficiency and effectiveness, also in compliance with the applicable supervisory regulations (on this subject, please refer to Section 9);
- approves the accounting and reporting system (on this subject, please refer to Section 9.6);
- has general responsibility for setting guidelines for and controlling the information system;
- makes decisions with regard to the transactions of the Bank and, as Parent Company, of its subsidiaries (in this case through the "Parent Company's prior opinion" tool) concerning relevant matters<sup>2</sup> (matters that have a significant strategic, economic, capital or financial relevance, entailing the assumption of additional risks and for all other matters governed/identified as such by the By-Laws of the Parent Company and the subsidiaries and by Group regulations)<sup>3</sup>;
- approves major transactions with related parties or minor transactions falling within the competence of the Board of Directors (on this subject, please refer to Section 10);
- establishes the committees with advisory and proposal-making duties towards the Board (with regard to the Board Committees: Appointments Committee, Remuneration Committee, Risk and Sustainability Committee and Related-Party Transactions Committee – please refer to Sections 7, 8, 9 e 10);
- resolves on the appointment and removal from office of the General Manager and one or more Deputy General Managers (and the Acting Deputy General Manager, if any); the Managers in charge of the Internal Audit, Compliance, Risk Control and Anti-Money Laundering Functions (after consulting the Board of Statutory Auditors); the Managers in charge of the Key Corporate Functions, as defined by the regulations in force at the time<sup>4</sup>, for which appointment by the Board is required; the Employer for the protection of health and safety at work, based on the criteria laid down by law;
- supervises the public disclosure process as well as the communication of the Bank's and the Group's corporate information, with particular regard to inside information (on this subject, please refer to Section 5), and promotes dialogue with shareholders and other relevant *stakeholders* of the Bank, taking also account of the rules and criteria established by corporate regulations, its own internal Regulations and its specific Policy for Dialogue with the Bank's shareholders and investors (current and potential), regarding which additional information is provided in Section 12.

For further details on the decisions taken in 2022 by the Board of Directors with the support of the board committees, including those pertaining to strategy and risk identification and management, monitoring and adjustment of the internal control system, the integration of sustainability factors, and the approval of strategic transactions, please refer to Section 7.2 (Appointments Committee), Section 8.2 (Remuneration Committee) and Section 9.2 (Risk and Sustainability Committee).

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<sup>2</sup> The By-Laws (Article 17, paragraph 1) in particular, reserves to the Board the power to resolve upon mergers by incorporation of companies entirely owned or held with a share of at least 90% of the capital (see Articles 2365, 2505 and 2505-bis of the Italian Civil Code), as well as the establishment and closing of secondary offices, and any adjustment to the By-Laws in order to comply with regulations.

<sup>3</sup> The "Group's Operational Governance Regulation" approved by the Board of Directors, governs – in close synergy with the other internal regulations – the strategic and operational responsibilities of the Parent Company and the Group Companies with regard to corporate processes, operational procedures and the circulation of information flows, in order to ensure that common objectives are achieved in compliance with the legal autonomy of the Group companies and the principles for their proper corporate and business management.

<sup>4</sup> MEF Decree no. 169/2020 defines the "Heads of the key corporate functions" as: the Heads of the anti-money laundering function, the regulatory compliance function, the risk control function and the internal audit function (as defined by the provisions on internal controls issued pursuant to Article 53 of the Consolidated Law on Banking) and the Chief Financial Officer of the company, as well as, where present and if different from the latter, the Financial Reporting Officer as provided for in Article 154-bis of the Consolidated Law on Finance.



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

- its composition and operations, please refer to Section 4;
- its appointment and self-assessment, please refer to Section 7;
- the remuneration policy, please refer to Section 8.

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

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

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

#### **Presentation of the lists of candidates**

The Board of Directors is appointed by the Shareholders' meeting on the basis of the lists, which ensures the protection of minority rights as well as a suitable composition in terms of independence, gender and diversity, in compliance with the provisions of the By-Laws and applicable regulations. In this regard, it should be noted that the Shareholders' Meeting of 15 September 2022 approved, *inter alia*, a number of amendments to Articles 15 and 25 of the By-Laws, regarding the procedure for appointing the Board of Directors and the Board of Statutory Auditors, in order to align the wording with the new regulations on the requirements and eligibility of banking officers (particularly with regard to the provisions of MEF Decree no. 169/2020) and the recommendations and principles of the Corporate Governance Code, also introducing simplifications and references to the applicable regulations in force, in particular with regard to the requirements and eligibility criteria of banking officers (e.g. the minimum quota of independent directors).

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

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

Candidates in the lists submitted by the shareholders are listed by consecutive number and are inserted in compliance with the procedure set out in Article 15<sup>5</sup> of the By-Laws to ensure:

- *an adequate number of independent directors*: in each list, at least two candidates – or the only candidate or at least one third (or the higher percentage provided for by the laws, regulations and Corporate Governance Code

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<sup>5</sup> The Shareholders' Meeting of 15 September 2022 approved the elimination of the provisions in the By-Laws relating to the age limits (referring to the date of appointment) set for the members of the Board of Directors (75 years), the Chairperson (70 years) and the Chief Executive Officer (67 years). On the basis of the experience acquired, these age limits - included in the By-Laws since 2013 in order to bring the Bank's governance into line with similar provisions in the By-Laws of other leading banks and with the best international practices at the time - were not deemed to be significant in terms of ensuring diversity in the composition of the Board, even with regard to age and experience, and it was considered preferable to focus on the candidates' profiles and base the choice of directors to be appointed on their experience, skills and professional skills (indispensable elements for the eligibility of directors), regardless of their age.

in force at the time)<sup>6</sup>, must meet the independence requirements established by the applicable laws and regulations<sup>7</sup> in force and the additional ones provided for by the Code;

- *gender balance*: in each list, the requirements on gender balance in force at the time must be complied with<sup>8</sup>.

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

Lists submitted that do not comply with the By-Laws cannot be voted. The lack of documentation regarding an individual candidate on a list does not automatically result in the exclusion of the entire list, but only of the candidate concerned.<sup>9</sup>

For the selection of candidates, and well in advance of the publication of the notice of call of the Shareholders' Meeting for the appointment of directors, shareholders are given the guidelines on the qualitative and quantitative composition of the Board of Directors, provided by the outgoing Board of Directors with a view to achieving a diverse composition of the Board deemed optimal in terms of both size of the new board and the characteristics of the managerial and professional figures whose presence on the new Board is deemed appropriate (hereinafter the '**Guidelines**'). On this issue, please refer to Section 4.3 – Diversity policies and criteria in the composition of the Board, and Section 7 - Self-Assessment and Succession of Directors.

## Election of directors

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

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

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

The candidates obtaining the highest quotients shall be elected.

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<sup>6</sup> Rounded up if the quota of one third does not correspond to a whole number.

<sup>7</sup> For appointments made after 30 December 2020, the independence criteria set out in MEF Decree no. 169/2020 shall apply in particular.

<sup>8</sup> The regulations on gender balance (Articles 147-*ter* and 148 of the TUF and Articles 144-*undecies*.1 of Consob's Issuer Regulation) establish that the less-represented gender must make up at least two fifths of the members of the management and control bodies of listed companies.

<sup>9</sup> The amendment to Article 15 of the By-Laws approved by the Shareholders' Meeting of 15 September 2022, expressly states that in the case of the submission of lists of candidates for the appointment of the Board, the lack of documentation regarding an individual candidate does not automatically result in the exclusion of the entire list, but only that of the candidate concerned.

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

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

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

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

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

If, as a result of the voting, at least one third (or the higher percentage provided by the laws, regulations and the Corporate Governance Code in force at the time) of the directors that meet the independence requirements provided have not been appointed, the required number of last non-independent directors shall be replaced with independent candidates - drawn from the same lists of the replaced candidates - who have obtained the highest quotient.

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

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

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

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

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

## Fit and proper requirements for bank directors

The applicable national and supranational banking sector laws and regulations in force require bank directors to meet the standards of professional experience, integrity and independence, including independence of judgment, and comply with the criteria of competence and fairness, the limits on the number of offices held, and the time commitment necessary for the correct and effective fulfilment of their duties, which is estimated by the Board and specified in the qualitative and quantitative Guidelines made available to shareholders at the time of the renewal of the board.

It is the task of the Bank's Board of Directors to assess the suitability of its members, which includes verifying that there are no relevant situations relating to the interlocking ban pursuant to Article 36 of Legislative Decree 201/2011 – converted into Law 214/2011, that prohibits directors, statutory auditors and general managers from taking on or performing similar duties in competitor companies or groups operating in the credit, insurance or financial markets.

The Board assesses the requirements against the Italian and European laws in force (Article 26 of the TUB which incorporates the CRD Directive and implementing ministerial provisions<sup>10</sup>), taking also account of the application criteria in the *"Guide to fit and proper assessments"* issued by the ECB and the joint EBA-ESMA *"Guidelines on the assessment of the suitability of members of the management body and key function holders"*. The principles and recommendations of the Corporate Governance Code are also taken into account.

The results of the assessment of the eligibility of the elected candidates are subject to evaluation by the Bank of Italy and the European Central Bank and are disclosed to the public pursuant to the Consob Regulations for Issuers and the Corporate Governance Code. On the basis of the information provided by the persons concerned or otherwise available, the Board of Directors is also responsible for confirming the suitability of the candidates during their term of office, when any relevant events occur<sup>11</sup> and, in any case, at least once a year.

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

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

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

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

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<sup>10</sup> MEF Decree no. 169/2020 applies for appointments after 30 December 2020.

<sup>11</sup> If, after the appointment of the officers, there are any events which – in relation also to the bank's operating circumstances – affect the officer's situation, his/her role within the corporate organisation or the collective composition of the Board, the latter shall carry out a new assessment of the fit and proper requirements of the officers concerned, as well as the suitability of the Board's collective composition and its compliance with the maximum number of directorships that can be held.

In compliance with the applicable banking regulations<sup>12</sup>, the Regulations of the Board of Directors define the criteria for assessing whether each director's time commitment is suitable for the effective performance of his or her duties, taking into account any positions held in other companies, enterprises or bodies, any additional work and professional activities carried out as well as any other professional situations or circumstances that may affect the director's time commitment, in compliance, in any event, with the maximum number of directorships established by the regulations themselves. The Regulation of the Board of Directors, most recently revised in 2022, updated and further clarified the criteria applied when assessing directors' time availability and obligations in order to ensure compliance with the time commitment requirement during the term of office.

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

- quantitative factors regarding the number of positions held in the Bank and the number of positions in other banks or non-competitor commercial companies, amounting to a total number (equal to 1 executive position plus 2 non-executive positions or 4 non-executive positions), excluding from the calculation:
  1. directorships in organisations which do not pursue predominantly commercial objectives and those in companies or entities whose sole purpose is to manage the private interests of the officer (or of the spouse who is not legally separated, the person bound by civil union or de facto cohabitation, relative or kin up to the fourth degree) and which do not require any type of day-to-day management by the exponent; appointments as a professional in professional companies; and appointments as an alternate auditor;
  2. certain multiple directorships falling within the scope of “privileged counting” and which, therefore, count as a single directorship: (a) directorships held within the same group; (b) directorships held within institutions which are members of the same institutional protection scheme; c) directorships held within entities in which the Bank holds a qualifying holding (amounting to at least 10% of the share capital or voting rights or which enables the exercise of a significant influence on the management of that company);
- qualitative factors regarding the nature of the directorship (whether executive or non-executive, whether a member of a Board committee; the size, activity and complexity of the bank or other commercial company, the duration of the additional position; the level of expertise acquired by the officer for carrying out the position in the bank and any synergies between the different positions).

Based on the information provided by the officers as well as the reasonably available information (e.g. CERVED), the Board of Directors has made a positive assessment of each director's time commitment and compliance with the maximum number of offices that can be held.

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<sup>12</sup> MEF Decree no. 169/2020 (Section V), effective for appointments after 30 December 2020, introduced stricter criteria and limits to be complied with for verifying the time commitment and maximum number of offices that can be held (total number of positions in banks or other commercial companies).

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

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

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

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

(\*) Director meeting the independent requirements established by Article 147-ter and Article 148, paragraph 3 of the TUF.

(\*\*) Director meeting the independence requirements established by the By-Laws: independence requirements established by Article 147-ter and Article 148, paragraph 3 of the TUF and by the Corporate Governance Code.

- (1) Executive Director, appointed by the Board of Directors of 7 February 2022 to the position of Chief Executive Officer and General Manager (CEO), effective as of 8 February 2022, having been co-opted pursuant to Article 2386 of the Civil Code in replacement of resigning director Olga Cuccurullo. The Director was confirmed as CEO and General Manager by the Shareholders' Meeting of 12 April 2022.
- (2) Director appointed by the Shareholders' Meeting of 12 April 2022 to replace former Chief Executive Officer Guido Bastianini, who was dismissed as Chief Executive Officer and General Manager by the Board of Directors, with effect from 7 February 2022, and dismissed as a director by the same Shareholders' Meeting of 12 April 2022.

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

List of candidates <sup>13</sup>	Shareholder	Candidates	Votes obtained by the list at the Shareholders' Meeting
<b>List no. 1 – majority list</b>	Ministry of Economy and Finance (68.247% of share capital)	Maria Patrizia Grieco, Guido Bastianini, Francesca Bettio, Rita Laura D'Ecclesia, Luca Bader, Marco Bassilichi, Francesco Bochicchio, Rosella Castellano, Olga Cuccurullo, Raffaele Di Raimo, Nicola Maione and Roberto Rao.	Total votes 781,694,538, accounting for 94.478349% of the shares entitled to vote and 68.552253% of share capital.
<b>List no. 2 – minority list</b>	- Alleanza Assicurazioni S.p.A. - Eurizon Capital SGR S.p.A. fund manager of: Eurizon Progetto Italia 20, Eurizon PIR Italia 30, Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni, Eurizon Azioni PMI Italia, Eurizon Progetto Italia 40 - Eurizon Capital S.A. fund manager of: Eurizon Fund - Italian Equity Opportunities - Generali Italia S.p.A. - Genertellife S.p.A. (a total of 2.40117% of share capital)	Alessandra Giuseppina Barzagli, Paola De Martini and Marco Giorgino.	Total votes 45,647,209, accounting for 5.517082% of the shares entitled to vote and 4.003123% of share capital.

All members of the Board in office are non-executive directors, with the exception of the Chief Executive Officer, and meet the eligibility requirements set out in the applicable regulations in force.

The presence of eleven independent Directors pursuant to art. Article 15 of the By-Laws (accounting for approximately 74% of the members) ensures effective monitoring of corporate operations.

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

For additional details and information on the composition of the Board of Directors, please refer to attached Table No. 1 and the 2022 Board Review described in Section 7.1.

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

The By-Laws<sup>14</sup>, the Regulations and Self-Assessment Regulations adopted by the Board of Directors, the Supervisory Provisions on Corporate Governance for Banks<sup>15</sup>, the rules on the requirements of bank officers<sup>16</sup>, as well as the principles and recommendations of the Corporate Governance Code to which the Bank adheres, constitute the regulatory framework for ensuring that the qualitative composition of the Bank's Board of Directors is suitably diversified and efficient with regard to each director's personal characteristics, professional training and expertise, gender, geographical provenance and diversified ability to contribute to the Board's work towards achieving the identified strategic and business objectives.

<sup>13</sup> On 23 April 2020, the Board of Directors, in compliance with Article 148, paragraph 2 of the TUF and Article 144-quinquies of the Consob Issuer Regulation and considering the recommendations contained in Consob's Notification DEM/9017893 of 26 February 2009, assessed and declared that, to the best of the Bank's knowledge, there existed no material relationship of affiliation pursuant to the above legislation between the shareholders who submitted the so-called "minority lists" for the election of the Board of Directors – identified above as List no. 2 – and the controlling shareholder, the Ministry of Economy and Finance.

<sup>14</sup> Articles 13, 15 and 18.

<sup>15</sup> Section IV – Composition and appointment of the corporate boards.

<sup>16</sup> Article 26 of the TUB and MEF Decree no. 169/2020, in addition to the Guidelines and Recommendations of the European Supervisory Authorities.

In compliance with this regulatory framework – taking also account of the results of the periodic self-assessment and with a view to ensuring the correct, effective and efficient functioning of the Board against the objectives identified for renewed mandate – the outgoing Board of Directors, with the support of the Appointments Committee, sets out the qualitative-quantitative composition of the Board considered optimal *ex ante* – pursuant also to MEF Decree No. 169/2020 – in specific Guidelines that also identify and motivate the theoretical candidate profile deemed best suited to the objectives established for the renewed mandate (strategic, business and corporate governance objectives) and for the ideal, overall composition of the Board of Directors.

The qualitative composition contained in the Guidelines proposes the professional and personal characteristics and skills deemed appropriate for the different roles within the Board of Directors (Chairperson, Chief Executive Officer, if appointed, and the other directors) as well as for the suitable composition of the board committees. Particular consideration is also given to the recommendations of the Corporate Governance Code (in terms of the proportion of independent directors, specific professional skills, and the composition of board committees) and the Supervisory Corporate Governance Provisions, which provide for an optimal qualitative-quantitative composition of the Board of Directors, with members that<sup>17</sup>:

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

In view of the Shareholders' Meeting of 18 May 2020, which appointed the Board of Directors for the period 2020-2022, the outgoing Board of Directors, with the support of the Appointments Committee, approved the document "*Guidelines of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. to Shareholders on the size and composition of the new Board of Directors*" addressed to all shareholders intending to submit a list of candidates for the appointment of the new Board.

In view of the Shareholders' Meeting of 20 April 2023 for the renewal of the corporate boards, on 19 January 2023, the outgoing Board of Directors, with the support of the Appointments Committee, approved the new Guidelines (published on 2 March 2023) for the selection of candidates by shareholders intending to submit lists.

