

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

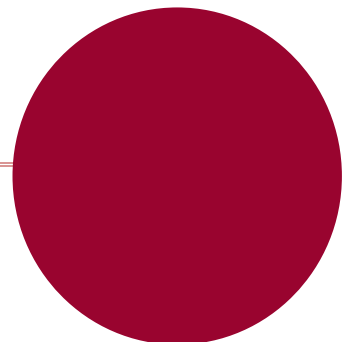
**REPORT  
ON CORPORATE GOVERNANCE AND  
THE SHAREHOLDING STRUCTURE**

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

**(traditional administration and control model)**

---

Issuer:	BANCA MONTE DEI PASCHI DI SIENA S.P.A.
Website:	<a href="http://www.gruppomps.it">www.gruppomps.it</a>
Year to which the report relates:	2020
Report approval date:	25 February 2021



## SUMMARY

<b>DEFINITIONS .....</b>	<b>4</b>
<b>1. ISSUER PROFILE .....</b>	<b>7</b>
Organisational structure of the Parent Company.....	9
Corporate Governance System of the Parent Bank.....	11
<b>2. INFORMATION ON THE OWNERSHIP STRUCTURE.....</b>	<b>12</b>
a) Share Capital Structure (per Article 123-bis, Par. 1, Letter a) of the TUF).....	12
b) Restrictions on the transfer of shares (per Article 123-bis, Par. 1, Letter b) of the TUF) .....	13
c) Significant equity investments (per Article 123-bis, Par. 1, Letter c) of the TUF).....	13
d) Shares with special rights (per Article 123-bis, Par. 1, Letter d) of the TUF) .....	14
e) Employee share ownership: voting rights exercise mechanism (per Article 123-bis, Par. 1, Letter e) of the TUF) .....	14
f) Restrictions on voting rights (per Article 123-bis, Par. 1, Letter f) of the TUF) .....	14
g) Shareholder agreements (per Article 123-bis, Par. 1, Letter g) of the TUF).....	14
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).....	14
i) Delegated powers to increase share capital and authorisations to buy back stock (per Article 123-bis, Par. 1 Letter m) of the TUF).....	14
l) Direction and coordination (per Article 2497 et seq. of the Civil Code) .....	15
<b>3. COMPLIANCE .....</b>	<b>15</b>
Considerations on the letter from the Chairperson of the Italian Corporate Governance Committee dated 22 December 2020.....	15
<b>4. BOARD OF DIRECTORS .....</b>	<b>16</b>
4.1. APPOINTMENT AND REPLACEMENT (per Article 123-bis, Par. 1, Letter l) of the TUF) .....	16
Presentation of candidates .....	17
Election of candidates.....	18
Replacement of directors.....	19
Succession planning .....	19
4.2 COMPOSITION (per Article 123-bis, Par. 2, Letter d) of the TUF).....	20
Fit and proper requirements for directors .....	21
Criteria for the suitably diverse composition of the Board of Directors.....	22
Diversity policy and criteria (Article 123-bis, Par. 2, lett. d-bis) of the TUF) .....	23
Maximum number of offices held in other companies and time commitment to fulfill duties.....	24
Induction Session .....	25
Board Self-Assessment .....	25
4.3 ROLE OF THE BOARD OF DIRECTORS (per Article 123-bis, Par. 2, Letter d) of the TUF) .....	26
Operation.....	26
Powers of the Board of Directors.....	27
4.4. DELEGATED BODIES.....	29
4.5 EXECUTIVE DIRECTORS .....	33
4.6 INDEPENDENT DIRECTORS .....	33

4.7 LEAD INDEPENDENT DIRECTOR.....	34
<b>5. HANDLING OF CORPORATE INFORMATION.....</b>	<b>35</b>
<b>6. BOARD COMMITTEES.....</b>	<b>36</b>
<b>7. APPOINTMENTS COMMITTEE.....</b>	<b>37</b>
<b>8. REMUNERATION COMMITTEE .....</b>	<b>40</b>
<b>9. DIRECTORS' REMUNERATION .....</b>	<b>42</b>
<b>10. RISK AND SUSTAINABILITY COMMITTEE.....</b>	<b>43</b>
<b>11. RELATED-PARTY TRANSACTIONS COMMITTEE.....</b>	<b>47</b>
<b>12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM .....</b>	<b>49</b>
12.1 GENERAL PRINCIPLES OF THE INTERNAL CONTROL SYSTEM.....	50
12.2 GOVERNANCE MODEL.....	51
12.3 THE ROLES AND RESPONSIBILITIES OF COMPANY FUNCTIONS IN THE CONTROL SYSTEM.....	52
12.4 ASSESSMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	59
12.5 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON THE FINANCIAL DISCLOSURE PROCESS.....	60
12.6 STEPS OF THE EXISTING RISK MANAGEMENT AND CONTROL SYSTEM IN RELATION TO THE FINANCIAL DISCLOSURE PROCESS.....	60
12.7 ROLES AND FUNCTIONS INVOLVED IN THE FINANCIAL DISCLOSURE PROCESS .....	61
12.8 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	62
12.9 THE INTERNAL AUDIT FUNCTION .....	63
12.10 ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001.....	64
12.11 INDEPENDENT AUDITORS.....	66
12.12 FINANCIAL REPORTING OFFICER.....	66
12.13 METHODS OF COORDINATION AND COLLABORATION BETWEEN FUNCTIONS WITH CONTROL TASKS AND COMPANY BODIES .....	67
<b>13. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES .....</b>	<b>70</b>
<b>14. APPOINTMENT OF STATUTORY AUDITORS.....</b>	<b>72</b>
<b>15. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS.....</b>	<b>74</b>
<b>16. RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS.....</b>	<b>77</b>
<b>17. SHAREHOLDERS' MEETINGS.....</b>	<b>78</b>
<b>18. ADDITIONAL CORPORATE GOVERNANCE PRACTICES.....</b>	<b>80</b>
<b>19. CHANGES SINCE THE CLOSING DATE OF THE REFERENCE YEAR .....</b>	<b>81</b>
<b>TABLES .....</b>	<b>82</b>
Table no. 1: STRUCTURE OF THE BOARD OF DIRECTORS .....	83
Table no. 2: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN COMPANIES LISTED IN REGULATED MARKETS, INCLUDING FOREIGN, IN BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE.....	84
Table no. 1-bis: STRUCTURE OF THE BOARD OF DIRECTORS.....	85
Table no. 2-bis: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN COMPANIES LISTED IN REGULATED MARKETS, INCLUDING FOREIGN, IN BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE.....	86
Table no. 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS.....	87
Table no. 3-bis: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS.....	88

---

## DEFINITIONS

**Bank of Italy Supervisory Provisions for Related Parties:** Bank of Italy Circular no. 263/2006, Title V, Chapter 5 on risk assets and conflicts of interest with respect to related parties.

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

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

**Civil Code:** the Italian Civil Code.

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

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

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

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

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

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

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

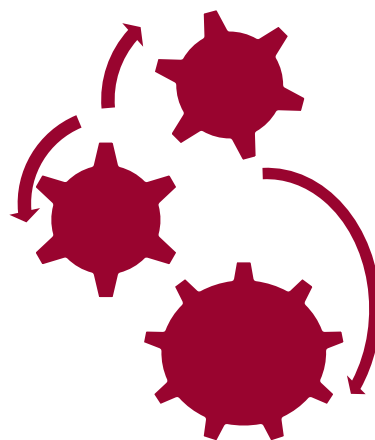
**Financial Reporting Officer:** Manager in charge of drawing up the corporate accounting documents pursuant to Article 154-*bis* of the Consolidated Law on Finance.

**Large company:** the company whose capitalisation was greater than €1 billion on the last Exchange business day of each of the previous three calendar years. For this type of company, the Code provides for a proportional application of its principles and recommendations.

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

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

**Report:** the report on the corporate governance and ownership structure of



---

BMPS, drawn up in accordance with Article 123-*bis* of the TUF.

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

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

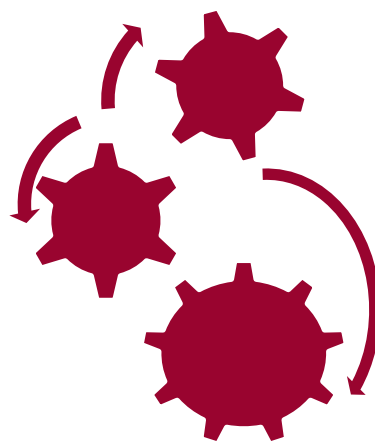
**Supervisory Provisions regarding the internal control system:** Bank of Italy Circular no. 285/2013, First Part, Title IV, Chapter 3.

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

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

**Year:** the financial year to which the Report refers.

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



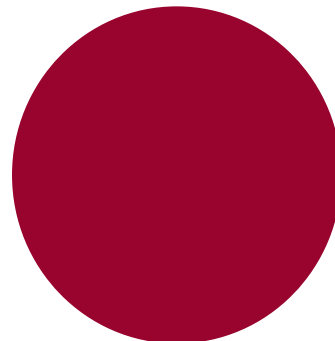
---

This Report was prepared in accordance with article 123-*bis* of Italian Legislative Decree no. 58 of 24 February 1998 and with the provisions of the Corporate Governance Code for listed companies (July 2018) - to which the Bank adheres – and with reference to the Format for the “Report on Corporate Governance” provided by Borsa Italiana (January 2019).

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 prepared pursuant to Article 14 of Legislative Decree 39/2010 and attached to the financial statements and consolidated financial statements.

The Report, approved by the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. at the meeting on 25 February 2021, is published on the Bank's website - [www.gruppomps.it](http://www.gruppomps.it) - *Corporate Governance - Governance Model – Corporate Governance Report*.



---

## 1. ISSUER PROFILE

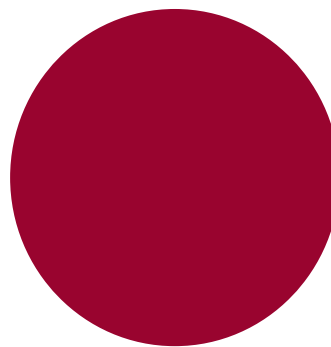
Banca Monte dei Paschi di Siena S.p.A. is a bank with shares listed on the Mercato Telematico Azionario (Electronic Stock Market) organised and managed by Borsa Italiana S.p.A. As of June 2018, the MPS share has been included in the basket of the FTSE Italia Mid Cap Index.

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

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

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

BMPS is parent company of the Montepaschi Group and carries out, in addition to banking activities, sole direction, governance and control of the banking, financial and instrumental companies controlled by it, through management and coordination of the Group pursuant to article 2497-*bis* of the Civil Code and Article 61, par. 4 of the TUB, and issuance of provisions to Group companies for implementation of the instructions given by the Supervisory Authorities, in the interest of stability of the Banking Group.



## The Montepaschi Group

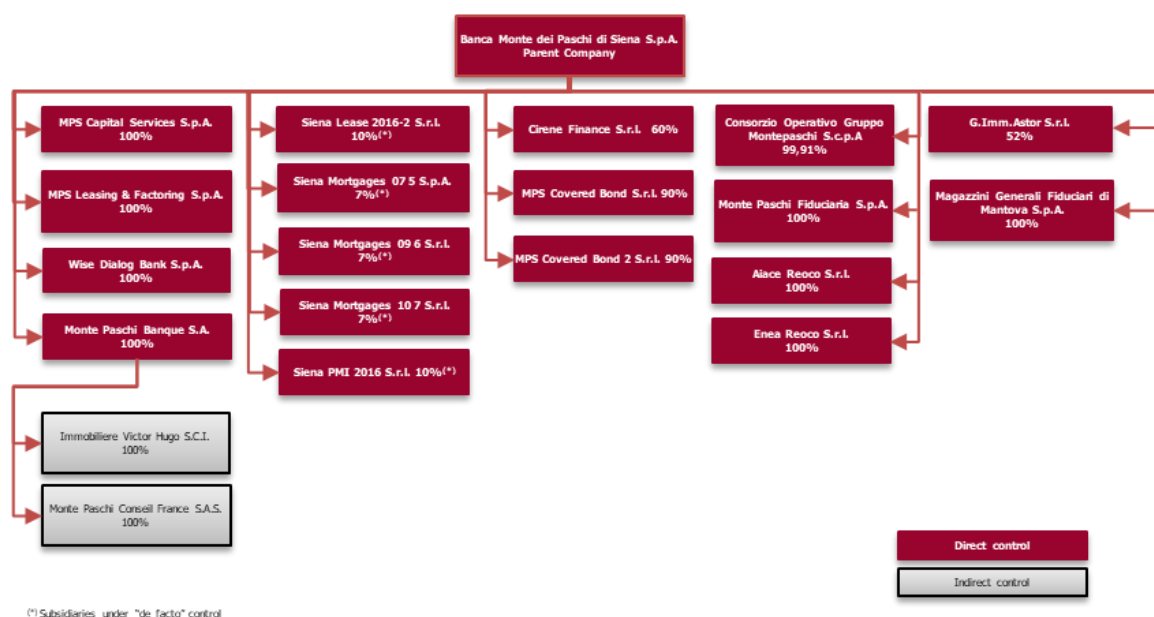
The Montepaschi Group is active across Italy and in some of the major international financial markets with operations focused on traditional retail and commercial banking services and a particular commitment towards household customers and Small and Medium Enterprises.

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

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

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

## The Montepaschi Banking Group as at 31 December 2020



The percentage indicated in the organisational chart above refers to the total share capital held at Group level.

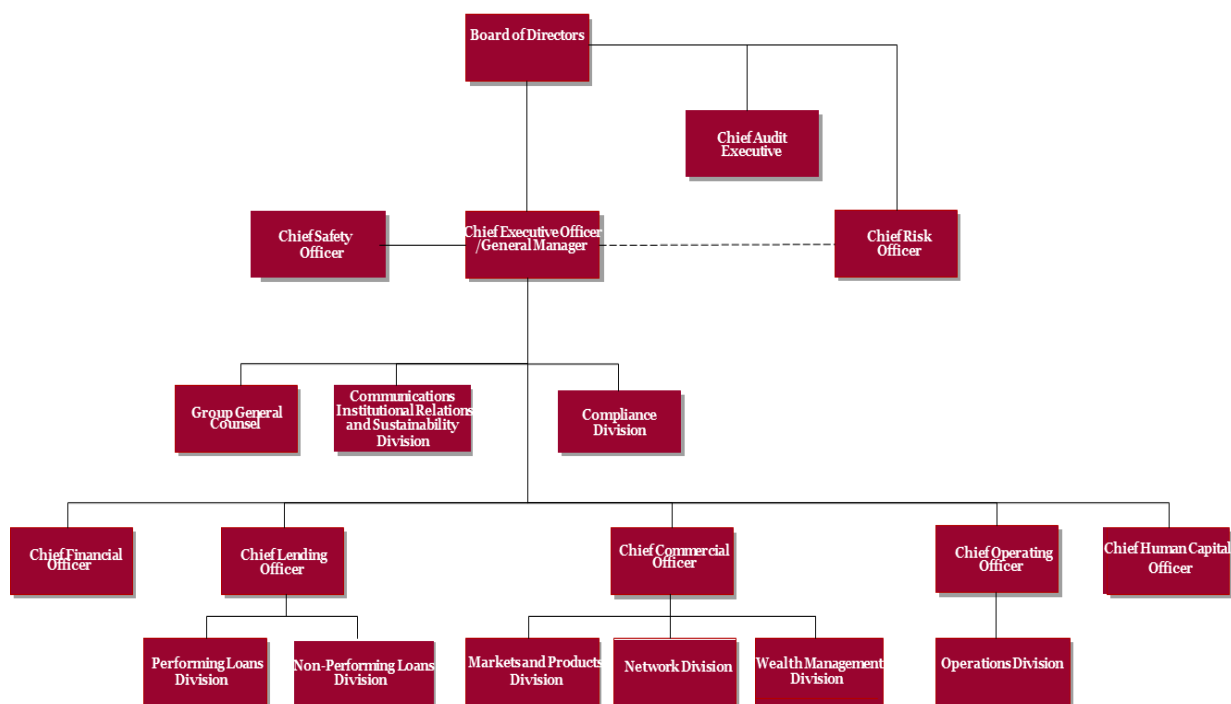
MPS Capital Services S.p.A., MPS Leasing and Factoring S.p.A. and Wise Dialog Bank S.p.A. (Widiba) are the Italian banks controlled by the Parent Company and which, based on the supervisory regulations in effect on corporate governance, are qualified as “larger banks or with more complex operations” and 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.



## Organisational structure of the Parent Company

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

### Organisational chart of the Bank's Head Offices as at 31 December 2020



Organisational development in 2020 did not include any particularly significant changes to either the General Management Division or to the Network, but mainly consisted of a number of adjustments and rationalisations in the units reporting to the Chief Executive Officer, which were aimed at facilitating the implementation of the Bank's Restructuring Plan agreed on with the relevant Authorities.

In January 2020, the first step in the reorganisation of the Non-Performing Loans Division's Workout Area was completed following the withdrawal from the servicing agreement with the company, Juliet S.p.A., for the outsourced management of bad loans.

In February 2020, the responsibility for the management of Claims was transferred from the Chief Commercial Office Division to the Group General Counsel division; in addition, the centralised organisation of first-level controls in the Chief Commercial Officer Division was improved.

May 2020 saw the completion of the second and last step of the reorganisation of the Non-Performing Loans Division Workout Area following the withdrawal from the servicing agreement with the company, Juliet S.p.A., with the re-internalisation and direct management of non-performing receivables previously serviced by Juliet S.p.A.. Moreover, in the Regional Network Areas, the agro-food specialists were reinforced in order to optimise the formal control processes and submission of guarantee requests to the guarantee agencies (MCC, ISMEA, SACE).

In the period June-August 2020, a number of micro-adjustments were made to first-level controls, to the Media Center Service as a result of the re-internalisation of certain contracts regarding outsourced activities of the Chief Commercial Officer Division and to the Legal Proceedings and Claims Area of the Group General Counsel Division.

---

Between September and October 2020, the Chief Human Capital Officer Division carried out a reorganisation to improve and centralise the human resources administrative management processes for the Network and proceeded with the outsourcing of the administrative management activities of the corporate pension funds.

In December 2020, a further organisational review of the Non-Performing Loans Division was conducted following the non-proportional demerger with asymmetric option of BMPS in favour of AMCO – Asset Management S.p.A. (hereinafter the “**AMCO Demerger**”) and the volumes of the non-performing portfolio.

