Banca Akros

GRUPPO BANCO BPM

SUMMARY DOCUMENT OF THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/01

Last update: 26 November 2020

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1 Introduction

1.1 Purpose

On the basis of ABI (Italian Banking Association) guidelines on the adoption of organisational models for the administrative liability of banks, issued in February 2004 and as amended in reference to offences introduced at later dates, the bank decided to adopt and effectively implement its own organisation, management and control model suited to preventing the commission of offences referred to in Italian Legislative Decree 231/01 and corresponding with the organisational structure of the newly-established Parent Company, considering this a key element in the overall governance system in that it ensures that business activities are in line with the corporate strategies and policies and based on sound and prudent management principles.

These regulations are composed of:

- a “general part”, which summarises the reference regulatory framework and describes the aims of the model, the adoption, amendment and updating process, relations between the bank’s model and similar documents of other Group companies, the Supervisory Body, the penalties system, training and provision of intragroup services.
- a “special part” which, in reference to each type of Offence and Crime that the bank has decided to take into consideration due to the characteristics of its business activities, identifies the activities/transactions, transactions at risk and key elements that procedures must have in order to mitigate risks in the aforementioned activities and transactions. For the bank, this special part constitutes the protocol for the purpose of the decree. The special part is supplemented by other regulatory documents which, prepared to define and regulate individual processes typical of the business activities and also inclusive per se of 231 aspects, render the adoption of specific “protocols” superfluous.

1.2 Scope of application and procedures for adoption

The regulations were approved by the Board of Directors.

1.3 Summary of updates

Progressive	Date of update	Update summary content
First approval	21/03/2007	
First update	20/02/2008	Extension of the administrative liability of entities to offences committed in violation of the regulations on occupational health and safety and to money laundering offences.
Second update	21/05/2008	Change in the composition and name of the Supervisory Committee, now the Supervisory Body.
Third update	16/03/2011	Introducing, in the Special Part of the Model, the 'General organisational and procedural principles'.
Fourth update	21/12/2011	Money laundering and terrorist financing offences.
Fifth update	28/02/2013	Offences of market abuse.
Sixth update	28/11/2013	Computer crimes.
Seventh update	21/05/2015	Related parties and associated parties.
Eighth update	17/12/2015	Offence of corruption between private individuals.
Ninth update	26/05/2016	Offence of self-laundering on own account and in concurrence.
Tenth update	27/06/2018	Alignment of the General Part with the Parent Company's Model paradigm and updating of the predicate offences referred to in Italian Legislative Decree 231/01.
Eleventh update	30/09/2020	Updating of the predicate offences referred to in Italian Legislative Decree 231/01 and alignment with the Bank's organisational structure.
Twelfth update	26/11/2020	Update of the predicate offences referred to inItalian Legislative Decree 231/01 (introduction ofArticle 25-sexiesdecies, amendments and new offences against the Public Administration and tax offences).

1.4 Glossary

Regarding the areas and aspects governed by the regulation, the following terms are used (in alphabetical order).

Top executives: persons who hold representation, administration or management positions of the bank, of the companies belonging to the Group or of one of its organisational structures with financial and functional autonomy, as well as persons who manage or control the bank, including on a de facto basis. For these rules, the bank identifies such persons as the members of the Board of Directors, the members of the Board of Statutory Auditors, the Chief Executive Officer and General Manager, the heads of the structures reporting directly to the bodies delegated by the Board of Directors and the heads of the functions identified in the articles of association pursuant to law or regulatory provisions.

Bank: Banca AKROS S.p.A.

Parent company: Banco BPM S.p.A.

Code of Ethics: an internal document adopted by the bank by resolution of its Administrative body, which defines the ethical principles to which the Group intends to conform in all its activities.

Contractors: natural persons or legal entities other than top executives and employees, who cooperate with the bank and perform a service intended solely for the bank (to be regarded as 'subordinates' pursuant to Italian Legislative Decree No. 231/2001), such as financial advisers related to the bank by an agency contract.