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<sup>17</sup>The MEF Decree 169/2020, applicable to appointments after 30 December 2020, provides for a suitably diversified composition of the management and control bodies so as to: promote internal debate and dialogue; encourage a plurality of approaches and perspectives when analysing issues and taking decisions; effectively support the corporate processes for the formulation of strategies, management of activities and risk, and control over the work of top management; take into account the multiple interests that contribute to the sound and prudent management of the Bank. For these purposes, the Bank must therefore consider the presence on the Board of members: *a)* that are diversified in terms of age, gender, tenure and, in particular for banks that are significantly active internationally, geographical provenance; *b)* whose collective skills are suitable to achieve the above objectives; *c)* in a number that is suitable to ensure that the board is effective and not oversized. Consideration is also given to the bank's legal form, the type of business carried out, the ownership structure, whether or not it belongs to a banking group, and the constraints arising from legal and regulatory provisions on the composition of corporate bodies.



Documents relating to the Guidelines are published on the website [www.gruppompis.it](http://www.gruppompis.it) – *Corporate Governance – Shareholders' Meetings and BoDs* and with the other methods provided for by current regulations. For further details on the guidelines, please refer to Section 7.1.

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

- eleven independent directors pursuant to Article 15 of the By-Laws, accounting for approximately 74% of members;
- a gender balanced composition with average diversity ratios that are in line with primary and supervisory legislation<sup>18</sup>: of the fifteen directors in office at the date of this Report, six are female – the less represented gender - (including the Chairperson and the two Deputy Chairpersons of the Board of Directors), accounting for 40%<sup>19</sup>, and nine are male, accounting for the remaining 60%;
- a diverse age range, from a minimum of 48 years to a maximum of 72 years (and an average age of 60 years);
- met the criteria prescribed for the office, with a broad diversity in terms of training, professional skills and experience, independence and time commitment for the fulfilment of duties, in line with the Guidelines on the ideal qualitative and quantitative composition established by the Board of Directors upon the most recent renewal of the board.

The Group has also adopted a **Code of Ethics**, which is an internal regulation that is an important governance tool for promoting equal treatment and opportunities between genders across the entire corporate organization, bearing also in mind that the Code of Ethics is an essential part of the "231 Model," with which all corporate board members, employees, financial advisors and collaborators of the Bank are required to comply. The Code of Ethics places the recognition of differences among its fundamental principles and values and promotes a culture of inclusion, considering diversity as an essential asset. People are guaranteed the same opportunities regardless of age, sexual orientation, religious belief, gender, ethnicity and diverse abilities, promoting a working environment that is free from any discrimination. Its application is monitored and checked within the internal control system.

The Group has also developed concrete actions to support diversity and inclusion through an organizational model that centres on the complexity and heterogeneity of the cultural environment. In this regard, in 2022 the Bank issued the corporate regulatory document "**Rules on Inclusion**", which, with the aim of valuing diversity and promoting an inclusive work environment, sets out the underlying principles that will guide development in the company as well as the main areas involving all BMPS people: selection, training, professional growth, assessment, remuneration policies, welfare, inclusive communication<sup>20</sup> and termination of employment.

For further information on the concrete actions implemented to ensure equal opportunities and the promotion of diversity and inclusion in the organisational model of the Bank and the Group, and, in general, on environmental, social and HR-related issues as well as issues concerning the respect of human rights and the fight against corruption, please refer to the Consolidated Non-Financial Statement, prepared pursuant to

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<sup>18</sup> The regulations on gender balance in force since 1 January 2020 (Articles 147-ter and 148 of the TUF and Consob Recommendation no. 1/20) establish that the less-represented gender must make up at least two fifths of the members of the management and control bodies of listed companies. The By-Laws aimed at respecting gender balance – according to the principles established by law 120/2011 (the so-called Golfo-Mosca Law) and introduced in Articles 147-ter and 148 of the TUF which required listed companies to ensure that at least one third of their management and control bodies consist of the less represented genders – were applied for the first time for the renewal of the corporate boards of the Bank approved by the Shareholders' Meeting of 16 April 2015.

<sup>19</sup> In 2022, the percentage of the least represented gender dropped from 46.67% to 40% following the resignation of a director.

<sup>20</sup> Communication, which is a fundamental means of sharing company information, uses language that can help counteract the formation of stereotypes and prejudices and eliminate discrimination towards employees, customers and the general public. Effective peer-to-peer communication ensures that people are represented, listened to and treated equally in corporate media messages, respecting differences and promoting inclusion, in compliance with both the indications contained in EU Directive/54/2006 and the UN Convention on the Rights of Persons with Disabilities, which Italy has signed. In addition to these are the guidelines set out in the handbook "*Gender neutrality in the language used in the European Parliament*" (2008), which states: "*Gender-neutral language is a generic term covering the use of non-sexist language, inclusive language or gender-fair language*".

Legislative Decree no. 254 of 30 December 2016 and published on the website [www.gruppomps.it](http://www.gruppomps.it)- *Group - Sustainability - Report*.

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

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

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

The agenda is set by the Chairperson of the meeting, having heard the Chief Executive Officer and/or General Manager and the Chairpersons of the Board Sub-Committees. The Chairperson convenes the meetings according to the procedures and timescales established in its Regulation and by the By-Laws. In accordance with the provisions of the By-Laws, the directors may also take part in the meetings by using teleconference and video conference systems.

The Chairperson ensures that all directors are provided with adequate and comprehensive information and documentation on the agenda items for the Board of Directors' meeting, with suitable advance notice and in a gradual order according to the importance, relevance and complexity of the individual positions to be examined, always complying with the rule that the documentation shall be made available to directors sufficiently in advance to enable them to participate in the discussion and deliberation of the items on the agenda in an informed and considered manner, and, in the case of the board sub-committee meetings, to allow the latter to issue the required supporting opinions to the Board of Directors. Information is made available to Directors and Statutory Auditors using a dedicated procedure accessible via intranet or extranet in a secure environment that enables all Directors and Statutory Auditors to view proposals and annexes and obtain all the preliminary information necessary, normally within five days prior to the date of the convened board meeting, barring reasons of urgency. There are no generic exemptions for the provision of supporting documentation to directors for board evaluations and decisions, except in the cases provided for by specific internal rules or corporate governance policies adopted by the Bank, as per banking regulations, in order to address the risk that specific situations of conflict of interest, even potential ones, may affect the independence of judgment of officers or the decisions of the body to which they belong.

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

The Chairperson, in executing the task of managing the Board of Directors meetings and discussions, relies on the contributions of the persons in charge of the corporate functions responsible for the subject matters being examined by the Board of Directors, as well as on the contribution of consultants for certain topics. Subject to the consent of the Chairperson, the Chief Audit Executive regularly attends the meetings of the Board of Directors and has full visibility over all the documentation submitted. The Chief Risk Officer and the Chief Compliance Executive may request permission from the Chairperson to attend the meeting with regard to specific items within their competence discussed by the Board and may ask to see the documentation submitted to the Board regarding the items of their interest. In agreement with the Bank's CEO, having consulted the Chairperson, the management of the Bank and Group Companies regularly attend the Board meetings, whenever an issue or proposal relevant to their Division is addressed and discussed, thereby ensuring the direct participation of the various corporate functions in Board proceedings.

The Chairperson begins the meeting by ensuring that the meeting itself has been convened in accordance with due procedure and that it is duly constituted. The Chairperson reminds the directors present to comply with the requirements regarding directors' interests (Article 2391 of the Civil Code and Article 53 of the TUF), the obligations of bank corporate officer (Article 136 TUF), related-party transactions and other internal

corporate governance policies or controls (as indicated above) and invites them to declare any interests in the agenda items and, if so, to comply with all due obligations and procedures.

In such cases, the same provisions of the law and Articles 17<sup>21</sup> and 19<sup>22</sup> of the By-Laws apply.

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

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

The Regulation also provides for periodic reporting from the control and risk management functions (Internal Audit, Risk and Compliance) on the results of the activities carried out in compliance with regulations, including supervisory and self-regulatory rules, as well as internal policies. The same functions promptly report on any critical issues identified. The delegated parties regularly report on the exercise of powers assigned by the Board, not least so that the Board may verify that they are being properly executed, as well as the exercise of authority to give directives and assume powers.

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

In 2022, a total of 25 meetings of the Board of Directors were held, with an average duration time of 4 hours and 14 minutes. Each director's attendance at board meetings is shown in Table no. 1.

As at 8 March 2023, a total of 4 meetings had been held. A further 11 board meetings have already been scheduled for the remainder of 2023.

#### **4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS**

The Chairperson of the Board of Directors is responsible for the effective operation of the corporate governance system, ensuring the balance of powers with respect to the Chief Executive Officer (the sole executive director of the Bank); the Chairperson also acts as the contact point for the internal control bodies and board committees. The Chairperson calls and chairs the meetings of the Board of Directors, ensuring the effective management of the Board's work through the management of board information and an adequate flow of information within the Board and between the Board and the Committees; the chairperson ensures the effective coordination between the activities of the board Committees with assessment, proposal-making and advisory functions and the activities of the Board itself.

In order to perform his/her duties effectively, the Chairperson receives no management mandate<sup>23</sup>.

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<sup>21</sup> *Article 17 – paragraph 3.* The Board of Directors promptly reports to the Board of Statutory Auditors on the business activities carried out and on the main economic and financial transactions carried out by the Company, also through its Delegated Bodies, and by its subsidiaries; in particular, it reports on any transactions in which the Directors have an interest on their own account or on behalf of third parties. This report is made verbally, at least on a quarterly basis, when the Board of Directors meets or by written notice to the Board of Statutory Auditors. The obligation of each Director to inform the other directors and the Board of Statutory Auditors of any interest he/she may have in a specified transaction of the Company on his/her own account or on behalf of third parties and to refrain from any resolutions in which he or she has a conflict of interest, on their own behalf or on behalf of a third party, pursuant to the applicable legislation, remains unaffected.

<sup>22</sup> *Article 19 – paragraph 1.* In addition to complying with the provisions of Articles 136 of the TUB, the members of the Board of Directors must inform the Board of Directors and the Board of Statutory Auditors of any business in which they are personally involved or which relates to entities or companies of which they are directors, auditors or employees, except for companies of the MPS Group and they shall refrain from any resolutions in which they have a conflict of interest, on their own behalf or on behalf of any third party, pursuant to the applicable legislation.

<sup>23</sup> Without prejudice to the powers that may be exercised on an urgent basis pursuant to Article 21 of the By-Laws, on the binding proposal of the General Manager and/or the Chief Executive Officer (if appointed), on any business or transaction falling under the Board of Directors' competence, with the exception of those reserved to the latter's exclusive authority. The Chairperson ensures that the board is informed of such decisions at the first subsequent meeting of the board.

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

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

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

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

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

The distribution of documentation is ensured by the Chairperson, who guarantees that all members are provided with adequate prior information on the agenda items, both in qualitative and quantitative terms, with suitable advance notice and in a gradual order according to the importance, relevance and complexity of the individual items to be examined, always complying with the rule that documentation shall be made available to Directors sufficiently in advance to enable them to examine and evaluate the proposals on the agenda. The documents, prepared for the Board of Directors that is not convened on an urgent basis under the By-Laws, are normally sent to the members of the Board of Directors and the Board of Statutory Auditors within five days prior to the date of the convened board meeting, barring any reasons of urgency.

Unless specific requirements are established by the Chairpersons of the relevant Board Committees, at least three days for the Risk and Sustainability Committee and two days for the other Committees must ordinarily elapse between the date of the Committee meeting and the date of the Board meeting that will address the corresponding item on the Board agenda. This allows the Directors to examine the documentation and have at their disposal all the preliminary information necessary so as to be able to participate in the discussion and deliberation of the items on the agenda of the Board meeting in an informed and considered manner, based also on the opinions of the Board Committees provided for each specific matter.

The Chairperson presides over the work and discussion, giving priority to strategic issues, with the possibility, during the board meeting, to make use of the informative contributions of the Bank's and the Group's executive managers, or of consultants regarding the specific topics under discussion. The Chairperson has the important task of promoting internal dialogue and ensuring the balance of powers. In accordance to the duties assigned to the Chairperson by the Civil Code, within the context of the Board's work, he/she encourages and promotes open and critical debate, which is respectful of any differing points of view, and works to ensure that the resolutions reached by the Board are the result of appropriate discussion as well as the informed and reasoned contribution of all its members, promoting constructive debate among the Board members and ensuring an adequate level of understanding of the issues dealt with, thus facilitating a critical review of the proposals by the Board and a balanced decision-making process.

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

The Chairperson also ensures: i) that the Board's self-assessment process is carried out effectively, in a manner consistent with the degree of complexity of the Board's work, and that any corrective actions identified to

address any shortcomings are taken; ii) the preparation and implementation of induction programmes and training plans for Board members; and iii) the adoption of succession plans for senior executive positions.

In 2022, the Chairperson of the Board of Directors oversaw the "Board Induction" program, consisting of three training sessions for all officers (directors and auditors) on the following topics: "Sustainability and Climate Risks" (continuing from the training on this topic started in the previous year), "Banking Risk and Management" (both sessions were held by Bank management), and "Cybersecurity" (held by Bank management, with the support of Ernst & Young).

The Chairperson, in agreement with the Chief Executive Officer, serves as the point of reference for handling dialogue requests received under the provisions of the Shareholder and Investor Dialogue Policy adopted by the Bank (see Section 12).

For the duties performed in relation to Shareholders' Meetings, please refer to Section 13.

### **Board Secretary**

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

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

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

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

The Head of the General Secretariat, with the agreement of the Chairperson, attends the board meetings to support the work of the Secretary.

In 2022, the Secretary supported the activities of the Chairperson of the Board of Directors, with a particular regard to a) ensuring pre-meeting and supplementary information provided in support of the work of the Board and of the Board Committees, in compliance with the deadlines and procedures set out in the relevant regulations; b) coordinating the work of the Board with that of the Committees c) the participation of the Company's and the Group's Executive Managers and of the external consultants, able to provide further information on the items on the agenda; d) the engagement of directors and Statutory Auditors in training activities organised by the Chairperson (indicated in the previous paragraph); e) the Board's self-assessment process, with the support of the Appointments Committee.

## **4.6 EXECUTIVE DIRECTORS**

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

- the Chief Executive Officer;
- the directors who have received mandates;
- the directors holding the office of Chief Executive Officer in a strategically significant subsidiary;
- the directors who carry out operations relative to the management of the business, such as the directors who hold management positions at the Bank or at one of its subsidiaries, or who are assigned the task to supervise specific areas of the management of the company, through constant presence in the

company, acquiring information on the relative operating structures, participating in management committees and reporting to the Board on the activities carried out.

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

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

### **Chief Executive Officer**

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

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

The Chief Executive Officer is vested with:

- the power to submit recommendations to the Board of Directors, regarding, *inter alia*:
  - strategic guidelines, strategic transactions, long-term plans and annual budgets for the Bank and Group;
  - the organisational model of the Bank; organisational structure of the Parent Company’s central units (changes in responsibilities and functional perimeters between organisational models, changes in units reporting to the Top Corporate Bodies, changes in the structure of the Corporate Control Functions up to Level 1)) and of the Regional Divisions/Regional Credit Divisions; number and responsibilities of the Regional Divisions; Committees with the duty to support the Board of Directors and provide strategic guidelines (Appointments Committee, Remuneration Committee, Risk and Sustainability Committee, Related-Party Transactions Committee and the 231 Supervisory Body); the Group’s general operating policies, including corporate reporting lines;
  - general criteria for the coordination and management of subsidiaries;
  - outsourcing strategies, intra-group outsourcing of the Corporate Control Functions; intra-group or extra-group outsourcing of essential or key functions, including the information system (full outsourcing) or its critical components, and their sub-outsourcing outside the Group; intra-group or extra-group outsourcing of other corporate functions of over Euro 20 million, or of any amount if with the transfer or assignment of human resources or if the contractual agreement exceeds 9 years; authorisation of ancillary changes to intra-group and extra-group outsourcing of over Euro 20 million;
  - key corporate Regulations, Policies and Group Directives on matters under the responsibility of the Board of Directors, in addition to the system of delegated powers, definition of the business model and strategic guidelines for the assumption, management, monitoring and mitigation of the risks to which the Group is exposed;
  - development and management policies, as well as the employee incentive system and hiring plan;
  - definition of internal policies and regulations regarding the legal and economic status of personnel;
  - ordinary legal disputes, labour disputes, tax disputes for amounts over Euro 10 million; filing of complaints;
  - the acquisition/disposal of shareholdings of more than Euro 20 million and all strategic shareholdings and/or those involving changes in the Banking Group and provides an opinion to subsidiaries on the same type of transactions; acquisition and disposal of business units, membership of or withdrawal from trade associations;
  - appointment of representatives of the Montepaschi Group and administrative and operational decisions in strategic equity investments of more than Euro 20 million and in trade associations;

- final recognition in the income statement of one-off income and expenses in excess of Euro 10 million;
- sale/transfer of operating or non-operating properties and related management of real and personal property rights for more than Euro 10 million;
- negotiation and sale of artworks owned by the Bank for any amount if lower than the appraisal or book value, or for an amount higher than Euro 3 million, accumulated over 24 months with the same counterparty;
- spending for strategic/management intervention amounting to more than Euro 10 million;
- decision-making powers, which include, *inter alia*, the power to:
  - manage the Bank's finance portfolio with regard to market risk, liquidity risk and interest rate risk in the banking book, as defined by the Board of Directors and in compliance with the approved budget and within the risk tolerance limits established in the Bank's Risk Appetite Framework;
  - authorise expenses of up to a maximum amount of Euro 20 million, within the budget limits approved by the Board of Directors; (with the exception of those that fall within the exclusive competence of the Employer for the protection of health and safety at work<sup>24</sup>);
  - authorise the sale/transfer of operating or non-operating properties and the related management of real and personal property rights for up to a maximum of Euro 10 million;
  - exercise decision-making powers in matters of personnel, regarding resources of any order and level (except for cases under the exclusive responsibility of the Board of Directors and of the Employer for the protection of health and safety at work);
  - resolve on disposals of non-significant investments which do not involve changes to the Banking Group and equity instruments up to the amount of Euro 20 million;
  - resolve on the waiver to exercise option/pre-emption rights, assignment of option rights on capital increases for equity investments/equity instruments classified as non-strategic;
  - resolve on participation in and withdrawal from committees of non-trade associations, as well as entities and foundations, excluding trade bodies;
  - provide the subsidiaries with a prior opinion on divestments of shareholdings within the amount of Euro 20 million for non-strategic investments;
  - appoint representatives of the Montepaschi Group in non-strategic investments, except where the appointees are members of the corporate bodies of the Bank;
  - promote executive, summary, insolvency and voluntary jurisdiction proceedings and relative litigation, as well as disputes by the company or counterclaims, also aimed at credit recovery and tax disputes relative to liquidation of taxes on court or out-of-court documents connected to or dependent on recovery, or appear before the court in disputes against the company, without amount limits; disputes by the company or counterclaims even for labour disputes, in addition to appeals and challenges before the tax court for an undefined amount or up to the maximum amount of Euro 10 million;
  - file criminal disputes, bring civil action in a criminal proceeding, or withdraw from such proceedings, exercise all other powers envisaged within a criminal proceeding, with the exception to propose or file complaints;
  - waive, abandon, rescind the actions and acts and accept similar withdrawals from the other parties; authorise court transactions and resolve to waive appeals against decisions against the Bank for an undefined amount or up to the maximum amount of Euro 10 million;
  - approve the contents of regulations (except for those under the responsibility of the Board) and their publication within the internal regulations;
  - approve the organisational structure of the Parent Company's central units and network within the pre-established hierarchical levels;

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<sup>24</sup> Please refer to Article 24 of the By-Laws.