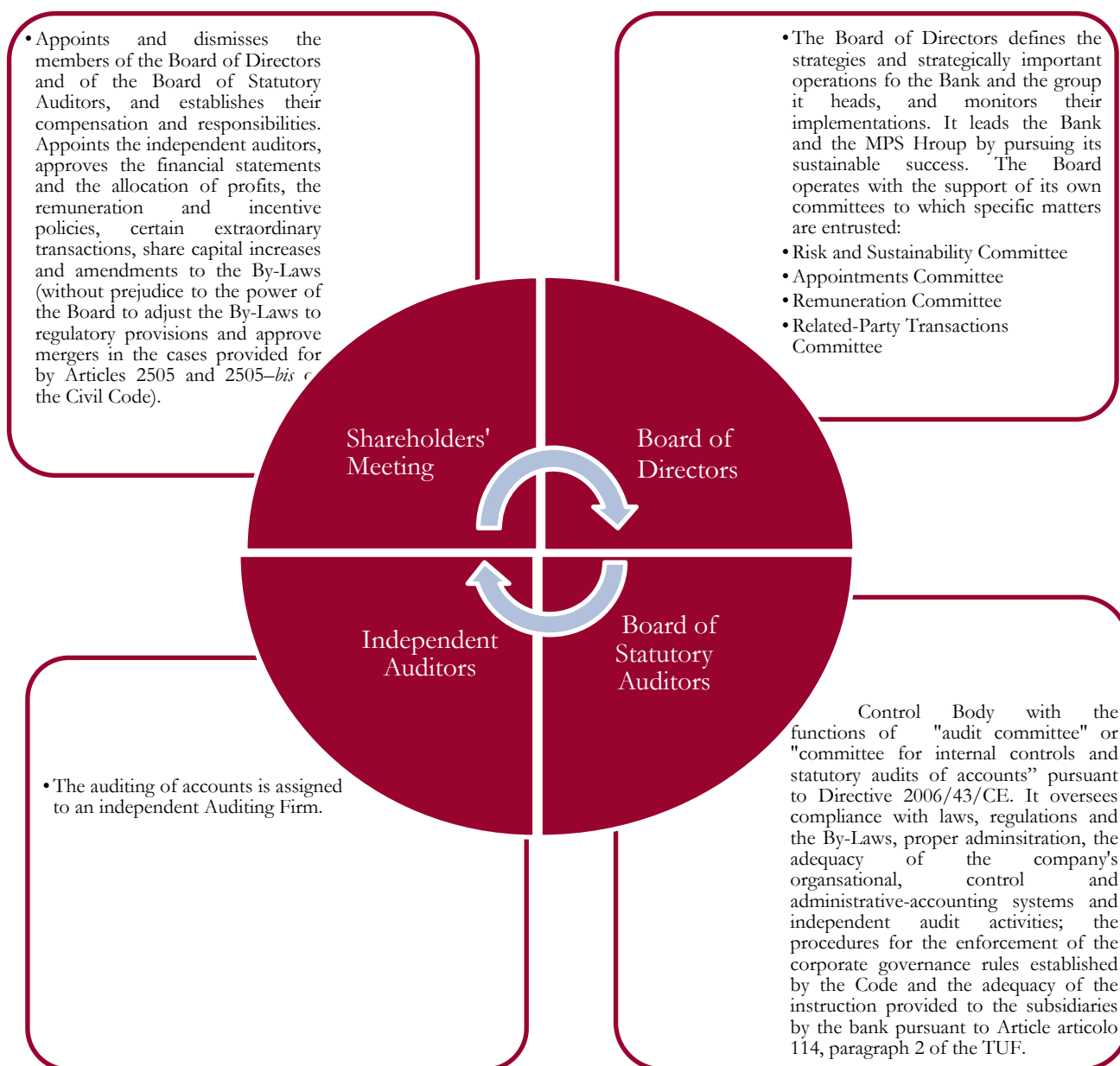
Regarding "Network" processes, efforts continued to be focused on improving the quality of work, freeing up commercial time and increasing the quality of service offered to customers, reducing response times and service delivery times by streamlining “administrative” activities and cutting document management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

## Corporate Governance System of the Parent Bank

The Bank has adopted a corporate governance system in line with the Civil Code, the banking supervision and financial regulations in force and with the Corporate Governance Code, consisting of a system of coordinated rules and structures that are instrumental in the performance of the Bank's activity and the implementation of its strategies, while ensuring transparent and accurate management of relations with shareholders and among shareholders, directors and Top Management.

Compliance with the Corporate Governance Code entails the balanced composition of the corporate bodies, the appropriate assignment of powers, the clear-cut segregation of duties and responsibilities and bases its organisational foundations on effective controls, monitoring all enterprise risks, adequate information flows and corporate social responsibility.

The Bank has adopted a traditional administration and control system, with a:



## 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)

SHARE CAPITAL STRUCTURE					
	No. Of shares	% of share capital	Listed /Unlisted	rights and obligation s	
Ordinary shares	1,002,405,887	100.00	Listed (Milan Stock Exchange)	=	As at the date of this Report, the company's share capital is equal to Euro 9,195,012,196.85, fully subscribed and paid-in. It is represented by 1,002,405,887 ordinary shares without nominal value. There are no other categories of shares.  Each share entitles the holder to one vote.  All shares are issued in dematerialised form. Procedures for the circulation and legitimation of shares are governed by law.

The non-proportional, partial demerger with asymmetric option of BMPS in favour of AMCO – Asset Management S.p.A. became effective on 1 December 2020. As a result, the share capital of BMPS was reduced from Euro 10,328,618,260.14 (divided into 1,140,290,072 shares) to Euro 9,195,012,196.85 (divided into 1,002,405,887 shares), approved by resolution of the Shareholders' Meeting of 4 October 2020 (filed with the Companies' Register of Arezzo-Siena on 5 October 2020 and finalised with the relevant Demerger deed executed on 25 November 2020, filed with the Companies' Register of Arezzo-Siena on 26 November 2020).

For the sake of completeness, it should be noted that the Shareholders' Meeting convened for 6 April 2021 for the approval of the annual financial statements will be called upon to vote, inter alia, on the provisions relating to Article 2446 of the Civil Code.

For further information and updates, please refer to the information published on the website at [www.gruppompis.it](http://www.gruppompis.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 2019, 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 18 May 2020 and intended exclusively for the payment of any severance to Montepaschi Group key personnel.

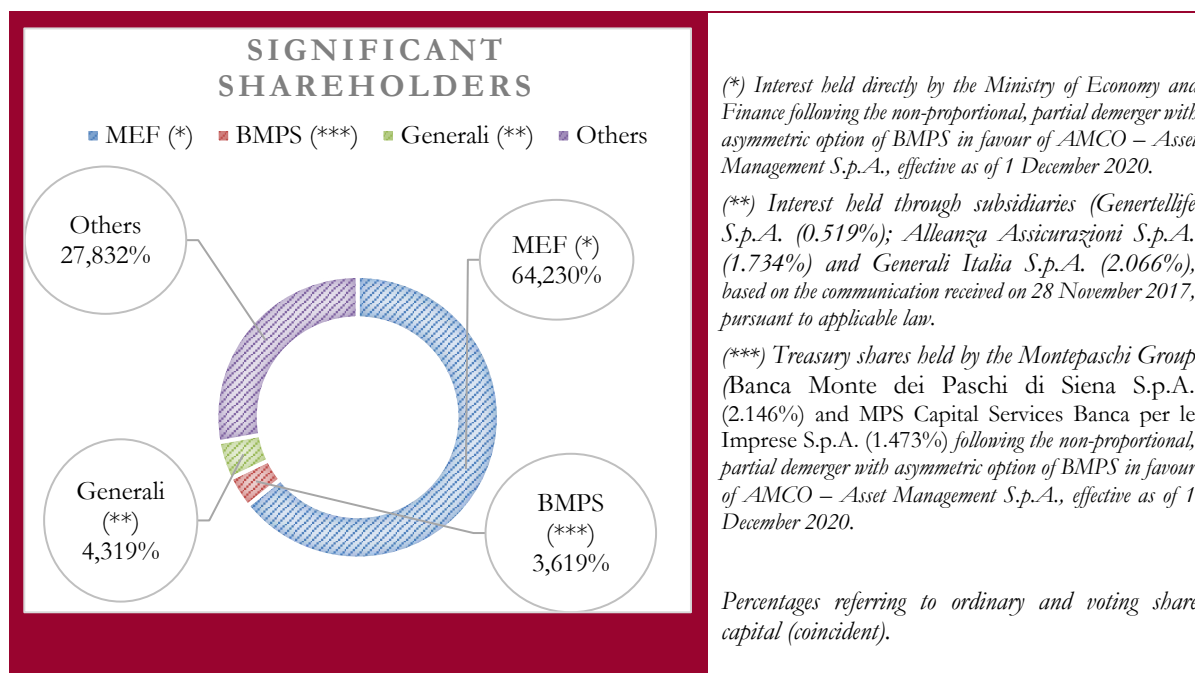
For more information on previous years, please refer to the relevant information communicated pursuant to Article 84-*bis* of Consob Issuer Regulation - Information on the assignment of financial instruments to company representatives, employees or collaborators, published on the website [www.gruppomps.it](http://www.gruppomps.it) - *Investors – Azionariato e Titolo – 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)

According to the notifications received pursuant to applicable regulations (Article 120 of the TUF and the implementing Consob Issuer Regulation) and based on other information available as well as the information provided on Consob's website, shareholders who, as at 31 December 2020, directly or indirectly own 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:



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

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

---

**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 2020, 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 present, 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.

---

Following the completion of the Bank's capital strengthening transaction in 2017 pursuant to Decree 237/2016 of the related Ministerial Decrees of 27 July 2017, the Bank holds 21,511,753 treasury shares and the Group Company, MPS Capital Services S.p.A., holds 14,768,995 BMPS shares, for a total of 36,280,748 treasury shares. This also factors in the conversion of bonds (subject to burden-sharing measures) which were held by the Bank and by MPS Capital Services S.p.A at the time.

BMPS' Shareholders' Meeting of 18 May 2020 gave its authorisation – pursuant to and for the purposes of Article 2357-*ter* of the Civil Code – to undertake operations for the sale/disposal and/or use of treasury shares, at any time, without time limits and with the methods deemed most suitable, in one or more transactions and in gradual degrees as deemed appropriate for the Bank's interests, including through an intermediary appointed for this purpose.

The number of treasury shares held by both the Bank and the subsidiary remain unchanged following the AMCO Demerger, which became effective as of 1 December 2020.

For the sake of completeness, it should be noted that, during 2020, no use was made of the one-year plan approved by the Shareholders' Meeting of 11 April 2019, pursuant to Article 114-*bis* of the TUF, for the use of a maximum of 6 million of the Bank's own shares for the payment of any amounts recognised in favour of Montepaschi Group personnel as part of the agreements for termination of employment or early termination of office and for the portion exceeding the cost of notice (so-called *severance*), authorising the disposal of its own shares pursuant to Article 2357 and 2357-*ter* of the Italian Civil Code.

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

BMPS is not subject to direction and coordination by any other third party entity 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 activities on BMPS.

\* \* \* \* \*

### **3. COMPLIANCE**

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

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.gruppomps.it](http://www.gruppomps.it) – *Corporate Governance – Governance Model*.

The Report takes account of the significant changes for the Bank introduced by the new Corporate Governance Code as of 1 January 2021, for which further refinements in line with the governance structure adopted by the Bank may be deemed necessary by the competent bodies.

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

\* \* \* \* \*

#### **Considerations on the letter from the Chairperson of the Italian Corporate Governance Committee dated 22 December 2020**

At its meeting of 25 February 2021, the Board of Directors confirmed the substantial compliance of the Bank's corporate governance model with the principles and recommendations of the new Corporate Governance Code.



---

The review conducted by the Board of Directors also considered the issues highlighted in the “Committee’s Recommendations for 2021” (the “Recommendations”) issued to Italian listed companies by the Italian Corporate Governance Committee in its letter dated 22 December 2020<sup>1</sup>, and based also on the results of the 2020 Board Review. The findings focused on two key issues for the Bank:

- 1) information flows, underlining the need to improve: (i) compliance with the deadlines for sending pre-meeting documentation in order to allow directors to ask for more detailed information before the meeting, especially with regard to documentation concerning extraordinary transactions; (ii) information flows between the board committees and the Board to make the committees’ support to the work of the Board more effective; (iii) the conciseness of board discussion. In 2020, work continued on the examination of information flows to the Board and Board Committees as part of the project to rationalise and streamline flows in order to improve their effectiveness, in compliance with EBA guidelines and in response to the specific recommendations of the Supervisory Authorities;
- 2) the assessment of the independence requirements of directors, which is currently conducted by the Board according to a process that is compliant with the criteria established by regulations and the Corporate Governance Code and for which the Board shall implement a specific internal policy, with a particular focus on the criteria determining the significance of any commercial, financial and professional relationship between the officer and the Group.

The Recommendations were also examined by the Risk and Sustainability Committee during the examination of this Report and by the Appointments Committee during the periodic review of the requirements of banking officers with particular reference to recommendation 3 regarding the application of criteria of independence of directors. The Remuneration Committee highlighted the Recommendations pertaining to the remuneration policies in its Remuneration Policy Report.

\* \* \* \* \*

## **4. BOARD OF DIRECTORS**

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

The Shareholders’ Meeting appoints the Board of Directors and determines the number of its members, which cannot be less than nine or more than 15, 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.

---

<sup>1</sup>The recommendations for 2021 include: 1) the integration of the sustainability of the business activity in the definition of strategies, the internal supervisory and risk management system and the remuneration policy with a view to generating value in the long term; 2) the establishment and respect of precise deadlines to ensure adequate pre-meeting information, which cannot be waived for mere reasons of confidentiality; 3) the assessment of independence of directors on an individual basis and based on the definition of quantitative and /or qualitative criteria to be used to evaluate the significance of the relationships under examination; 4) the self-assessment of the Board of Directors invited to oversee the board review process, evaluating the contribution of the board to the definition of the company’s strategic plans; 5) the appointment and succession of directors: a process which, with the involvement of the appointments committee, ensures the completeness and timeliness of the resolution proposals for the appointment of the corporate bodies and providing, at least in non-concentrated ownership companies, an indication of its optimal composition; large companies are required to provide a succession plan for executive directors that identifies at least the procedures to be followed in the event of early termination of office; 6) the application of non-financial parameters when defining variable remuneration (with long-term performance objectives), with clear information on the identification of the weight of the variable component, distinguishing between components linked to annual and multi-year time horizons; strengthen link between variable remuneration and long-term performance objectives, including, where relevant, non-financial parameters; limit to exceptional cases, subject to adequate explanation, the possibility of disbursing sums not linked to predetermined parameters (i.e. ad hoc bonuses); define criteria and procedures for the assignment of severance pay and verify that the amount of remuneration awarded to non-executive directors and to members of the control body is adequate for the competence, professionalism and commitment required by the office.



---

## Presentation of candidates

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

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

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

- *an adequate number of independent directors*, in each list, at least two candidates – or the only candidate or however at least one third of the candidates in case of lists composed of more than six (6) candidates (rounded up if the quota of one third does not correspond to a whole number) – specifically indicated, shall meet the independence requirements established in the By-Laws<sup>2</sup>;
- *gender balance*, in each list, the requirements on gender balance in force at the time must be complied with<sup>3</sup>;
- *a varied composition*, the lists shall not include candidates who are 75 years of age as at the date of the Shareholders' Meeting for the renewal of the Corporate Bodies, also in view of the age limits indicated for the office of Chairperson of the Board of Directors (70) and for the office of Chief Executive Officer (67) as provided for by Article 13, para. 3 letter b) and Article 18, para. 2, respectively.

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

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

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

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

---

<sup>2</sup> Article 15 of the By-Laws refers to the independence requirements established for auditors by law and the additional independence requirements set out in the Corporate Governance Code for listed companies.

<sup>3</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".

---

## Election of candidates

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

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

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

The candidates obtaining the highest quotients shall be elected.

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

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.

minority list which has obtained the highest number of votes and is in no way linked, either directly or indirectly, with the parties that submitted or voted the list ranking first by number of votes.

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

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

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

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

In the event of application of the above procedures, should the number of directors necessary to comply with the minimum number of independent directors and of directors of the least represented gender not be appointed due to an insufficient number of independent directors or of the least represented gender, the Shareholders' Meeting shall appoint the missing directors by resolution approved by simple majority on the

---

basis of the candidatures proposed, there and then, primarily by the parties that submitted the list of the candidate or candidates to be replaced.

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

### **Replacement of directors**

In order to replace any directors terminating their office during their mandate, the provisions of law shall apply, in accordance with the criteria set out by the legislation in force and the By-Laws, also with regard to independent Directors and gender balance; list voting is not applied. The Board of Directors, with the support of the Appointments Committee, assesses the contribution of skills, professional experience and diversity requirements in line with the overall composition of the Board deemed optimal for its effective and efficient function and for the objectives identified for the term of office.

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 revoked by the Shareholders' Meeting at any time, subject to the director's right to compensation for damages, if his/her revocation is without just cause.

Please refer to paragraph 4.2 below for further details on the process leading to the appointment and replacement of directors.

### **Succession planning**

As required by the Supervisory Provisions, in line with the best international practices for larger banks or banks with complex operations and with the Corporate Governance Code, BMPS has prepared a plan which ensures the orderly identification of the top executive positions (Chief Executive Officer and General Manager, who, in the case of BMPS, are currently the same individual), in order to ensure the going concern basis of the bank and avoid any financial or reputational issues. The identification process approved by the Board of Directors, upon the proposal of the Appointments Committee - which, in turn, is referred to by the Chairperson - and with the favourable opinion of the Remuneration Committee (for the part within its jurisdiction), provides for the definition of the skills and remuneration profile of the role, as well as for the identification and appointment of both the General Manager and the Chief Executive Officer. At its meeting on 7 February 2019, the Board of Directors confirmed the current succession planning process for top executive positions and, at its meeting on 13 March 2020, updating the skills profile at its meeting on 13 March 2020 and the remuneration profile on 23 April 2020. In order to oversee continuity, BMPS has put in place succession plans for other corporate positions too. In 2020, in particular, succession plans were adopted for the members of the Executive Committee.

Succession plans make it possible to:

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

#### 4.2 COMPOSITION (per Article 123-bis, Par. 2, Letter d) of the TUF)

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

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

	Name and surname	Office	Place and date of birth
1.	Maria Patrizia Grieco (*)	Chairperson	Milan, 1 February 1952
2.	Rita Laura D'Ecclesia (**)	Acting Deputy Chairperson	Foggia, 30 settembre 1960
3.	Francesca Bettio (**)	Deputy Chairperson	Piove di Sacco (PD), 1 October 1950
4.	Guido Bastianini	Chief Executive Officer and General Manager (CEO)	Gavorrano (GR), 10 April 1958
5.	Luca Bader (**)	Director	Milan, 18 May 1974
6.	Alessandra Giuseppina Barzaghi (**)	Director	Giussano (MB), 29 April 1955
7.	Marco Bassilichi (*)	Director	Florence, 3 October 1965
8.	Francesco Bochicchio (**)	Director	Rome, 19 August 1956
9.	Rosella Castellano (**)	Director	Catania, 27 June 1965
10.	Olga Cuccurullo	Director	Rome, 17 November 1972
11.	Paola De Martini (**)	Director	Genoa, 14 June 1962
12.	Raffaele Di Raimo (**)	Director	Rome, 3 June 1965
13.	Marco Giorgino (**)	Director	Bari, 11 December 1969
14.	Nicola Maione (**)	Director	Lamezia Terme (CZ), 9 December 1971
15.	Roberto Rao (**)	Director	Rome, 3 March 1968

(\*) meets the independence requirements established by law (Article 147-ter and Article 148, paragraph 3 of Legislative decree no. 58 of 24 February 1998);

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

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>4</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,	Total votes 781,694,538, accounting for 94.478349% of the shares entitled to vote and 68.552253% of share capital.

