



ANTI-CORRUPTION REGULATIONS

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1 Introduction

1.1 Purpose

The Regulations establish the basic principles, guidelines, roles and responsibilities for preventing and combating corruptive conduct, in compliance with current regulations on such matters.

The Regulations also constitute the “protocol” for the purposes of regulating the corporate liability of Companies pursuant to Italian Legislative Decree 231/01.

1.2 Scope of application and procedures for adoption

The Regulations, which apply to Banco BPM and the Group companies, were approved by decision of the Board of Directors of the Parent Company, and thereafter adopted by the competent management bodies of the subsidiaries which, each to the extent of their responsibility, apply the Regulations and guarantee that any of their own internal regulations are consistent with those of the Group.

The Group companies and representative offices of the Parent Company operating abroad apply the contents of the Regulations in compliance with local regulations also in cases where such regulations do not envisage similar levels of attention. Any provisions of local regulations that are stricter than those contained in the Regulations prevail over the latter.

Banco BPM requests that the Foundations contemplated in its Articles of Association comply with the principles sanctioned in these Regulations.

1.3 Summary of updates

Progression	Updated on	Update contents summary
1st update	21/01/2020	The update refers to the addition of paragraph 2.2 “Charity donation and sponsorship management”.
2nd update	28/04/2020	The update contains clarifications regarding: <ul style="list-style-type: none">– application of the concept of conviction in the selection of third parties;– assessment of donations to entities associated with persons in conflict of interest.

2 General principles

In line with the Code of Ethics and Organisation, Management and Control Models adopted pursuant to Italian Legislative Decree 231/01, the Banco BPM Group implements all organisational, IT and control measures necessary to prevent and combat the commission of direct and indirect corruptive actions by all personnel, including collaborators, employees, senior managers and counterparties operating on behalf of or in the interests of the Parent Company or other Group companies on the basis of professional relationships that result in inclusion in the corporate organisation or in collaboration (hereinafter the Recipients).

The Group prevents and combats conduct designed to facilitate corruption practices and collusive approaches to individuals, Public Officials or public servants, through the offer or acceptance of demands for money or other benefits, with a view to gaining unfair advantage for themselves or their company.

The Banco BPM Group must guarantee a regulatory system, organisational controls, clear assignment of responsibilities, corporate procedures and a financial resource management system which, in compliance with current external and internal regulations, guarantees the traceability of transactions and their prompt identification and recording, also in order to inhibit the setup of concealed funds instrumental to the commission of corruptive acts.

Independent powers of use of financial resources are assigned by taking into account actual operating needs and are proportionate to the degree of responsibility of parties assigned such powers and, in line with current regulations, control measures of accounting systems are envisaged that allow the prevention of anomalies and for corrective actions to be taken where necessary.

2.1 Relations with third parties

Recourse to third parties for the supply of goods and services, including advisory services and trade agreement negotiations, is one of the focus areas for specific controls to prevent and combat the commission of corruptive acts.

The selection of third parties operating as partners, on behalf of and in the interests of Banco BPM and the Group companies, must be in compliance with the ethics standards and provisions of external and internal regulations, with particular reference to regulations on the selection of suppliers, conflict of interest and anti-corruption.

The selection process must ensure that checks are carried out to assess the reliability and reputation of the entity to which activities are assigned or to be used as partner. Conduct designed to facilitate corruption or collusive practices, also when perpetrated through third parties to achieve personal benefit, benefit for the Group company or which could compromise the integrity and reputation of the Group, is forbidden.

The selection of suppliers of goods, services and advisory services must be based on the outcome of cost-benefit analysis, verification of the required professional skills, organisational solidity, the requirements of integrity of the entity and its fair conduct.

Those acting as partners or which operate on behalf of or in the interests of Banco BPM or other Group companies must operate in compliance with current regulations, professional ethics and the Group's internal regulations, and adopt conduct based on the principles of fairness, professionalism, honesty and transparency in carrying out their assigned duties.

The Group can never make use of entities with convictions¹, that are already known at the time of their selection, for corruption or other unlawful activities.