- authorise the final recognition in the income statement of one-off income and expenses in excess of Euro 10 million;
- negotiate spending for strategic/management activities for any amount and authorise them up to Euro 10 million;
- authorise intra-group and extra-group outsourcing of other corporate functions (other than essential or key functions or Corporate Control Functions) for up to Euro 20 million, without the disposal or secondment of human resources and with a contractual agreement of less than or equal to 9; ancillary changes on intra-group and extra-group outsourcing for up to Euro 20 million;
- approve the negotiation and sale of artworks owned by the bank for amounts greater than or equal to the appraisal or book value up to Euro 3 million, accumulated over 24 months with the same counterparty;
- authorise the necessary or even only appropriate changes to the composition of the portfolio of strategic initiatives included in the Project Plan approved by the Board of Directors, without affecting the overall spending limit established for the Project Plan itself;
- approve new products, changes to or delisting of existing ones, as well as economic aspects (rates, conditions, commissions, ceilings, etc.) connected with or in any case attributable to the management of relations with customers and of the products/services distributed by the Bank.

No specific powers have been assigned to the Chief Executive Officer in relation to the granting of loans and management of bad loan positions<sup>25</sup>.

The Chief Executive Officer, in agreement with the Chairperson, serves as the point of reference for handling dialogue requests received under the provisions of the Shareholder and Investor Dialogue Policy adopted by the Bank (see Section 12).

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

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

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

### **Chairperson of the Board of Directors**

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

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

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

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

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<sup>25</sup> With the exception of the autonomy of Euro 10 million in the area of legal disputes also in relation to bad loan positions.



## 4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTORS

### Independent directors

According to Article 15 of the By-Law, independent Directors are those directors who meet the independence requirements established by applicable legal and regulatory provisions in force as well as the additional independence requirements set out in the Corporate Governance Code.

The independence assessments of non-executive directors are conducted by the Board of Directors subsequent to their appointment and at least once a year - according according to the criteria laid down in the By-Laws and Board Regulation in compliance with applicable regulations, including banking regulations, as well as the additional criteria set out in the Corporate Governance Code – based on the information provided by each director or any other relevant information reasonably available to the Bank, which is useful for assessing the circumstances that compromise or appear to compromise the independence of the director, with particular reference to positions held in other companies, to existing significant commercial, financial or professional relationships with the Bank or its subsidiaries or with key officers and to any relationship that could be or appears to be such as to compromise the director's independence of judgment, especially in relation to credit positions attributable to directors deemed independent, as established by Supervisory Provisions.

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

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

The Regulation of the Board of Directors also affirms the obligation of each director to promptly notify the Board of any information concerning situations and reasons that, in his or her opinion, could materially affect his or her independence of judgment, thus enabling the Board to make the evaluations and decisions provided for by the applicable regulations.

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

The most recent assessment of the independence of Directors conducted by the Board of Directors on 8 March 2023 according to the above criteria, confirmed the following:

- the directors Rita Laura D'Ecclesia, Francesca Bettio, Luca Bader, Alessandra Giuseppina Barzagli, Francesco Bochicchio, Rosella Castellano, Paola De Martini, Raffaele Di Raimo, Marco Giorgino and Roberto Rao did not have any commercial, professional or financial relationships with the Bank or its subsidiaries in the three years prior to the appointment and during the mandate, either directly or through companies or firms and/or professional associations with which they have or have had a professional relationship;
- for the director, Nicola Maione – owner of the Law Firm of the same name – some professional relationships were identified as a result of the legal assistance he provided to the Group. Once appointed, he was not assigned any further professional duties and Mr. Maione has only continued to follow certain cases for which he had been appointed as the Bank's counsel prior to taking up his office even during the appeal phase. The fees received by the director for these services in 2022 were approximately 3% of the of the Firm's total annual revenues. As in the previous years, these professional relationships were found to be insignificant and not sufficient to affect his position as independent director;
- based on the declarations made by the directors themselves and confirmed, the Chairperson, Maria Patrizia Grieco, and the Director Marco Bassilichi were deemed to be independent under the TUF but not under the Corporate Governance Code and, therefore, were not assessed as independent pursuant to the Bank's By-Laws. It should be noted that under the new Corporate Governance Code, being Chairperson, and therefore a "key officer" of the Bank, is no longer included among the circumstances compromising or appearing to compromise the independence of a director. For the sake of continuity, during the annual independence assessment, the Chairperson's original evaluation as a non-independent director was confirmed, having been assessed – post-appointment – according to the previous Corporate Governance Code.

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

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

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

In 2022, under the coordination of the Lead Independent Director, the independent directors met without the other directors present on 5 February, 15 June and 29 August.

### *Lead Independent Director*

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

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

The most recent version of the Board Regulation, approved in 2022, provides for the appointment of an independent Director as Lead Independent Director, if requested by the majority of independent Directors, or in the other cases provided for by the Corporate Governance Code<sup>26</sup>.

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<sup>26</sup> Recommendation no. 13 of the Corporate Governance Code: *“The board of directors appoints an independent director as lead independent director: a) if the chair of the board of directors is the chief executive officer or holds significant managerial powers; b) if the office of chair is held by the person who controls, also jointly, the company; c) in large companies, even in the absence of the conditions indicated in letters a) and b), if requested by the majority of independent directors.”*

## 5. HANDLING OF CORPORATE INFORMATION

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

### External communications

Responsibilities for managing the public information process with the external disclosure of documents and information regarding the Bank are set out in the “*Group Directive on disclosure and external relations*”, according to the different types of external communications (institutional, economic-financial and corporate, commercial, Sustainability-related), the objectives, methods and means of distribution and the recipient of the communication.

For each type of communication, the Directive identifies so-called “relevant” communications according to the importance of the content of the information, or in relation to the relevant legal and regulatory provisions. Depending on the type and relevance of information to be published, specific monitoring processes have been identified for each type, with a differing degree of involvement of the internal functions and corporate bodies of the Parent Company and the Group.

In particular, the Directive governs the certification of the Financial Reporting Officer for documents and communications disclosed to the market regarding accounting information (e.g. press releases and presentation of the periodic financial results), in which he/she is required to declare, pursuant to Article 154-*bis*, paragraph 2 of the TUF, that the accounting information contained in the published documents corresponds to the accounting documents, books and records.

### Management of inside information

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

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

The inside information management process ensures that confidentiality is strictly protected and monitored during the circulation of such information before it is disclosed to the public, in order to prevent any rumours and leaks as well as the misuse of inside information – not aligned with the relevant regulatory provisions – by those who come to know of it, either directly or indirectly.

The company regulation therefore contains specific standards of conduct which employees with access to confidential information must adhere to, in addition to specific security measures which must be complied with that concern the handling of such information. A register of persons with access to inside information concerning both the Parent Company and listed third-party issuers has been created and is constantly monitored.

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

## 6. BOARD COMMITTEES

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

In compliance with the corporate governance regulations in force, Article 17<sup>27</sup> of the By-Laws requires that committees with advisory and proposal-making duties be established within the Board of Directors. The Committees are composed of a number between 3 and 5 non-executive, mainly independent directors (with the exception of the Related-Party Transactions Committee consisting solely of independent directors), ensuring the presence of at least one of the directors elected by minority shareholders (if any).

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

- **Appointments Committee**, with the following main tasks:
  - supporting the Board of Directors in the process of appointing directors, proposing, in the case provided for by Article 2386, first paragraph of the Civil Code, candidates for the office of director;
  - supporting the Board of Directors in the processes of self-assessment as well as the assessment of the requirements, size and composition of the board, as well as defining Top Management succession plans;
  - upon proposal of the Chairperson, submitting proposals to the Board of Directors for the appointment of the Chief Executive Officer.
- **Remuneration Committee**, with the task, of:
  - submitting, to the Board, proposals for the remuneration of the Chief Executive Officers and of the other directors holding special offices, as well as of the General Manager, and monitoring application of the resolutions adopted by the Board;
  - periodically assessing the criteria adopted for the remuneration of executives with strategic responsibilities, monitoring their application and submitting general recommendations on the matter to the Board of Directors.
- **Risk and Sustainability Committee**, with the main function of supporting the Board of Directors in fulfilling its tasks to define the guidelines of the internal control and risk governance system and assess that the internal control and risk governance system is adequate, effective and properly functioning, as well as to approve the company asset assessment policies and processes. The Committee has also been assigned the specific task of supporting the Board of Directors in matters regarding Sustainability, taking into account the recommendations of the Corporate Governance Code and in line with the best practices followed in the banking system.

In particular, the Risk and Sustainability Committee performs the following duties:

- supports the Board of Directors in determining the Risk Appetite Framework (RAF) and risk governance policies, also with a view to contributing to the Bank's Sustainable Success;
- conducts a prior examination of activity plans (including the audit plan) and of the periodic reports from the Corporate Control Functions to the Board of Directors;
- carries out assessments and formulates opinions for the Board of Directors regarding compliance with the principles with which the internal control system and the corporate organisation must comply, and the requirements to be met by the Corporate Control Functions, bringing to the Board's attention any weaknesses and consequent remedial actions to be implemented;
- supports the Board of Directors in carrying out assessments and making decisions on Sustainability, in analysing issues relevant to long-term value generation, in assessing whether the periodic financial and non-financial information is suitable to correctly illustrate the Bank's business model, strategies, the impact of its activities and the performance achieved;

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<sup>27</sup> Amended by resolution of the Shareholders' Meeting of 15 September 2022.

- supports the Board of Directors in the approval of periodic financial and non-financial reports.
- **Related-Party Transactions Committee**, which carries out the functions assigned by the Related Parties Directive, pursuant to the Consob Related Parties Regulation and the Bank of Italy's Supervisory Provisions for Related Parties.

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

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

The Committees carry out their operations in compliance with their own internal regulations approved by the Board of Directors and with the By-Laws and legal, regulatory and corporate governance provisions in force at the time. Each internal regulation defines the tasks and functions of the committee, the criteria and rules for its composition, the procedures for convening, holding and validating meetings, the rules for making available the documentation on the items on the agenda (normally, at least five days in advance, except in urgent cases), the availability of resources (including information) for carrying out its tasks, relations with corporate functions, reporting flows and monitoring rules.

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

In agreement with the Bank's CEO and for the matters falling within their competence, the management of the Bank and of the Group Companies regularly participate in the meetings of the Board Committees, upon invitation by their respective Chairpersons.

For further information on the composition and functioning of the Committees, please refer to Section 7.2 (Appointments Committee), Section 8.2 (Remuneration Committee), Section 9.2 (Risk Control and Sustainability Committee) and Section 10.1 (Related-Party Transactions Committee).

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

### **7.1 Self-assessment of the Board of Directors and its Committees**

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

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

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

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

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

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

The process is divided into an initial preliminary phase, which includes an assessment of the actions taken following the results of the previous self-assessment, as well as any indications received from the Supervisory Authorities; also considered are the corporate events that took place during the year, the Bank's situation, changes to industry regulations as well as all information that is useful for the preparation of the questionnaires to be given to the directors.

The process continues with the collection of responses provided by the directors and covering the main areas of interest (size, composition, effectiveness of the board). The phase of collecting information and filling out the questionnaires also includes interaction with the Directors, so as to allow each of them to provide their comments, observations, evaluations and reflections on the topics covered by the questionnaire, including any relating to the Board Committees of which they are members. All analyses, questionnaires and comments are processed and kept anonymous and confidential.

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

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

The Board of Directors conducted its self-assessment and that of its Board Committees for 2022 (“**2022 Board Review**”), with the support of the independent advisory firm Management Search (“**Advisor**”), an independent company, expert in corporate governance e board effectiveness.

The scope of the 2022 Board Review included:

- (i) an assessment of the composition and effectiveness of the Board of Directors and its Committees;
- (ii) a detailed review of:
  - structure and composition of the Board, focusing on Directors' skills also;
  - the operations of the Board itself, including the number of meetings held, their duration and management; the completeness and timeliness of the information provided in preparation for Board meetings, the work climate within the Board as well as meeting procedures and decision-making processes, the role of the Chairperson;
  - the proper amount of time the Board devotes to debating issues relevant to the Bank, including risk control and management and long-term strategy;
  - the operations of the Committees, including the definition of their mission, their autonomy and authority and the effectiveness of their activities to support the Board;
  - the directors' relations and acquaintance with top management;
  - the directors' assessment of their work within the Board and their contribution to Board debate and decision-making;
  - the awareness of all Board members of ESG and Sustainability-related issues and principles, and how well these issues are embedded across the corporate organisation and integrated in the way business is done.

All the topics addressed in the 2022 Board Review were examined with the aid of a questionnaire and during interviews, which were conducted individually; the Board's reflections were supported by a benchmark referring to other Italian and foreign listed banks (with regard to the composition of the relevant Boards of Directors, number of executive non-executive directors, and professional background of the directors).

As is standard practice, at the conclusion of the analysis a report on the results was produced, highlighting the strengths and areas for improvement of the Board of Directors, as summarised below.

Strengths	Areas for improvement
<p>The Board has worked hard during its term of office, handling a series of extraordinary transactions of particular importance for the Bank, which required the Directors' full commitment in terms of time and attendance at a large number of Board and Committee meetings. The following was particularly noted:</p> <ul style="list-style-type: none"> <li>• the Board's commitment, spirit of service, motivation and capacity for work;</li> <li>• the depth of the issues addressed;</li> <li>• the ability to make shared decisions on major issues;</li> <li>• monitoring of risks;</li> <li>• the Chairperson's role in maintaining the unity of the Board.</li> </ul>	<p>As this is the last year of its term of office, the Board has identified the following key areas for improving the overall efficiency and effectiveness of the board:</p> <ul style="list-style-type: none"> <li>• a mix of more management and banking-financial oriented skills;</li> <li>• greater experience in the role of certain members;</li> <li>• greater focus on business and strategy aspects.</li> </ul>

The results of the 2022 Board Review were taken into account by the outgoing Board of Directors when preparing the Guidelines on the qualitative and quantitative composition deemed optimal ("**Guidelines**"), made available to shareholders interested in submitting lists of candidates for the appointment of the new Board of Directors on 2 March 2023, as indicated in the following paragraph.



## Appointment and succession of directors and management continuity plans

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

The By-Laws, the Supervisory Provisions on corporate governance for banks<sup>28</sup>, the Regulation of the Board of Directors and the internal Regulation of the Board of Directors' self-assessment process, the rules on the requirements of banks officers, the principles and recommendation of the Corporate Governance Code to which the Bank adheres, constitute the regulatory framework and guiding principles that guarantee a transparent election process designed to achieve a qualitative and quantitative composition of the board that is varied – in terms of requirements, skills, gender, age, geographical provenance and diversity of skills and contribution required of the directors – and, at the same time, balanced and capable of ensuring the sound and prudent management of the Bank as well as the achievement of the identified strategic and business objectives.

To this end, the outgoing Board of Directors publishes – for the benefit of shareholders – its own Guidelines on the size of the new Board and its ideal composition, in terms of the characteristics of the managerial and professional figures whose presence on the Board is deemed appropriate for the strategic objectives identified. On this point, see Section 4.

In view of the Shareholders' Meeting of 20 April 2023 for the renewal of the corporate boards (for the three-year period 2023-2025), on 19 January 2023 the outgoing Board, with the support of the Appointments Committee, approved the document *“Guidelines of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. to Shareholders on the size and composition of the new Board of Directors”* addressed to all shareholders intending to submit a list of candidates for the office of Board director. On 2 March 2023, the document was published on the website [www.gruppompis.it](http://www.gruppompis.it) - *Corporate Governance - Shareholders' Meetings and BoDs*, as well as with the other methods provided for by current regulations.

**For the replacement of directors terminating their office during their mandate**, list voting is not applicable. Instead, the legal provisions on co-optation are applied, subject to compliance with the fit and proper requirements established by the By-Laws and applicable regulations on the subject (particularly with regard to independence requirements and compliance with gender quotas). In addition to the fit and proper requirements of the new directors, the Board of Directors, subject to the opinion of the Appointments Committee, assesses the compliance between the qualitative and quantitative composition deemed optimal for the board as a whole – contained in the Guidelines – and the actual composition resulting from the appointment process (in terms of contribution of skills, professional skills and diversity requirements).

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

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

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

The process involves the definition of a skills and remuneration profile for the role, as well as the definition of the process for identifying and appointing the new executive and is approved and reviewed periodically by the Board of Directors, upon the proposal of the Appointments Committee – which, in turn is referred to by the Chairperson - and with the favourable opinion of the Remuneration Committee (for the part within its jurisdiction).