Counterparties: natural persons or legal entities other than top executives, employees and contractors in a business relationship with the bank, except for long-term contractual relationships falling within the exercise of the institutional activity of financial brokers and other entities engaged in financial activities.

Decree: Italian Legislative Decree No. 231 of 8 June 2001 and subsequent amendments and additions, as well as the regulations that expressly refer to it.

Recipients: the persons to whom the rules contained in the model apply, namely: top executives and employees. Contractors are also treated as recipients, limited to the general principles of prevention of offences.

Employees: persons working based on relationships which determine their inclusion in the company organisation, even in a form other than an employment relationship with the bank, and who are therefore subject to the management or supervision of top executives, irrespective of the type of

contract in place, including executives (to be regarded as 'subordinates' pursuant to Italian Legislative Decree No. 231/2001) and Group employees on secondment to the bank.

Group: Banco BPM and all companies directly or indirectly controlled by it pursuant to Article 2359 of the Italian Civil Code.

Model: this organisational, management and control model, which is intended to be supplemented by the Code of Ethics, the regulatory system drawn up to define and regulate individual processes typical of the company's activities (in itself complete and also including '231 aspects'), the system of controls and the system of powers and delegations.
Regulations: the set of: (i) laws in force in the country and the relevant implementation measures, including regulations issued and interpretations provided by the competent authorities; (ii) company and Group regulations, in force from time to time; (iii) the applicable collective bargaining agreements.

Body: the Bank's Supervisory Body, appointed pursuant to Article 6 of Italian Legislative Decree No. 231/2001.

Procedure: the codified sequence of internal operational activities, including IT requirements and flows, which govern the performance of a business activity or operation.

Offences: offences giving rise to the bank's liability on the administrative liability of entities pursuant to Italian Legislative Decree no. 231/01, to be understood in this regulation as also including administrative offences that could give rise to similar liability on the part of the bank and for which the model defines suitable prevention principles.

Structure: central or peripheral office structure operating in Italy or abroad with its autonomy established by the company function chart.

Consolidated Banking Law: Italian Legislative Decree No. 385 of 1 September 1993 (Consolidated Law on Banking and Credit).

Consolidated Law on Financial Intermediation: Italian Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Financial Intermediation).

General Part

2 Italian Legislative Decree no. 231 of 8 June 2001

The decree governs situations of direct liability - of a formally administrative nature[1] - of the entity arising from the commission of certain offences by parties functionally linked to the entity, and envisages the infliction of administrative penalties on that entity.

2.1 Nature and features of corporate liability

The corporate administrative liability for the commission of one of the offences for which such liability is envisaged is in addition to - so not replacing - the liability (criminal or administrative) of the perpetrator.

Corporate liability also exists when the perpetrator has not been identified or the case against the guilty party was dismissed for a reason other than a pardon.

2.2 Types of offence identified by the decree

Corporate liability arises only in the cases and within the limits specifically envisaged by law: the entity "cannot be held liable for an event that constitutes an offence, if its liability ... in relation to that event and the related penalties is not specifically envisaged by law", which entered into force prior to commission of the offence.

The entity cannot be held responsible for the occurrence of any event constituting an offence, but only for the commission of offences specifically envisaged in the decree, in the period in which the offence was committed/attempted, in accordance with the original text of the decree and its later amendments, as well as in laws that make specific reference to the provisions of the decree.

Of particular importance for the purpose of identifying material offences, is Italian Law no. 146 of 16 March 2006, ratifying and implementing the United Nations Convention and Protocols against Transnational Organized Crime, adopted by the UN General Assembly on 15 November 2000 and 31 May 2001, which identifies corporate liability.

[1] The liability referred to in the Decree combines essential features of the criminal and administrative systems, in an attempt to reconcile the reasons of preventive effectiveness, typical of the administrative approach, with those of maximum guarantee, the result of a typically criminal approach.

