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

**ORDINARY SHAREHOLDERS' MEETING**

20 April 2023 (on a single call)

**EXPLANATORY REPORT BY THE BOARD OF DIRECTORS**

**CONCERNING ITEM 6) ON THE AGENDA**

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

**APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR FINANCIAL  
YEARS 2023-2024-2025; RELATED AND CONSEQUENT RESOLUTIONS**



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

Dear Shareholders,

you were convened to resolve upon the following **item 6)** on the agenda of the Ordinary Shareholders' Meeting:

**“Appointment of the members of the Board of Directors for financial years 2023-2024-2025; related and consequent resolutions”.**

In accordance with the procedures and modalities set out in Article 15 of the By-Laws, the appointment of the new members of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (hereinafter the **“Bank”** or **“BMPS”**) for financial years 2023-2024-2025 is made on the basis of the lists submitted by the Shareholders. It is recalled that Shareholders who, alone or together with other Shareholders, collectively hold shares representing at least 1% of the BMPS share capital, have the right to submit lists.

As regards the regulatory and By-Laws provisions relating to the composition of the lists, while also referring to what is indicated in the By-Laws (article 15) and in the notice of call, it is recalled, in particular, that:

- 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 - specifically indicated, shall meet the independence requirements set forth by the applicable law and regulations, as well as the further independence requirements set forth by the Corporate Governance Code. Should the above-mentioned number not correspond to a whole number, the latter shall be rounded up.
- The lists must also contain candidates of different genders in compliance with the current legislation on gender balance (currently the less represented gender must obtain at least two fifths, rounded up, of the elected Directors - see article 147-*ter* of the Legislative Decree no. 58/98 (hereinafter **“Consolidated Law on Finance”** or **“TUF”**) as amended by Law no. 160/2019), also taking into account the benefits that may derive from the presence in the Board of different genders, age groups and seniority in office, without prejudice to the necessity to ensure adequate competence and professionalism of the members of this body. In this regard, it should be remembered that the amendments to the By-Laws approved by the Shareholders' Meeting of 15 September 2022 removed the age limits previously set forth by the By-Laws (75 years for members of the Board of Directors, 70 years for the President and 67 years for the Chief Executive Officer), as the Bank preferred, in line with other leading Italian credit institutions, focusing on the *criteria* to define the profiles of candidates for the position of director on the basis of their experience, skills and professionalism - essential elements for the suitability of banking officers - regardless of their age.
- The Supervisory Provisions, as defined below, indicate as a good practice that the positions of chairman of the strategic supervisory body, chairman of the control body, chief executive officer and general manager are not held by members of the same gender.



- The Directors, whose term of office is three financial years and expire on the date of the Shareholders' Meeting convened to approve the financial statements relating to the last financial year of their office, can be re-elected for a maximum of two consecutive terms following the first.
- Under penalty of forfeiture from their office, no Director of BMPS may simultaneously hold the position of member of the board of directors, management board or supervisory board of competing banks, not belonging to the MPS Group, which have a banking license issued by the supervisory authority and are active in the banking funding or ordinary lending markets in Italy. The Director of BMPS who accepts one of the above offices must immediately notify the Board of Directors of BMPS, which will declare his/her immediate forfeiture.

The appointment process complies with the applicable laws and regulations on this matter, with particular reference to the prior identification by the outgoing Board of Directors, supported by the Nomination Committee, of its overall qualitative-quantitative composition deemed optimal, identified also pursuant to articles 11 and 12 of the Decree of the Ministry of Economy and Finance no. 169/2020 (hereinafter the “**MEF Decree 169/2020**”), identifying and justifying also the theoretical profile (including the skills and characteristics of professionalism and independence) of the candidates deemed appropriate for these purposes, so that the choice of candidates to be presented can take into account the required professionalism and characteristics.

Shareholders are therefore invited to take into account the indications contained in the document “*Orientamenti del Consiglio di Amministrazione di Banca Monte dei Paschi di Siena S.p.A. agli Azionisti sulla dimensione e composizione del nuovo Consiglio di Amministrazione*” (“*Guidelines of the Board of Statutory Auditors of Banca Monte dei Paschi di Siena S.p.A. to Shareholders on the size and composition of the new Board of Directors*”, hereinafter the “**Guidelines**”), available on the Bank's website [www.gruppomps.it](http://www.gruppomps.it) - section Corporate Governance – Assemblee azionisti e CdA in the Shareholders' Meeting documentation and deposited at the registered office of the Bank and the market management company, containing: *i)* the assessments of the outgoing Board of Directors, as defined with the support of the Nomination Committee, with regard to its overall qualitative-quantitative composition deemed optimal, identified also pursuant to articles 11 and 12 of the MEF Decree 169/2020, in order to ensure the proper functioning of the Board and the sound and prudent management, in line with the Bank's objectives, as well as *ii)* the theoretical profile including managerial skills and characteristics, professionalism and independence, if any, whose presence in the new Board is deemed appropriate. As indicated in the Supervisory Provisions, as defined below, the above is without prejudice the Shareholders' entitlement to carry out their own assessments on the optimal composition of the bodies and to present candidates consistent with these, justifying any differences with respect to the analyses carried out by the Board.