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<sup>28</sup> Section IV – Composition and appointment of the corporate boards.

The process is updated every three years in line with the expiry of the Board's mandate; the Appointments Committee is responsible for assessing the adequacy of the process annually with a view to potentially reviewing it earlier.

To ensure continuity, BMPS has put in place **succession plans for other corporate positions too**.

Succession plans make it possible to:

- plan the professional requirement for the Bank's key positions of responsibility and identify, on the basis of managerial profiles and experiences, a pool of potential replacements along with the time required for their development into the target position;
- monitor the risks of filling company positions that may become vacant over time due to a lack of potential replacements;
- develop resources with managerial growth potential, paying particular attention to inclusion and diversity;
- support the appointment processes for the key roles of responsibility.

For further details on the subject, please refer to Section 7.2 Appointments Committee.

## 7.2 APPOINTMENTS COMMITTEE

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

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

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

Members	Office	List M/m (**)	Non- executive	Independence under Code	Independence under TUF	(***)
Maione Nicola (*)	Chairperson	M	X	X	X	17/17
Bader Luca (*)	Member	M	X	X	X	12/17
Castellano Rosella (*)	Member	M	X	X	X	16/17
Giorgino Marco (*)	Member	m	X	X	X	14/17
Rao Roberto (*)	Member	M	X	X	X	17/17
<b>Directors who resigned during the period</b>						

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(\*) Director who meets the independence requirements established by the By-Laws: independence requirements established by Article 147-ter and Article 148, paragraph 3 of the TUF and by the Corporate Governance Code.

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

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

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

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

The Bank's Chief Compliance Officer is regularly kept informed of the agenda of the Committee meetings.

In 2022, the Committee held 17 meetings, with an average duration of approximately forty-five minutes. The minutes of the meeting were duly recorded by the secretary.

A schedule of meetings has been defined for 2023. The Chairperson will convene a meeting whenever there are issues to be discussed that fall under the Committee's area of activity.

As at 8 March 2023, the Committee had held a total of 3 meetings.

### Functions of the Appointments Committee

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

- appointment or co-optation of directors pursuant to Article 2386, paragraph 1 of the Civil Code;
- self-assessment and assessment of banking officers' compliance with fit and proper criteria and requirements, providing opinions on the size and composition of the Board of Directors as well as the professional skills considered necessary within the Board;

- definition of the succession plans for the top executive positions;
- presentation of proposals to the Board of Directors for the appointment of the Chief Executive Officer.

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

Specifically, the Committee, *inter alia*:

A) submits recommendations to the Board of Directors:

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

B) expresses its opinions to the Board of Directors:

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

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

- in identifying the qualitative and quantitative composition of the Board of Directors considered to be optimal;
- in the subsequent verification of the qualitative and quantitative composition considered to be optimal and the composition that ensues from the appointment process;

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

- for identification and recommendation of the Managers to be appointed to the Corporate Control Functions.

In respect of the abovementioned functions, in 2022 the Committee supported the Board of Directors and/or the Risk and Sustainability Committee with recommendations and/or advice on the:

- self-assessment of the Board of Directors;
- process regarding succession plans for top management positions (Chief Executive Officer and General Manager);
- appointment of the new Chief Executive Officer/General Manager;
- measures pursuant to Article 2386 of the Civil Code;
- periodic and/or post-appointment assessment of fit and proper requirements, limits on the number of positions held and compliance with the ban on interlocking directorates, in accordance with the rules applicable from time to time;
- updating of the Regulation of the Board of Directors and the Board Self-Assessment Process Regulation;
- appointment of the Director in charge of the internal control and risk management system;
- appointment of the Bank's Top Management;
- appointment of Directors and Statutory Auditors of subsidiaries and/or investee companies.

The Committee also provided the Board with a quarterly update on the activities carried out.

The minutes of the Committee meeting are approved and provided to the Board of Directors and the Board of Statutory Auditors.

## 8. REMUNERATION OF DIRECTORS – REMUNERATION COMMITTEE

### 8.1 Remuneration of directors

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

As provided for in Article 26 of the By-Laws, the Board of Directors, after hearing the opinion of the Board of Statutory Auditors and upon the proposal of the Remuneration Committee, establishes the remuneration of directors holding particular offices pursuant to the By-Laws, including the directors who are members of the Board committees referred to in Article 17, paragraph 4 of the By-Laws (Appointments Committee, Remuneration Committee, Risk and Sustainability Committee and Related-Party Transactions Committee), except for the remuneration of the Chairperson of the Board of Directors, which is set by the Shareholders' Meeting.

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

The purpose of the Remuneration Policy Report is to provide shareholders with a clear and comprehensible annual presentation of the Bank's and the Group's policy on the remuneration of members of corporate bodies, employees<sup>29</sup> and collaborators of the Group for the coming year (Section I) and to provide detailed information on the implementation of the remuneration policy in the previous year with regard to the remuneration paid (Section II).

The Report, which is divided into two sections, is submitted to the shareholders' meeting for a binding vote for Section I and a non-binding vote for Section II.

Overall, the remuneration policy contributes to the corporate strategy, the pursuit of long-term interests and the sustainability of the Company, and illustrates how it makes this contribution.

The remuneration model developed for 2022 aims to consolidate certain aspects that characterise the Group's remuneration policy, such as the:

- meritocracy of remuneration and incentive systems;
- link between remuneration, risk, and sustainable performance by expanding and strengthening the integration of ESG objectives into short- and long-term business strategies;
- consistency with benchmark market practices and compliance with the current regulatory framework;
- transparency towards shareholders and investors.

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

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<sup>29</sup> In particular, with regard to the cd. Identified Staff, represented by those subjects whose professional activities have or may have a significant impact on the risk profile of the bank or banking group.

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

Also relevant to this issue are the remuneration commitments undertaken with the European Commission as part of the 2017 precautionary recapitalisation and, subsequently, the 2022-2026 Business Plan, which require the Bank to adopt a restrictive variable remuneration policy that, in recent years, has not allowed top management to be paid a variable salary component. The commitments also include the overall salary cap<sup>30</sup> applied to the Chief Executive Officer/General Manager and the other top management figures of the Bank and the Group, as well as compliance with further limitations established by the regulations in force.

Within the scope of what is permitted by this legal and regulatory framework, it should be noted that the Shareholders' Meeting of 20 April 2023 will propose the approval of a phantom-share incentive scheme for Montepaschi Group personnel.

For further information on this subject, including the issues highlighted in the Committee's Recommendations for 2023 (*see* Section 3) and, in particular, with regard to the emoluments of the Bank Directors and Top Management in 2022, the share-based remuneration plans, the principles for the accrual and payment of remuneration, the applicable regulations as well as the compensations paid to Directors in the event of resignation, dismissal or termination of the employment relationship following a take-over bid (pursuant to Article 123-*bis*, first paragraph, letter i) of the TUF), please refer to the "*Report on the remuneration policy and emoluments paid*", published on the website at [www.gruppompis.it](http://www.gruppompis.it) – *Corporate Governance – Remuneration*.

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<sup>30</sup> The total remuneration may not exceed the average salary of employees in 2022 multiplied by ten.

## 8.2 REMUNERATION COMMITTEE

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

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

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

Members	Office	List M/m (***)	Non- executive	Independence under Code	Independence under TUF	(****)
Di Raimo Raffaele (*)	Chairperson	M	X	X	X	18/18
Bader Luca (*)	Member	M	X	X	X	10/18
Barzaghi Alessandra (*)	Member	m	X	X	X	17/18
Bassilichi Marco (**)	Member	M	X		X	18/18
De Martini Paola (*)	Member	m	X	X	X	17/18
<b>Directors who resigned during the period</b>						

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(\*) Director who meets the independence requirements established by the By-Laws: independence requirements established by Article 147-ter and Article 148, paragraph 3 of the TUF and by the Corporate Governance Code.

(\*\*) Director who meets the independence requirements established by Article 147-ter and Article 148, paragraph 3 of the TUF.

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

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

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

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

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

The Chair of the Board of Statutory Auditors or another Statutory Auditor designated by him/her permanently participates in the work of the Committee; the other Statutory Auditors are also allowed to participate. The Chair of the Board of Directors has a permanent invitation to attend the Committee meetings. The CEO and General Manager may also be invited to attend the Committee meetings, along with the Chairpersons of the other Board Committees.

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



In 2022, the Committee held 18 meetings, with an average duration of approximately 1 hour and fifty minutes. The minutes of the meeting were duly recorded by the secretary.

A schedule of meetings has been defined for 2023 according to the definition of the remuneration policies for the current year, with the understanding that additional meetings may be convened by the Chairperson whenever there are issues to be discussed that fall under the Committee's area of activity.

As at 8 March 2023, the Committee had held a total of 7 meetings.

## Functions of the Remuneration Committee

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

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

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

- submits to the Board proposals for the remuneration of the Chief Executive Officer and other directors holding special offices, as well as the General Manager, and monitors the implementation of the decisions adopted by the Board;

- periodically assesses the criteria adopted for the remuneration of executive managers with strategic responsibilities, monitors their application and makes general recommendations to the Board of Directors on this subject, and, in particular:

A) submits recommendations to the Board of Directors:

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

B) expresses its opinions to the Board of Directors:

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

In regard to the functions described above, in 2022, the Committee provided recommendations and/or advice on the:

- process regarding succession plans for top management positions (Chief Executive Officer and General Manager);
- appointment of the new Chief Executive Officer/General Manager;
- remuneration of Identified Staff;
- examination of retribution items – external benchmark analysis;
- remuneration policies – principle of gender neutrality in remuneration policies;
- remuneration policy report pursuant to Article 123-ter TUF and the identification of Identified Staff;
- report on compliance of remuneration and incentive policies;
- revision of the Group's remuneration policies and practices;
- analysis of the use of own shares for the payment of any severance;
- the “Directors & Officers Liability” (“D&O”) insurance coverage;
- 2022 SREP;
- Claw-back.

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

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

The Board of Directors defines the guidelines for the internal control and risk management system (“**Internal Control System**”), so that the main risks of the Bank and its subsidiaries are correctly identified, adequately measured, managed and monitored, while also determining the level of compatibility of these risks with a management that is consistent with the strategic objectives identified and integrated with the elements that are important for the company’s Sustainable Success.

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

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

### The general principles of the Internal Control System

The Internal Control System adopted by the Montepaschi Group<sup>31</sup> with its own rules, functions, structures, resources, processes and procedures plays a central role in the company's organization, given that it:

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

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

Within the Group model, the components that characterise the Internal Control System are:

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

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

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

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

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

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

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

The ways in which the new “**ICT and security risk control function**” will be defined among the corporate control functions as required by the 40th update of the Bank of Italy's Supervisory Provisions (Circular No. 285/2013) are currently being analysed<sup>32</sup>.

### The Internal Control System governance model

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

- a) the Board of Directors (strategic supervision function) with the role of guiding and evaluating the adequacy of the system;
- b) the Chief Executive Officer (management function), as the person in charge of establishing and maintaining the internal control and risk management system;
- c) the Risk and Sustainability Committee, set up within the Board of Directors with the task of supporting the assessments and decisions relating to the internal control and risk management system and approval of the periodic financial and non-financial reports;

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<sup>32</sup> The new supervisory rules, effective as of 3 November 2022, require banks to establish a second-tier control function for the management and control of ICT and security risks by 30 June 2023. Banks may assign the responsibility for these tasks to a specially-constituted function that meets the requirements of European and national standards for second-tier corporate control functions, ensuring appropriate levels of liaison and coordination with the other corporate control functions; alternatively, banks may assign these tasks to the risk and compliance corporate control functions, according to the roles, responsibilities and competences of each of the two functions, provided that the proper performance of the tasks and the necessary technical expertise are ensured and that the effectiveness of the controls on ICT profiles is not altered.

- d) the Chief Audit Executive, as the person in charge of verifying that the internal control and risk management system is functioning, adequate and consistent with the guidelines established by the Board of Directors;
- e) the other corporate functions involved in the control activities;
- f) the Board of Statutory Auditors (control function), which oversees the effectiveness of the internal control and risk management system;
- g) the 231 Supervisory Body (Control Function) which supervises the effectiveness of and compliance with the 231 Model.

### **The Board of Directors and the Risk and Sustainability Committee**

The Board of Directors exercises its powers of strategic supervision and defines the guidelines of the Internal Control System, verifying that it is consistent with the strategic guidelines and Risk Appetite, and that it is capable of understanding the development of corporate risks and the interaction among them.

In this context, the Board, with the support of the Risk and Sustainability Committee:

- defines and approves the business model, being aware of the risks to which this model is exposed and understanding the methods through which the risks are detected and assessed; it also ensures that the organisational structure is consistent with the activity carried out and the business model adopted, avoiding the creation of complex structures not justified by operating purposes;
- defines and approves the strategic guidelines (and their periodic review), the risk governance policies and the RAF and regularly assesses their adequacy and effectiveness;
- continuously monitors (in line with the strategic plan, the RAF, the ICAAP/ILAAP33 and the budget) the functioning, effectiveness and efficiency of the system, adopting timely corrective measures if any weaknesses and anomalies are identified;
- approves the establishment of the Corporate Control Functions - Internal Audit Function, Compliance Function, Risk Control Functions, Internal Validation Function, Anti-Money Laundering Function - the relevant tasks and responsibilities, the coordination procedures, the information flows among the Functions and between them and the corporate bodies;
- appoints or dismisses the Heads of the Corporate Control Functions and determines their remuneration structure;
- approves the audit plan, on the proposal of the Chief Audit Executive and subject to the opinion of the Board of Statutory Auditors and the Risk and Sustainability Committee;
- defines and approves the criteria for identifying the most important transactions to be submitted for the prior examination of the Risk Control Function;
- approves the process for the distribution of new products and services, the launch of new activities, and the entry into new markets;
- approves the company's policy regarding the outsourcing of company functions;
- approves the process for the development and validation of internal risk measurement systems for determining capital requirements and for risks not used for regulatory purposes, and regularly assesses their effectiveness;
- approves, at least once a year, the regulatory documents having a significant and strategic value for the purposes of risk assumption, management, monitoring and mitigation, according to a predefined framework;

In order to promote the development of an internal control culture, the Board of Directors also approves the Code of Ethics - with which members of corporate bodies and employees are required to comply - which defines the principles of conduct guiding the company's activities.

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<sup>33</sup> ICAAP - *Internal Capital Adequacy Assessment Process*, ILAAP - *Internal Liquidity Adequacy Assessment Process*.

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

### **Assessment of the Internal Control and Risk Management System**

During 2022, the Board of Directors was informed of the assessments made by the second level Corporate Control Functions with reference to 2022, each for its own specific area of reference (Annual Risk Management Report, Annual Compliance Report, Annual Validation Report and Annual Anti-Money Laundering Report) and viewed and approved the annual plans for the activities of these functions for 2022 (Risk Plan, Compliance Plan, Validation Plan and the Anti-Money Laundering Plan), as required by the regulation. The planning of activities also takes into account the findings and deficiencies identified by the Supervisory Bodies (ECB, Bank of Italy and Consob) and by the Bank's Internal Audit Function, as well as changes to national and international legislation. Periodic and regular information is provided to the governing bodies regarding Risk Management, Compliance, Validation and Anti-money Laundering.

In March 2022, the Board of Directors examined the assessment formulated by the Internal Audit Function on the adequacy of the control system in 2021 as well as the relevant considerations expressed by the Risk and Sustainability Committee and the Board of Statutory Auditors.

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

### **Board of Statutory Auditors**

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

Furthermore, the Board of Statutory Auditors:

- ensures that the Parent Company's strategic and operational control activities on Group Companies are conducted correctly;
- is involved in the process of appointing/dismissing the Managers in charge of the Corporate Control Functions;
- operates in close cooperation with the corresponding control bodies of the subsidiaries;
- carries out specific control activities on the foreign branches in accordance with the type of risks assumed and the activity performed<sup>34</sup>;
- promptly informs the relevant Supervisory Authorities of any facts or acts of which it becomes aware, that may constitute improper management or a violation of the regulations governing the company's activities.

### **231 Supervisory Body**

The 231 SB, which is tasked with a control function, supervises the effectiveness of and compliance with the Bank's 231 Model and ensures that it is kept updated. For details regarding the role and responsibilities of the 231 SB, please refer to Section 9.4.

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<sup>34</sup> As at the date of this Report, the Group has one foreign branch in Shanghai, which is the process of being closed down definitively.

## 9.1 CHIEF EXECUTIVE OFFICER

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

- oversees the identification of the main business risks, taking into account the characteristics of the activities carried out by the company and its subsidiaries, and submitting them periodically to the review of the Board of Directors;
- implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system and constantly monitoring its adequacy and effectiveness;
- adjusts the system to changes in the operating conditions and in the legislative and regulatory landscape;
- may ask the internal audit function to carry out audits on specific operating areas and on the compliance of business operations with rules and internal procedures. Such requests are simultaneously conveyed to the Chairperson of the Board of Directors, the Chairperson of the Risk and Sustainability Committee and the Chairperson of the Board of Statutory Auditors;
- reports promptly to the Risk and Sustainability Committee (and to the Board of Directors) on problems and critical issues that emerged during the performance of his or her activity or of which he or she nevertheless has information so that the Committee (or the Board) may take the appropriate action.

In 2022, the CEO, as the Director in charge of the Internal Control and Risk Management System, identified the main corporate risks, implemented the guidelines established by the Board of Directors regarding the Internal Control and risk management system and followed the development of operating conditions as well as the relevant legislative and regulatory framework, in constant liaison with the other corporate bodies and structural units involved and on the basis of the information flows established within the scope of the Internal Control and risk management system and those, in particular, from the Committee for the Coordination of Functions with Control Tasks<sup>35</sup> (annual plans and reports, inspections on the adequacy and effectiveness of the internal control and risk management system; ongoing monitoring – also through discussions with the Management Committee<sup>36</sup> – of the mitigation activities identified for the management of gaps that emerged from the inspections carried out by the supervisory bodies, whether internal to the Bank or external, as well as the findings from the controls requested and/or received, meetings with the 231 Supervisory Body).