<sup>4</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.

Raffaele Di Raimo, Nicola  
Maione and Roberto Rao.

<p><b>List no. 2 – minority list</b></p> <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> <p>(a total of 2.40117% of share capital)</p>	<p>Alessandra Giuseppina Barzagli, Paola De Martini and Marco Giorgino.</p>	<p>Total votes 45,647,209, accounting for 5.517082% of the shares entitled to vote and 4.003123% of share capital.</p>
---	---	--

### Fit and proper requirements for directors

The regulations in force require persons performing administrative, management and control functions in banks must be “suitable” for the performance of their duties and, therefore, in addition to the requirements of integrity (standard for all officers), professional experience and independence (tiered based on principles of proportionality) Bank officers shall meet the criteria of competence and fairness, including the ability to commit sufficient time to performing their functions effectively.

It is the task of the Bank’s Board of Directors to assess the suitability of candidates elected at the time of their first appointment. The results are subject to supervisory analysis by the Bank of Italy and the European Central Bank and are disclosed to the public pursuant to the Consob Issuer Regulation and the Corporate Governance Code. The Board of Directors then verifies that the requirements continue to be met at least once a year.

The Board assesses the requirements of its members and of the members of the Board of Statutory Auditors against the Italian and European laws in force (Article 26 of the TUB and its implementing ministerial provisions<sup>5</sup>, which incorporates the CRD IV Directive), taking also account of the application criteria contained in the “*Guide to fit and proper assessments*” issued by the ECB and the joint EBA-ESMA “*Guidelines on the assessment of the suitability of members of the management body and key function holders*”.

Furthermore, on the basis of a specific reasoned statement provided by the bank officers, the Board verifies their compliance with the so-called interlocking ban pursuant to Article 36 of Legislative Decree 201/2011 – converted into Law 214/2011, which prohibits directors, statutory auditors and general managers from taking on or performing similar duties in competitor companies or groups operating in the credit, insurance or financial markets.

On the basis of these regulatory prerequisites and in compliance with ECB requirements for “significant” banks<sup>6</sup>, as of 2016 the Board of Directors has amended its Regulation as well as its Regulation on the self-assessment process, in order to adopt, also formally, the criteria set by the ECB as well as the

<sup>5</sup> For appointments after 30 December 2020, the “*Regulation on the requirements and suitability criteria for corporate bank officers, financial intermediaries, trusts, electronic money institutions, payment institutions and depositor guarantee schemes*” implementing Article 26 of the TUB, as amended following the implementation of CRD IV, issued by the Decree no. 169 of the Ministry of Economy and Finance (MEF) of 23 November 2020, replacing Ministerial Decree no. 161/1998.

<sup>6</sup> ECB Letter of 14 April 2016.

---

recommendations of the Corporate Governance Committee on the suitability and self-assessment of Bank officers.

Upon renewal of the Board of Directors in 2020, a fit and proper assessment of each officer was again conducted by the Board of Directors, with the support of the Appointments Committee, taking also account of the criteria set forth by applicable Italian regulations and the circumstances listed in a specific questionnaire proposed by the ECB, filled in and signed by each person concerned, containing detailed information on any pending criminal, administrative and civil proceedings, bankruptcies, conflicts of interest, availability of time to devote to the office, expected contribution to the work of the Board, etc.

### **Criteria for the suitably diverse composition of the Board of Directors**

The By-Laws, the Supervisory Provisions on banks' corporate governance<sup>7</sup>, the Regulation and the self-assessment regulation adopted by the Board of Directors, the rules on the requirements of banks officers, the principles and recommendation of the Corporate Governance Code to which the Bank adheres, constitute the regulatory framework and guiding principles that ensure an adequate quantitative composition and a balanced, diverse and efficient qualitative composition of the Board of Directors in terms of skills, gender, age, geographical provenance and diversity of contributions that the members of the Board are called upon to provide in order to achieve the strategic and business objectives identified.

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

The document containing the board composition guidelines is published on the company's website and is filed with the company's registered office, the market management company and the storage platform in good time so that shareholders can take it into account when selecting the candidates to submit to the Shareholders' Meeting called to appoint the new Board of Directors.

The qualitative composition of the Board proposes the personal and professional characteristics deemed appropriate for the different roles within the Board of Directors (Chairperson, Chief Executive Officer, if appointed, and the other directors as well as the suitable composition of the board committees) and compliance with the diversity criteria set by the Corporate Governance Code and the Supervisory Provisions on corporate governance, in accordance with the criteria established by the By-Laws (in terms of independence, gender and age). It should be noted that the Supervisory Provisions provide for an optimal qualitative-quantitative composition of the Board of Directors, with members that<sup>8</sup>:

---

<sup>7</sup> Section IV – Composition and appointment of the corporate boards.

<sup>8</sup> The new 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.



- 
- 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, etc.);
  - 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 IV;
  - 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.

Subsequent to the appointment (for the renewal of the entire Board or for the replacement of offers during the term of office), the Board assesses the adequacy of the qualitative-quantitative considered optimal *ex ante* against the composition resulting *ex post* and publishes the results of the assessment in a specific press release.

### **Diversity policy and criteria (Article 123-bis, Par. 2, lett. d-bis) of the TUF)**

The regulatory and corporate governance aspects set out in the previous paragraphs are taken as a point of reference to ensure the diversified composition of the Board of Directors (and Board committees) and of the Board of Statutory Auditors as this is deemed optimal for the efficient and effective functioning of these corporate bodies.

In view of the Shareholders' Meeting of 18 May 2020, which appointed the Board of Directors and the Board of Statutory Auditors in office, on 25 February 2020, the outgoing Board of Directors approved the document "*Guidelines of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. to Shareholders on the size and composition of the new Board of Directors*" addressed to all shareholders intending to submit a list of candidates to the Shareholders' Meeting. The document has been published on the Group's website [www.gruppomps.it](http://www.gruppomps.it) – *Corporate Governance – Shareholders' Meetings and BoDs* and with the other methods provided for by current regulations.

Based also on the results from the assessment of requirements conducted by the Board of Directors with the support of the Appointments Committee, the composition of the corporate boards in office, renewed by the Shareholders' Meeting of 18 May 2020, shows:

- a gender balanced composition<sup>9</sup>, with the presence of different genders that is, on average, higher than the one established by primary and supervisory legislation and the average level of other listed, Italian companies: of the fifteen directors who make up the Board of Directors, seven are female (including the Chairperson and the two Deputy Chairpersons of the Board of Directors), accounting for 53.33%. Of

---

<sup>9</sup> The regulation 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.

---

the three standing members of the Board of Statutory Auditors, one is female, while the two Alternate Auditors consist of one male and one female<sup>10</sup>;

- a diverse age range, from a minimum of 48 years to a maximum of 74 years (and an average of 57 years), which also complies with the maximum age limits established by the Company By-Laws (75 years for board director, 70 years for Chairperson and 67 years for the Chief Executive Officer);
- that the criteria prescribed for the office have been met, ensuring a broad diversity in terms of training, skills and professional experience, independence of judgement and time commitment for the fulfilment of duties, in line with the guidelines on the optimal qualitative-quantitative composition approved by the Board of Directors prior to the renewal of the boards.

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

For additional information on the composition of the Board of Directors, please refer to Tables no. 1 and no. 1-*bis* attached hereto and to the 2020 Board Review described in the section on the Board's self-assessment.

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

In its Regulation, the Board of Directors has established the guidelines for assessing the maximum number of administration and control positions held by directors in other companies that can be considered compatible with an effective performance as a director of the Bank.

The Board's assessment – which is also conducted in compliance with the applicable rules and regulations – takes into account the substance as well as the numerical count of the offices held by the individual; it is, therefore, carried out by considering:

- quantitative factors, excluded from the count, but nonetheless included in the assessment of time commitment:
  1. directorships in organisations which do not pursue predominantly commercial objectives do not count;
  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;
- qualitative factors are examined, such as the nature of the directorship held (e.g. executive or non-executive director), the nature and size of the entities/companies where the directorships are held (e.g. listed or unlisted company) together with the nature, scale and complexity of their activities; the place or country where the entities are based; the remuneration provided (in the case of offices within the MPS group or in other companies appointed by it), other personal or professional commitments, as well as specific circumstances.

When assessing whether a Director will be able to commit sufficient time to performing his/her functions, consideration is also given to the time commitment required for ongoing learning and development as well as any unforeseen circumstances. In any event, the Bank's best interests are taken as the primary consideration.

On 12 June 2020, having assessed the requirements of the directors appointed by the Shareholders' Meeting of 18 May 2020, the Board of Directors confirmed – in accordance with the criteria established – that the

---

<sup>10</sup> The figure refers to the composition of the Board of Statutory Auditors appointed by the Shareholders' Meeting of 18 May 2020. For subsequent changes to the Board of Statutory Auditors, please refer to Table 3-*bis* of this Report.



---

directorships of its members were compatible with the effective performance of their duties as director of BMPS, also in terms of the time commitment required. The same outcomes were also confirmed during the annual assessment conducted by the Board at its meeting on 25 February 2021, based on the statements provided by its members and on the information available to the Bank.

### **Induction Session**

In 2020, the outgoing Board of Directors took part in an induction session on the “2020 Corporate climate survey”. At the start of her mandate, the Chairperson of the Board of Directors in office oversaw the Board Induction program for the members of the newly-appointed corporate boards, consisting of a series of seventeen training sessions for all officers (directors and statutory auditors), held by managers of the Bank and focusing on: i) the presentation of the individual Divisions of the Bank and the individual Legal Entities and Business Units of the MPS Group to the new Board of Directors (sixteen sessions) and ii) the “Internal Transfer Rate – scope of use, methods of calculation and evidences”.

In 2021, two induction seminars were held and run by SDA Bocconi on “The Corporate Governance of banks: regulation, supervision and best practices” and “The internal controls framework in banks; design, operation and effectiveness”; a further training session was held on “Remuneration Policies”, organised by internal staff.

### **Board Self-Assessment**

With the support of the Appointments Committee, the Board of Directors continuously, and at least once a year, assesses its effectiveness 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 is also carried out with reference to the board committees.

Based on the self-assessment results, the Board adopts the appropriate measures to improve the performance of its duties. These include training plans aimed at enhancing the competencies and expertise of its members by providing them with adequate knowledge of the industry in which the Bank operates, the company dynamics and their evolution, proper risk management principles as well as the relevant regulatory and self-regulatory framework.

The self-assessment of the overall suitability of the Board and its internal Committees is conducted in compliance with the purposes, methods and timeframes established by the specific regulations approved by the Board itself. The results of the self-assessment are reported in the minutes of the relevant board meeting.

The Board of Directors’ self-assessment process is governed by the “Self-Assessment Process Regulation”. 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. The Appointments Committee is also involved in the process, particularly during the selection of the external advisor and examination of the board review results.

In line with international best practices and with the provisions of the Corporate Governance Code, the Supervisory corporate governance Provisions for banks, as well as its own Regulation and Self-Assessment Regulation, the Board of Directors conducted its self-assessment and that of its Board Committees for the period May-December 2020 (“2020 Board Review”), with the support of the independent advisory firm Management Search (hereinafter “**Advisor**”), an expert in corporate governance and board effectiveness<sup>11</sup>.

---

<sup>11</sup> The Advisor only provided the Group with advisory services for the self-assessment of the Board of Directors, the Board of Statutory Auditors of the Bank and the Group’s banking companies.

---

The purpose of the 2020 Board Review was to assess the composition and effectiveness of the Board of Directors and its Committees in order to determine its strengths as well as any areas of improvement.

All the topics addressed in the 2020 Board Review were examined with the aid of a questionnaire prepared by the Advisor in agreement with the Bank and mainly concerned:

- the structure and composition of the Board, also in terms of Directors' skills;
- the operations of the Board of Directors, including the number of meetings held, their duration and management; the completeness and timeliness of the information provided to the Board in preparation for Board meetings;
- the work climate within the Board as well as meeting procedures and decision-making processes;
- the role of the Chairperson;
- the proper amount of time allocated by the Board of Directors to debate the issues which are important for the Bank, including risk control and management and long-term strategy;
- the effectiveness of the Committees, including the definition of their mission, their autonomy and their authority; the effectiveness of their tasks to support the Board of Directors;
- the Directors' relationship with and knowledge of Top Management;
- the opinions of Directors on the work of the Board and on their contribution to debates and the decision-making process;
- the awareness of all Board members of the issues and principles related to sustainability and innovation, and how these issues are pervasive in corporate organisation and integrated in the way of doing business.

The 2020 Board Review drew on the responses to the topics contained in the questionnaire and explored them further in the course of the interviews conducted individually with each member of the Board of Directors.

In order to support the reflections of the Board of Directors, the Advisor also prepared a benchmarking analysis against other listed and unlisted financial institutions in the sector. The benchmarking analysis with peers included the composition of the various Boards of Directors, the number of executive and non-executive Directors, the professional background of the non-executive directors and other items of significance based on the data published, including the methods used to conduct the respective board reviews.

At the end of the analysis, a report was drawn up on the results obtained, setting out the Board of Directors' strengths and areas of improvement.

### **4.3 ROLE OF THE BOARD OF DIRECTORS (per Article 123-bis, Par. 2, Letter d) of the TUF)**

#### **Operation**

During 2020, a total of 33 meetings of the Board of Directors were held, with an average duration of approximately 5 hours and 25 minutes.

In 2021, as at 25 February inclusive, a total of 5 meetings had been held with an average duration of approximately 7 hours. A further 15 Board meetings have already been scheduled for the remainder of 2021. The percentage of attendance at meetings of each director is shown in Tables no. 1 and no.1-*bis*.

Distribution of information is regulated and structured so as to ensure efficient management and effective controls.

The Directors are required to 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 of the Board according to the procedures and timescales established in its Regulation, including the possibility for Directors to attend the meetings by using teleconference and video conference systems, as established by the By-Laws.

The Chairperson ensures that adequate and comprehensive information and documentation is provided on the agenda items for the Board of Directors meeting for all members with suitable advance notice, correlated 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 examine and evaluate the proposals on the agenda.

Information is made available to Directors and Statutory Auditors using a dedicated procedure accessible via intranet or extranet in a secure environment that enables all Directors and Statutory Auditors to view proposals and annexes and obtain all the preliminary information necessary at least three days – including holidays – prior to the meeting, barring any urgencies, and be in a position to participate in the discussion and deliberation of the items on the Board of Directors meeting's Agenda in an informed and considered manner. This objective is generally complied with.

The Chairperson begins the meeting by ensuring that the meeting itself has been convened in accordance with due procedure and that it is duly constituted. The Chairperson reminds the directors present to comply with the requirements regarding directors' interests (Article 2391 of the Civil Code and Article 53 of the TUB), the obligations of bank corporate officer (Article 136 TUB) and related-party transactions 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 and 19 of the By-Laws apply.

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. At the end, the Chairperson invites the Directors to cast their vote. Directors express their vote clearly. Minutes of each Board meeting are drawn up and signed by the Chairperson and by the Secretary; as per the By-Laws, the Board of Directors appoints a Secretary chosen among the Company's Executives. In the case of absence of the Secretary, the Chairperson may appoint a Director to act as temporary Secretary.

As established by the Board Regulation, in 2020 the Chairperson - in executing the task of managing the Board of Directors meetings and discussions - relied on the contributions of the persons in charge of the corporate functions responsible for the subject matters being examined by the Board of Directors, as well as on the contribution of consultants for certain topics.

The 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.

### **Powers of the Board of Directors**

The Board of Directors, as the administrative body that leads the company by pursuing its sustainable success, holds all powers of ordinary and extraordinary management in order to achieve the company purpose, with the exception of the powers assigned to the Shareholders' Meeting according to the law, and of any other matter submitted to the Board by the Chairperson and the Chief Executive Officer or the Chief Executive Officers (if appointed).

More specifically, the By-Laws (Article 17, para. 2) establish that the Board of Directors has exclusive responsibility, which may not be delegated, for:

- defining and approving the business model, strategic guidelines for the Company and the Banking Group it heads and approving the respective business and financial plans as well as the strategic transactions and providing for their periodic review;

- 
- monitoring the correct and consistent implementation of the guidelines and plans as per above into the management of the Company and of the Banking Group;
  - establishing the Company’s organisational guidelines and approving its organisational structure, monitoring their adequacy over time, as well as approving and amending its main internal regulations;
  - drawing up guidelines for the organisation and operation of the Banking Group, by establishing criteria to co-ordinate and manage the subsidiaries belonging to the Banking Group as well as for the implementation of Bank of Italy's instructions;
  - defining and approving risk governance objectives and policies, as well as the process of risk reporting, management and assessment over time;
  - defining and approving the guidelines for the internal control system and verifying its adequacy, consistency, functioning, efficiency and effectiveness in compliance with supervisory regulations in force on the matter;
  - approving the policies and processes for the assessment of company assets and particularly financial instruments, verifying their constant adequacy;
  - approving the accounting and reporting system;
  - taking general responsibility for setting guidelines for and controlling the information system;
  - ensuring that the Financial Reporting Officer has the appropriate powers and means to fulfil his/her duties pursuant to the law, and the administrative and accounting procedures are complied with.

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

The Board of Directors of the Bank shall make decisions with regard to the transactions of the Issuer itself and, as Parent Company, of its subsidiaries (in this case through the “Parent Company’s prior opinion” tool) on the transactions relating to relevant matters (have significant strategic, economic, capital or financial relevance, which entail the assumption of additional risks and for all other matters governed/identified as such by the By-Laws of the Parent Company and the subsidiaries and by Group regulations). The above activities are carried out in accordance with the By-Laws and internal regulations. In particular, the Board approved the regulatory framework for relations between the Parent Company and the Group companies regarding all company processes, with the “Regulation for the operating governance of the Group”, which regulates, in close synergy with the remaining internal regulations, the strategic and operating responsibilities of the Parent Company and the Group companies regarding company processes, the associated operation mechanisms and the dissemination of information flows, in order to ensure that the common objectives are reached, in observance of the legal autonomy of the Group companies and the principles for their proper corporate and business management.