Pursuant to article 3 of this law, the offence committed by “an organised crime Group” must be of a transnational nature, i.e.:

- must be committed in one or more countries, or
- must be committed in one country but with a substantial part of its preparation, planning, management or control in another country, or
- must be committed in one country but implicating an organised crime group involved in criminal activities in more than one country, or
- must be committed in one country but with substantial effects in another country.

2.3 Objective criteria for the allocation of liability

The commission or related attempt to commit one of the offences indicated in the decree constitute the initial grounds for application of the rules imposed by the decree.

The decree envisages additional objective prerequisites and others of a subjective nature.

A fundamental and essential objective allocation criterion is the fact that the offence is committed “in the interests of or, alternatively, to the benefit of the entity”.

This means that corporate liability arises if the unlawful act was committed in the interests of the entity or to its benefit, without any need whatsoever to achieve an effective and real objective. It is therefore a criterion that is substantively based on the purpose - not even exclusive - for which the unlawful act was carried out.

The criterion of benefit instead relates to the positive result objectively drawn by the entity from commission of the offence, regardless of the intentions of the perpetrator.

The entity is not liable, however, if the unlawful act was committed by one of the parties indicated in the decree “solely in their personal interest or that of third parties”. This confirms that, if the exclusive interest pursued inhibits any corporate liability from arising, then vice versa liability does arise if the interests are common both to the entity and to the individual or can refer partly to one and partly to the other.

An additional allocation criterion lies in the relationship that effectively identifies the perpetrator with the entity.

The offence must be committed by one or more qualified parties grouped into two categories by the decree. More specifically:

- by persons responsible for representation, administration or management of the entity or any of its organisational structures with financial and functional independence, or by persons who, even de facto, exercise management or control over the entity (the “senior managers”);
- by persons under the direction or supervision of one of the senior managers (i.e. “subordinates”, who - to be precise - need not merely be employees).

If multiple parties are involved in commission of the offence (giving rise to collusion of individuals in the offence: article 110, Italian Criminal Code; essentially the same applies to a crime), it is not necessary for the “qualified” person to implement all or even part of the typical actions envisaged by law. It is necessary and sufficient that the person provides a knowing causal contribution to the commission of the offence.

2.4 Subjective criteria for the allocation of liability

The decree envisages a series of conditions - some described as positive, others as negative - of a subjective nature (in general, relating to entities) applied as liability arises, which constitute subjective allocation criteria for the unlawful act with which the entity is charged.

In fact, the decree as a whole illustrates corporate liability as a direct liability for which the entity can be guilty per se.

Corporate liability is excluded if - before the offence is committed - the entity has adopted and effectively implemented an organisation, management and control model suitable for preventing the commission of offences such as that perpetrated.

Though not imposed by law as compulsory, the bank decided to adopt a model that complies with the indications in the decree.

2.5 Offences committed by senior managers

For offences committed by persons in “senior” positions, the decree establishes inversion of the onus to prove guilt of the alleged offender, since it envisages the exclusion of liability if it can be shown that:

- “the management body has adopted and effectively implemented, before the offence is committed, organisation and management models suitable for preventing offences of the type committed”;
- “the duty of supervising the function and compliance with the models and arranging their updating has been assigned to a body of the entity that has independent powers of initiative and control”;

- "the individuals committing the offence fraudulently circumvent the organisation and management models";
- "the body with independent powers of initiative and control has not failed to or insufficiently performed its supervision".

The conditions listed from this point must all contribute jointly in order for corporate liability to be excluded.

2.6 Offences committed by individuals as directed by others

For offences committed by individuals under the direction of others (i.e. by persons in a "subordinate" position), the entity can be held liable only if it is confirmed that "commission of the offence was made possible due to failure to comply with management or supervisory obligations".

In other words, the corporate liability is based on failure to perform the duties of management and supervision, duties assigned by law to senior management or transferred to other individuals through valid delegation of powers.