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

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<sup>35</sup> For the functions carried out by the Committee, please see Section 9.7.

<sup>36</sup> The Management Committee is divided into four sessions (Ordinary, Budget and Business Planning, Stress/Crisis Governance, ESG and Sustainability) and is composed of the CEO/General Manager and the Bank’s Top Management, as identified in Regulation no. 1 – Organisation of Banca MPS, according to the nature of the session convened and the topics to be addressed.

## 9.2 RISK AND SUSTAINABILITY COMMITTEE

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

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

In 2022, the Risk and Sustainability Committee consisted of five directors, all non-executive and for the most part independent. Accounting, financial and risk management skills are adequately represented on the Committee.

Members	Office	List M/m (**)	Non- executive	Independence under Code	Independence under TUF	(***)
Giorgino Marco (*)	Chairperson	m	X	X	X	23/24
Castellano Rosella (*)	Member	M	X	X	X	22/24
D'Ecclesia Rita Laura (*)	Member	M	X	X	X	21/24
Di Raimo Raffaele (*)	Member	M	X	X	X	21/24
Di Stefano Stefano (1)	Member	n.a.	X			13/16
<b>Directors who resigned during the period</b>						
Olga Cuccurullo (2)	Member	M	X			3/3

(\*) Director who meets the independence requirements established by the By-Laws: independence requirements established by Article 147-ter and Article 148, paragraph 3 of the TUF and by the Corporate Governance Code.

(\*\*) Directors elected from the majority list ("M") or minority list ("m"), or elected without list of candidates ("n.a.").

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

(1) Director appointed by the Shareholders' Meeting of 12 April 2022 and Committee member since 5 May 2022.

(2) Director resigned as of 4 February 2022.

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

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

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

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

The Bank's Chief Risk Officer, Chief Audit Executive and Compliance Officer are officially and regularly kept informed of the Committee's meeting agenda; they also have full visibility over board and non-board documentation, which is subject to the prior review/opinion of the Risk and Sustainability Committee.

In addition to receiving the Committee's invitation to attend the meetings, the Chief Risk Officer, Chief Audit Executive and Compliance Officer may also choose to attend the meetings at their own discretion.



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

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

In 2022, the Committee held 24 meetings, with an average duration of approximately 4 hours. The minutes of the meeting were duly recorded by the secretary.

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

As at 8 March 2023, the Committee had held a total of 5 meetings.

### **Functions attributed to the Risk and Sustainability Committee**

The Committee supports the Board of Directors so that the Board of Directors can: (i) define the guidelines of the internal control and risk governance system, assess its adequacy, effectiveness and actual effectiveness, and approve the policies and processes for evaluating the company's activities; (ii) carry out assessments and make decisions on Sustainability, analyse issues relevant to long-term value generation, assess whether periodic financial and non-financial information is suitable to correctly illustrate the business model, the Company's strategies, the impact of its activities and the performance achieved; (iii) approve the periodic financial and non-financial reports.

The powers of the Committee are in any case defined by the applicable regulations and legislation applicable from time to time.

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

- identifies and proposes – following the contribution of the Appointments Committee – the Managers in charge of the Corporate Control Functions to be appointed and expresses its opinion for the revocation of any appointment;
- expresses its opinion prior to the determination of the remuneration structure of the Managers in charge of the Corporate Control Functions, and their annual allowance for this position;
- examines in advance the program of operations (including the audit plan) and the annual reports of the Corporate Control Functions addressed to the Board of Directors;
- expresses its evaluations and opinions to the Board of Directors regarding compliance with the principles of the Internal Control System and corporate organization and the requirements that must be fulfilled by the Corporate Control Functions, informing the Board of any critical areas and consequent corrective actions to be adopted; to this end, it assesses the proposals of the Chief Executive Officer and/or General Manager;
- through its assessments and opinions, contributes to the definition of the Company's policy for outsourcing Corporate Control Functions;
- verifies that the Corporate Control Functions comply with the indications and guidelines provided by the Board of Directors and assists the latter in preparing the coordination document required by the Supervisory Provisions regarding the internal control system;
- assesses the correct use of the accounting principles for the drafting of the consolidated and separate financial statements and, to this end, coordinates with the Financial Reporting Officer and the Board of Statutory Auditors.

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

- defining and approving the strategic guidelines and risk governance policies. For the RAF issue, the Committee provides the recommendations and assessments required in order to allow the Board of Directors to define and approve the risk appetite and risk tolerance, as required by Supervisory Provisions regarding the internal control system;
- verifying the correct implementation of the strategies, risk governance policies and the RAF;
- evaluating and deciding on Sustainability-related matters, analysing issues relevant to long-term value generation, assessing whether the periodic financial and non-financial information is suitable to correctly represent the business model, the Company's strategies, the impact of its activities and the performance achieved;
- examining the content of periodic non-financial information relevant to the internal control and risk management system;
- defining the policies and evaluation processes for corporate operations, including verification that the price, terms and conditions governing transactions with customers are in line with the business model and risk strategies.

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

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

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

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

- approves the periodic financial and non-financial statements, assessing whether they are suitable to correctly illustrate the Bank and the Group's business model, strategies, the impact of their business and the performance achieved with particular attention to aspects relevant to the internal control and risk management system as well as Sustainability;
- defines the guidelines for the internal control and risk management system, so that the main risks of the Bank and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, while also determining the level of compatibility of these risks with Bank management that is coherent with the strategic objectives identified, including all the elements that can be relevant for the company's Sustainable Success;
- assesses, at least once per year, the adequacy of the internal control and risk management system against the characteristics of the Bank and the risk profile assumed, as well as its effectiveness;
- approves, at least annually, the work schedule prepared by the internal audit function, after having received the opinion of the Board of Statutory Auditors and the CEO/Director in charge of the internal control and risk management system;
- assigns the supervisory functions pursuant to Article 6, paragraph 1, letter b) of Legislative Decree 231/2001 to the control body or a body specifically set up for this purpose;
- describes the main features of the internal control and risk management system in the Corporate Governance Report as well as the methods of coordination between the persons involved, indicating the models and best practices applied, providing its opinion on the system's adequacy and giving an account of the choices made regarding the composition of the 231/2001 Supervisory Body;
- approves the Non-Financial Statement pursuant to Legislative Decree 254/2016;

- after hearing the Board of Statutory Auditors, it assesses the findings reported by the external auditor – also after specific discussions with the latter – in the suggestions letter, if applicable, and in the report on the main issues resulting from the audit.

Regarding Sustainability, the Committee:

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

In supporting the Board of Directors, the Committee:

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

In regard to the above and as part of its support and assistance to the Board of Directors, in 2022 the Committee provided recommendations and/or advice in relation to the:

- Audit reports received from the Internal Audit Function and the Quarterly Report; the Audit Plan and the specific reports prepared by the Internal Audit function on the activity carried out and the relative results, the assessment of the control systems of the Group and the various updates made on the system itself, as well as the relative follow-up; the information provided by the Corporate Control Functions required by the supervisory provisions;
- reports received from the Chief Risk Officer Division (ICAAP Report, ILAAP Report, Executive Risk Management Report, Recovery Plan, Risk Appetite Monitoring, Pillar III Disclosure) and the information provided by the Chief Risk Officer Division on the inspections conducted by the Supervisory Authority;
- periodic reports prepared by the Chief Compliance Executive Division on the activities conducted, the quarterly updates carried out in the course of the year (Compliance Dashboard), the annual report on compliance of remuneration policies;
- other reports and annual plans of activity prepared by the Corporate Control Functions (Internal Audit, Risk Management, Compliance, Anti-Money Laundering and Validation);
- proposals and notifications by the Chief Financial Officer Division (Funding Plan, Group Contingency Funding Plan, etc.);

- Capital plan;
- Strategic Plan;
- Organisational changes and analysis of potential impact on resources (Corporate Control Functions);
- capital increase;
- Group Risk Appetite Statement, RAF, SREP Decision;
- Budget guidelines and macroeconomic scenarios;
- report on legal risks;
- accounting methodologies for legal risks;
- report on cyber risk and security incidents;
- report on procedures for carrying out investment services and activities;
- Business Continuity and Business Continuity Plan; Report on the adequacy of the Business Continuity Management System, Business Continuity Management testing Plan, update of internal policies;
- Strategic plan guidelines for logical security, cyber security, cyber security posture;
- annual report on outsourced corporate activities;
- lending policies, loan book monitoring and NPE strategy;
- AIRB model change (Advanced Internal Ratings based model for assessment of the credit portfolio);
- publication and/or update of Group Risk Management Policies and Directives regarding risk management, governance, ESG and Sustainability, etc.;
- reports prepared by the Financial Reporting Officer;
- meetings with the independent auditors for the approval of the financial statements and half-year report;
- meetings with the 231/2001 Supervisory Body;
- analysis of the Bank's major strategic projects;
- monitoring of the “Transparency” project;
- analysis, investigations and monitoring exercises concerning assessments, requests and reports made by the Supervisory Authorities (ECB, Bank of Italy, Consob, etc);
- climate-environmental risks: ECB thematic review and stress test;
- evolution of the Bank’s ESG (Environmental Social Governance) governance, review of the Consolidated Non-Financial Statement and materiality matrix.

The Committee also provided the Board with a quarterly update on the activities carried out.

The minutes of the Committee meeting are approved and provided to the Board of Directors and the Board of Statutory Auditors.

### 9.3 MANAGER IN CHARGE OF THE INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In order to strengthen the Group's overall control system, the Parent Company's Internal Audit Function carries out centralised audit activities for the main Group Companies too (MPS Capital Services Banca per le Imprese S.p.A., MPS Leasing & Factoring S.p.A., Monte Paschi Fiduciaria, Banca Widiba, Consorzio Operativo Gruppo Montepaschi - the latter was incorporated into the Parent Company as from 5 December 2022).

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

Within this context, the Internal Audit Function performs an independent and objective activity aimed, on the one hand, at monitoring - using third-level controls - the regular performance of operations and the evolution of risks and, on the other hand, at assessing the completeness, adequacy, functionality and reliability

of the organisational structure and the other components of the Internal Control System, bringing any possible improvements to the attention of the Corporate bodies, with particular reference to the RAF, the risk management process, as well as the risk measurement and control tools; based on the results of its controls, the Internal Audit Function makes its recommendations to the corporate bodies.

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

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

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

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

With regard to Corporate Control Functions, an analysis is currently underway on how the new “**ICT and security risk control function**” will be established among the corporate control functions as required by the 40th update of Bank of Italy Circular No. 285/2013<sup>37</sup>.

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

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

- the appointment and removal from office of suitably experienced managers by the Board of Directors, as proposed by the Risk and Sustainability Committee, after consulting with the Appointments Committee, which, in turn, has consulted with the Board of Statutory Auditors;
- independence and authority, in appropriate hierarchical-functional positions, without direct responsibility for operational areas or with subordinate relationships to them;
- functional separation, ensuring organisational segregation;
- resources and appropriate skills to carry out their functions;
- remuneration and incentive systems, approved by the Board of Directors on the proposal of the Remuneration Committee and with the opinion of the Risk and Sustainability Committee;
- access to corporate information;
- the responsibility for defining the annual plan of activities to be presented to the Board, the criteria for carrying out its control activities, periodic reporting (at least once a year) to the corporate bodies on the

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<sup>37</sup> The new supervisory rules, effective as of 3 November 2022, require banks to have implemented a second-level control function for the management and control of ICT and security risks by 30 June 2023.

results of the audits conducted and on the actions identified to remedy any shortcomings that may have emerged; follow-up activities.

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

- the Financial Reporting Risk Control Function – Financial Reporting Officer (risks inherent in Law 262/2005);
- the Lack of Business Continuity Risk Control Function;
- the Occupational Health and Safety Risk Control Function;
- the Correct Processing of Personal Data Control Function;
- the Human Resources/Compensation Function, which – within the scope of the corporate models and rules adopted by the Group in relation to remuneration and incentive policies and practices – is the structure in charge of developing the remuneration and incentive policies and practices, to be submitted to the Board and subsequently presented to the Shareholders' Meeting for approval, and supervising the correct implementation of the remuneration policies;
- the Budget and Planning Control Function, whose purpose is to ensure that the Parent Company and the Group as a whole maintain an economic, financial and equity balance;
- the Lack of Control of Outsourced Activities Risk Control Function;
- IT Security Control aimed at defining security policies and overseeing and managing system infrastructure and application anomalies;
- the Tax Compliance function responsible for monitoring compliance with "tax" regulations.

The Parent Company has also set up an organisational unit to manage the internal whistleblowing system for reporting violations. The unit is in charge of handling the receipt, investigation and assessment of any good faith reports made by staff through the specific procedure available, concerning negligent, illicit, irregular or improper circumstances and behaviours in the workplace that the reporting person suspects or has become aware of in the course of their duties. The Group policies, directives and company regulations define the: (i) organisational model, (ii) responsibilities, (iii) processes, (iv) operational procedures for liaison with other corporate functions, and (v) the reporting flows to be produced.

In addition to the Whistleblowing procedure, in 2022 the Bank standardised the process for handling anonymous letters received by the Bank's Functions, assigning the Fraud Audit Function, which is part of the Parent Company's Internal Audit Function, the task of assessing their content and reliability, and identifying any action to be taken.

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

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



## Risk Control Function

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

More specifically, the Risk Control Function:

- constantly verifies the adequacy and effectiveness of the risk management process and of the operating limits;
- develops integrated risk analysis and monitoring methods by planning and implementing the operational measurement system and supporting the Supervisory Authority in overseeing regulatory measurement, setting appropriate mitigation measures accordingly, and verifying their effectiveness and adequacy;
- ensures the consistency of the risk measurement and control systems with the processes and methods of evaluation of company activities, coordinating with the company structures concerned;
- constantly monitors the actual risk assumed by the Bank and its consistency with the risk objectives assumed through the Risk Appetite Statement, as well as compliance with the operating limits deriving therefrom, assigned to the operating units in relation to the assumption of the various types of risk;
- verifies the correct monitoring of the trend in individual credit exposures;
- collaborates in the preparation, drafting and monitoring of the Recovery Plan;
- defines, coordinates and prepares risk reporting information for the corporate boards and Top Management;
- participates in the process of analysing the risks of new products and services and those resulting from the entry into new operating and market segments.

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

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

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

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

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

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

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

- centralised model for the Italian subsidiaries, identified according to principles of proportionality in relation to their complexity; to this end, the Group avails itself of a Local Representative who has a functional reporting line to the corresponding Parent Company Function, guaranteeing support whenever necessary;
- for the foreign subsidiary, the presence of an appropriate Risk Control Function which has a functional reporting line to the Parent Company Risk Control Function is provided. In order to guarantee the management and coordination of the Parent Company, it is provided that said entity's Risk Control Function is to be involved in the definition and monitoring of the objectives assigned to the corresponding function of the foreign subsidiary, in observance of the restrictions set forth in local regulations. The hierarchical positioning of the Risk Control Function is formalised in each different subsidiary regulation.

For the foreign branches,<sup>38</sup> there is a local Risk Control Function, which reports hierarchically to the Parent Company's Risk Control Function.

## Compliance Function

Using a risk-based approach, the Compliance Function oversees the management of the risk of non-compliance with regard to all corporate activities, checking that the internal procedures are adequate for preventing such risk, as provided by the "*Group Directive on non-compliance risk management*". Business processes and activities performed by the Internal Audit Function, the Anti-Money Laundering Function and the Validation Function, for aspects relating to compliance with the supervisory standards of internal risk measurement models, are excluded from the scope unless otherwise provided for by specific rules. Also excluded from the scope of the Compliance Function are all those regulatory areas for which risk control is ensured by Control Functions established pursuant to primary legislation (231 Supervisory Body and the Financial Reporting Officer). In this regard, if the aforementioned functions carry out first-level operating activities in corporate processes with a significant impact in terms of the Group's compliance and reputation, with particular reference to customer relations, the Compliance Function carries out second-level controls. In addition, as a result of the recommendations provided by the Supervisory Authority in the context of the on-site inspections carried out, the Compliance Function monitors and analyses external regulations, in order to determine any related compliance-related impacts. During 2022, this activity was further strengthened and expanded, particularly in relation to the activities performed by the Risk Management Function.

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

Exceptions are the regulatory areas "Health and Safety in the Workplace and Environmental Protection" and "Tax Compliance" for which specific forms of Specialised Oversight have been identified within the Parent Company and the individual Group Companies, in compliance with the Supervisory Provisions. In these circumstances, the Compliance Function is nevertheless responsible for the overall governance process and,

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<sup>38</sup> Only the Shanghai branch as at the date of this Report.

in collaboration with the specialised functions in charge, for defining the methods or evaluating non-compliance risk and identifying the relative procedures, which are also subject to periodic auditing, in order to assess the ability to prevent compliance risk. Special reporting mechanisms between the Specialised Oversight units and the Compliance Function are in place for this area.

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

- identification of the regulations which are applicable to the bank and measurement/assessment of their impact on processes and procedures;
- governance of the different phases of the compliance risk management process;
- ongoing determination of the level of regulatory risk, regular assessments and the calculation of the residual risk to which the Group is exposed;
- proposing organisational measures and procedures the objective of which is to ensure adequate risk monitoring for non-compliance and verification of their relative effectiveness over time;
- monitoring the compliance risks which impact business processes;
- ensuring that the internal procedures adopted are adequate for preventing risk and monitoring their proper application, with the possibility of asking the other Corporate Functions to adopt or amend them;
- second-line controls on operating processes or functions for which compliance risks are deemed significant;
- ex ante assessment of all innovative projects that the bank intends to develop in terms of their compliance with regulations, intervening also in preventing and managing conflicts of interest whether between the various activities carried out by the bank or in respect to employees and corporate officers;
- providing advice and support to the corporate bodies on matters where the risk of non-compliance is significant; collaborating in training activities relevant to the function, also with a view to promoting a corporate culture based on the principles of honesty and fairness.