The delegation of powers system adopted by the Group and the internal Regulations assign the authorisation, signatory and spending powers in relation to the selection of third parties for the signing of trade agreements or goods and service purchasing contracts.

For contracts, the Group adopts contractual standards and envisages anti-corruption clauses and specific controls over third parties at the time of registration in its suppliers register.

2.2 Charity donation and sponsorship management

Charity donations and sponsorships cannot be used in any way to create a debt of gratitude or gain benefits in an improper manner, and are arranged openly and transparently.

With reference to procedures to be enabled for charity and sponsorship initiatives, as well as the acquisition of information envisaged in Group regulations on anti-money laundering and conflict of interest, note that the contributions, which can never exceed the approved budget, must be disbursed by bank transfer in compliance with cash flow traceability obligations and must be recorded in the Company's accounting procedures.

The granting of donations (charity or other) is not permitted to natural persons, for-profit organisations, political parties, trade unions, initiatives for primarily political reasons and entities associated with persons in conflict of interest with Group companies.

With regard to the latter, in particular circumstances and under the responsibility of the arranger, justified exceptions are permitted. In such cases, the following are necessary:

- compliance with the “general principles for the prevention of crimes and offences” outlined in the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01;
- immediate issue of information to the Supervisory Body;
- adoption of resolutions in compliance with the procedures for related party transactions in terms of decision-making powers, justification and documentation.

In any event, all forms of charity contributions, donations and sponsorships of an amount sufficient to constitute a link (causal and consequential) to achieving the repayment of credit exposures, are forbidden.

The Group's company representatives must report any donations made to charity organisations for which they are or have been a director or founding partner if the related amount, not modest, could qualify as an action designed to influence the independence of opinion or conduct of the recipients. The report must be submitted to the Chairman of the management body concerned or, if it relates to the Chairman, to the management body as a whole and must also, in all cases, be sent to the Supervisory Body and the Head of the Internal Whistleblowing System.

¹ Convictions (including plea bargain sentences) that constitute res judicata in the previous three years.

2.3 Gift management

The Banco BPM Group allows gifts, received or offered, provided they are simple acts of courtesy and provided the related countervalue is modest and not sufficient to qualify as an action designed to influence the independence of opinion or conduct of the recipients.

Banco BPM Group Recipients are not allowed to request gifts or other forms of benefit from customers or potential customers, suppliers or trade partners and, in general, any stakeholder of the Group.

In summary, gifts must not be able to be interpreted as a means of obtaining preferential treatment in the performance of any function or activity traceable to the Group, gifts in the form of cash or assets, especially if durable and readily convertible into cash, are not permitted.

The offer or acceptance of gifts, excluding those bearing a corporate logo, is always forbidden if involving persons qualifying as Public Official or public servant, regardless of the value of such gifts.

Exchanging gifts during contract negotiations or during a tender procedure is not permitted.

The value, nature and frequency of gifts must never be disproportionate or unreasonable compared to the circumstances and status of the beneficiary or donor.

Personnel are required to refuse gifts that do not comply with the principles sanctioned in these Regulations and, as envisaged by current regulations on information flows, to promptly report the event to their line manager, the Supervisory Body pursuant to Italian Legislative Decree 231/01 and the Head of the Internal Whistleblowing System.

This obligation also exists when, after acceptance of the gift, it is learned that the donor has been convicted of corruption or other unlawful activities or involved in legal disputes.

If there is any doubt regarding the value, personnel must submit a written report to their department manager and to the Audit function, which is ultimately required to ascertain whether there are grounds for refusal.

Gifts offered by the Banco BPM Group, which must comply with the principles indicated above, are managed centrally by the Parent Company Communications function with support from the Procurement function, and must bear the corporate logo.

The Communications function holds the gifts register in which the beneficiaries target, nature of the gift, known or estimated value and the Group company, organisational structure and personnel appointed to deliver to the beneficiary must all be recorded.