The rules state that failure to comply with management or supervisory obligations does not apply "if, before the offence was committed, the entity adopted and effectively implemented an organisation, management and control model suitable for preventing the commission of offences such as that perpetrated".

2.7 Characteristics of the "organisation, management and control model"

The decree does not govern the nature and characteristics of the organisation, management and control model. It is limited to dictating a number of general principles, partially different in relation to the parties that could commit and offence. In particular, it envisages that if the offence is committed by senior managers, the entity is not liable if it can prove that the model satisfies the following needs:

- identifies the activities within which the offences can be committed ("risk mapping");
- envisages specific protocols designed to plan the formation and implementation of the entity's decisions regarding offences to be prevented;
- identifies methods for managing financial resources suitable to preventing the commission of offences;
- envisages reporting obligations to the Body established to supervise the functioning of and compliance with the models;
- introduces a disciplinary system suitable for penalising failure to comply with the measures indicated in the model.

With regard to offences that can be committed by subordinates, the model must envisage: "...in relation to the nature and size of the organisation and the type of activities conducted, measures suitable for ensuring that activities are carried out in compliance with law and for promptly discovering and eliminating risk situations".

The following are envisaged with regard to effective implementation of the model:

- "periodic verification and, if necessary, amendment when significant violations of its provisions are discovered or when changes occur in the organisation or business activities";
- "a disciplinary system suitable for penalising failure to comply with the measures indicated in the model".

2.8 Offences committed abroad

Under the terms of article 4 of the decree, the entity can be considered liable, in Italy, for certain offences committed abroad.

The prerequisites on which this liability is based are:

- the offence must have been committed abroad by a party functionally linked to the entity: a senior manager or subordinate (according to the terms already discussed above);
- the entity must have its corporate headquarters in Italy;
- the entity can be liable only in the cases and conditions envisaged in articles 7, 8, 9 and 10 of the Italian Criminal Code (and if the law envisages that the guilty individual is punished at the request of the ministry of justice, action is taken against the entity only if the request was also formulated with regard to the entity);
- if the cases and conditions envisaged in the aforementioned articles of the Italian
- Criminal Code are satisfied, the entity will be liable provided that the authorities in the country in which the offence was committed take no action.

2.9 Attempted crime

Corporate administrative liability arises also in a case in which one of the offences referred to in the decree as a source of liability is committed in the form of an attempted crime (article 56, Italian Criminal Code). The penalty inflicted on the entity in a case of a merely attempted predicate offence, pursuant to article 26, Italian Legislative Decree 231/2001, envisages a reduction of one third to a half of that for the entity.

2.10 Penalties

The penalties system envisaged by the decree involves fines and prohibitive penalties.
The administrative penalties applying to the entity are prescribed as a period of five years from the date the offence was committed. If other unlawful acts are committed in the meantime, a new prohibitive period begins.

2.10.1 Fines

Unlike that envisaged under the rest of the criminal and administrative law, the fine is determined by the court through a "quota" system. Every offence envisages a minimum and a maximum quota, the monetary value of which is then determined by the court (from a minimum € 258.00 to a maximum € 1,549.00 per quota), taking into account the "economic and financial conditions of the entity", in terms sufficient to ensure the effectiveness of the penalty.

The administrative financial penalty is inflicted: (i) by the criminal court or the court competent to judge the perpetrator of a criminal act pursuant to Italian Legislative Decree 231/01; (ii) by the administrative authority in cases in which corporate liability is envisaged for an administrative offence committed "in its interest or to its benefit[2]".

If corporate liability is confirmed, the fine is always applied.

Reduced fines are envisaged if the perpetrator committed the offence primarily in their own interest or that of third parties and the entity did not benefit or achieved a minimum benefit, and when the damage caused is particularly slight.