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

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

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

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

The Group has opted for a centralised Compliance model, which provides for the provision of regulatory compliance monitoring services to the Italian Group companies subject to supervision – including the Consorzio Operativo Gruppo Montepaschi (now merged into the Parent Company) – using methods and procedures in line with the requirements of the Supervisory Authority and based on established guidelines and principles on outsourcing and the Internal Controls System. The centralisation of the Compliance Functions to the Parent Company not only results in more effective and integrated controls but also provides for the appointment of a Local Representative, for each centralised subsidiary, who has a functional reporting line to the Parent Company's Compliance Function. The Foreign branches<sup>39</sup> have a local Compliance Function that has a hierarchical reporting line to the Parent Company's Compliance Function.

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<sup>39</sup> Only the Shanghai branch as at the date of this Report.

### **Internal Validation Function**

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

In carrying out said activity, the Internal Validation Function:

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

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

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

### **Anti-money Laundering Function**

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

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

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

The Anti-Money Laundering Function (both of the Parent Company and the individual Companies) is equipped with resources that are qualitatively and quantitatively suitable for the tasks to be carried out and

has access to all of the activities of the Group Company as well as any information relevant to performing its duties.

The Anti-Money Laundering Function:

- identifies the applicable regulations and assess their impact on the internal processes and procedures;
- collaborates in determining the policies governing the risk of money laundering as well as the various stages of this risk management process;
- collaborates in determining the system of internal controls and procedures aimed at preventing and countering the money laundering risks;
- verifies on an ongoing basis the adequacy of the money-laundering risk management process as well as the suitability of the system of internal controls and procedures and propose organisational and procedural changes to ensure adequate monitoring of money-laundering risks;
- in liaison with the manager in charge of suspicious transactions reporting, conducts checks on the effectiveness of the reporting process and the suitability of the assessments made on customer operations by the first level controls;
- verifies the reliability and adequacy of the information system and pays particular attention to the adequacy of the systems and internal procedures for fulfilling customer due diligence obligations and storing the relative data; for the identification, assessment and reporting of suspicious transactions, the successful detection of other situations subject to mandatory reporting and appropriate storage of the relative documentation and evidences required by regulations;
- in liaison with the other corporate functions, conducts the annual self-assessment of money laundering risks;
- provides support and assistance to company bodies and to Top Management;
- makes a prior assessment of the risk of money laundering associated with the offer of new products and services;
- oversees, in cooperation with the other corporate functions responsible for training, the preparation of an adequate training plan to professionally develop employees and collaborators on an ongoing basis;
- draws up and provide General Management and the Board of Directors with a document that details the responsibilities, duties and operating procedures for managing the risk of money laundering. The document is constantly updated and is available and easily accessible to all employees;
- prepares the information for the corporate boards and Top Management, promptly informing them of any significant violations or shortcomings found;
- at least once a year, provides the corporate bodies with a report on the initiatives undertaken, the failures identified, the consequent remedial actions to be taken and personnel training activities. The report also includes the results of the self-assessment exercise conducted according to the guidelines provided by the Supervisory Authority;
- carries out enhanced due diligence in cases where, due to objective, environmental or subjective circumstances, the risk of money laundering is especially high;
- transmits the aggregate data concerning the recipient's overall operations and the objective reports regarding transactions at risk of money laundering to the Financial Information Unit (FIU) on a monthly basis;
- in conjunction with the Internal Audit Function, carry out on-site inspections on a sample basis in order to check the effectiveness and efficiency of the procedures in place and identify any critical areas. These inspections are carried out on the basis of a specific work plan drawn up once a year and submitted to the corporate bodies;
- cooperates, in its capacity as a specialist anti-money laundering company unit, with the Authorities referred to in Title I, Chapter II of Legislative Decree no. 231 of 21 November 2007.

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

The organisational model adopted by the Bank and by Group company for the prevention of risks pursuant to Italian Legislative Decree 231/2001 (or “231 Decree” or “Decree”) contains the ethical and operating rules aimed at preventing the significant offences pursuant to the aforementioned Decree (the so-called “predicate offences”). It is updated periodically, or on an event-by-event basis when pre-established cases of necessity occur, such as the detection of the model’s inability to prevent the offences pursuant to Legislative Decree no. 231/2001, strategic changes or changes with a significant impact within the organisational structure or processes, the addition of new offences to the scope of application of the 231 Decree, new regulations and/or legislation regarding the administrative liability of entities deemed to have a significant impact on the company’s activities.

The 231 Model consists of the documents:

- Group Directive for the Management of Regulatory Compliance with Italian Legislative Decree 231/2001 on administrative liability, published on the Bank’s website, [www.gruppomps.it](http://www.gruppomps.it) – *Corporate Governance – Governance model*, at the link [Direttiva 231\\_2020.indd \(gruppomps.it\)](#) to which reference should be made for detailed information on the model and the types of offences it includes;
- Control protocols pursuant to Article 6 of Italian Legislative Decree 231/2001;
- Group Code of Ethics, published on the Bank's website at [www.gruppomps.it](http://www.gruppomps.it) - *Corporate Governance - Governance Model*;
- Management of regulatory compliance with Italian Legislative Decree 231/2001 on administrative liability – MPS Group Corruption prevention rules.

In particular, the Control Protocols available on the company intranet explain, for each corporate organisational unit, the predicate offences that can theoretically be committed, the existing controls, as well as references to the relevant internal company regulations.

### 231 SUPERVISORY BODY

The Board of Directors has appointed a 231 Supervisory Body with the task of supervising the effectiveness of and compliance with the 231 Model, and ensuring that it is kept updated. The 231 Supervisory Body is provided with constant information in order to carry out ongoing supervision of activities with a risk committing offences pursuant to Legislative Decree 231/2001.

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

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

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

Members	Office	Qualification	Independence under Code
Guglielmetti Romina	Coordinator	External professional	
Maione Nicola (*)	Member	Member of the Board of Directors	X
Tognozzi Gianluca	Member	External professional	

(\*) *Non-executive director who meets the independence requirements established by the By-Laws; independence requirements established by Article 147-ter and Article 148, paragraph 3 of the TUF and by the Corporate Governance Code.*

In exercising its functions, the 231 Supervisory Body is guided by the principles of independence, autonomy and continuity; it has autonomous powers of initiative and control, including the power to request and acquire information from every level and operational sector of the Bank, making use of the relevant Bank functions. In exercising its independent powers of initiative and control, the 231 Supervisory Body avails itself of specialised tools and techniques in order to be able to perform the activities for which it is responsible, using also internal and/or external specialised collaborations

It is the recipient of the information which must be reported under the 231 Model, particularly regarding the communication of information on the perpetration or attempted perpetration – in the interest or to the advantage of the Bank – of the offences set out in Legislative Decree no. 231/2001, as well as any violations of the rules of conduct laid down in the 231 Model and in the Code of Ethics. To protect its full autonomy and confidentiality, reports may be made directly to the 231 Supervisory Body through a variety of channels, including electronic, as indicated in the corporate website of the Parent Company and of all the other Group companies.

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

In fulfilling its duties, the 231 Supervisory Board:

- assesses the adequacy of the Model, that is, its essential capacity to prevent conducts which do not comply with the law;
- monitors the effectiveness of the Model, verifying coherence between the actual conduct and the Model, and reports any violations to the Board and the Board of Statutory Auditors;
- analyses the Model's ongoing reliability and efficiency, with specific reference to organisational changes and newly emerging risks;
- updates the Model, presenting its proposals for amendments to the Board and verifying the implementation and effectiveness of the solutions adopted;
- promotes initiatives to increase awareness and comprehension of the Model by all Bank staff, and plans and monitors the relevant training activities following any amendments and/or supplements to the 231 Decree.

Moreover:

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

## 9.5 INDEPENDENT AUDITORS

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

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

## 9.6 FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

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

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

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

The declaration is provided together with the Board of Directors, which normally delegates one of its members (usually the Chief Executive Officer, if appointed).

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

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

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

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

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

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



Audit Executive Division.

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

The Montepaschi Group's financial reporting process, which is integrated into the overall Internal Control and Risk Management System, aims to ensure the credibility<sup>40</sup>, accuracy<sup>41</sup>, reliability<sup>42</sup> and timeliness<sup>43</sup> of financial reporting and thus enhances the governance of controls.

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

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

The Montepaschi Group is required to apply the provisions of Law 262/2005, in the dual context of BMPS' individual financial statements and the Group's consolidated financial statements. With this in mind, the Group companies have implemented the regulations and guidelines issued by the Parent Company and have defined the roles, responsibilities and expected conduct on their respective matters of competence.

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

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

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

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

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

- identification of the “sensitive” application perimeter (companies and accounts/processes);

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<sup>40</sup> Credibility (of information): information which is correct and compliant with the generally accepted accounting principles and has the requirements demanded by applicable laws and regulations.

<sup>41</sup> Accuracy (of information): Information that is neutral and precise. Information is considered neutral if it is free of bias aimed at influencing the decision-making process of its users in order to obtain a predetermined result.

<sup>42</sup> Reliability (of information): information that is clear and complete enough to lead to informed investment decisions by investors. Information is considered clear if it facilitates understanding of complex aspects of the company's business, without becoming excessive or superfluous.

<sup>43</sup> Timeliness (of disclosure): disclosure that meets the deadlines for its publication.

- assessment of the significant administrative and accounting processes<sup>44</sup> (*Risk & Control Assessment*<sup>45</sup>). The processes selected are assessed in terms of potential risk for financial disclosure purposes;
- evaluation of the information system (Information Technology General Controls – ITGC). Consists of the assessment of the collection of rules governing the technological infrastructure and software applications supporting the administrative and accounting processes. To this end, the Montepaschi Group opted to hire an independent auditor to carry out the ISAE 3402 Type II certification relative to the assessment of the design and the actual operation of the Control System within the IT domain of the service organisation (Consorzio Operativo Gruppo Montepaschi, which, as of 5 December 2022, was merged into BMPS, with the relevant responsibilities being assigned to the Bank's COO Division);
- assessment of the effectiveness/actual application of the key controls<sup>46</sup> over the reporting period carried out by the structure managed by the Financial Reporting Officer and supplemented by an ISAE 3402 Type II certifications on the administrative-accounting services governed by the Bank's Back Office Function<sup>47</sup>.

## b) Roles and functions involved

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

- **Control Function, Law 262/2005:** The function supports the Financial Reporting Officer in the operating management, updating and monitoring of the compliance process of the Group, pursuant to Law 262/2005. To this end, it carries out autonomous checks in order to ascertain the effectiveness of the controls over the administrative and accounting procedures and the actual application thereof.
- **Internal Audit Function:** The function interacts with the Financial Reporting Officer in assessing the adequacy of the internal control systems (ELC) and the oversight of the risks relating to the administrative and accounting processes. The function also provides the Financial Reporting Officer with useful information in terms of the facts that emerge, based on the activities carried out, with reference to the risks and the adequacy of the system of controls on the administrative and accounting process.
- **Organisation Function:** The Organisation Function of the Parent Company and the Group companies carry out analysis and maintain the documentation (operating regulations) for the Group processes.
- **Consorzio Operativo Gruppo Montepaschi:** manages, governs, coordinates and controls the correct operation of the Group's ICT systems. In order to ensure consistency with the methodologies identified by the Financial Reporting Officer (COBIT) it employs the ISAE 3402 Type II certification. As of December 2022, as a result of the merger of the Consorzio Operativo Gruppo Montepaschi into BMPS, all of its activities were transferred to the Bank.
- **Local 262 contact persons in the companies that are part of the perimeter:** contact persons identified within the Group companies involved in "262 activities" to support the Financial Reporting Officer. In particular, the local contacts are responsible for issuing a letter – addressed to the Parent Company's Financial Reporting Officer – certifying that the data transmitted to the Parent Company conform to the results of the accounting books and records.

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<sup>44</sup> The information relevance is assessed having regard to the possible effect of its omission or wrong representation on the decisions of entities informed by means of the financial statements.

<sup>45</sup> In the Montepaschi Group, risk assessment pursuant to Italian Law 262/05 is placed in the "Integrated Multi Compliance" Area (Operating Risks; Italian Legislative Decree 231/01).

<sup>46</sup> "Key" controls are those controls whose absence or inadequacy could, in itself, have a significant impact on the correct representation of the financial information.

<sup>47</sup> This includes the units that operate in the administrative-accounting area managed by the Operations Functions, as well as the Budget and Accounting organisational unit.

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

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

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

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

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

- the Director in charge of the internal control and risk management system (currently the CEO), who is responsible for establishing and maintaining an effective internal control and risk management system;
- the Committee for the Coordination of Functions with Control Tasks (hereinafter in this paragraph, the "Committee"), which is responsible for coordination activities between these functions and implementing them a continuous basis;
- the collaboration between the Functions with Control Tasks, and between the latter and the Control Functions, also through interaction and participation in Management Committees, for the integrated management of the risks to which the Group is exposed;
- the coordinated management of the areas of improvement originating from the Corporate Control Functions, the Control Functions and the Supervisory Authorities, with the aim of assessing their relevance and, subsequently, defining the overall intervention strategies;
- the coordination in reporting activities, interrelationships and communication with the Supervisory Authorities regarding the Internal Control System;
- reporting tools able to ensure:
  - constant, extensive and homogeneous information regarding the risk profiles the Bank is exposed to and the methods used to monitor these;
  - that the anomalies identified are promptly brought to the knowledge of the appropriate levels (company bodies, if significant) so that they can take the necessary corrective actions in a timely manner;
  - the mapping and univocal taxonomy of company processes and risks that is complete, adequately structured and in line with the needs of effectiveness and efficiency required by the individual functions, enabling the constant and updated alignment of processes within the Group as well as the adoption of a common language;
  - valuation metrics, which though different between company functions with control tasks, nevertheless guarantee the dissemination of a common risk management language.

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

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

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

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

The circulation of information between the company bodies and the Functions with Control Tasks represents an essential condition for the actual achievement of the objectives pertaining to the efficiency of the management and effectiveness of the internal control system. In addition, the preparation of adequate information flows and in times which are consistent with the relevance and complexity of the information ensures that the different levels of responsibility within the company organisation are fully exploited. To this extent, the Group is equipped with a mapping of information flows targeted at ensuring “valuable interaction in exercising duties (guidance, implementation, verification and evaluation)” between the entities that comprise the Group’s internal control system. Within said mapping, the following are identified:

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

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

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

Regarding the areas with the Supervisory Authorities as a whole:

- the reports provided by laws or regulations are drawn up by the Company Function which is entrusted with the relevant responsibility/duty. Whenever these relations contain information of a capital, economic or financial nature, the owner function must verify its compliance with the data contained in the documents and communications of the company already circulated to the market and certified by the Disclosure Reliability Risk Control Function (Financial Reporting Officer);
- for matters that are significant in terms of the risk of non-compliance, the Compliance Function must be involved;
- for matters that are significant in terms of the quantification of risks, the involvement of the Risk Control Function (Risk Management) is required;
- all reports produced by the other Corporate Control Functions are made available to the Internal Audit Function;

- the Parent Company’s Internal Audit has full visibility over the Group's correspondence with the Supervisory Bodies (e.g., requests for information, supervisory meetings, further analyses, etc.) including any inspection visits by them.

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

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

In 2022, the above reports, along with the Report on the activities conducted by the Anti-Money Laundering Function, were approved by the Board of Directors and submitted to the Bank of Italy by the General Secretariat and to the European Supervisor by the CEO Staff AD and Regulatory Affairs.

## 10. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In 2022, with the prior favourable opinion of the Related-Party Transactions Committee and the Board of Statutory Auditors, the Board of Directors of the Parent Company approved the most recent update of the "*Group Directive governing regulatory requirements regarding related parties, connected persons and the obligations of banking officers*" (hereinafter the "**Directive**"), which incorporates in a single document the provisions that apply to the Group regarding the regulation of conflicts of interest pursuant to:

- Consob's Related Parties Regulation, implementing the power attributed to Consob by Article 2391-*bis* of the Civil Code in relation to the transparency and substantive and procedural correctness of transactions with related parties entered into by listed companies;
- The Bank of Italy's Supervisory Provisions on Connected Persons, implementing the power attributed to the Bank of Italy by Article 53 of the TUB in relation to the conditions and limits for the banks' assumption of risks from the engaging into activities with those who can exercise, directly or indirectly, an influence over the management of the bank or the banking group as well as entities related to them;
- Article 136 of the TUB on the obligations of bank executives<sup>48</sup>;
- Article 88 of the CRD concerning loans granted to members of the management body and their related parties<sup>49</sup>.

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

The Directive also establishes the rules for the operations of the "Related-Party Transactions Committee (*see* Section 10.1).

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

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

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

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<sup>48</sup> Article 136 of the TUB establishes that persons performing administrative, managerial or control functions in a bank may not enter into obligations of any kind or directly or indirectly enter into purchase or sale agreements with the bank which they administer, manage or control, without a prior resolution adopted unanimously by the administrative body - with the exclusion of the vote of the bank officer concerned - and a favourable vote of all the members of the control body, without prejudice to the obligations laid down in the Civil Code on directors' interests and related-party transactions, and in Article 53 of the TUB.

<sup>49</sup> Article 88 of the CRD requires banks to ensure that "data on loans to members of the management body and their related parties are properly documented and made available to competent authorities upon request". The provision provides for a specific definition of "members of the management body" and their "related party".

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

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

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

The most significant related-party transactions in terms of amount carried out by the Bank in 2022 are described in detail in Part H of the Notes to the Financial Statements.