At least every quarter, the Board assesses the general operating performance through the budget review prepared by the Chief Executive Officer, taking into account the information received from the delegated bodies and based on a comparison of the results achieved against those that were forecast.

On a periodic basis (quarterly/half-yearly/annually and whenever relevant), the heads of the internal control and risk management functions (internal audit, compliance, risk management, advanced risk management system validation function and anti-money laundering) and the Financial Reporting Officer report to the Board of Directors on matters within their competence.

With reference to the relevant supervisory and company regulations, the Board of Directors:

- with the prior opinion of the Risk and Sustainability Committee:
  - defines the guidelines for the internal control and risk management system, so that the main risks concerning the Bank and its subsidiaries are correctly identified and adequately measured, managed

---

and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with the strategic objectives identified, including all the elements that can be relevant for the company's sustainable success.

- assesses, at least on an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the Bank and its risk profile, as well as its effectiveness;
  - approves, at least on an annual basis, the plan drafted by the managers of the Corporate Control Functions for the Internal Audit Function, having also consulted the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
  - examines the periodic reports on the evaluation of the internal control and risk management system and the particularly significant reports prepared by the Compliance, Risk Management and Internal Audit Functions;
  - having heard the Financial Reporting Officer and received the opinion of the auditors and the Board of Statutory Auditors, assesses the correct and consistent application of accounting standards when preparing the consolidated financial statements;
  - after hearing the Board of Statutory Auditors, it assesses the finding reported by the external auditor in the suggestions letter, if any, and in the report on the main issues resulting from the auditing;
  - upon the proposal of the Remuneration Committee, determines the remuneration structure and role allowances for the Managers in charge of the Corporate Control Functions;
- upon the proposal of the Risk and Sustainability Committee, with the prior opinion of the Appointments Committee and after hearing the Board of Statutory Auditors, appoints or revokes – in the latter case with the opinion of the Risk and Sustainability - the managers in charge of the Corporate Control Functions (Internal Audit, Compliance, Anti-money Laundering, Risk Control and Internal Validation).

#### **4.4. DELEGATED BODIES**

##### **Chief Executive Officer**

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, who also serves as General Manager, is primarily responsible for the management of the Bank. 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 Parent Company and Network, primary structure of the organisational layout (definition of the first two hierarchical levels – Regional Areas and Divisions/Credit Area, Committees with the duty to support the Board of Directors and provide strategic guidelines, number and responsibilities of the Regional Areas), and 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 key operating functions, including the information system (full outsourcing) or its critical components, and their sub-outsourcing outside the Group; intra-group or extra-group outsourcing of other corporate functions of over Euro 20 million, or of any amount if with the transfer or assignment of human resources or if the contractual agreement exceeds 9 years; authorisation of ancillary changes to intra-group and extra-group outsourcing of over Euro 20 million;
  - key corporate Regulations, Policies and Group Directives on matters under the responsibility of the Board of Directors, in addition to the system of delegated powers, definition of the business model



---

and strategic guidelines for the assumption, management, monitoring and mitigation of the risks to which the Group is exposed;

- development and management policies, as well as the employee incentive system and hiring plan;
  - definition of internal policies and regulations regarding the legal and economic status of personnel, the appointment and dismissal of the Division Managers and Executives in charge of the units directly reporting to the CEO or to the General Manager and taking any measure in relation to their remuneration and legal status;
  - ordinary legal disputes, labour disputes, tax disputes for amounts over Euro 10 million; filing of complaints;
  - the acquisition/disposal of shareholdings of more than Euro 20 million and all strategic shareholdings and/or those involving changes in the Banking Group and provides an opinion to subsidiaries on the same type of transactions; acquisition and disposal of business units, membership of or withdrawal from trade associations; appointment of representatives of the Montepaschi Group and administrative and operational decisions in strategic equity investments of more than Euro 20 million and in trade associations;
  - final recognition in the income statement of one-off income and expenses in excess of Euro 10 million;
  - sale/transfer of operating or non-operating properties and related management of immovable 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>12</sup>);
  - authorise the sale/transfer of operating or non-operating properties and the related management of immovable 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;

---

<sup>12</sup> See Article 24 of the By-Laws.

- 
- 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;
  - 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);
  - approve the contents of regulations (except for those under the responsibility of the Board) and their publication within the internal regulations;
  - approve the organisational structure of the Parent Company's central units and network within the pre-established hierarchical levels;
  - authorise the final recognition in the income statement of one-off income and expenses in excess of Euro 10 million;
  - authorise spending for strategic/management interventions or for interventions which are urgent or unforeseeable for up to the amount of Euro 10 million;
  - authorise intra-group outsourcing of other corporate functions (not key operating 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.

No specific powers have been assigned to the Chief Executive Officer in relation to the granting of loans, management of doubtful loan positions<sup>13</sup> and management of products and conditions<sup>14</sup>.

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.

---

<sup>13</sup> With the exception of the autonomy of Euro 10 million in the area of legal disputes also in relation to bad loan positions.

<sup>14</sup> For these areas, the Board of Directors assigns specific powers to the General Manager, pursuant to Article 22 of the By-Laws. The office of General Manager is currently assigned to the Chief Executive Officer.

---

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 chapter 12.8.

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

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

The Chairperson of the Board of Directors is responsible for the effective operation of the corporate governance system, ensures the balance of powers particularly with regard to the delegated bodies and carries out the important task of promoting internal dialogue, again ensuring the balance of powers, acting also as the contact point for internal control bodies and the internal committees in accordance with the duties assigned to the role of Chairperson by the Civil Code and By-Laws and as provided for in the Regulation of the Board of Directors. The Chairperson oversees the most suitable actions for engaging directors in Group and sector activities as well as in the proper management of risk within the regulatory and corporate governance framework. With the support of the Appointments Committee, the Chairperson supervises and ensures that the Board of Directors' self-assessment process is carried out effectively and that the methods used to conduct the process are consistent with the degree of complexity of the Board's work.

With regard to the organisation of the Board's work, the Chairperson ensures – also with the help of the Board Secretary – that the information is circulated so that the appropriate information on the issues set forth under the agenda is provided to all the Directors well in advance and, in any case, within the deadlines established by the Board's Regulation; the Chairperson (for further details, please refer to Chapter 4.3).

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 shareholders of BMPS.

Pursuant to Article 21 of the By-Laws, the Chairperson of the Board of Directors is vested with general representation of the Company before third parties and, if necessary and in urgent cases, the Chairperson may take decisions with regard to any business or transaction falling under the Board of Directors' competence, with the exception of those reserved to the latter's exclusive authority. Such decisions must be taken upon the binding proposal of the General Manager and/or Chief Executive Officer, if appointed. The Chairperson ensures that the board is informed of such decisions at the first subsequent meeting of the board.

### **Executive Committee (per Article 123-*bis*, Par. 2, Letter d) of the TUF)**

The By-Laws in force at the date of this Report do not provide for the appointment of an Executive Committee.

### **Disclosure to the Board of Directors**

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

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

With regard to information flows, please refer to section 4.3 "Powers of the Board of Directors" and to the subsequent sections of this report (especially those dedicated to the Board Committees and to the risk control and management system).



#### 4.5 EXECUTIVE DIRECTORS

The Regulation of the Board of Directors establishes (in Article 5) which directors are to be considered as “executive” in accordance with Supervisory Provisions, namely:

- 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.

#### 4.6 INDEPENDENT DIRECTORS

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 to the criteria laid down in Article 15 of the By-Laws, which incorporates the requirements established for statutory auditors appointed by law (Articles 147-ter and 148 of the TUF) as well as the additional requirements set out in the Corporate Governance Code. The assessments are based on the information provided by the individuals or information otherwise available to the Bank, 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. Work is in progress to formalise internal regulations regarding the thresholds for determining the significance of any commercial, financial and professional relationships between an officer and the Group.

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, as shown in the Table in paragraph 4.2. The requirements were confirmed on 25 February 2021 during the annual assessment of the requirements of its directors. It should be noted that, considering the post-appointment assessment was conducted according to the criteria of the previous Corporate Governance Code, in order to ensure continuity the 2021 assessment was also conducted according to the previous criteria, while taking into account the recommendations of the Corporate Governance Code.

The results of the independence assessments conducted confirmed the following:

- the Directors Rita Laura D’Ecclesia, Francesca Bettio, Luca Bader, Alessandra Giuseppina Barzagli, Rosella Castellano, Paola De Martini, Raffaele Di Raimo, Marco Giorgino e Roberto Rao did not have any commercial, professional or financial relationships of any kind 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;

- 
- the Directors Francesco Bochicchio and Nicola Maione had some professional relationships with the Bank or the Group in the previous three-year period and during the current term of office that were found to be insignificant for the purposes of their position as independent director pursuant to the Code. More specifically:
    - Francesco Bochicchio: in general, the officer does not result as having any commercial, professional, financial or credit relationships with the Bank or the Group companies it heads, either directly or through the Law Firm Bochicchio & Partners where Mr. Bochicchio performs his professional activity, with the exception of a fee of approximately Euro 8 thousand paid to him by MPS in 2017, which, given the amount and the isolated case, is not deemed significant;
    - for the Director Nicola Maione: owner of the Law Firm of the same name, Mr. Maione directly provided legal assistance to the Bank in the past. Following his election to the Board, the Bank did not assign him any further professional duties and Mr. Maione has only continued to follow – even during the appeal process - certain cases for which he had already been appointed as the Bank's lawyer prior to taking up his office as director. The fees received by the Director for these services amounted to approximately Euro 30 thousand (in 2017), approximately Euro 60 thousand (in 2019, accounting for approximately 6% of professional fees received in that year), approximately Euro 43 thousand (in 2020);
  - 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 one third established by the Code of Corporate Governance for Large Companies with concentrated ownership and by Article 15 of the By-Laws.

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 have been no cases of directors who, in the lists of candidates for appointment to the Board of Directors qualified as independent, undertook to maintain this requirement for the entire duration of their term of office or, if necessary, to resign.

In the course of 2020, the independent directors met, in the absence of the other directors, on 24 February 2020 (outgoing Board) and 10 December 2020 (Board in office). During the latter meeting, a proposal was submitted to the Board for the appointment of the Director Nicola Maione as Lead Independent Director. Issues were also examined concerning Board effectiveness and information flows.

#### **4.7 LEAD INDEPENDENT DIRECTOR**

At the request of the independent directors, the Board of Directors meeting of 10 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).

---

The decision of the Board of Directors is in line with the provision of the new Corporate Governance Code, which came into force on 1 January 2021 (Recommendation no. 13, point c)<sup>15</sup>. 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 independent ones as well as the meetings of the independent directors only.

## 5. HANDLING OF CORPORATE INFORMATION

The Board of Directors of the Bank has adopted internal regulations for the internal management and external communication of documents and information regarding the Issuer, in order to regulate the flow of such information, in particular inside information.

With regard to external disclosure of documents and information regarding the Bank, the contents of the “Group Directive on disclosure and external relations” are also relevant. This Directive indicates for the Group the responsibilities inherent in management the process of disclosure to the public, as part of the strategic supervision carried out by the Board of Directors (as provided by the applicable Supervisory Provisions on corporate governance). The Directive in question defines three types of external macro-communications (institutional, economic-financial and corporate, commercial) and the so-called “significant” disclosures. Specific safeguards have been identified for each type (by the internal functions and the corporate bodies of the Parent Company and the Group environment overall), with a differing degree of involvement of the corporate bodies, depending on the type and relevance of the information to be published. The above Directive also governs the certifications by the Financial Reporting Officer of acts and disclosures to the market relative to the accounting information (e.g. press releases and presentations), in which this individual is required to declare, pursuant to article 154-*bis*, par. 2 of the TUF, the correspondence of the accounting information contained in the documentation published with the actual results as these are set forth in the accounting books and records.

Regarding the disclosure of inside information, reference is made to the “Group Directive on the Management of prescribed Market Abuse requirements” (in the paragraph hereafter “Directive”). The Directive provides for a specific authorisation process involving the Chief Executive Officer, the Legal and Corporate functions, Investor Relations, External Relations, Compliance and the internal functions responsible for generating and handling all information flows relevant to these purposes.

The principles and guidelines of the internal management process for confidential information are contained in the Directive and the relative operating instructions regarding management of the mandatory fulfilments in relation to market abuse. The existing controls apply first of all to the Parent Company in its capacity as a listed issuer, but also to the other companies belonging to the Group who are intermediaries licensed to provide investment services. The Group companies adopt their own internal regulation, in compliance with the rules and processes described in the Parent Company’s regulation, implementing the rules, responsibilities and internal processes in compliance with characteristics and dimensions of each subsidiary.

The inside information management process aims to ensure that the environment is confidential, protected and monitored insofar as the circulation of the information itself prior to its disclosure to the public, and to eliminate phenomena such as rumours or information leaks, thereby preventing uses of inside information which are not in line with applicable laws by the persons who came to be aware of such information, whether directly or indirectly.

---

<sup>15</sup> “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.”

---

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

The Directive also covers the following areas which are connected to internal management and disclosure of inside information:

- the preparation and constant updating of the registry of persons that have access to inside information (whether at the Parent Company or third party listed issuers);
- adoption of the “Managers’ Transactions” Regulation regarding the duty of disclosure to the market and Consob of transactions involving BMPS shares and debt instruments or derivatives or other derivative-linked financial instruments, carried out by persons exercising administrative, supervisory or management functions in the Parent Company (Directors, Statutory Auditors and strategic managers) and by individuals closely connected to them.

## **6. BOARD COMMITTEES**

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

In compliance with the corporate governance regulations in force, Article 17 of the By-Laws requires that committees with advisory and proposal-making duties be established within the Board of Directors. The Committees are composed of a number between 3 and 5 non-executive, mainly independent directors; if there are directors elected by the minority shareholders, at least one of them must be part of at least one committee.

Following its inauguration, at its meeting on 19 May 2020 the Board of Directors established the following sub-committees, assigning them with the duties provided for by the By-Laws and corporate governance regulations and pursuant to applicable Supervisory Provisions on Corporate Governance for banks regarding the separation of specialised duties (which require the establishment of three separate committees, specialised in appointments, remuneration and risk):

- **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 Manger, and monitoring application of the resolutions adopted by the Board;
  - periodically assessing the criteria adopted for the remuneration of executives with strategic responsibilities, monitoring their application and submitting general recommendations on the matter to the Board of Directors.
- **Risk and Sustainability Committee**, with the main function of supporting the Board of Directors in fulfilling its tasks to define the guidelines of the internal control and risk governance system and assess that the internal control and risk governance system is adequate, effective and properly functioning, as well as to approve the company asset assessment policies and processes. As of 2020, in accordance with the recommendations of the Corporate Governance Code and in line with the best practices of the banking

---

system, the Committee is also assigned the task of supporting the Board of Directors in matters regarding “sustainability”.

- **Related-Party Transactions Committee**, consisting solely of independent directors having the task of advising on related-party transactions.

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

With regard to the requirements to be met by the members of the committees, 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 also required 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 the specific regulations approved by the Board of Directors, the supervisory regulations and the applicable provisions of the laws, the regulations, the By-Laws and the corporate governance in force at the time, in addition to the provisions set forth in the Corporate Governance Code.

The composition, operation, mandate, powers, and resources available are clearly defined in the internal legislative provisions and in particular the specific regulations governing each Committee.

In any case, each Committee appoints its own Chairperson, selected from among the independent directors, who is required to convoke and Chairperson the meetings and a Secretary, selected from among the employees of the Bank with a managerial position.

Also in light of the issues to be discussed, the functions of the Bank that worked on the report and/or formulated the proposal may be required to participate in the work of the committees, as may one or more representatives of the management and other heads of the Bank’s functions and third parties.

Below is a description of the composition of the committees in office as at the date of this Report, the most recent date of approval of the respective Regulations, the committees’ operations and main duties performed.

## **7. APPOINTMENTS COMMITTEE**

At its meeting on 19 May 2020, the Board of Directors established the Appointments Committee, assigning to it the functions provided for in the By-Laws, the Corporate Governance Code and applicable Supervisory Provisions and confirming the most recent Appointments Committee Regulation, approved by resolution of the Board of Directors of 5 May 2016.

### **Composition and operation**

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

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

<i>Members</i>	<i>Office</i>	<i>List (M/m) **</i>	<i>Non- executive</i>	<i>Independence Code</i>	<i>Independence pursuant to TUF</i>	<i>(*) %</i>
Nicola Maione	Chairperson	M	X	X	X	100
Luca Bader	Member	M	X	X	X	100
Rosella Castellano	Member	M	X	X	X	100
Marco Giorgino	Member	m	X	X	X	73
Roberto Rao	Member	M	X	X	X	100

(\*) % of Committee meeting attendance by members

(\*\*) "M" indicates the members taken from the majority list and "m" indicates the members taken from the minority list.

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

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

In 2020, the Committee held 16 meetings, with an average duration of approximately one hour. The minutes of the meeting were duly recorded by the secretary. On average, 95% of the members attended the meetings.

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

As at 25 February 2021, the Committee held one meeting.

### Functions attributed

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

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

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

Specifically, the Committee:

A) submits recommendations to the Board of Directors:

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

B) expresses its opinions to the Board of Directors:



- 
- on recommendation from the Chief Executive Officer, regarding the appointments and succession plans for Top Management of the Bank (General Manager, Division Managers and Managers in charge of the units reporting directly to the CEO);
  - on the proposal of the General Manager, regarding the appointments of the Acting Deputy General Manager and the Deputy General Managers;
  - on the recommendation of the Chief Executive Officer, as regards the process connected to the succession plans relative to the positions of the Managers in charge of the Bank's major functions;
  - on the proposal of the Chief Executive Officer, which will be discussed with the Chairperson of the Board of Directors, regarding the appointment of directors and Statutory Auditors in subsidiaries and investee companies, the autonomous decision-making powers of which lie with the Board of Directors or the Executive Committee, if one exists;
  - in the event that lists are presented by the Board of Directors to the Shareholders' Meeting, on the appropriateness of the candidates based on an analysis carried out in advance by the Board itself;
  - regarding the maximum number of offices as director or Statutory Auditor in other listed companies in regulated markets (including abroad), financial, banking or insurance companies, or companies of a significant size, which can be considered compatible with effective performance of the office, taking also into account any participation in committees established within the Board of Directors;

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

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

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

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

In respect of the abovementioned functions, in 2020 the Committee supported the Board of Directors and the Risk and Sustainability Committee with recommendations and/or advice on the:

- self-assessment of the Board of Directors;
- assessment of fit and proper criteria and independence requirements of corporate officers as well as the qualitative and quantitative composition of the Board of Directors and ban on interlocking directorates;
- succession plans for members of the Executive Committee;
- succession plans for top executive positions (Chief Executive Officer and General Manager) – Pillar I: skills profile;
- performance management sheets;
- appointment of the General Manager and the Chief Executive Officer;
- appointment of the Director in charge of the internal controls and risk management system;
- appointment of the Bank's Top Management and Managers in charge of the corporate control functions;
- appointment of Directors and Statutory Auditors of subsidiaries and/or investee companies;
- board induction programme.