2.4 Personnel selection and management

For the personnel selection and management processes, in order to prevent the risk of commission of corruptive acts, Group internal regulations entrust the personnel selection and recruitment process to a dedicated organisational structure through which corporate needs are identified and assessed, taking into account the allocated budget, internal development plans and needs defined by the competent corporate functions.

Internal regulations must guarantee a delegation of powers system that assigns specific options for the recruitment and management of personnel and a transparent selection process that complies with current regulations on such matters.

Personnel selection must involve gathering of the information necessary to determine the

professional profile of candidates, and the candidates must be assessed on the basis of their skills, experience and the extent their professional profiles match corporate needs.

The signing of employment contracts of any nature with persons who, in the previous 12 months, have been directly appointed to perform supervisory activities with respect to Group companies, must be assessed by the Board of Directors.

With reference to personnel management, the Group adopts professional service appraisal systems.

2.5 Sale, purchase and leasing of property

In order to prevent and combat the commission of corruption offences through preferential treatment in the purchase, sale or lease of properties, the Group has implemented organisational controls and defines a regulatory system of delegated signatory powers for the related contracts.

The sale, purchase or lease of properties must be carried out on the basis of provisions defined in internal regulations governing the principles, guidelines, roles and responsibilities for the purchase and lease of third-party properties and the sale or lease of Group-owned properties, including those deriving from non-performing loan management and finance lease repossession.

The promise, granting or acquisition of properties at other than arm's length conditions, thereby gaining undue personal benefit or benefit for the company and equating to preferential treatment for corruption purposes, is not permitted.

It is also forbidden to commit acts of corruption with respect to an officer of a legal entity in the attempt to obtain a property, through purchase or lease, at a price lower than its true market value.

2.6 Credit granting, management and collection

Credit granting and management or guarantees and credit collection represent, as in previous cases, an area in which the risk of committing corruptive acts that could result in granting credit at economic terms unjustifiably lower than those of the market or a case where all credit rating or additional guarantee requirements are not met.

It is therefore forbidden to grant and manage credit and guarantees in order to obtain subsidies from public or private third parties.

In order to prevent and combat the risk of committing acts of corruption, the credit investigation, decision-making and granting activities must be carried out in full compliance with internal regulations, also in cases of credit guaranteed by Confidi, which conducts collective guarantee activities to facilitate access to bank credit for its business or consortium members.

Personnel assigned to the various stages of granting and managing credit must strictly apply the internal regulations on such matters, implementing the anti-corruption controls contemplated, mainly composed of IT procedures with blocking controls, segregation of roles and delegated powers established in relation to different amount and rating limits.

2.7 Contracting and management of services for Public Administration

In relation to the contracting and management of services for Public Administration, it is envisaged that individuals involved in formal relations with Public Administration entities on behalf of the Group, as well as those with signatory powers for deeds or documents of external importance that involve Group commitments, are specifically authorised and are granted operating independence based on the subject matter and values of contracts.

In the creation and commercial proposal of services for Public Administration, the procedures to be implemented are those envisaged for participation in tenders launched by Public Administration entities.

All documentation relating to the operational stages of agreements with Public Administration entities must be archived by the proposing structures and all accounting and administrative activities must be completed correctly and traceable in Group accounting procedures.

2.8 Personnel training on anti-corruption issues

Group personnel must be informed and trained on external and internal anti-corruption regulations in force, and on the importance of compliance with these in order to gain the necessary awareness of personal risks and responsibilities and the administrative liability of the Parent Company and Group companies. They must be informed in reference to action to be taken to combat corruption and the potential penalties if the rules are violated.

To this end, and in order to ensure a minimum level of awareness of anti-corruption issues among all personnel, a compulsory training programme is envisaged.

After the controls have been performed for risk assessment purposes, the corporate activities and responsibilities at greatest risk of commission of corruption offences are identified. For the personnel carrying out such activities or assume such responsibilities, specific anti-corruption training courses are defined that can be modelled to their duties or role within the company. For new recruits, such courses are planned in the period immediately after recruitment.

Based on the activities and responsibilities of highest risk, the head of each structure must ensure that their personnel periodically complete the planned training courses.