A number of articles of the By-Laws also provide for specific reporting flows:

- Article 17 of the By-Laws establishes that the Board of Directors is to report promptly to the Board of Statutory Auditors on the business activities carried out and on the main economic and financial transactions carried out by the Company, also through its Delegated Corporate Bodies, and by its subsidiaries; in particular it must report on any transactions in which the Directors have an interest on their own account or on behalf of a third party. This report is made verbally, at least on a quarterly basis, when the Board of Directors meets or by written notice to the Board of Statutory Auditors. The obligation of each Director to inform the other directors and the Board of Statutory Auditors of any interest he/she may have in a specified transaction of the Company on his/her own account or on behalf of third parties and to refrain from any resolutions in which he or she has a conflict of interest, on their own behalf or on behalf of a third party, pursuant to the applicable legislation, remains unaffected. On this subject, reference should also be made to Section 4.4 – “Functioning of the Board of Directors;
- Article 19 of the By-Laws establishes that, in addition to complying with the provisions of Article 136 of the TUB, the members of the Board of Directors must inform the Board of Directors and the Board of Statutory Auditors of any business in which they are personally involved or which relates to entities or companies of which they are directors, auditors or employees, except for companies of the MPS Group, and they shall refrain from any resolutions in which they have a conflict of interest, on their own behalf or on behalf of any third party, pursuant to the applicable legislation.

The Regulation of the Board of Directors also affirms the obligation of each director to promptly notify the Board of any information concerning situations and reasons that, in his or her opinion, could materially affect his or her independence of judgment, thus enabling the Board to make the evaluations and decisions provided for by the applicable regulations<sup>50</sup>. The Board Regulation also affirms the general obligation of directors to inform the Board of Directors of any situations and reasons that, in their opinion, could materially affect their independence of judgment, thus enabling the Board to make the evaluations and determinations required by the applicable regulations. With specific regard to pre-Board information, there are no generic exceptions for the provision of supporting documentation to directors for board evaluations and decisions, except in the cases provided for by specific governance controls/policies adopted by the Bank, as per banking regulations, in order to address the risk that specific situations of conflict of interest, even potential ones, may affect the independence of judgment of officers or the decisions of the body to which they belong.

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

The "*Policy on personal transactions in the provision of investment services*", approved by the Board of Directors, outlines the Group's general principles and rules to ensure compliance with the rules regarding personal transactions in the provision of investment services (Article 91 of the Intermediaries Regulation, adopted by Consob with resolution no. 20307 of 15 February 2018) by relevant persons, i.e., those who are involved in activities that

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<sup>50</sup> On specific governance controls/policies, see Section 4.

may give rise to conflicts of interest in the performance of investment services or who have access to privileged or confidential information. The personal transactions carried out by such persons, both at Group banks and through third-party intermediaries, are filed in a special electronic "Register".

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

## 10.1 RELATED-PARTY TRANSACTIONS COMMITTEE

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

### Composition and operations

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

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

Members	Office	List M/m (**)	Non- executive	Independence under Code	Independence under TUF	(***)
Rao Roberto (*)	Chairperson	M	X	X	X	12/12
Barzaghi Alessandra (*)	Member	m	X	X	X	12/12
Bettio Francesca (*)	Member	M	X	X	X	11/12
Bochicchio Francesco (*)	Member	M	X	X	X	12/12
De Martini Paola (*)	Member	m	X	X	X	9/12
<b>Directors who resigned during the period</b>						

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(\*) Director who meets the independence requirements established by the By-Laws: by Article 147-ter and Article 148, paragraph 3 of the TUF and by the Corporate Governance Code.

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

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

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

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

The Bank’s Chief Compliance Officer is regularly kept informed of the agenda of the Committee meetings.

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



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

In 2022, the Committee held 12 meetings, with an average duration of approximately 45 minutes. The minutes of the meeting were duly recorded by the secretary.

A schedule of meetings has been prepared for 2023. The Chairperson will convene a meeting whenever there are issues to be discussed that fall under the Committee's area of activity.

As at 8 March 2023, the Committee had held a total of 2 meetings.

### **Functions attributed**

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

In particular, the Committee:

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

The main activities carried out by the Committee in 2022 were the following:

- the issue of a prior opinion on the assessment of the effectiveness of the regulatory framework and on the revision of the Directive;
- examination and issue of a prior opinion on proposals for transactions with related and connected parties;
- examination of quarterly reports prepared by the Compliance Division on transactions with related and connected parties;

- examination of quarterly reports prepared by the Chief Risk Officer Division on the consolidated analysis of risks to connected parties;
- capital increase;
- deep-dive meetings regarding commercial agreements for the relevant profiles; information on transactions with related parties and connected persons under the decision-making power of the Board not subject to supervision.

The Committee has also reported quarterly to the Board of Directors and Board of Statutory Auditors on activities carried out.

The minutes of the Committee meeting are approved and provided to the Board of Directors and the Board of Statutory Auditors.

## **11. BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors is composed of three standing auditors and two alternate auditors. It supervises compliance with the law, regulations and the By-Laws, proper administration, and the adequacy of the organisational and accounting structures of the Company.

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

### **11.1 APPOINTMENT AND REPLACEMENT**

#### **Presentation of candidates**

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

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

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

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

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

If, upon the deadline scheduled for the filing of the list, only one list, or only the lists submitted by shareholders who - according to the applicable laws and regulations in force at the time - are connected with one another, has/have been filed, other lists may be submitted until the subsequent deadline provided for by

the applicable laws and regulations in force at the time. In this case, the percentages for the submission of the lists are reduced by half.

Each shareholder entitled to vote may vote only one list.

### **Election of candidates**

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

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

### **Replacement of members of the Board of Statutory Auditors**

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

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

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

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

The appointment of Statutory Auditors for the purpose of completing the Board pursuant to Article 2401 of the Italian Civil Code is resolved upon by the Shareholders' Meeting by relative majority and, therefore,

without list voting. However, it is understood that the principle of necessary representation of minority shareholders shall be complied with and the principle of gender balance provided for by the legislation in force at the time.

### Requirements and grounds for disqualification from office

Individuals who find themselves in situations of incompatibility, as provided for by law, and who do not meet the requirements and/or do not comply with the eligibility criteria established by the applicable national and supranational laws and regulations in force at the time cannot be appointed as Statutory Auditors or, if appointed, are removed from office. This is without prejudice to the limits on the number of offices held and the time commitment required for the office as established by the applicable laws and regulations in force at the time. Auditors are not allowed to hold office in banks other than those belonging to the Montepaschi Group and those where there is joint control.

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

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

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

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

The Shareholders' Meeting of 18 May 2020, to which 2 lists of candidates were submitted for the appointment of members of the Board of Statutory Auditors, passed the related resolutions as detailed in the table below<sup>51</sup>:

List of candidates	Shareholder	Candidates	Votes obtained by the list at the Shareholders' Meeting
<b>No. 1 – Majority list</b>	Ministry of Economy and Finance (68.247% of share capital)	Alessia Bastiani (Standing auditor) - <i>elected</i> Luigi Soprano (Standing auditor) – <i>elected</i> Lorenzo Chieppa (Alternate auditor) - <i>elected</i> Piera Braja (Alternate auditor)	Total votes 781,490,663 votes, accounting for 94.453708% of voting shares entitled to vote and 68.534374% of share capital.

<sup>51</sup> On 23 April 2020, the Board of Directors, in compliance with Article 148, para. 2 of the TUF and Article 144-quinquies of the Consob Issuer Regulation and considering the recommendations contained in Consob's Notification DEM/9017893 of 26 February 2009, assessed and declared that, to the Bank's knowledge, there existed no material relationships of affiliation between the parties that submitted the so-called "minority list" for the election of the Board of Directors – identified above as List. No. 2 – and the controlling shareholder, the MEF.

List of candidates	Shareholder	Candidates	Votes obtained by the list at the Shareholders' Meeting
<b>No. 2 – Minority list</b>	<ul style="list-style-type: none"> <li>- Alleanza Assicurazioni S.p.A.</li> <li>- Eurizon Capital SGR S.p.A. fund manager of: Eurizon Progetto Italia 20, Eurizon PIR Italia 30, Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni, Eurizon Azioni PMI Italia, Eurizon Progetto Italia 40</li> <li>- Eurizon Capital S.A. fund manager of Eurizon Fund - Italian Equity Opportunities</li> <li>- Generali Italia S.p.A.</li> <li>- Genertellife S.p.A.</li> </ul> (a total of 2.40117% of share capital)	Enrico Ciai (Chairperson) - <i>elected</i> Piera Vitali (Alternate auditor) - <i>elected</i>	Total votes 45,851,084, accounting for 5.541723% of shares entitled to vote and 4.021002% of share capital.

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

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

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

For information on the *Curriculum Vitae* of the members of the current Board of Statutory Auditors in office, please refer to the Bank's website [www.gruppompis.it](http://www.gruppompis.it) – Corporate Governance – Board of Statutory Auditors.

## Independence

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

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

In compliance with current legislation (Article 26 of the TUB, Article 148 of the TUF, combined with Articles 13, 14 and 15 of Ministerial Decree 169/2020) and the Corporate Governance Code (Recommendation no. 9), during the year the Board of Statutory Auditors verified that its members continue to meet the independence requirements. In carrying out these assessments, all the information made available by each

member of the Board of Statutory Auditors was taken into account, evaluating all the circumstances that could have potentially compromised the independence established by the TUF, the Corporate Governance Code, and applying all the criteria set out by the same Code with regard to the independence of directors (Recommendation 7, as referred to by Recommendation 9). The results of the assessment were communicated to the Board of Directors, as required by the Code itself.

For further information on the composition of the Board of Statutory Auditors in 2022, please refer to Table no. 2.

\* \* \* \* \*

In 2022, the Board of Statutory Auditors held a total of 56 meetings, with an average duration of approximately 4 hours.

As at 8 March 2023, the Board of Statutory Auditors had held a total of 15 meetings.

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

In 2022, in order to adequately perform its supervisory duties pursuant to the principles of proper administration, the Board of Statutory Auditors attended the ordinary Shareholders' Meeting of 12 April, the extraordinary Shareholders' Meeting of 15 September as well as the 25 meetings of the Board of Directors which took place in the course of the year (with a 100% of attendance).

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

It is the task of the Board of Statutory Auditors to ensure the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members in 2022, following the resolution of the Board of Directors on 8 March 2023.

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

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

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

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

Moreover, the Statutory Auditors verified that the transactions with related parties took place in compliance with the criteria of transparency and substantive and procedural correctness as indicated in the reference legislation, and that they were concluded as part of ordinary operations on an arm's length basis and resolved on the basis of assessments of mutual economic advantages and in the interests of the Bank.

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

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

The Board of Statutory Auditors also reviewed the Bank's organisational structure in relation to the size and characteristics of the Bank's corporate activities and in view of the overall company reorganisation process, as part of the 2022-2026 Business Plan actions, to be implemented through "Intragroup Merger Transactions" involving the subsidiaries MPS Capital Services S.p.A, MPS Leasing & Factoring S.p.A. (both in progress, as at the date of this Report) and the Consorzio Operativo Gruppo Montepaschi (the merger of which was finalised with effect from 5 December 2022) as well as the voluntary early retirement exits involving more than 4,000 resources (effective as of 1 December 2022). The Control Body also verified the organisational measures involving the General Management Division, again in support of the 2022-2026 Business Plan goals, in order to improve the Bank's operational efficiency. To this end, with the support of the Audit Function, the Auditors conducted special audits of Head Office, the domestic network and through meetings held with the Managers in charge of the various corporate units.

It should also be noted that, in compliance with the regulatory provisions in force, the Board of Statutory Auditors verified the adequacy of the organisational structure as well as of the corporate control functions, given the staffing changes that affected the Bank following the voluntary staff exits – provided for in the Business Plan – on 1 December 2022. In this regard, the Statutory Auditors conducted specific checks, through talks with the top management figures directly involved as well as through meetings held with the Heads of the various corporate control functions, in order to ensure, among other things, that the number of resources determined was in line with market benchmarks, Supervisory expectations and the activities that the control functions will have to perform once the overall organisational reorganisation has been defined.

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

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

In compliance with the Supervisory Corporate Governance Provisions for Banks and its own Regulation, the Board of Statutory Auditors underwent a self-assessment process for 2022 using the support of an external advisor (Management Search S.r.l, an independent consulting firm and expert in corporate governance and board effectiveness).

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

At the end of the analysis, the advisor produced a document containing the results of the assessment, from which no specific areas for improvement of the Board of Auditors' operations were identified.



In view of the Shareholders' Meeting of 20 April 2023 for the renewal of the corporate boards and, in compliance with regulatory provisions, the current Board of Statutory Auditors in office, having also taken into account the results of its self-assessment process, has expressed its Guidelines to the shareholders regarding the qualitative and quantitative composition deemed optimal for the new Board of Statutory Auditors. On 2 March 2023, the document was published on the website [www.gruppomps.it](http://www.gruppomps.it) - *Corporate Governance - Shareholders' Meetings and BoDs*, as well as with the other methods provided for by current regulations.

## 12. RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

### Access to corporate information

Since its listing, BMPS has maintained an active relationship with its shareholders and investors with the aim of ensuring the provision of clear and complete information on its activities, also with a view to the correct market positioning of the Company.

The Corporate Functions dedicated to overseeing these relationships are the:

- Chief Financial Officer Division, headed by Mr. Andrea Francesco Maffezzoni, which handles relations with the shareholders, investors and other players in the national and international financial community through its Investor Relations Staff Unit, under the responsibility of Ms. Elisabetta Pozzi (Email: [investor.relations@mps.it](mailto:investor.relations@mps.it)). Moreover, for dialogue with shareholders and investors on Sustainability and ESG issues, the CFO Department supports the Chairperson of the Board and the Chief Executive Officer through its own Sustainability and ESG Staff Unit, headed by Ms. Maria Costante (E-mail: [sostenibilita@mps.it](mailto:sostenibilita@mps.it));
- the Group General Counsel Division, which is responsible for corporate reporting on corporate governance and for relations with shareholders, also with regard to their participation in Shareholders' Meetings (Email: [settore.societario@mps.it](mailto:settore.societario@mps.it)). Mr. Riccardo Quagliana is in charge of the Division and acts as Secretary to the Board of Directors of the Bank.

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

- for Shareholders' Meetings, with the publication of extensive documentation concerning the items on the agenda, useful for the exercise of Shareholders' rights, as provided for in detail by the relevant regulations for listed issuers;
- for the approval of Business Plans;
- with the publication of the Remuneration Policy Report;
- with the publication of the yearly and half-yearly financial reports as well as the interim management reports;
- with the publication of the Consolidated Non-Financial Statement on Sustainability issues.

The Group website [www.gruppomps.it](http://www.gruppomps.it) collects information and documents considered of interest to investors, which can be consulted in Italian and English.

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

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

The **Sustainability Section**, which can be consulted at [Sostenibilita - Banca MPS \(gruppomps.it\)](http://Sostenibilita - Banca MPS (gruppomps.it)) and is dedicated to sustainability issues, contains the annual non-financial statement, reporting on the sustainability-related

activities carried out by the Bank and the Group, the Stakeholder Dialogue report as well as other Sustainability-related reports and internal policies.

The BMPS website is one of the main means through which the Bank provides the financial community and other stakeholders with information content and dialogue tools as part of a more complete and constant communication activity. The website is constantly updated and developed in line with industry best practices in order to ensure an appropriate standard of transparency, easy access to different information and to promote opportunities for contact and direct dialogue with shareholders, investors and other stakeholders.

### **Dialogue with shareholders and investors**

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

Within this context, in 2022, the Board, on the proposal of the Chairperson formulated in agreement with the Chief Executive Officer and subject to the opinion of the Risk and Sustainability Committee, has approved BMPS's "*Policy for the management of dialogue with Shareholders and Investors*" ("**Dialogue Policy**" or "**Policy**"), in order to promote an ongoing transparent, easily accessible and constructive dialogue with the Bank's Investors<sup>52</sup>, encouraging an exchange of views capable of improving mutual understanding of their respective expectations and facilitating the exercise of the legitimate rights of the stakeholders involved.

The Dialogue Policy is in line with the Bank of Italy's Supervisory Provisions on the corporate governance of banks, the Principles and Recommendations of the Corporate Governance Code for listed issuers to which the Bank adheres and the objectives of the Shareholders' Rights Directive (SHRD)<sup>53</sup>, which introduced measures to encourage the long-term commitment of shareholders, taking also account of the interests of other relevant stakeholders, with a view to the long-term pursuit of sustainable social and environmental value creation.

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

The Policy **does not concern** the management of the dialogue relating to the conduct of the Shareholders' Meetings or the exercise of the rights of Shareholders falling within the scope of the regulations applicable to listed issuers, for which reference should be made to Section 13 (Shareholders' Meetings), **nor does it concern** the requests for dialogue with the Bank from parties other than Investors (e.g. customers, suppliers, other stakeholders) who, while qualifying as Investors, have interests other than those of their investment in the Bank's capital.

**The Dialogue Policy represents a tool that is in addition and supplementary** to the other ways in which the Bank interacts on an ordinary and ongoing basis with shareholders, investors and more generally with the financial community, through the ongoing and timely updating of its website ([www.gruppompis.it](http://www.gruppompis.it)) and the publication of regulated information on the Bank's selected storage platform (currently [www.emarketstorage.it](http://www.emarketstorage.it)), as well as through the Investor Relations Function, for example when there are meetings with the financial

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<sup>52</sup> The Policy defines Investors as "current or prospective shareholders of the Bank, as well as holders (current or prospective) of financial instruments issued by the Bank, holders of interests relating to the ownership of shares and other financial instruments and rights arising from shares in the capital of the Bank for their own account or for the account of third parties (including, for example, Institutional Investors and asset managers)".

<sup>53</sup> Directive 2007/36 / EC of the European Parliament and of the Council of 11 July 2007, relating to the exercise of certain rights of shareholders of listed companies, as amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017.

community (conference calls and road shows), which, in addition to being attended by the Investor Relations Function, may also be attended by the Chief Executive Officer and/or other Group executives whose presence is deemed appropriate.

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

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

In agreement with the Chief Executive Officer, and at the first subsequent meeting, the Chairperson informs the Board of Directors on the significant developments and contents of the dialogue with Investors, in compliance with the timeframe envisaged for pre-meeting reporting and in consideration of the relevance, urgency and interest for the Bank.