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 COMMITTEE

At its meeting on 19 May 2020, the Board of Directors established the Remuneration Committee, assigning to it the functions provided for in the By-Laws, the Corporate Governance Code and applicable Supervisory Provisions and in the most recent Committee Regulation, approved by resolution of the Board of Directors of 24 June 2019.

### Composition and operation

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

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

<i>Members</i>	<i>Office</i>	<i>List (M/m) **</i>	<i>Non- executive</i>	<i>Independence Code</i>	<i>Independence pursuant to TUF</i>	<i>(*) %</i>
Raffaele Di Raimo	Chairperson	M	X	X	X	100
Luca Bader	Member	M	X	X	X	100
Alessandra Barzaghi	Member	m	X	X	X	100
Marco Bassilichi	Member	M	X		X	100
Paola De Martini	Member	m	X	X	X	100

(\*) % of Committee meeting attendance by members.

(\*\*) "M" indicates the members taken from the majority list and "m" indicates the members taken from the minority list.

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

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

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

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



---

The Bank's Chief Risk Officer is duly and regularly kept informed of the agenda of the Committee meetings. In addition to the attendance requested by invitation from the Committee, the Chief Risk Officer may also decide, at his/her own discretion, whether to attend the meetings.

In 2020, the Committee held 18 meetings, with an average duration of approximately 1 hour and thirty minutes. The minutes of the meeting were duly recorded by the secretary. On average, 100% of the members attended the meetings.

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

As at 25 February of 2021, the Committee held 4 meetings.

### **Functions attributed**

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

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

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

A) submits recommendations to the Board of Directors:

- on the indication of the Chairperson of the Board of Directors, in the absence of the directly interested parties, regarding the remuneration of the Chief Executive Officers and other directors

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

B) expresses its opinions to the Board of Directors:

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

In regard to the functions described above, in 2020, the Committee provided recommendations and/or advice on the:

- remuneration for the role Chief Executive Officer and General Manager;
- remuneration of the members of the internal committee and of the 231/2001 Supervisory Body;
- remuneration of identified staff;
- remuneration for the roles of responsibility in charge of the Corporate Control Functions;
- Remuneration policy report pursuant to Article 123-ter TUF and the identification of Identified Staff;
- report on compliance of remuneration and incentive policies;
- the “*Directors & Officers Liability*” (“D&O”) insurance coverage;
- process of succession plans for top executive positions (Chief Executive Officer and General Manager) – Pillar I: remuneration profiles;
- review of the Group's remuneration policies and practices;
- remuneration policies;
- analysis of the use of own shares for the payment of any severance.

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. DIRECTORS' REMUNERATION**

Article 13 of the By-Laws establishes that the Ordinary Shareholders' Meeting shall determine the remuneration of the Directors and Statutory Auditors as provided in Article 26 of the By-Laws 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 determination of the compensation payable in the event of early termination of the work relationships or early termination of the office, including the limits set for said compensation in terms of the years of fixed remuneration and the maximum amounts arising from their application.

For these purposes, once a year the Board of Directors provides the Shareholders' Meeting with a “Report on the remuneration policy and emoluments paid” prepared in accordance with the requirements under Article 123-ter of the TUF as well as those implementing banking sector regulations. The remuneration policy contributes to the company's strategy, the pursuit of long-term interests and the sustainability of the company

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

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

For further information regarding the emoluments of the Bank directors during 2020 and the information relating to transparency of the remuneration paid to executive and non-executive directors and the directors with strategic responsibilities, and the compensations paid to directors in the event of resignation, termination or termination of the employment relationship following a take-over bid (pursuant to Article 123-bis, first paragraph, letter i) of the TUF), incentive mechanisms for the internal audit manager and the Financial Reporting Officer, and for any other information on the matter, please see the aforementioned "Remuneration Policy Report", published on the Bank's website at [www.gruppomps.it](http://www.gruppomps.it) – *Corporate Governance – Remuneration*.

## 10. RISK AND SUSTAINABILITY COMMITTEE

At its meeting on 19 May 2020, the Board of Directors established the Risk and Sustainability Committee, assigning to it the functions provided for in the By-Laws, the Corporate Governance Code and applicable Supervisory Provisions and in the most recent Committee Regulation, approved by resolution of the Board of Directors of 8 April 2020.

### Composition and operation

The Risk and Sustainability Committee consists of five members of the Board of Directors, all non-executive and the majority of whom are independent. Accounting, financial and risk management skills are adequately represented within the Committee.

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

<i>Members</i>	<i>Office</i>	<i>List (M/m) **</i>	<i>Non- executive</i>	<i>Independence Code</i>	<i>Independence pursuant to TUF</i>	<i>(*) %</i>
Marco Giorgino	Chairperson	m	X	X	X	100
Rosella Castellano	Member	M	X	X	X	100
Olga Cuccurullo	Member	M	X			100
Rita Laura D'Ecclesia	Member	M	X	X	X	95
Raffaele Di Raimo	Member	M	X	X	X	100

(\*) % of Committee meeting attendance by members.

(\*\*) "M" indicates the members taken from the majority list and "m" indicates the members taken from the minority list.

---

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 Risk Committee's meetings.

The CEO, General Manager and Director in charge of the Risk Management and internal controls system - positions that are currently held by the same person - may be invited to attend the Committee's meetings where it is deemed appropriate for the issues under discussion.

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

Having given advance notice to 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 Head of the Bank's External Relations and Sustainability Division 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 2020, the Committee held 34 meetings, with an average duration of approximately 5 hours. The minutes of the meeting were duly recorded by the secretary. On average, 99% of the members attended the meetings.

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

As at 25 February 2021, the Committee held 6 meetings.

### **Functions attributed**

The Committee supports the Board of Directors in issues involving risks and the internal control system, with particular attention paid to the activities that are instrumental and required for the Board of Directors to make a correct and effective determination of the Risk Appetite Framework ("RAF") and the risk governance policies; it also supports the Board of Directors for matters and issues relating to sustainability.

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

- identifies and proposes, following the contribution made by the Appointments Committee, the managers of the company control functions to appoint and shall express its opinion for the revocation of any appointment;
- expresses its opinion prior to the determination of the remuneration structure of the Managers in charge of the Corporate Control Functions, and their annual allowance for this position;
- examines in advance the program of operations (including the audit plan) and the annual reports of the control functions addressed to the Board of Directors;
- expresses its assessments and opinions to the Board of Directors regarding compliance with principles of the internal control system and corporate organization and the requirements that must be fulfilled by the control functions, bringing to the attention of the body any weak points and the

---

consequent corrective actions to be adopted; to this end it will assess the proposals of the Chief Executive Officer and/or General Manager;

- contributes, through assessments and opinions, to the definition of the corporate outsourcing policy of the control functions;
- verifies that the control functions comply with the indications and guidelines provided by the Board of Directors and will assist the latter in preparing the coordination document required by the supervisory provisions on 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, will coordinate with the Financial Reporting Officer and the Board of Statutory Auditors.

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

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

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

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

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

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

- approves the periodic financial and non-financial statements, assessing whether they are suitable to correctly represent the Bank and the Group's business model, strategies, the impact of their business and the performance achieved with particular attention to aspects relevant to the internal control and risk management system as well as sustainability;
- defines the guidelines for the internal control and risk management system, so that the main risks of the Bank and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, while also determining the level of compatibility of these risks with Bank management that is coherent with the strategic objectives identified, including all the elements that can be relevant for the company's sustainable success;
- assesses, at least once per year, the adequacy of the internal control and risk management system against the characteristics of the Bank and the risk profile assumed, as well as its effectiveness;
- approves, at least annually, the work schedule prepared by the internal audit function, after having received the opinion of the Board of Statutory Auditors and the 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 finding reported by the external auditor in the suggestions letter, if any, and in the report on the main issues resulting from the audit;
  - 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 also:

- 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 2020 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 company control functions required by the supervisory provisions;
- the 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;
- the periodic reports prepared by the Compliance 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;
- appointment, remuneration and allowance for Managers of the Corporate Control Functions;



- 
- proposals and notifications by the Chief Financial Officer Division (Liquidity position, Funding Plan, Group Contingency Funding Plan, etc.);
  - Capital plan;
  - Strategic plan;
  - Group Risk Appetite Statement, RAF, SREP Decision;
  - budget guidelines;
  - report on legal risk;
  - report on cyber risk and security incidents;
  - Covid-19 emergency;
  - organisational changes to the Bank's structures and outsourcing/insourcing of certain key operating functions;
  - report on procedures for carrying out investment services and activities;
  - Business Continuity and Business Continuity Plan; Report on the adequacy of the Business Continuity Management System, BCM testing Plan, update of internal policies;
  - Logical security strategic plan;
  - annual report on outsourced corporate activities;
  - update of credit policies and NPE strategy;
  - de-risking transactions;
  - publication and/or update of Group Risk Management Policies and Directives, remuneration and incentive policies and practices as well as governance and control procedures for banking products;
  - reports prepared by the Financial Reporting Officer;
  - meetings with the independent auditors for the approval of the financial statements and half-year report;
  - analysis of the Bank's major strategic projects;
  - development of "Transparency" plan;
  - analysis, investigations and monitoring exercises concerning assessments, requests and reports made by the Supervisory Authorities (ECB, Bank of Italy, Consob, etc);
  - meetings with the Supervisory Authorities;
  - the review of the 2019 Consolidated Non-Financial Statement and approval of the materiality assessment of information to be included in the 2020 Consolidated Non-Financial Statement.

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

## **11. RELATED-PARTY TRANSACTIONS COMMITTEE**

At its meeting on 19 May 2020, the Board of Directors established the Related-Party Transactions Committee, assigning to it the functions provided for in the By-Laws, the Corporate Governance Code and applicable Supervisory Provisions and confirming the most recent Committee Regulation, approved by resolution of the Board of Directors of 11 July 2019.

### **Composition and operation**

The Committee consists of five members of the Board of Directors, all 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.

<i>Members</i>	<i>Office</i>	<i>List (M/m) **</i>	<i>Non- executive</i>	<i>Independence Code</i>	<i>Independence pursuant to TUF</i>	<i>(*) %</i>
Roberto Rao	Chairperson	M	X	X	X	100
Alessandra Barzaghi	Member	m	X	X	X	100
Francesca Bettio	Member	M	X	X	X	100
Francesco Bochicchio	Member	M	X	X	X	100
Paola De Martini	Member	m	X	X	X	100

(\*) % of Committee meeting attendance by members.

(\*\*) "M" indicates the members taken from the majority list and "m" indicates the members taken from the minority list.

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

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

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

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

In 2020, the Committee held 20 meetings, with an average duration of 1 hour and 15 minutes. The minutes of the meeting were duly recorded by the secretary. On average, 100% of the members attended the meetings.

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

As at 25 February 2021, the Committee held 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 and updated on 15 October 2020, pursuant to the Consob Related Parties Regulation and the Bank of Italy Supervisory Provisions for Connected Parties. For further details on this subject, please see Section 13 below.

In particular, the Committee:

- during the approval and updating of the related-parties Directive, the Committee issues a prior analytical and reasoned opinion on the overall suitability of the structures and measures established

---

with respect to the objectives of supervisory regulations. The Committee's opinion is binding for the purposes of the Board of Directors' resolution and is also given if the Compliance Function deems it unnecessary to amend the Directive;

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

The main activities carried out by the Committee in 2020 were the following:

- the issue of a prior opinion on the annual assessment of the effectiveness of the regulatory framework and revision of the Directive;
- examination and issuing of a prior opinion on certain 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;
- assessment of the proper functioning of governance procedures in the processing of related-party transactions, with the establishment of a technical panel;
- deep dive meetings on a de-risking transaction.

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.

## **12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

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

---

The new “Group Internal Control Systems governing policy” (hereinafter “Group Policy”), the last update of which was issued on 8 July 2019, represents the reference framework for internal control systems, which incorporates the principles and guidelines which must underpin the design, operation and development of a “complete, adequate, functional and reliable” control system, to ensure sound and prudent management.

The regulatory framework was designed to be compliant with the legal/regulatory framework, the Group’s organisational structure and international and domestic standards and best practices.

The document implements, in its structure and contents, the Supervisory Provisions on internal control systems.

The Group Policy defines certain aspects, briefly illustrated below:

- the general principles of the internal control system;
- the internal control system governance model;
- methods of coordination and collaboration between the functions with control tasks and company bodies;
- information flows between control bodies and functions;
- relations with the Supervisory Authorities.

The Bank, in accordance with the Supervisory Provisions regarding the internal control system, implemented a system for reporting violations (the so-called whistleblowing system), the management of which is governed by specific internal regulations.

According to the whistleblowing procedure adopted, personnel may report in good faith with regard to any negligent, illegal, irregular or improper circumstances and conduct with regard to work activities deemed to be suspicious or of which they become aware during the performance of their duties.

In addition to establishing that personnel may make such reports, the internal regulations define: the scope of facts and actions that can be disclosed; the procedures and channels through which such disclosure shall be made; the main management obligations for disclosures incumbent upon the structures in charge (receipt, preliminary examination and evaluation); the safeguards in place for the whistleblower and the affected individual.

The procedure is designed in a manner which guarantees protection from retaliatory or discriminatory conduct, confidentiality of the report and protection of the personal information of the reporter and any person subject to the report throughout all phases, to guarantee a specific, independent communication channel.

## **12.1 GENERAL PRINCIPLES OF THE INTERNAL CONTROL SYSTEM**

The Internal Control System (hereinafter, also “ICS”) adopted by the Montepaschi Group comprises a set of rules, functions, structures, resources, processes and procedures which aim to ensure sound and prudent company management.

The Internal Control System plays a central role in the company organisation, i.e.:

- 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;
- it directs the changes in strategic guidelines and company policies and ensures the consistent alignment of the organisational framework;
- it monitors the efficiency of operational systems and compliance with the prudential supervisory authorities;
- it 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 all levels of the organisation (company bodies, units, hierarchical levels, staff) in the development and application of logical and systematic methods for identifying, measuring, disclosing and managing risks.

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

- **the control environment:** formalisation of the roles and responsibilities in the corporate processes constitutes a necessary condition for an effective company control system. It represents the basis for all the other components, guaranteeing transparency, accountability and compliance with the principles of sound and prudent management;
- **risk control:** the risk governance process consists of the set of activities connected to the identification, valuation, management and monitoring of risks originating from the various operating segments, as well as the definition of management policies for these risks;
- **controls structure:** regarding the rules and instruments the individual company functions use to ensure adequate control activity;
- **information and communication:** information must be identified, collected and distributed in a form and time frame that allows each unit to fulfil its responsibilities. In this regard, the IT systems adopted assume a key role for ensuring “sound and prudent management”. The IT systems must guarantee a flow of information which enables all levels of the structure to adequately perform the respective management tasks and adhere to the obligations set by the internal regulations and the legal provisions;
- **monitoring:** the internal control system must be constantly monitored to ensure it functions adequately and to guarantee its design is updated where necessary.

The areas of improvement identified, with a view to integrated risk management, must be communicated to the functions with control tasks in relation to the specific areas of competence, also through mechanisms for coordination and sharing between said entities.

The areas of improvement flagged must also be subject to a systematic “follow-up”.

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.

## 12.2 GOVERNANCE MODEL

The Montepaschi Group governance model, in line with the Supervisory Provisions regarding banks’ corporate governance, provides for the following:

- the Board of Directors, vested with strategic and management supervision functions, also with the support of the board committees (in particular the Risk and Sustainability Committee) and assisted by the 231/2001 Supervisory Body;

- 
- the Chief Executive Officer, vested with executive management functions, according to the powers delegated by the Board of Directors and attributed by the By-Laws;
  - the Director in charge of the internal control and risk management system, appointed in compliance with the Corporate Governance Code for listed companies, and responsible for setting up and maintaining an effective internal control and risk management system;
  - the General Manager, vested with executive management functions. In the event of the absence or impediment of the General Manager, his/her duties will be carried out by the Senior Deputy General Manager (if appointed);
  - the Board of Statutory Auditors, vested with control functions.

### **12.3 THE ROLES AND RESPONSIBILITIES OF COMPANY FUNCTIONS IN THE CONTROL SYSTEM**

The Group's Internal Control System is organised into the following Corporate Functions:

- Corporate Control Functions, responsible for monitoring the Internal Control System both as regards specific areas of risk (Risk Management, Validation, Compliance and Anti-Money Laundering) and the system as a whole (Internal Audit);
- Control Functions, with the responsibility for monitoring the internal control system as regards specific areas of competence attributed by the legislative, regulatory, statutory or self-governance provisions;
- Other Corporate Functions, responsible for the governance of processes within its competence as part of the Internal Control System.

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

**Corporate Control Functions:** Functions in charge of overseeing the control system for specific risk areas.

Considering the crossover effect and the complexity of the individual control processes, the Group model provides, in consideration of the clear assignment of the responsibility of each Control function, for the separation of the activities and the duties to the various company structures involved, based on the principle of competence. This approach makes it possible to benefit from economies of scope, reducing negative outsourcing and increasing the effectiveness of the action.

The model adopted consists of the following company control functions, in charge of overseeing the Internal Control System, for specific risk areas:

- Compliance Function;
- Risk Management Function;
- Internal Validation Function;
- Anti-Money Laundering Function;
- Internal Audit Function.

The first four functions relate to second-level controls, the Internal Audit Function to third-level controls.

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 Group regulations and individual company regulations establish the organisational model, responsibilities, processes and operating mechanisms for liaising with the Other Corporate Functions.

To ensure the Company Control Functions carries out their activities properly, the Montepaschi Group has defined specific essential requirements which must be met, valid for each function in relation to:



- 
- appointment and revocation of managers;
  - independence and authority;
  - functional separation;
  - resources;
  - remuneration and incentive systems;
  - access to corporate information;
  - main activities.

### **Internal Audit Function**

All components of the Internal Control Systems are subject to 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 based on risk.

Within this context, the Internal Audit Function (the Chief Audit Executive Division or CAED) performs an independent and objective activity aimed at controlling, on the one hand, based on third-level controls, the regular performance of operations and the evolution of risks and, on the other hand, at evaluating 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 Company bodies, with particular reference to the RAF, the risk management process, as well as the instruments for measuring and controlling these risks; based on the results of its controls, the Internal Audit Function provides recommendations to the company bodies.

The activities of the Internal Audit Function, defined in the annual audit plan, are part of a broader long-term audit plan subject to approval by the body with strategic supervisory function.