2.9 Management of reports and information flows

Whistleblowing

Any alleged violation of applicable anti-corruption laws or the Regulations on anti-corruption perpetrated by Group personnel must be reported immediately via the dedicated channels governed by internal regulations on whistleblowing:

- to the competent Supervisory Body;
- to the Head of the Internal Whistleblowing System, for Italian companies without a Supervisory Body and for foreign companies;
- to the competent local control function for companies based abroad, only when there are restrictive local regulations that do not permit reporting to the Head of the Internal

Whistleblowing System.

This without prejudice to the Group's option to claim compensation if such conduct results in real damage, and likewise the application of penalties by judicial authorities.

Any resulting measures are applied in compliance with provisions of the penalties system. Whistleblowers acting in good faith are protected against any form of retaliation, discrimination or penalisation.

The whistleblowing system guarantees the confidentiality and protection of personal details of the whistleblower and of the individual or entity reported.

With reference to reports received on anti-corruption issues, the Supervisory Body informs the Head of the Internal Whistleblowing System if such reports could also constitute a violation of other regulations, and coordinates with the latter in implementing assessment procedures for the reports.

In turn, the Head of the Internal Whistleblowing System promptly informs the Supervisory Body of any reports received that refer to matters associated with current regulations of corporate administrative liability (Italian Legislative Decree 231/01).

3 Roles and Responsibilities

3.1 Parent Company

With the aim of ensuring compliance with external and internal regulations on the risks of committing corruption offences, which could arise for Banco BPM and Group companies when conducting their business activities, as part of its guidance, coordination and control functions the Parent Company:

- establishes the principles, the rules, the roles and the responsibilities for anti-corruption monitoring;
- defines the information flows between the control functions and corporate bodies on anti-corruption issues, including those to the Head of the Internal Whistleblowing System;
- constantly pursues all possible improvements to Group internal regulations, processes and procedures on anti-corruption;
- on behalf of Group companies that have outsourced the Compliance function, directly and centrally provides advisory services on anti-corruption issues.

Parent Company Supervisory Body

The Parent Company Supervisory Body:

- in compliance with internal regulations, receives reports of cases of alleged corruption and communicates these to the administration and control bodies of its own company;
- examines the periodic information flows produced by the Compliance function in relation to issues emerging as part of its anti-corruption advisory support activities;
- receives periodic reports on anti-corruption from the control functions responsible for monitoring Group companies based abroad;
- supervises the activities most at risk of acts of corruption, making particular use of the results of periodic risk assessments carried out by the Group organisational structures;
- in its periodic report, updates the administration and control bodies of the Company on the results of its assessments;
- proposes additions to the Regulations as necessary to ensure adequate monitoring of the risk of committing corruption offences, also in the light of any violations or improvement areas confirmed.

Head of the Internal Whistleblowing System

The Head of the Group's Internal Whistleblowing System receives and manages reports on alleged corruption and violation of anti-corruption regulations concerning Italian companies that have not established a Supervisory Body and foreign companies, and duly informs the administration and control bodies of the company.

He or she promptly informs the Supervisory Body of the Parent Company in order to appropriately coordinate reports received on anti-corruption matters.

3.2 Companies belonging to the Banking Group

All Group companies ensure that the Regulations are also disclosed to counterparties required to make use of them.

In compliance with current regulations on such matters and with any as may be governed by regulations in the country of operations, through their competent structures or outsourcers, in the case of outsourced activities, the Group companies are required to carry out and guarantee:

- periodic assessment of the risk associated with the Company's activities, identifying those most exposed to the risk of committing acts of public and private corruption. The results of this assessment must be brought to the attention of the administration and control bodies of the Company concerned;
- for the activities identified above, the organisation of training mechanisms, decision implementation and controls suitable for preventing corruption risk;
- training initiatives targeting senior managers and employees (particularly those performing high-risk activities) on the contents of the Regulations and external regulations in force at the time;
- the monitoring of relations between the Company and entities with which it signs all types of contract, by implementing suitable first and second level anti-corruption controls;
- the establishment of safe and accessible communications channels through which senior managers, employees and collaborators can report violations or alleged violations in confidence, without the risk of retaliation;
- the preparation of periodic information flows to the administration and control bodies and the Supervisory Body.