Furthermore, the fine deriving from the offence is reduced by one third to a half if, before the opening announcement in first instance proceedings:

- the entity has fully compensated the damage and has eliminated the damaging or dangerous consequences of the offence or has in any event effectively taken action to do so;
- an organisation, management and control model has been adopted and effectively implemented, suitable for preventing the commission of offences such as that perpetrated.

For the offences referred to in article 187 of the Consolidated Finance Law, if the product or gain achieved by the entity is significant, the fine is increased by up to ten times the amount of such product or gain. The fine is instead increased by one third if - from commission of the offences referred to in article 25-ter - the entity achieved a significant gain.

[2] With reference to the provisions of art. 187-quinquies of Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Financial Intermediation") as subsequently amended and integrated.

2.10.2 Prohibitive penalties

The prohibitive penalties apply in addition to fines and constitute the strongest reactions imposed. The prohibitive penalties envisaged in the decree are:

- a temporary or permanent ban on exercising business activities;
- the suspension or cancellation of authorisations, licences or concessions used to commit the offence;
- the ban on contracting with Public Administration, except to request a public service as beneficiary;
- the exclusion from benefits, loans, contributions or subsidies and potential cancellation of any already granted;
- a temporary or permanent ban on advertising goods or services.

Prohibitive penalties apply only in the cases specifically envisaged and provided at least one of the following conditions is satisfied:

- the entity has profited significantly from the offence and the offence was committed:
  - by a senior manager;
  - by a subordinate, if commission of the offence was facilitated by serious organisational shortcomings;
- repetition of the crimes.

The prohibitive penalties are normally temporary, but as an exception can be applied with permanent effect.

At the request of the public prosecutor, the court can inflict prohibitive penalties on the entity also as a precautionary measure, if there are serious indications that the entity is liable and there are confirmed and specific elements sufficient to consider there is a real danger that offences of the same nature as that referred to in proceedings have been committed.

The Consolidated Banking Law[3] envisages that prohibitive penalties cannot be inflicted upon banks as a precautionary measure.
The same regulations establish a flow of information between the public prosecutor, the Bank of Italy and Consob regarding any proceedings opened against a bank.

[3] **Article 97-bis. Liability for administrative offence dependent on crime.**
(1) (omissis)
(2) (omissis)
(3) (omissis)
(4) The prohibitory sanctions indicated in Article 9, paragraph 2, letters a) and b) of Legislative Decree No. 231 of 8th June 2001 may not be applied to banks as a precautionary measure. Article 15 of Legislative Decree No. 231 of 8 June 2001 does not apply to banks.
(5) (omissis)...

The prohibitive penalties do not apply (or are revoked if already inflicted as a precautionary measure) when, before the opening announcement in first instance proceedings, the following conditions are satisfied:

- the entity has fully compensated the damage and has eliminated the damaging or dangerous consequences of the offence or has in any event effectively taken action to do so;
- the entity has eliminated the organisational shortcomings that led to the offence, by adopting and implementing organisation, management and control models suitable for preventing the commission of offences such as that perpetrated;
- the entity has made the profit achieved available for sequestration;
- the perpetrator committed the offence primarily in their own or third party interest and the entity did not gain or achieved only a minimal gain;
- the resulting financial loss is particularly slight.

If all the conduct referred to above has been adopted - considered to be voluntary redemption - a fine rather than a prohibitive penalty is inflicted.

2.10.3 Other penalties

In addition to the fines and prohibitive penalties, the decree envisages another two types of penalty[4]:

- sequestration, consisting in the State acquiring part of the price or gain from the offence (or, if sequestration cannot be performed directly on the price or gain from the offence, in apprehending sums of money, assets or other items of value equating to that price or gain);
- publishing of the conviction on the web site of the Ministry of Justice, as well as on the noticeboard of the municipality in which the entity's registered office is located

4 If the conditions set out in article 15 of the Decree and in articles 3, 10, 11 of Law no. 146 of 16 March 2006 are met, if the conditions exist for the application of a disqualification sanction that leads to the interruption of the company's activity, the judge, instead of applying the sanction, orders the continuation of the company's activity by a commissioner for a period equal to the duration of the disqualification sanction that would have been applied. By express provision of article 97-bis TUB, this solution does not apply to banks.