Consistently with said plan, the CAED must:

- evaluate the completeness, adequacy, functionality and reliability of the other components of the ICS, of the risk management process and other company processes, also regarding the capacity to identify errors and irregularities, ensuring development of the ICS in accordance with the relevant factors (external/internal) and consistently with the Supervisory Provisions regarding the internal control system;
- evaluate the effectiveness of the RAF definition process, the internal consistency of the overall structure and compliance of company operations with the RAF and, in the case of particularly complex financial structures, their compliance with the strategies approved by the company bodies;
- check the operational continuity plan;
- verify regularity of the various company activities, including any outsourced ones;
- verify the adequacy, overall reliability and security of the IT system (ICT audit).

In carrying out its tasks, the CAED, which has access to all company data and outsourced activities, adheres to the provisions of the international standards for the profession, as set out in the Group's internal audit standards, the audit mandate and the relevant Code of Ethics of the Internal Audit Function.

The autonomy and impartiality of the CAED are guaranteed by relational reconciliation mechanisms with the company bodies; the independence requirements provide an organisational position, which precludes hierarchical dependence and/or influence (conditioning) by any manager of the operating structures.

The Internal Audit function reports to the body with strategic supervision powers (Board of Directors).

For 2020, the internal audits conducted on the companies of the Group remained within a "blended" organisational system, i.e. in some cases assigned to the Internal Audit Functions allocated within the companies themselves (decentralised model) and having a functional reporting line to the Parent Company Function, while others were assigned to the CAED of the Parent Company (centralised model). For 2021, as

---

approved by the Board of Directors of 17 December 2020, with the centralisation of the Internal Audit Functions of MPS Capital Services Banca per le Imprese and of MPS Leasing & Factoring, all the companies of the Group will be subject to a centralised audit system on the basis of the action plan prepared following the Quality Assurance Review of the Parent Company's Internal Audit Function. The need underlying the implementation of a centralised organisational system is that of reinforcing the overall supervision of the Group's control system as well as meeting the expectations of the Supervisory Authority that have emerged over time.

In line with the prescriptions for professional standards for the internal auditing activity, the CAED is subjected at least every five years to an external assessment by a qualified company, that can certify the quality of the internal audit services provided.

The CAED motivates the professional growth of its own resources, allowing them to pursue appropriate certifications and professional qualifications such as that of Certified Internal Auditor (the so-called CIA), the only qualification which is internationally recognized for the profession of internal auditor that identifies a professional of the sector in an unambiguous manner. This certification is issued by the Italian Association of Internal Auditors (AIIA), which is officially recognized as the Italian affiliate of the Institute of Internal Auditors (IIA), the international reference for professional standards. The CIA is supplemented by other certification pathways for specialised skills (e.g. CISA, CRMA, CFE) in order to ensure adequate quality in performing the tasks assigned.

If any anomalies emerge from its activities, the CAED ensures prompt communication to and involvement of the relevant structural units, monitoring the management and mitigation methods/timescales. The CAED also periodically informs the company bodies of the results of its activities and the progress status of follow-up activities; it also provides the Supervisory Authorities with the necessary reports required by supervisory regulations. 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.

## **Risk Control Function**

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

More specifically, the Risk Control Function:

- constantly verifies the adequacy and effectiveness of the risk management process and of the operating limits;
- develops integrated risk analysis and monitoring methods by planning and implementing the operational and regulatory management measurement system and verifying the compliance and adequacy of the mitigation measures;
- ensures the consistency of the risk measurement and control systems with the processes and methods of evaluation of company activities, coordinating with the company structures concerned;
- constantly monitors the effective risk assumed by the bank and its consistency with the risk objectives as well as compliance with the operating limits assigned to the operating structures in relation to the assumption of 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, the Risk Control Function is responsible, among other things, for:

- analysing the Group’s risk profile, through the calculation of the risks absorbed and the definition of the tolerance and capacity thresholds;
- verifying the capital adequacy within the context of the ICAAP process and the adequacy of the liquidity profile within 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, check the framework’s overall effectiveness on an annual basis;
- defining common operating risk evaluation metrics in line with the RAF, coordinating with the Compliance Function, ICT Function and the Lack of Operational Continuity Risk Control Function (BCM);
- providing preventive opinions on the consistency with the RAF of the most significant transactions, by acquiring, if necessary, 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 may organise itself 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 opts for a mixed Risk Control Function, based on the following:

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

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

## **Compliance Function**

The Compliance Function oversees, using a risk-based approach, the management of non-compliance risk with regard to all corporate activities, checking that the internal procedures are adequate for preventing such risk (see “*Group Directive on non-compliance risk management*”). The regulatory sectors for which the oversight of risks pursuant to the primary regulation (“Supervisory Body 231” and “Financial Reporting Officer”, referring

---

respectively to Legislative Decree 231/2001 and law 262/2005) is to be guaranteed by another Corporate Control Function or Control Functions are excluded from the competence area of the Compliance Function, unless otherwise provided by specific rules. In this area, should the functions above carry out operating activities of the first level in corporate processes with significant impact in terms of compliance and reputation of the group, with particular reference to customer relations, the Compliance Function carries out second-level controls.

In light of such principles, the Compliance Function is directly responsible for managing the risk of non-compliance for all the regulations falling within the scope of activities of the Parent Company and of the Group's Italian subsidiaries subject to supervision, including the Consorzio Operativo Gruppo Montepaschi S.c.p.A. ("**Montepaschi Group Operating Consortium**").

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

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

- identification of the regulations which are applicable to the bank and measurement/assessment of their impact on processes and procedures;
- governance of the different phases of the compliance risk management process;
- ongoing identification of the level of regulatory risk, regular assessments of business processes and the calculation of 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;
- consults and supports company bodies in issues in which the risk of non-compliance is significant; collaborates in the training activity pertinent to the function, also in order to propagate a corporate culture based on the principles of honesty and correctness;

All the above without prejudice to the other duties of the Compliance Function specifically identified by other regulations such as, for example, the discipline regarding policies and practices for remuneration and incentives, transparency of transactions, correctness of relations between the bank and its customers, transactions with related parties, activities involving risk and conflicts of interest with 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 management body (the Chief Executive Officer).

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

### **Internal Validation Function**

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

In carrying out said activity, the Internal Validation Function:

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

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

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

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

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

---

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

The Group has opted for a decentralised model, which provides for the presence of a specific Anti-Money Laundering Function within each company of the Group and the foreign branch in Shanghai. These individual Anti-Money Laundering Functions are not bound by hierarchical relationships with the managers in charge of the operational units and have a functional reporting line to the Parent Company's Anti-Money Laundering Function.

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 for the fulfilment of customer due diligence and storage of the relative data; for the identification, assessment and reporting of suspicious transactions, the successful detection of other situations subject to mandatory reporting and appropriate storage of the relative documentation and evidences required by regulations;
- in liaison with the senior corporate functions, conducts the annual self-assessment of money laundering risks;
- provide support and assistance to company bodies and to Top Management;
- makes a prior assessment of the risk of money laundering associated with the offer of new products and services;
- oversees, in cooperation with the other corporate functions responsible for training, the preparation of an adequate training plan to professionally develop employees and collaborators on an ongoing basis;
- draw up and provide General Management and the Board of Directors with a document that details the responsibilities, duties and operating procedures for managing the risk of money laundering. The document is constantly updated and is available and easily accessible to all employees;
- prepare the information for the corporate boards and Top Management, promptly informing them of any significant violations or shortcomings found;
- at least once a year, provide the corporate bodies with a report on the initiatives undertaken, the failures identified, the consequent remedial actions to be taken and personnel training activities. The report also includes the results of the self-assessment exercise conducted according to the guidelines provided by the Supervisory Authority;
- carry out enhanced due diligence in cases where, due to objective, environmental or subjective circumstances, the risk of money laundering is especially high;



- 
- transmit the aggregate data concerning the recipient's overall operations and the objective reports regarding transactions at risk of money laundering to the Financial Information Unit (FIU) on a monthly basis;
  - in conjunction with the Internal Audit Function, carry out on-site inspections on a sample basis in order to check the effectiveness and efficiency of the procedures in place and identify any critical areas. These inspections are carried out on the basis of a specific work plan drawn up once a year and submitted to the Corporate Bodies;
  - cooperate, in its capacity as a specialist anti-money laundering company unit, with the Authorities referred to in Title I, Chapter II of Legislative Decree no. 231 of 21 November 2007.

\* \* \* \* \*

In the Group model, for specific areas of competence, other control functions are provided which are responsible for monitoring, as part of the Internal Control System:

- the Planning and Management Control Function;
- the Lack of Operational Continuity Risk Control Function;
- the Control Function Responsible for Risks regarding Workplace Health and Safety;
- the Control Function in Charge of the Correct Processing of Personal Data;
- the Control Function responsible for the risk of non-monitoring of outsourced activities;
- IT Safety Monitoring.

The policies, Group directives and company regulations define: the organisational model, responsibilities, processes, operating mechanisms for reconciliation with the other Company functions and the information flows to be produced.

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

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

#### **12.4 ASSESSMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

In 2020, the Board of Directors was informed of the assessment carried out by the Internal Audit Function on the adequacy of the control systems – relative to 2019 - and the considerations in this regard expressed by the Risk and Sustainability Committee, which found that the processes and activities carried out by the CAED. Periodic and regular reports are provided to Top Management on areas of concern that have emerged from audit activities.

On 7 February 2020, the Board of Directors also approved the CAED's plan of activities for 2020 for the third and final year of the three-year audit cycle (2018-2020). This plan was revised as a result of the Covid-19 emergency and other findings that have emerged in the meantime and submitted to the approval of the Board of Directors on 8 August 2020.

During 2020, the Board of Directors was also informed of the assessments made by the second level Company Control Functions with reference to 2019, 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 2020 (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 (Chief Audit Executive Division), as well as changes to domestic and international legislation. Periodic and regular information is provided to the governing bodies regarding Risk Management, Compliance, Validation and Anti-money Laundering.

## **12.5 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON THE FINANCIAL DISCLOSURE PROCESS**

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.

This model, which is integrated into the overall Internal Control System, aims to guarantee reliability, accuracy, reliability and timeliness of the financial disclosures and therefore helps to strengthen governance of the controls.

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

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

## **12.6 STEPS 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 premises:

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

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

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

- 
- assessment of the significant administrative and accounting processes<sup>16</sup> (*Risk & Control Assessment*<sup>17</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 (Group Operating Consortium);
  - assessment of the effectiveness/actual application of the key controls<sup>18</sup> over the reference period carried out by the structure managed by the Financial Reporting Officer and supplemented by two ISAE 3402 certifications for administrative-accounting services. The first one, Type II, regards the following areas: Administration and Accounting, Credit Cards, Collections and Payments and Network Transactions managed by FRUENDO S.r.l. on behalf of the Montepaschi Group. The second one, Type II, concerns certain controls carried out in the Finance area and the consequent accounting aspects managed by the Bank's Operations Division;
  - Entity Level Control - ELC. In line with the reference framework, the Montepaschi Group's Internal Control System model makes provision for ongoing verification of the presence of adequate governance systems at the Corporate and the Group levels;
  - compensatory checks of particular corporate events worthy of closer examination for the purposes of accurate economic and financial reporting;
  - management of the assessment results. Following the assessment and verification activities described above, any actions for mitigation are defined.

In order to further support the process described above, a sub-certification system has been implemented with the aim of increasing the awareness and responsibility of all the Group structures involved, both in terms of monitoring the quality of information produced and of certifying it to the Financial Reporting Officer.

The information flows containing the results of the activities carried out are periodically communicated to the Risk and Sustainability Committee and the Board of Directors by the Financial Reporting Officer, in support of the certification of the accounting information.

## 12.7 ROLES AND FUNCTIONS INVOLVED IN THE FINANCIAL DISCLOSURE PROCESS

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**

This 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**

---

<sup>(16)</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>(17)</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>(18)</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.

---

This 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.

This same function 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 organisational functions of the Group companies carry out analysis and maintain the documentation (operating regulations) for the Group processes.

– **Montepaschi Group Operating Consortium**

The Montepaschi Group Operating Consortium manages, governs, coordinates and controls 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 certification mentioned under point 12.6.

– **Local 262 contact persons in the companies that are part of the perimeter**

A Financial Reporting Officer is not normally appointed within each Group Company that is in the 262 perimeter; however, there is a Local Referent who supports the Financial Reporting Officer. The responsibilities of the Local Referent include the one relating to the secondary certification process, which is concluded with the formal issuing of a certification letter approved by the administrative body and addressed to the Parent Company's Financial Reporting Officer, which declares, among other things, the compliance of the data transmitted with the book results and accounting records.

## **12.8 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

In compliance with the Corporate Governance Code (Article 6, recommendations 32 and 34) and in continuity with the decisions taken on the previous Corporate Governance Code for listed companies, at its meeting on 16 July 2020, the Board of Directors appointed the Chief Executive Officer, Guido Bastianini, as the Director in charge of the internal control and risk management (hereinafter, also "**Director in charge**"), assigning him with the following duties and functions:

- identifying 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;
- implementing 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; adjusting the internal control and risk management system to changes in the operating conditions and in the legislative and regulatory landscape;
- the power to request 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;
- reporting promptly to the Risk and Sustainability Committee (or 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 2020, the *pro-tempore* 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 (annual plans and reports, inspections on the adequacy and effectiveness of the internal control and risk management system; ongoing monitoring 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).

As from September 2020, with a view to reinforcing the supervision of the internal control system, the Director in charge 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 (SSM) 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.

## 12.9 THE INTERNAL AUDIT FUNCTION

Regulation no. 1 of Banca MPS, which defines the model and the organisational structure of the Bank itself, identifies the responsibilities assigned to the corporate units, including the internal audit unit.

In compliance with international standards and internal audit policies, the Internal Audit Function operates as the third line of defence with respect to the activities planned and provides an opinion on the overall adequacy and effectiveness of the internal audit and risk management model, also in relation to the system’s ability to identify anomalies and irregularities. The internal auditing activity, which is planned according to a process of analysis and prioritisation of the main risks, is therefore aimed at contributing to the improvement of the governance, risk management and control processes of the organisation.

The Chief Audit Executive Division has a hierarchical reporting line to the Board of Directors and, on the basis of a set of criteria approved by the Board of Directors and last updated in January 2020, notifies the results of the audit exercises and assessments to the Board of Statutory Auditors, the 231/2001 Supervisory Body, the Board of Directors, the Chairperson of the Board of Directors, the Risk and Sustainability Committee and the Director in charge of the Internal Control and Risk Management System .

The CAED has dedicated financial resources to carry out its tasks.

On 16 January 2020, the Board of Directors approved the amendments to the internal audit policy, which sets out the internal audit procedures, models and rules adopted by the Group and acts as an internal audit mandate. Following the activities set out in the action plan put in place following the Quality Assessment Review, the section relating to the audit mandate has been removed from the Policy and will become a separate document that will regulate purposes, powers and responsibilities to which the Internal Audit Function will refer when carrying out its activities.

Effective from 15 November 2016, the manager in charge of the Chief Audit Executive Division, i.e. the Chief Audit Executive, is **Pierfrancesco Cocco**.

The Chief Audit Executive reports to and is appointed by the Board of Directors, has direct access to all information relevant for performing his duties and is not responsible for any operational unit.

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 Chief Audit Executive determined by the Board of Directors, having consulted the Board of Statutory Auditors, on the proposal of the Remuneration Committee and with the prior opinion of the Risk and Sustainability Committee;
  - approval of the audit plan by the Board of Directors, based on the proposal by the Chief Audit Executive Division and after obtaining the opinion of the Board of Statutory Auditors and the Risk Committee;
  - possible implementation of one-off internal audits by the Board of Statutory Auditors, the 231/2001 Supervisory Body, the Chairperson of the Board of Directors, the Risk and Sustainability Committee and the Director in charge of the internal control and risk management system;
  - periodic and event-driven reporting of the activities carried out to the Board of Statutory Auditors, the 231/2001 Supervisory Body, the Chairperson of the Board of Directors, the Risk and Sustainability Committee and the Director in charge of the internal control and risk management system;
  - at least once a year, providing the Board of Directors with a report containing an assessment of the control system.

In line with the rules of corporate governance, the internal control system policy and the criteria for the distribution of audit reports, reporting flows to corporate bodies were updated in January 2020, providing also for separate, quarterly, monthly and event-driven information on specific issues to the control bodies and the Board of Directors.

As a third-level control Function, the Internal Audit Function interacts with the Supervisory Authorities on an ongoing basis. It carries out the certification and/or in-depth analysis of remedial action 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.

## **12.10 ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001**

The organisational model adopted by the Bank for the prevention of risks pursuant to Italian Legislative Decree 231/2001 contains the ethical and operating rules aimed at preventing the significant offences pursuant to the aforementioned Decree.

The model is updated periodically or, as necessary, upon occurrence of pre-established cases of necessity such as the recognition of the unsuitability of the model for the prevention of offences pursuant to Italian Legislative Decree 231/2001, any significant changes to the organisational structure or processes and/or the addition of new offences within the scope of the Decree.

In compliance with the above, following the increase or change in the number of predicate offences, the organisational adjustments to the Bank's corporate structures as well as legal and juridical developments regarding organisational models, on 16 December 2019 the Board of Directors approved the Organisation, Management and Control Model (hereinafter the "Model") already in force, which consists of the following documents:

- Risk Prevention Directive pursuant to Italian Legislative Decree 231/2001 (hereinafter "*Directive 231*") published on the Bank's website at [www.gruppomps.it](http://www.gruppomps.it) - *Corporate Governance - Governance Model*;
- 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*.



---

In particular, the control protocols attached to Directive 231 set out, for each company organisational unit, the predicate offences which could theoretically be committed, the existing controls, the principles of conduct to adhere to when carrying out sensitive activities and the references to the relevant internal company regulations. In order to implement the new legislation (on the new offences relevant to the 231 legislation) and corporate regulations (the amendments made to the 231 Model), the Knowledge Management and HR Training Service Unit have prepared two new training courses: one on the “Administrative liability of Entities”; the other on the new “Group Code of Ethics”, both of which are provided online to all employees/managers.

Please note that the companies of the Montepaschi Group have in turn adopted their own Organisation, Management and Control Model, implemented the Group’s new Code of Ethics and provided their staff with the relevant online training courses.

In compliance with the provisions of the aforementioned Decree, Banca Monte dei Paschi di Siena has also established a 231 Supervisory Body (hereinafter “231 SB” or “Body”), which is responsible for overseeing the operation of and compliance with the Model, as well as updating it.

The task of supervising the matters set out in Italian Legislative Decree 231/2001 are therefore allocated to an ad hoc board structure that is separate from the Board of Statutory Auditors and is governed (in terms of duties, activities, composition and operating procedures) by the current Operating Regulations of the 231 Supervisory Body 231. In particular, the Board of Directors has deemed it appropriate to establish a “mixed” 231 SB 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 Body consists of the following members:

- Romina Guglielmetti (external professional) - Coordinator;
- Nicola Maione (independent director);
- Gianluca Tognozzi (external professional).