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

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

With the support of the Investor Relations function, the ordinary activity of dialogue between management and shareholders, institutional investors, rating agencies, analysts and other players in the national and international financial community continued on a regular basis throughout 2022.

Thus, the activity of dialogue with Shareholders, Investors and the financial community at large was carried out both through the Bank's regular dissemination of information with regard to the financial results for the period, the non-financial statement for sustainability issues, the new business plan and the activities and initiatives implemented in relation to the capital increase concluded in November, as well as through conference calls, roadshows and sector conferences.

In addition to the ordinary and ongoing interactions with Shareholders and Investors, as at the date of approval of this Report, there have not yet been any opportunities for dialogue outside the Shareholders' Meeting pursuant to the Dialogue Policy.

In this regard, it should be noted that the Policy adopted by the Bank expressly states that dialogue may also be initiated at the request of Shareholders and Investors, defining the methods and procedures to be followed for submitting a request, in accordance with the recommendations of the Corporate Governance Committee.

In view of the above, since no particular requests relating to the 2022 Dialogue Policy were submitted by shareholders and investors and no further need to update the policy arose during the first year of its application, the Board of Directors did not make or propose any amendments to the current Dialogue Policy in force.

For further details, such as on how to request or initiate a dialogue with the Board of Directors, please refer the Dialogue Policy published at [www.gruppomps.it](http://www.gruppomps.it) - *Investor Relations*.

### 13. SHAREHOLDERS' MEETING

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

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

It is normally convened in Siena and may also be convened in a location other than the registered office, as long as in Italy.

The Ordinary or Extraordinary General Meeting is held in a single call.

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

#### Meeting information

The Shareholders' Meeting constitutes the Bank's main opportunity for dialogue and discussion with its shareholders, particularly regarding the items on the agenda, in compliance with information equality and insider trading regulations.

The Board of Directors facilitates the active and informed participation of the Bank's shareholders by ensuring that they are provided with complete, accurate and timely pre-meeting information and are thus able to exercise their rights at the Shareholders' Meeting in an informed way.

The Bank publishes the information and documentation regarding the Shareholders' Meeting – well in advance and in compliance with applicable regulations – on the website [www.gruppomps.it](http://www.gruppomps.it) – Corporate Governance – Shareholders' Meetings and BoD and by filing it at the company's registered office, the market management company (Borsa Italiana S.p.A.) and on the storage platform - [www.emarketstorage.it](http://www.emarketstorage.it).

#### Right to ask questions before the Shareholders' Meeting

Shareholders have the right to ask questions even before the Shareholders' Meeting by submitting them to the Company within the terms and according to the procedures specified in the notice of call.

The Company publishes a reply to the questions on the items on the agenda of the Shareholders' Meeting on its website within the deadline specified in the notice of call, thereby ensuring that all shareholders are fully informed.

#### POWERS OF THE SHAREHOLDERS' MEETING UNDER THE BY-LAWS

The ordinary Shareholders' Meeting:

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

The extraordinary Shareholders' Meetings:

- a) resolves upon mergers, split-ups, early winding-up of the Company or extension of its duration, capital increases, and any other amendments to the By-Laws<sup>54</sup>;
- b) resolves upon the appointment and replacement of official receivers, their competence and any other matter assigned to its approval by law.

<sup>54</sup> As established by Article 17 of the By-Laws, pursuant to Article 2365 of the Civil Code, the Board of Directors resolves upon any mergers as provided for by Articles 2505 and 2505-bis of the Civil Code, the establishment or closing of secondary offices and any adjustments to the By-Laws in order to comply with regulations.

### **Procedures for shareholders' participation and exercise of rights**

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

Shareholders with voting right who provide proof of their entitlement in accordance with the procedures provided for by the applicable regulations in force, may attend the Shareholders' meeting or be represented by a proxyholder.

To facilitate shareholder participation, a variety of procedures for issuing and notifying the proxy to the Company have been established and are detailed in the notice of call. In general, the proxy issued by the shareholder may be notified to the bank using either: the appropriate section of the website; digital banking, for shareholders and customers who have enabled this service; certified electronic mail to the electronic addresses specified in the notice of call; fax; delivery on the day of the Shareholders' Meeting (including in c.c.).

To further facilitate the participation of shareholders in the Meetings as well as the exercise of their rights, the Bank appoints a representative to whom each shareholder may, pursuant to art. 135-undecies of the TUF, grant their proxy with voting instructions – free of charge – on all or some of the proposals on the agenda of the meeting ("**Appointed Representative**").

As provided for in the regulations, the proxy to the Appointed Representative must be granted by the end of the second trading day prior to the date of the shareholders' meeting by signing a proxy form, the content of which is governed by the Consob Issuer Regulation. The proxy may only be exercised for proposals for which voting instructions are given. On the use of this option in 2022, please refer to the section below "The 2022 Shareholders' Meeting: a mixed procedure".

Shareholders who are customers of the Bank are also given the opportunity to use the digital banking service to request the notification of their entitlement to attend and exercise their voting right at the Shareholders' Meeting. The same digital banking service can be used not only for the Bank's Shareholders' Meetings, but also for those of all other listed companies.

The Bank's By-Laws do not provide for postal voting.

### **Proposals of shareholders**

Shareholders may actively participate in the life of the Company, not only by exercising their right to vote on the items on the agenda of the Shareholders' Meeting, but also by submitting alternative proposals to those formulated by the Board of Directors, in compliance with applicable regulations: shareholders that represent, even jointly, at least 2.5% of the share capital may request – within ten days of the publication of the notice of call of the Shareholders' Meeting (or five days for the specific cases indicated by the regulations) - additions to the list of items to be discussed, indicating in their request the additional items they propose, or submit resolution proposals on items already on the agenda.

The requesting shareholders must prepare a report stating the reasons for the proposed resolutions on the new items they propose to address or the reasons for further proposed resolutions on items already on the agenda.

Amendments to the agenda of the Shareholders' Meeting and the related report are made available to shareholders by publication in the form and terms prescribed by law.

Any supplement to the list of items to be discussed is not allowed for items that, by law, are proposed by the directors or on the basis of a draft or a report prepared by them other than those ordinarily provided for in Article 125-ter, paragraph 1, of the TUF.

Those who are entitled to vote may individually submit resolution proposals to the Shareholders' Meeting, even if they do not hold the minimum share stated above.

### **Quorum for meeting and decision-making**

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

Exceptions to this are:

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

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

### **The role of the Chairperson**

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

The Chairperson establishes the procedures for requesting to speak as well as the maximum duration and order of speeches. During the Meeting, the Chairperson acknowledges the publication of the notice of call, as well as the filing of the documents required by law (e.g. the documents concerning the items on the agenda, including the reports on the related issues and the related resolution proposals) at the company's registered office, on the storage platform and their publication on the Group website, so that they are available to the shareholders and the public.

### **Shareholders' Meeting Regulation**

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

The Shareholders' Meeting Regulation is made available to participants when each Meeting is called, on the website at – *Corporate Governance – Shareholders' Meetings and BoD*.

### **The 2022 Shareholders' Meetings: a “mixed procedure”**

In 2022, in view of the development of the COVID-10 pandemic and the relative regulations in force at the time<sup>55</sup>, the Bank adopted procedures that could ensure the best possible protection of the health and safety of all those involved in the event: shareholders, members of the corporate bodies, employees and external consultants.

With this aim, participation in the Ordinary and Extraordinary General Meeting of 12 April 2022 and the exercise of shareholders' voting allowed exclusively through the granting of a specific proxy (or sub-proxy) and voting instructions to the Bank's Appointed Representative pursuant to Article 135-*undecies* of the TUF, thus excluding the shareholders from participating in the Meeting either in person or through audioconference<sup>56</sup>. Participation through audioconference was allowed for members of the Board of Directors and the Board of Statutory Auditors, the Appointed Representative, the appointed Notary Public and any other person whose presence at the Meeting was deemed useful by the Chairperson in relation to the items on the agenda.

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<sup>55</sup> Article 106 of Italian Legislative Decree no. 18 of 17 March 2020, as amended by Article 3, paragraph 6 of Italian Legislative Decree no.183 of 31 December 2020.

<sup>56</sup> Audio conferencing systems ensuring, inter alia, the identification of participants and the possibility of exchanging documents related to these topics.

Considering that the participation of shareholders in the Shareholders' Meeting was allowed exclusively through the Appointed Representative and with a view to best facilitating the exercise of shareholders' rights, ensuring an effective dialogue between them and the Company during the Shareholders' Meeting, the Bank has specified deadlines – in the notice of call – for shareholders to submit any questions on the agenda items or individual proposals for additions to the same agenda, with the Bank publishing the replies or additions to the agenda on dates prior to the issue of voting instructions to the Appointed Representative. This was done to ensure shareholders sufficient time to make their assessments and submit their voting instructions to the Appointed Representative, and to allow the Bank to provide full, transparent and equal disclosure to all shareholders.

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

Once the emergency period came to an end, the physical participation of shareholders at the Shareholders' Meeting of 15 September 2022 was restored, in accordance with the By-Laws and ordinary regulations in force.



## 14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

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

Montepaschi dei Paschi di Siena was founded in 1472 to provide aid to the needy, combat usury and support the development of the city of Siena at a difficult moment in history.

More than five hundred years of being in contact with the needs of the people and its communities has led the Montepaschi Group to develop a strong sense of responsibility.

The Group is committed to participating in the life of its local community and contributing to the sustainable growth of society: Companies today are not only called on to generate profits but must do so by applying ethical conduct and undertaking worthwhile projects.

The Group is therefore attentive to the needs of the people, the community and the environment. This commitment is implemented through corporate decisions, individual behaviour and ongoing dialogue with our significant internal and external stakeholders.

The Bank and the MPS Group have adopted a **Code of Ethics** which is the foundation of the Group's activities. Inspired by the highest ethical and professional standards, it sets out the guiding principles, values and rules of conduct (in addition to legal and regulatory obligations) that directors, auditors, managers and employees of the Group's companies are committed to respecting and promoting when performing their duties and according to their respective responsibilities.

Moreover, the Group is committed to encouraging the adoption of the Code of Ethics by associated companies, subsidiaries, affiliates, business partners, consultants and collaborators. Compliance with the Code is a factor in assessing current and future relationships.

The Code of Ethics is therefore an important tool of governance tool as well as an essential and integral part of the 231 Model, which is binding for all those involved. Its application is monitored and verified within the internal control system.

The Code of Ethics was revised in 2002 in order to align its contents with regulatory changes – improving its transparency and comprehensibility, and reinforcing the principles of sustainability, diversity and inclusion, environmental protection and risk culture within the corporate governance framework for the effective and prudent management of Group companies – as well as with a customer-centric approach, the remuneration policies, and the rules governing transactions with counterparties operating in “sensitive or controversial sectors”.

The Code of Ethics is published on the website [www.gruppomps.it](http://www.gruppomps.it) - *Corporate Governance – Governance Model*.

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

## 15. CHANGES SINCE THE CLOSING DATE OF THE REPORTING YEAR

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

# TABLES

**Table no. 1: STRUCTURE OF THE BOARD OF DIRECTORS**  
**(1 January - 31 December 2022)**

Office	Members	Year of birth	Date of first appointment (*)	In office since	In office until Shareholders' Meeting called to approve the financial statements for	List (**)	List (M/m) (**)	Executive	Non-executive	Independence under Code	Independence under TUF	Number of other offices (***)	(****)
<b>Chairperson</b>	Grieco Maria Patrizia	1952	18/05/2020	18/05/2020	2022	Shareholders	M		X		X	2	25/25
<b>Acting Deputy Chairperson</b>	D'Ecclesia Rita Laura	1960	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X	1	24/25
<b>Deputy Chairperson</b>	Bettio Francesca	1950	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		25/25
<b>Chief Executive Officer/CEO and General Manager</b>	Lovaglio Luigi (1)	1955	07/02/2022	08/02/2022	2022	n.a.	n.a.	X					22/22
<b>Director</b>	Bader Luca	1974	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		25/25
<b>Director</b>	Barzagli Giuseppina Alessandra	1955	18/05/2020	18/05/2020	2022	Shareholders	m		X	X	X		25/25
<b>Director</b>	Basilichi Marco	1965	18/05/2020	18/05/2020	2022	Shareholders	M		X		X	3	25/25
<b>Director</b>	Bochicchio Francesco	1956	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		25/25
<b>Director</b>	Castellano Rosella	1965	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		23/25
<b>Director</b>	De Martini Paola	1962	18/05/2020	18/05/2020	2022	Shareholders	m		X	X	X		23/25
<b>Director</b>	Di Raimo Raffaele	1965	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		23/25
<b>Director</b>	Di Stefano Stefano (2)	1960	12/04/2022	12/04/2022	2022	n.a.	n.a.		X			1	18/19
<b>Director</b>	Giorgino Marco	1969	21/12/2017	18/05/2020	2022	Shareholders	m		X	X	X	3	24/25
<b>Director (LID)</b>	Maione Nicola	1971	21/12/2017	18/05/2020	2022	Shareholders	M		X	X	X		25/25
<b>Director</b>	Rao Roberto	1968	18/05/2020	18/05/2020	2022	Shareholders	M		X	X	X		25/25
<b>Directors who resigned during the year</b>													
<b>Chief Executive Officer/CEO and General Manager</b>	Bastianini Guido (3)	1958	18/05/2020	18/05/2020	2022	Shareholders	M	X					5/6
<b>Director</b>	Cuccurullo Olga (4)	1972	18/05/2020	18/05/2020	2022	Shareholders	M		X				2/2
<b>Minimum participation in the capital required for the submission of lists for the final appointment: 1%</b>													

**NOTE**

(1) Appointed on 7 February 2022, in office since 8 February 2022.

(2) Appointed by the Shareholders' Meeting of 12 April 2022.

(3) Removed as Chief Executive Office/CEO and General Manager by the Board of Directors of 7 February 2022 and removed as a director by the Shareholders' Meeting of 12 April 2022.

(4) Director resigned as of 4 February 2022.

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

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

(\*\*) Director elected from the "majority" list ("M") or "minority" list ("m"). "n.a." means that the appointment was made without list vote, as provided for in the By-Laws.

(\*\*\*) Number of directorships or auditorships held by the officer in other listed companies or significant-sized companies as at 31 December 2022. The relevant companies are shown in Table 1-*bis*.

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

**Table no. 1-bis: OFFICES HELD BY BANK DIRECTORS IN LISTED OR SIGNIFICANT-SIZED COMPANIES**

(as at 31 December 2022)

DIRECTOR	LIST OF OFFICES	COMPANIES BELONGING TO THE MPS GROUP	
		YES	NO
Grieco Maria Patrizia - Chairperson	Member of the Board of Directors of Ferrari N.V.		X
	Member of the Board of Directors of Amplifon S.p.A.		X
D'Ecclesia Rita Laura – Acting Deputy Chairperson	Chairperson of the Board of Directors of Lumen Ventures SIS S.p.A.		X
Bettio Francesca – Deputy Chairperson	N/A		
Lovaglio Luigi – Chief Executive Officer/CEO and General Manager	N/A		
Bader Luca	N/A		
Barzaghi Alessandra Giuseppina	N/A		
Bassilichi Marco	Deputy Chairperson of Base Digitale Group S.r.l.		X
	Member of the Board of Directors of ITH S.p.A.		X
	Member of the Board of Directors of Mercury B Capital Limited		X
Bohicchio Francesco	N/A		
Castellano Rosella	N/A		
De Martini Paola	N/A		
Di Raimo Raffaele	N/A		
Di Stefano Stefano	Member of the Supervisory Board of STMicroelectronics Holding N.V. – STH		X
Giorgino Marco	Member of the Board of Directors of Real Step Sicaf S.p.A.		X
	Member of the Board of Directors, member of the Control and Risk, Corporate Governance and Sustainability Committee and Chairperson of the Related Parties Committee of Terna S.p.A.		X
	Standing Auditor of Luce Capital S.p.A.		X
Maione Nicola	N/A		
Rao Roberto	N/A		

**Table no. 2 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**  
(1 January - 31 December 2022)

Office	Members	Year of birth	Date of first appointment (*)	In office since	In office until Shareholders' Meeting called to approve the financial statements for	List (**)	Independence under Code	(***)	Number of other offices (****)
Chairperson	Enrico Ciai	1957	18/05/2020	18/05/2020	2022	m	X	56/56	//
Standing auditor	Luisa Cevasco (1)	1961	06/04/2021	06/04/2021	2022	M	X	55/56	//
Standing auditor	Luigi Soprano	1959	18/05/2020	18/05/2020	2022	M	X	55/56	//
Alternate auditor	Piera Vitali (2)	1949	18/05/2020	18/05/2020	2022	m	X	n.a.	//
Alternate auditor	Francesco Fallacara (1)	1964	06/04/2021	06/04/2021	2022	M	X	n.a.	9

**Auditors who resigned during the year**

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

**NOTE**

- (1) Auditors appointed by the Shareholders' Meeting of 6 April 2021, which resolved to fill the vacancies on the Board of Statutory Auditors, following the resignations of Standing Auditor Alessia Bastiani (on 26 January 2021) and Alternate Auditor Lorenzo Chieppa (on 11 September 2020).
- (2) Following the resignation of Statutory Auditor Alessia Bastiani on 26 January 2021, the Alternate Auditor Piera Vitali, as the only Alternate Auditor in office, took office as Standing Auditor on the same date and remained in office until the Shareholders' Meeting of 6 April 2021, date from which she returned to the office of Alternate Auditor.
- (\*) Date on which the Auditor was first appointed to the Bank's Board of Statutory Auditors.
- (\*\*) Auditor elected from the "majority" list or "minority" list. "n.a." means that the appointment was made without list vote, as provided for in the By-Laws.
- (\*\*\*) Number of meetings (out of the total number held) attended by the Auditor.
- (\*\*\*\*) Number of directorships or auditorships held as at 31 December 2022 by the individual that are significant pursuant to Article 148-*bis* of the TUF. The full list of offices is published by Consob on its website pursuant to Article 144-quinquiesdecies of Consob Issuer Regulation.