Group company Supervisory Body

Where established, the Supervisory Body of a Group company:

- receives and manages reports of alleged corruption, in line with internal regulations governing reports to the Supervisory Body, and reports on these to the administration and control bodies of the company concerned;
- examine the periodic information flows produced by the Compliance function, to the extent of its responsibility, in relation to issues emerging from the advisory support and other organisational structures for cases of exceptions to provisions of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01;
- with regard to the company's activities, supervises the activities most at risk of acts of

corruption, making particular use of the results of periodic risk assessments carried out by the Group organisational structures;

- in its “periodic report”, updates the administration and control bodies of its Company on the results of periodic information flows received;
- proposes additions to these Regulations as necessary to ensure compliance control, also in the light of any confirmed violations and weaknesses emerging in their implementation.

3.3 Corporate functions

In line with the type of activities or function performed, to the extent of their responsibilities all Group structures ensure:

- strict compliance with internal and external anti-corruption regulations as well as self-governance regulations (for example, articles of association, codes of conduct, corporate governance codes, Italian and of countries in which the company’s operating structures are based);
- conduct consistent with an organisational system that must be formalised and clear, especially with regard to the definition of roles, assignment of responsibilities, reporting hierarchies and description of duties;
- compliance with a regulatory system which, among other things, envisages:
 - the option of reconstructing the formation of documents and related authorisation levels, to guarantee transparency of the decisions adopted;
 - the subjective separation of the decision makers, those preparing accounting records for decided transactions and those required to carry out controls on the transactions as envisaged by law and in procedures contemplated in the internal control system;
 - safeguarding of the principles of transparency, truthfulness, completeness, clarity, reliability and reconstructability, ensuring that a reliable and faithful picture of the corporate position is built.

Organisational Function

The Organisational function of the Parent Company:

- monitors any changes to the structure and company organisation that could result in changes to the risk and monitoring of anti-corruption issues, if necessary arranging suitable amendments to the internal regulations.

Compliance Function

In cooperation with the Anti-Money Laundering, Legal and Audit functions, the Parent Company Compliance function:

- provides anti-corruption advice to structures of the Parent Company and Group companies;
- submits a periodic information flow to the Supervisory Bodies of the Group companies in relation to issues emerging as part of its advisory support activities.

Regulatory compliance function of Group companies located abroad or, if not established, another control function

The aforementioned Functions of Group companies located abroad are responsible for:

- periodically assessing the risk associated with the Company's activities and identifying those most exposed to the risk of committing acts of public and private corruption;
- proposing additions as required to the Regulations and, with support from the competent functions of the Parent Company, proposing organisational and procedural changes made necessary by the country in which the company is based, in order to ensure maximum control over compliance, also with a view to any violations confirmed;
- contributing to the definition of a training and sensitisation plan on the contents of the Regulations and on the regulatory requirements of the country of operations;
- providing advice on anti-corruption at corporate level;
- reporting periodically to the administrative and control bodies of the Company on this issue;
- encouraging the promotion and dissemination of a corporate culture based on related principles of compliance.

If local regulations impose restrictions on reporting to the Head of the Internal Whistleblowing System, they receive reports of alleged corruption or violation of related regulations and inform the administration and control bodies of their own company.

Human Resources Function

The Human Resources function is responsible for:

- planning and providing anti-corruption training to encourage the promotion within the Group of a corporate culture based on related compliance principles;
- including training activities in the training plan and bringing these to the attention of the Supervisory Body;
- keeping records of the details of participants, assigned structures, self-appraisal results and the dates on which the courses were held. Archive the learning material used. All of the above in compliance with applicable regulations on such matters.

Audit Function

The Audit function is responsible for:

- ensuring maintenance of the overall internal control system with reference to monitoring the risks of committing corruption-related offences.