Attention is also drawn to the need for the members of the Board of Directors to meet the fit and proper requirements of bank officers by the legal, regulatory and By-Laws provisions, it being understood that the Board of Directors is required to carry out its own assessments on the candidates elected for the purposes of the laws



and regulations in force regarding compliance with the fit and proper requirements to hold the position, as well as the assessments for the purposes of the so-called “interlocking ban”.

For the purposes of “suitability”, in addition to the requirements of reputation (uniform for all banking officers), professionalism and independence (graduated according to the principles of proportionality), banking officers must: *i)* meet *criteria* of competence and correctness, *ii)* be able to act with independence of mind and awareness of the duties and rights associated with the office and *iii)* have the availability of adequate time to carry out their assignment (for the estimation of the time to be devoted to the office, please refer to the Guidelines), in compliance with the limits on the accumulation of offices established by the law.

In this regard, particular mention should be made of the following: *i)* Article 26 of Legislative Decree no. 385/1993 (so-called “**Consolidated Banking Act**” or “**TUB**”), which implemented the European legislation on the suitability of bank officers to hold the office (so-called “**CRD Directive**”); *ii)* the relevant implementing provisions contained in MEF Decree 169/2020; *iii)* articles 147-*ter* and 148-*ter* of the TUF as regards the requirement of independence; *iv)* the EBA-ESMA Guidelines on the assessment of the suitability of members of the management body and personnel holding key roles, updated in July 2021; *v)* the ECB Guide to fit and proper assessments, updated in December 2021; *vi)* Circular no. 285/2013 of the Bank of Italy (Part One, Title IV, Chapter 1 “Corporate Governance”, as subsequently amended, hereinafter the “**Supervisory Provisions**”); *vii)* the Corporate Governance Code (in particular article 2, Recommendation 7 on the independence requirement); as well as *viii)* article 36 of the Legislative Decree no. 201/2011, converted by Law no. 214/2011 on the so-called “interlocking ban”.

Also, as regards fit and proper requirements, it should be noted that, as recently envisaged by the Supervisory provisions on the procedure for assessing the suitability of bank officers issued by the Bank of Italy in May 2021, the person who intends to present candidates for appointments to be made by the Shareholders’ Meeting in banking groups’ parent companies, may send the Bank of Italy, in good time before the presentation itself, the information available and, where possible, its assessments regarding the suitability of the candidates identified to cover roles of specific relevance (*id est* as chairperson of the board of directors, director or chief executive officer, general manager, chairperson of the board of statutory auditors).

The above in order to facilitate the comparison between the Bank of Italy and the intermediaries in the subsequent fit and proper assessment and promote, in particular, an orderly process of succession in the top management positions of the intermediaries. Even if the above-mentioned process is put in place, the fit and proper assessment to be carried out following the appointment pursuant to the current legislation, remains unaffected.

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With respect to the Shareholders’ Meeting appointment procedure with the voting list, please note that the Board of Directors will be elected as follows:



- all of the Directors to be elected less three (3) or the smaller number of Directors that exhausts the candidates of the list, shall be taken from the list obtaining the majority of the votes expressed, in the progressive order with which they are listed in that list;
- the remaining Directors shall be taken from the other lists; to this purpose, the votes obtained by the other lists will be divided subsequently by one, two, and so on, according to the number of Directors still to be elected. The quotients so obtained shall be assigned progressively to the candidates of each of said lists, according to the order provided by the lists. 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. However, also by way of derogation to the foregoing provisions, at least one Director must be taken from the minority list which has obtained the highest number of votes and is in no way related, even indirectly, with the parties that submitted or voted the list ranked first by number of votes.

If, as a result of the voting, at least one third of the Directors who meet the above-mentioned independence requirements have not been appointed, the required number of the last (among the elected) non-independent candidates shall be replaced with the independent candidates - taken from the same lists of the replaced candidates - who will 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 taken from the minority list which obtained the majority of votes and that is in no way related, even 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 penultimate by quotient achieved, shall be replaced.

If, as result of the voting, the applicable gender balance legislation – which, as indicated above, actually provides for the presence of at least two-fifths of the less represented gender, rounded up - is not fulfilled, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated dividing the number of votes obtained from each list by the progressive submission number of each of said candidates; the candidate belonging to the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate belonging to the less represented gender who will have obtained the highest quotient in the same list of the replaced candidate. If candidates from different lists have obtained the same quotient, the candidate of the list from which the highest number of Directors has been taken or, subordinately, the candidate taken from the list which has obtained the lowest number of votes, shall be replaced.

Lastly, it should be recalled that each person entitled to vote may vote one list only.

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Dear Shareholders, you are therefore invited to proceed with the appointment of the members of the Board of Directors in compliance with the By-Laws and legal provisions.

Siena, 10 March 2023

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