2.11 Entity-changing events

The decree governs corporate liability in a case of changing events (transformation, merger, demerger and business transfer).

In general terms, it establishes that “the obligation to pay the fine” inflicted on the entity “applies solely to the entity, from its own assets or mutual fund”.

Any direct financial liability of shareholders or associates, regardless of the legal nature of the entity, is therefore excluded.

The general criteria for inflicting fines on the entity are those established by civil law on the liability of an entity that is transformed due to the debt of the original entity.

The prohibitive penalties remain the liability of the entity which retained (or into which was merged) the business unit in which the offence was committed, without prejudice to the option of the post-transformation entity to obtain conversion of the prohibitive penalty into a fine, as soon as the post-merger or post-demerger reorganisation process has eliminated the organisational shortcomings that made commission of the offence possible.

The decree states that, in a case of “transformation of an entity, liability remains for offences committed prior to the effective date of the transformation”.

Changes to the legal structure (company name, legal format, etc.) are irrelevant to corporate liability: the new entity will be the recipient of penalties applying to the original entity for offences committed prior to the transformation.

As regards the potential effects of mergers and demergers, the post-merger entity, whatever the merger format, “is held liable for offences for which the entities involved in the merger were liable”. When the post-merger entity takes over the legal relations of the merged entities and the related business activities are consolidated, including those within which the offences were committed, the liability is transferred to the post-merger entity.

If the merger occurred prior to the conclusion of proceedings that pronounce corporate liability, the court must take into account the economic conditions of the original entity and not those of the post-merger entity.

In the case of a partial demerger, when the demerger transfers only a part of the assets of the demerged entity, which continues to exist, liability remains with the demerged entity for offences committed prior to the demerger. The collective beneficiary entities of the demerger, which received (all or part) of the assets of the demerged entity, are jointly liable for payment of the fines owed by the demerged entity for offences committed prior to the demerger.

This obligation is limited to the value of the assets transferred: such limits do not apply to the beneficiary entities that take over - even if only in part - the business unit within which the offence was committed.

Lastly, the decree governs cases of business disposal or transfer. For the disposal or transfer of a company within which the offence was committed, the transferee is jointly liable with the transferring entity for payment of the fine, to the extent of the value of the company transferred and without prejudice to the right to prior enforcement of the transferring entity.

The liability of the transferee - in addition to being limited to the value of the company sold (or transferred) - is also limited to the fines recorded in compulsory accounting records, i.e. due for offences of which the transferee was in any event aware.

2.12 Predicate offences and other crimes

2.12.1 The original corpus of predicate offences

The decree envisages certain groups of offences which can give rise to corporate liability.
The "governance of administrative liability of legal entities, companies and associations, including those lacking legal personality, pursuant to art. 11 of Italian Law no. 300 of 29 September 2000", as issued through Italian legislative decree no. 231 of 8 June 2001, originally introduced the following articles: 24 «improper receipt of funds, fraud against the State or a public entity or for the purpose of obtaining public funds and computer fraud against the State or a public entity» and 25 «bribery and corruption».

2.12.2 Subsequent implementation of the group of predicate offences

The number of offences under Italian law was later expanded by:

1. Legislative Decree no. 350 of 25 September 2001, which introduced article **25-bis** "counterfeiting of coins, legal tender and revenue stamps";
2. Legislative Decree no. 61 of 11 April 2002, which introduced article **25-ter**, "corporate offences";
3. Law no. 7 of 14 January 2003, which introduced article **25-quater** "terrorist offences or crimes to subvert the public order";
4. Law no. 228 of 11 August 2003, which introduced article **25-quinquies** "crimes against the person";