Regarding the issues under discussion, the Bank's managers and employees as well as third parties may be called to participate in the work of the 231 SB. The Body may also employ external consultants, at costs and expenses of the Bank.

The Body's Coordinator may invite the Chairperson of the Board of Statutory Auditors to its meetings, or, with the Chairperson's authorisation, have a member of the Board of Statutory Auditors attend. In order to guarantee the most comprehensive performance of the control functions assigned to the Board of Statutory Auditors by the legislation, the Coordinator of 231 SB arranges for the transmission of the minutes of the SB meetings to the Chairperson of the Board of Statutory Auditors, once approved.

Nell’esercizio delle sue funzioni, l’OdV 231 impronta la propria azione ai principi di indipendenza, autonomia e continuità; è dotato di autonomi poteri di iniziativa e di controllo, ivi compreso il potere di chiedere e di acquisire informazioni da ogni livello e settore operativo della Banca, avvalendosi delle competenti funzioni della Banca.

In exercising its functions, the 231 SB bases its actions on the principles of independence, autonomy and continuity, and has been given autonomous powers of initiative and control, including the power to request and acquire information from every level and operating sector of the Bank, through the competent Bank functions.

In fulfilment of its duties, the 231 SB carries out the following activities in particular:

- assesses the adequacy of the Model, that is, its essential capacity to prevent conducts which does not comply with the law;
- monitors the effectiveness of the Model, verifying coherence between the actual conduct and the Model, and informs the Board and the Board of Statutory Auditors of any violations of the provisions contained within the Model;

- 
- analyses the continuous maintenance of the requirements of solidity and functionality of the Model, with specific reference to environmental changes and new risks that have emerged;
  - updates the Model, presenting its proposals for amendments to the Board and verifying the implementation and actual functionality of the solutions adopted;
  - promotes initiatives for the dissemination of awareness and comprehension of the Model by all the Bank's personnel, plans and monitors the associated training activities following any modifications and/or significant integrations of the Model adopted;
  - prepares an annual schedule of verification actions to be carried out, with the assistance of the Bank's internal control functions, which it informs the Board of Directors and the Board of Statutory Auditors;
  - reports to the Board on the activity carried out in time for examination of the documentation at the time of the approval of the financial statements and the Bank's half-yearly financial report.

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

Pursuant to Article 6, para. 2, lett. d) of Italian Legislative Decree 231/2001, the 231 SB is required to comply with the disclosure requirements set forth in the Model, particularly regarding the communication of information on the perpetration or attempt to perpetrate crimes in the interest of or for the benefit of the Bank as indicated in the Decree itself, in addition to any violations of rules of conduct as provided in the 231 Model 231 and the Code of Ethics. To protect its full autonomy and confidentiality, the communication can be made directly to the 231 SB through a variety of channels, both paper and electronic, as indicated in the corporate website of the Parent Company and of all the other Group companies.

The 231 SB is also in charge of providing guidance for the creation and updating of the Models for the Montepaschi Group companies and coordinating the related Supervisory Bodies.

## **12.11 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).

## **12.12 FINANCIAL REPORTING OFFICER**

As known, Article 154-*bis* of the TUF provides that the corporate organisation of companies listed in Italy shall include the figure of the Financial Reporting Officer who is in charge of preparing the company's accounting documents.

According to the applicable provisions of law, the Bank's By-Laws provides that the Board of Directors, upon the proposal of the General Manager and the mandatory opinion of the Board of Statutory Auditors, must appoint a Financial Reporting Officer, to be selected from among the company managers with proven accounting and finance experience, conferring upon this person appropriate powers and instruments for the exercise of the duties attributed pursuant to the law.

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

- the adequacy of the internal control system, in relation to the administrative and accounting procedures and their actual application during the period to which the accounting documents refer;

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

This certification is also provided to the Board of Directors.

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

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

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

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

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

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

### **12.13 METHODS OF COORDINATION AND COLLABORATION BETWEEN FUNCTIONS WITH CONTROL TASKS AND COMPANY BODIES**

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 statements;

- 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 role of the Director in charge, who is responsible for establishing and maintaining an effective internal control and risk management system;
- by the Committee for the Coordination of Functions with control tasks (hereinafter the “Committee”), which is responsible for coordination activities between these functions and implementing them a continuous basis;
- by 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;
- by the coordinated management of the areas of improvement originating from the Company Control Functions, the Control Functions and the Supervisory Authorities, with the aim of assessing their relevance and, subsequently, defining the overall intervention strategies;
- by the coordination in reporting activities, interrelationships and communication with the Supervisory Authorities regarding the Internal Control System;
- by 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 fashion;
  - the complete mapping and unique taxonomy of the company processes and risks, adequately structured and meets the needs, qualitatively speaking, of effectiveness and efficiency required by the individual functions able to allow constant and updated alignment of the processes within the Group and the adoption of a common language;
  - valuation metrics, which though different between company functions with control tasks, nevertheless guarantee the dissemination of a common risk management language.

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

The 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 has been set up in order to act as a link and a comparison 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;
- define the necessary phases and timescales for governing overall planning and reporting activities in relation to company bodies;
- monitor the annual plans of the functions with control tasks;
- coordinate the different ICS project initiatives with the aim of optimising the actions by identifying possible synergies, overlapping and areas for rationalisation in terms of costs/benefits;

- 
- share “areas of improvement” deriving from all functions with control tasks and the Supervisory Authorities, with the aim of assessing their relevance and subsequently defining the overall intervention strategies with a view to integrated gap management;
  - periodically monitor the process for the resolution of the anomalies identified and formalised by said functions to the central functions;
  - resolve any conflicts on the attribution of ownership for the removal of gaps.

As of 2018, participation in the Committee was also extended to the first-level Corporate Control Functions, including those within the CCO, CLO and COO Divisions in order to ensure overall coordination at the ICS level.

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 ICS. 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 ICS. Within said mapping, the following are identified:

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

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

Relations with the Supervisory Authority are managed by the individual companies of the Group and by the Parent Company to the extent of their respective responsibilities; in particular, the Regulatory Relationship Staff Unit oversees relations with the SSM and the 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;
- 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. The Internal Audit functions of the Group companies must inform the Parent Company Internal Audit Function whenever the requests made by the Supervisory Authorities generate impacts including at the Group level or involve an issue of significant interest for said party.



---

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 2020, 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 Regulatory Relationship Service Unit.

### **13. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

On 15 October 2020, the Board of Directors approved the updated "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") 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>19</sup>.

The Directive was approved with the prior favourable opinion of the Related-Party Transactions Committee and the Board of Statutory Auditors.

The Directive sets out the principles and rules for the Montepaschi Group for the monitoring of risk deriving from situations involving a possible conflict of interest with certain persons close to the Bank's decision-making centres; in particular, it establishes, among the other provisions, the composition and operation of the aforementioned Committee, the perimeter of related parties and connected parties, the obligations connected with the authorisation process of transactions with the said parties, the decisions regarding the exceptions applicable to such transactions (exclusion of the prior opinion of the Committee).

With specific reference to the provisions governing the obligations of bank officers, in line with the resolution adopted by the Board of 4 June 2013, the Policy applies the procedure pursuant to Article 136 of the TUB to the following obligations undertaken with the bank in which the officer performs his administration, management or control duties: (i) obligations undertaken 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.

---

<sup>19</sup> Article 136 of the TUB, as amended by Legislative Decree 179 of 18 October 2012, converted into Law no. 221 of 17 December 2012 and Article 1, par. 48, letter. a) of Legislative Decree no. 72 of 12 May 2015.



---

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

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

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

The significant transactions with related parties carried out by the Bank in 2020 are described in detail in Part H of the Notes to the Financial Statements.

For the purposes of the above regulations, the Bank has put in place, with the cooperation of all the representatives and the other related parties, the necessary requirements for maintaining a complete and updated archive of significant parties pursuant to the law on transactions with related parties and associated parties and Article 136 of the TUB.

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

On the issue of personal transactions in the provision of investment services (Article 19 of the Intermediaries' Regulation, adopted by Consob with resolution no. 20307 of 15 February 2018), the Board of Directors has defined principles and rules in the specific "Policy on personal transactions in the provision of investment services", which outlines the general rules of the Group to ensure compliance with the rules by the relevant parties, or those involved in activities that could give rise to conflicts of interest when investment services are carried out or that have access to privileged or confidential information. The personal transactions carried out by these persons, whether within the Group's banks or through third party intermediaries, are filed in a specific electronic "Registry".

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

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

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

---

Article 19 of the By-Laws also 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 unless this is a Group company and must refrain from any resolutions in which they have a conflict of interest, on their own account or on behalf of any third party, pursuant to the applicable legislation.

## **14. APPOINTMENT OF STATUTORY AUDITORS**

The Board of Statutory Auditors is composed of three Statutory Auditors and two Alternate Auditors.

### **Presentation of candidates**

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

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

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

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

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

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

---

Each shareholder entitled to vote may vote only one list.

### **Election of candidates**

The members of the Board of Statutory Auditors are appointed as follows:

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

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

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

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

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

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

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

### **Requirements and grounds for disqualification from office**

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

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

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

A maximum number of two Statutory Auditors and one Alternate Auditor who do not meet the above-mentioned requirements, may be appointed if they have an overall experience of at least three years in:

- a) administration or control tasks or a managerial role in a joint stock company with a share capital of no less than EUR two million, or
- b) professional work or university teaching in law, economics, finance, credit, insurance or technical and scientific subjects strictly related to the Company's activities, or
- c) a managerial position in public entities or institutions working in the field of credit, finance and insurance or in fields strictly related to the Company's field of business. It is understood that the strictly related subjects and fields are those linked to the company purpose.

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.

## **15. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS**

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

The Board of Statutory Auditors was appointed by the ordinary Shareholders' Meeting of 18 May 2020 and will remain in office until the Shareholders' Meeting called to approve the 2022 financial statements.

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

	<b>Members</b>	<b>Office</b>	<b>Place and date of Birth</b>
1.	Enrico Ciai	Chairperson	Rome, 16 January 1957
2.	Piera Vitali (*)	Statutory Auditor	Mede (PV), 8 June 1949
3.	Luigi Soprano	Statutory Auditor	Napoli, 22 February 1959
4.	(*)	Alternate Auditor	//
5.	(**)	Alternate Auditor	//

*(\*) Following the resignation of standing Auditor, Alessia Bastiani, Piera Vitali, formerly Alternate Auditor of the Bank, took over as standing Auditor on 26 January 2021 and will remain in office until the next Shareholders' Meeting on 6 April 2021.*

*(\*\*) The Alternate Auditor, Lorenzo Chiappa, tendered his resignation on 11 September 2020.*

*The replacement members of the Board of Statutory Auditors will be appointed by the Shareholders' Meeting of 6 April 2021.*

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>20</sup>:

List of candidates	Shareholder	Candidates	Votes obtained by the list at the Shareholders' Meeting
<b>N. 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> Pier Braja (Alternate Auditor)	Total votes 781,490,663, accounting for 94.453708% of voting shares entitled to vote and 68.534374% of share capital.
<b>N. 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% del share capital)	Enrico Ciai (Chairperson) - <i>elected</i> Piera Vitali (Alternate Auditor) - <i>elected</i>	Total votes 45,851,084, accounting for 5.541723% of shares entitled to vote and 4.021002% of share capital.

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

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, Item II of the Consob Issuer Regulation.

On 19 January 2021, the Board of Statutory Auditors in office assessed its composition against the independence criteria laid down in the Corporate Governance Code for directors and pursuant to Article 148

<sup>20</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 shareholders, the Ministry of Economy and Finance (MEF).



---

of the TUF. 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 2020, please refer to Tables no. 3 and no. 3-*bis*.

\* \* \* \* \*

In 2020, the Board of Statutory Auditors in office until the Shareholders' Meeting called to approve the 2019 financial statements (18 May 2020) held 46 meetings, with an average duration of approximately 3 hours.

The new Board of Statutory Auditors appointed by the Shareholders' Meeting called to approve the 2019 financial statements (18 May 2020) held 58 meetings, with an average duration of more than 3 hours.

As at the date of this report, a total of 20 meetings of the Board of Statutory Auditors have been held in 2021.

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 2019, in order to adequately perform its supervisory tasks pursuant to the principles of correct administration, the Board of Statutory Auditors in office until the Shareholders' Meeting called to approve the 2019 financial statements, participated in the only ordinary Shareholders' Meeting held as well as the 12 meetings of the Board of Directors which took place in the course of the year (with a percentage of attendance close to 100%).

The Board of Statutory Auditors appointed by the Shareholders' Meeting called to approve the 2019 financial statements, participated in the only extraordinary Shareholders' Meeting held as well as the 21 meetings of the Board of Directors which took place in the course of the year (with a percentage of attendance close to 100%).

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

It is the task of the Board of Statutory Auditors to ensure the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members in 2020, following the resolution adopted by the Board of Directors on 12 June 2020.

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

Ongoing and timely information was also exchanged with the Risk and Sustainability Committee, also thanks to the fact that, as provided in the latter Committee's Regulation, the Chairperson of the Board of Statutory Auditors or a Statutory Auditor appointed by the latter, among others, also participates in the work of this 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 with at least one of its representatives.

The Board of Statutory Auditors also paid particular attention so that the transactions carried out with individuals with administration, management and control functions within the Bank and the Group companies were always carried out in compliance with article 136 of the TUB and the Supervisory Instructions and, in any case, were the object of a resolution made with the unanimous vote of the administrative body and all the



---

statutory Auditors, without prejudice to the obligations set forth under article 2391 of the Civil Code on directors' interests.

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 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. Ernst & Young S.p.A. until the approval of the 2019 financial statements and thereafter with the company 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 aforementioned auditing firms, both the previous and current 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 either Ernst & Young S.p.A. before or PricewaterhouseCoopers subsequently.

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

Finally, it is to be noted that amongst other things, the Statutory Auditors verified the Bank's organisational structure also in terms of the size and characteristic of its company purpose and in view of the implementation of the Bank's Restructuring Plan agreed on with the relevant Authorities. To this end, with the support of the Audit Function, the Auditors conducted special audits with Top Management, the domestic network and through meetings held with the Managers of the various corporate units.

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

In compliance with the Supervisory Provision for Banks (Bank of Italy Circular no. 285) and with its own Regulation, the Board of Statutory Auditors underwent a self-assessment for the period between the date of using the support of an external advisor (Management Search S.r.l., Management Search S.r.l., an independent consulting firm and expert in corporate governance and board effectiveness).

The self-assessment was conducted through the completion of specific questionnaires as well as direct interviews with the Statutory Auditors carried out by the same consultants.

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

## **16. RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS**

With a view to its correct market positioning, the Bank maintains an active relationship with shareholders and investors through the corporate functions dedicated to overseeing these relationships:

- the Investor Relations Staff Unit, which handles relations with the main investors and operators of the domestic and international financial community. Ms. Elisabetta Pozzi is responsible for the Staff Unit.

*Email:* [investor.relations@mps.it](mailto:investor.relations@mps.it) - tel. +39.0577.299350;

- 
- the Group General Counsel Division, which is responsible for corporate reporting on corporate governance and relations with shareholders, also with regard to their participation in Shareholders' Meetings. Mr. Riccardo Quagliana is in charge of the Division and also acts as Secretary to the Board of Directors of the Bank.

*Email:* [settore.societario@mps.it](mailto:settore.societario@mps.it) - tel. +39.0577.293135, fax +39.0577.294109.

Information on corporate governance, financial results and related presentations, ratings, business plans and corporate transactions, press releases and corporate events are provided in Italian and English in compliance with the procedures set out in the applicable regulations for listed companies and are available on the corporate website [www.gruppomps.it](http://www.gruppomps.it).

The website is designed to make it user-friendly and straightforward. Its sections include *Corporate Governance* (– *Shareholders and BoDs*), which contains information and documents that are useful to ensure shareholders can exercise their rights in an informed manner, and *Investor Relations*, which publishes press releases, financial results, business plans and documentation regarding major corporate transactions as well as other information of interest to investors and the financial community.

In order to facilitate the participation of shareholders in the Shareholders' Meetings, at each shareholder's meeting the Bank appoints a representative to whom shareholders can confer, pursuant to Article 135-*undecies* of the TUF, a specific proxy, free of charge and with voting instructions on all or some of the proposals on the meeting agenda ("Appointed Representative"). The proxy granted to the Appointed Representative is issued by the end of the second trading day prior to the date of the Shareholders' Meeting by filling out a proxy form, the content of which is governed by the Consob Issuer Regulation. The proxy is only effective for proposals in relation to which voting instructions have been given.

To promote dialogue with the Bank's small shareholders (including employees) and facilitate their participation in Shareholders' Meetings through the associations to which they belong, the Bank has been ensuring for some time, as also formalised in the Memorandum of Understanding signed on 10 February 2014 with the small shareholders' associations, that a special link is made available at each Shareholders' Meeting to facilitate the issue of proxies for participation in the Meeting to the relevant associations. Moreover, the Bank ensures that shareholders who are customers of the Bank can use the digital banking service to request the communication certifying their entitlement to attend the Shareholders' Meeting and exercise their voting right. 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.

## **17. SHAREHOLDERS' MEETINGS**

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

The Issuer's Shareholders' Meetings are regulated by the applicable laws and regulations as well as the By-Laws. Decisions concerning amendments to the By-Laws are taken according to the quorums established by law, without prejudice to the By-Law concerning regulatory amendments to the By-Laws, for which the Board of Directors is responsible.

As provided for by regulations, the BMPS By-Laws establish that shareholders with voting right who provide proof of their entitlement in accordance with the procedures provided for by the regulations in force, with their right to be represented at the Meeting in compliance with the provisions of the law and to confer proxy also by means of an electronically signed document. The electronic notification of the proxy can be made using the specific section on the Bank's website or, alternatively, by certified e-mail to the specific e-mail address, according to the methods established in the notice of call.

The representative – certifying, under his/her own responsibility, the identity of the delegating party and the compliance of the copy of the proxy with the original – may deliver, in place of the original, a copy of the proxy at the time of receipt before the Shareholders' Meeting; alternatively, the copy may also be electronically notified prior to the date of the Shareholders' Meeting using [www.gruppomps.it](http://www.gruppomps.it) – *Corporate Governance* –

---

*Shareholders' Meetings and BoD*, or via digital banking for those who have accessed this service or by certified electronic mail to [bancamps.settoreaffarisocietari@postacert.gruppo.mps.it](mailto:bancamps.settoreaffarisocietari@postacert.gruppo.mps.it) provided that the depositing party, even if a legal entity, uses its own certified electronic mailbox, or by fax to +39/0577/296396.

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

Notice of any supplements to the list of items to be dealt with by the Shareholders' Meeting and of the submission of additional resolution proposals on issues already on the agenda following the request under this paragraph, is given in the same forms required for publishing the notice of call, within the terms laid down by law.

Integration of the agenda is not allowed for items upon which, according to the law, the Shareholders' Meeting resolves upon Board of Directors' proposal or on the basis of a plan or a report prepared by the Board of Directors, other than those provided for by Article 125-*ter*, par. 1, of the Consolidated Financial Act.

The Shareholders' Meeting is normally convened in Siena and may also be convened in a location other than the registered office, as long as in Italy.

The Chairperson has plenary powers to lead and direct the discussion and exercises these prerogatives having regard to the interest to guarantee the swiftness of the Meeting's vote, ensuring - where necessary, - that the length of the Shareholders' Meeting's business does not prejudice the ability to participate and to express the vote, and that regular course of the Shareholders' Meeting is not disturbed. The Chairperson establishes the methods for formulating the request to participate, the maximum duration, and the order of participation. At the start of the meeting, the Chairperson gives notice of the publication of the notice of call and filing of all the documents required by applicable laws with the company's registered office, so that they are available to the public.

To guarantee the orderly and proper course of the meeting and ensure that participants can exercise their right to speak and receive a reply, the Chairperson of the Shareholders' Meeting is vested with powers that are governed by the Shareholders' Meeting Regulation in force, approved by the Shareholders' Meeting of 29 April 2013. The Shareholders' Meeting Regulation is made available to participants at the Shareholders' Meetings, on our website at (<https://www.gruppomps.it/corporate-governance/assemblee-azionisti/archivio-assemblee.html>), and is filed with the company's registered office, the market management company (Borsa Italiana S.p.A.) and the storage platform ("eMarket storage" - [www.emarketstorage.com](http://www.emarketstorage.com)).

Shareholders wishing to take the floor at the Shareholders' Meeting and make a statement on any of the items on the agenda are invited to fill out a "Shareholders' Request" form, providing their personal details. The Request is to be deposited in the "Shareholders' Requests" station using the voting device (or "radiovoter") given to each shareholder entitled to vote or their duly appointed representative, in which a voter identification code and the number of voting shares represented has been stored.

### **The "2020 Shareholders' Meetings – COVID 19"**

The COVID-19 epidemiological emergency that struck the entire world in 2020 and the exceptional regulatory provision that were consequently issued over time<sup>21</sup>, led the Bank to carry out the 2020 Shareholders' Meetings in such a way as to ensure the best possible protection of the health and safety of all stakeholders (members of corporate bodies, shareholders, employees and external consultants).

---

<sup>21</sup> Art. 106 of Decree Law no. 18 of 17 March 2020, applicable from time to time.

To this end, in compliance with the regulations in force and specific to the Covid-19 epidemiological emergency, with regard to the Shareholders' Meetings of 18 May and 4 October 2020, participation and the exercise of voting rights were allowed exclusively through the granting of a specific proxy (or sub-proxy) to the Bank's Appointed Representative pursuant to Article 135-*undecies* del TUF. Shareholders were not allowed to participate physically or through audioconference in the Shareholders' Meeting. Participation by means of audio-conferencing systems<sup>22</sup> was allowed for and limited to the members of the Board of Directors, the Board of Statutory Auditors, the Appointed Representative, the appointed Notary Public as well as the other persons whose presence at the Shareholders' Meeting was deemed useful by the Chairperson in relation to the matters to be discussed.

Considering that participation in the Shareholders' Meeting was allowed exclusively through the Appointed Representative, shareholders were assured the right to ask any questions on the agenda items, but only before the Shareholders' Meeting. The Bank's replies to the questions were also given before the Shareholders' Meeting. Moreover, shareholders were asked to submit any individual resolution proposals on issues already on the agenda within a deadline established before the Shareholders' Meeting in order to allow the Bank to publish them in due time so that shareholders could assess them and provide their voting instructions to the Appointed Representative.

For these Shareholders' Meetings, the Bank provided shareholders with different technical methods and communication channels to ensure and facilitate the exercise of voting rights. Details of these can be found in the respective notices of call published on the Bank's website at [www.gruppomps.it](http://www.gruppomps.it) – *Group – Corporate Governance – Shareholders' Meetings and BoDs*.

## **18. ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

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

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

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

In addition to paragraph 4.2 of the Report on diversity criteria and policies, further information on the concrete actions implemented to ensure equal opportunities and the promotion of diversity as well as its inclusion in the organisational model of the Bank and the Group and, in general, on non-financial matters (environmental and social issues or issues relating to personnel, the respect of human rights or the fight against corruption), please refer to the Consolidated Non-Financial Statements, prepared pursuant to Legislative Decree no. 254 of 30 December 2016 and published on the website [www.gruppomps.it](http://www.gruppomps.it) – *Group – Sustainability – Reports*.

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

---

<sup>22</sup> Audio-conferencing systems that guarantee, *inter alia*, the identification of the participants and the possibility of exchanging documents relating to the agenda items.

---

## **19. CHANGES SINCE THE CLOSING DATE OF THE REFERENCE YEAR**

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

# TABLES



**Table no. 1: STRUCTURE OF THE BOARD OF DIRECTORS**  
**(1 January – 18 May 2020)**

Office	Members	Year of birth	Date of first appointment *	In office since	In office until the Shareholders' Meeting called to approve the financial statements of	List (M/m) **	Executive	Non-executive	Independence Code	Independence pursuant to TUF	Number of other offices ***	(*)
<b>Chairperson</b>	Stefania Bariatti	1956	16/04/2015	21/12/2017	2019	M		X		X	1	100
<b>Deputy Chairperson</b>	Antonino Turicchi	1965	16/04/2015	21/12/2017	2019	M		X			4	100
<b>Chief Executive Officer and General Manager – CEO (●)</b>	Marco Morelli	1961	20/09/2016	22/12/2017 (1)	2019	M	X					100
<b>Director</b>	Maria Elena Cappello	1968	16/04/2015	21/12/2017	2019	M		X	X	X	3	100
<b>Director (2)</b>	Roberta Casali	1962	12/07/2018	12/07/2018	2019	N.a.		X	X	X	1	100
<b>Director</b>	Marco Giorgino	1969	21/12/2017	21/12/2017	2019	m		X	X	X	4	100
<b>Director</b>	Fiorella Kostoris	1945	16/04/2015	21/12/2017	2019	M		X	X	X		100
<b>Director</b>	Roberto Lancellotti	1964	21/12/2017	21/12/2017	2019	M		X	X	X	1	83
<b>Director</b>	Nicola Maione	1971	21/12/2017	21/12/2017	2019	M		X	X	X	1	91
<b>Director</b>	Stefania Petruccioli	1967	21/12/2017	21/12/2017	2019	m		X	X	X	4	91
<b>Director</b>	Salvatore Fernando Piazzolla	1953	21/12/2017	21/12/2017	2019	M		X		X		100
<b>Director</b>	Angelo Riccaboni	1959	21/12/2017	21/12/2017	2019	M		X	X	X		100
<b>Director</b>	Michele Santoro	1955	21/12/2017	21/12/2017	2019	M		X	X	X		100
<b>Director</b>	Giorgio Valerio	1966	21/12/2017	21/12/2017	2019	m		X	X	X	1	100
<b>Directors who resigned during the period under review</b>												
//												
<b>Minimum participation in the capital required for the submission of lists for the final appointment: 1%</b>												

**NOTES**

(●) *Chief Executive Officer* and Director in charge of the internal controls and risk management system.

(1) Director as of 21 December 2017 and appointed Chief Executive Officer by the Board of Directors of 22 December 2017.

(2) Appointed by co-optation of the Board of Directors of 12 July 2018 and confirmed in office by the Shareholders' Meeting of 11 April 2019.

\* Date on which the director was first appointed to the Issuer's Board of Directors. The Shareholders' Meeting of 18 December 2017 renewed the Board. The resolution became effective as of 21 December 2017, date on which the amendments to the By-Laws approved by the same Shareholders' Meeting were entered in the Companies Register.

\*\* This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m). N/a means that the appointment was made without list vote.

\*\*\* This column shows the number of offices that a Director or Statutory Auditor holds in other listed companies, in regulated markets, including abroad, in financial, banking, insurance companies or companies of a significant size. A list of these companies, with reference to each Director, is attached to this Report, with a specification as to whether the company in which the office is held is part of the group which the Issuer is part of, or not.

(\*) This column shows the percentage of attendance at meetings of the Board and the committees (no. of presences/no. of meetings held during the period that the individual was in office, expressed as a percentage).

**Table no. 2: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN COMPANIES LISTED IN REGULATED MARKETS, INCLUDING FOREIGN, IN BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE**

(directors in office from 1 January -18 May 2020)

DIRECTOR	LIST OF OFFICES	COMPANIES BELONGING TO THE GROUP	
		YES	NO
<b>Stefania Bariatti – Chairperson</b>	Deputy Chairperson and member of the Appointments Committee of A2A S.p.A.		X
<b>Antonino Turicchi – Deputy Chairperson</b>	Board Member of Autostrade per l'Italia S.p.A.		X
	Board Member of Leonardo S.p.A.		X
	Chief Executive Officer of Fintecna S.p.A.		X
	Chairperson of the Board of Directors of STMicroelectronics Holding N.V.		X
<b>Marco Morelli – Chief Executive Officer</b>	N/A.		
<b>Maria Elena Cappello</b>	Board Member of Prysmian S.p.A.		X
	Board Member and member of the Sustainability Committee of Saipem S.p.A.		X
	Board Member and member of the Related Parties Committee of TIM S.p.A.		X
<b>Roberta Casali</b>	Board Member and member of the Independent Directors Committee and referent of the Audit, Compliance and Risk Management Board of Antirion SGR S.p.A.		X
<b>Marco Giorgino</b>	Chairperson of the Board of Directors of Vedogreen S.r.l.		X
	Board Member of Real Step Sicaf S.p.A.		X
	Board Member of Terna S.p.A.		X
	Standing Auditor of RGI S.p.A.		X
<b>Fiorella Kostoris</b>	N/A		
<b>Roberto Lancellotti</b>	Board Member of Datalogic S.p.A.		X
<b>Nicola Maione</b>	Chairperson of the Board of Directors of ENAV S.p.A.		X
<b>Stefania Petruccioli</b>	Board Member of Dé Longhi S.p.A.		X
	Board Member of Interpump Group S.p.A.		X
	Board Member of RCSMediaGroup S.p.A.		X
	Board Member of F2A S.p.A.		X
<b>Salvatore Fernando Piazzolla</b>	N/A		
<b>Angelo Riccaboni</b>	N/A		
<b>Michele Santoro</b>	N/A		
<b>Giorgio Valerio</b>	Board Member and member of the Controls and Risk Committee, the Appointments and Remuneration Committee and the Related-parties Committee of Massimo Zanetti Beverage Group S.p.A.		X

**Table no. 1-bis: STRUCTURE OF THE BOARD OF DIRECTORS**  
**(18 May - 31 December 2020)**

Office	Members	Year of birth	Date of first appointment *	In office since	In office until the shareholders' meeting called to approve the financial statements of	List (M/m) **	Executive	Non-executive	Independence Code	Independence pursuant to TUF	Number of other offices ***	(*)
<b>Chairperson</b>	Maria Patrizia Grieco	1952	18/05/2020	18/05/2020	2022	M		X		X	3	100
<b>Vice Presidente Vicario</b>	Rita Laura D'Ecclesia	1960	18/05/2020	18/05/2020	2022	M		X	X	X	1	95
<b>Deputy Chairperson</b>	Francesca Bettò	1950	18/05/2020	18/05/2020	2022	M		X	X	X		100
<b>Chief Executive Officer and General Manager - CEO (●)</b>	Guido Bastianini	1958	18/05/2020	19/05/2020 (1)	2022	M	X					100
<b>Director</b>	Luca Bader	1974	18/05/2020	18/05/2020	2022	M		X	X	X		100
<b>Director</b>	Alessandra Giuseppina Barzagli	1955	18/05/2020	18/05/2020	2022	m		X	X	X		100
<b>Director</b>	Marco Bassilichi	1965	18/05/2020	18/05/2020	2022	M		X		X	2	100
<b>Director</b>	Francesco Bochicchio	1956	18/05/2020	18/05/2020	2022	M		X	X	X		100
<b>Director</b>	Rosella Castellano	1965	18/05/2020	18/05/2020	2022	M		X	X	X		100
<b>Director</b>	Olga Cuccurullo	1972	18/05/2020	18/05/2020	2022	M		X				100
<b>Director</b>	Paola De Martini	1962	18/05/2020	18/05/2020	2022	m		X	X	X		95
<b>Director</b>	Raffaele Di Raimo	1965	18/05/2020	18/05/2020	2022	M		X	X	X		100
<b>Director</b>	Marco Giorgino	1969	21/12/2017	18/05/2020	2022	m		X	X	X	5	100
<b>Director</b>	Nicola Maione	1971	21/12/2017	18/05/2020	2022	M		X	X	X		90
<b>Director</b>	Roberto Rao	1968	18/05/2020	18/05/2020	2022	M		X	X	X		100

Directors who resigned during the period under review

//

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

**NOTES**

(●) Chief Executive Officer and Director in charge of the internal controls and risk management system.

(1) Director as of 18 May 2020 and appointed Chief Executive Officer by the Board of Directors of 19 May 2020.

\* Date on which the director was first appointed to the Issuer's Board of Directors.

\*\* This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m). N/a means that the appointment was made without list vote.

\*\*\* This column shows the number of offices that a Director or Statutory Auditor holds in other listed companies, in regulated markets, including abroad, in financial, banking, insurance companies or companies of a significant size. A list of these companies, with reference to each Director, is attached to this Report, with a specification as to whether the company in which the office is held is part of the group which the Issuer is part of, or not.

(\*) This column shows the percentage of attendance at meetings of the Board and the committees (no. of presences/no. of meetings held during the period that the individual was in office, expressed as a percentage).

**Table no. 2-bis: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN COMPANIES LISTED IN REGULATED MARKETS, INCLUDING FOREIGN, IN BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE**

(directors in office from 18 May – 31 December 2020)

DIRECTOR	LIST OF OFFICES	COMPANIES BELONGING TO THE GROUP	
		YES	NO
Maria Patrizia Grieco – Chairperson	Board Member of Ferrari N.A.		X
	Board Member of Amplifon S.p.A.		X
	Board Member of Endesa S.A.		X
Rita Laura D'Ecclesia – Vice Presidente Vicario	Chairperson of the Board of Directors of Lumen Ventures SIS S.p.A.		X
Francesca Bettio – Deputy Chairperson	N/A		
Guido Bastianini – Chief Executive Officer (CEO)	N/A		
Luca Bader	N/A		
Alessandra Giuseppina Barzaghi	N/A		
Marco Bassilichi	Deputy Chairperson of the Board of Directors of NEXI Payments S.p.A.		X
	Board Member of ITH S.p.A.		X
Francesco Bochicchio	N/A		
Rosella Castellano	N/A		
Olga Cuccurullo	N/A		
Paola De Martini	N/A		
Raffaele Di Raimo	N/A		
Marco Giorgino	Chairperson of the Board of Directors of V-Finance S.r.l.		X
	Board Member of Real Step Sicaf S.p.A.		X
	Board Member and member of the Controls and Risk, Corporate Governance and Sustainability Committee and Chairperson of the Related-parties Committee of Terna S.p.A.		X
	Standing auditor of RGI S.p.A.		X
	Standing auditor of Luce Capital S.p.A.		X
Nicola Maione	N/A		
Roberto Rao	N/A		

**Table no. 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**  
(1 January 2020 - 18 May 2020)

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office since	In office until the shareholders' meeting called to approve the financial statements of	List **	Independence Code	***	Number of other offices ****
Chairperson	Elena Cenderelli	1947	16/04/2015	21/12/2017	2019	m	SI	100%	//
Standing Auditor	Raffaella Fantini	1969	21/12/2017	21/12/2017	2019	M	SI	100%	//
Standing Auditor	Paolo Salvadori	1947	27/04/2012 <sup>(1)</sup>	21/12/2017	2019	M	SI	96%	//
Alternate Auditor	Daniele Federico Monarca	1959	21/12/2017	21/12/2017	2019	m	SI	n.a.	//
Alternate Auditor	Claudia Mezzabotta	1970	11/04/2019	11/04/2019	2019	n.a.	SI	n.a.	//
<b>Directors who resigned during the period under review</b>									
//									
<b>Minimum participation in the capital required for submission of lists for the final appointment: 1%</b>									

**NOTES**

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

\*\* This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m).

\*\*\* This column shows the percentage of attendance of Statutory Auditors in the meetings of the Board of Statutory Auditors (no. of attendances/no. of meetings held during the period that the individual was in office).

\*\*\*\* This column indicates the number of offices held as a Director or Statutory Auditor, by the individual that are significant pursuant to art. 148-*bis* of the TUF. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of Consob Issuer Regulation.

(1) Chairperson of the Board of Statutory Auditors from 28 April 2012 to 16 April 2015.

**Table no. 3-bis: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**  
(18 May 2020 - 31 December 2020)

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office since	In office until the shareholders' meeting called to approve the financial statements of	List **	Independence Code	***	Number of other offices ****
Chairperson	Enrico Ciai	1957	18/05/2020	18/05/2020	2022	m	SI	100%	//
Standing Auditor	Alessia Bastiani <sup>(1)</sup>	1968	18/05/2020	18/05/2020	2022	M	SI	97%	//
Standing Auditor	Luigi Soprano	1959	18/05/2020	18/05/2020	2022	M	SI	95%	//
Alternate Auditor	Piera Vitali <sup>(1)</sup>	1949	18/05/2020	18/05/2020	2022	m	SI	n.a.	//
<b>Directors who resigned during the period under review</b>									
Alternate Auditor	Lorenzo Chieppa <sup>(2)</sup>	1959	18/05/2020	18/05/2020	2022	M	SI	n.a.	//
<b>Minimum participation in the capital required for submission of lists for the final appointment: 1%</b>									

**NOTES**

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

\*\* This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m).

\*\*\* This column shows the percentage of attendance of Statutory Auditors in the meetings of the Board of Statutory Auditors (no. of attendances/no. of meetings held during the period that the individual was in office).

\*\*\*\* This column indicates the number of offices held – as at 31 December 2020 – as a director or Statutory Auditor, by the individual that are significant pursuant to art. 148-bis of the TUF. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of Consob Issuer Regulation.

(1) The standing Auditor, Alessia Bastiani, resigned with immediate effect on 26 January 2021; Piera Vitali took office as standing Auditor on the same date and will remain in office until the Shareholders' Meeting for the approval of the 2020 Financial Statements.

(2) Resigned as of 11 September 2020.

The Shareholders' Meeting called to approve the 2020 Financial Statements will appoint the replacement members to the Board of Statutory Auditors.