5. Law no. 62 of 18 April 2005, which introduced article **25-sexies**, “market abuse” (crimes and related administrative offences);
6. Law no. 262 of 28 December 2005, which added the offence referred to in article 2629-bis of the Italian Civil Code “failure to report conflict of interest” to article 25-ter and doubled the fines envisaged in article 25-ter;
7. Law no. 7 of 9 January 2006, which introduced article **25-quater.1** “female genital mutilation practices”;
8. Law no. 38 of 6 February 2006, which amended article 25-quinquies, paragraph 1, letters b) and c) by extending the regulations to include pornographic material referred to in article 600-quater of the Italian Criminal Code;
9. Legislative Decree no. 231 of 21 November 2007, which implemented Directive 2005/60/EC on preventing the use of the financial system for the purpose of laundering the gains from criminal activities and for terrorism financing, introducing article **25-octies** “receiving stolen goods, money laundering and the use of money, goods or other proceeds from crime”;
10. Law no. 48 of 18 March 2008 (ratification and implementation of the Council of Europe Convention on Cybercrime, signed in Budapest on 23 November 2001 and the rules for transposition to Italian law), which introduced article **24-bis** “cybercrimes and unlawful data processing”;
11. Legislative Decree no. 81 of 9 April 2008, implementing article 1, Law no. 123 of 3 August 2007 on occupational health and safety, which introduced article **25- septies** “manslaughter or actual or grievous bodily harm committed in violation of the regulations on occupational health and safety”;
12. Law no. 94 of 15 July 2009 (provisions on public safety) which, after article 24-bis of the decree, added article **24-ter** “cases of organised crime”;
13. Law no. 99 of 23 July 2009 (provisions on business development and internationalisation, as well as on energy) which:
    - supplemented article 25-bis of the decree with the crimes referred to in articles 473 and 474 of the Italian Criminal Code and amended the heading of the article to: “counterfeiting of coins, legal tender, revenue stamps, identification instruments and distinctive signs”;
    - after article 25-bis of the decree, added article **25-bis.1** “trade and industry offences”;
    - after article 25-octies of the decree, added article **25-novies** “violation of copyright offences”;
14. Law no. 116 of 3 August 2009 (ratification and implementation of the United Nations Convention against Corruption, adopted by the UN General Assembly on 31 October 2003 by Resolution no. 58/4, signed by Italy on 9 December 2003, as well as transposition rules to Italian law and amendments to the Italian Criminal Code and Code of Criminal Procedure), which after article 25-novies of the decree introduced article **25-decies** “incitement not to provide testimony or to give false testimony to judicial authorities”;
15. Legislative Decree no. 121 of 7 July 2011 (implementing Directive 2008/99/EC on protection of the environment through criminal law, as well as Directive 2009/123/EC which amends Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements), which after article 25-decies of the decree introduced article **25-undecies** “environmental offences”;

16. Legislative Decree no. 109 of 16 July 2012 (implementing Directive 2009/52/EC which provides minimum standards on sanctions and measures against employers of illegally staying third-country nationals), which after article 25- undecies of the decree introduced article **25-duodecies** "employment of illegally staying third-country nationals";
17. Law no. 190 of 6 November 2012 (provisions for the prevention and repression of corruption and unlawfulness in Public Administration), which with article 77 amends:
    - the heading to article 25 of the decree, after "bribery" adding the words "illicit incitement to give or promise gains". As a result of this amendment, the header to article 25 of the decree reads as follows: "bribery, illicit incitement to give or promise gains";
    - the body of the text of article 25 of the decree, adding in paragraph 3 a reference to the new "article 319-quater of the Italian Criminal Code";
    - the body of the text of article 25-ter of the decree, adding the following in paragraph 1, after letter s): "s-bis) for the crime of private-to-private corruption, in cases envisaged in article 2635, paragraph 3 of the Italian Civil Code";
18. Law no. 6 of 6 February 2014, converting with amendments Law Decree no. 136 of 10 December 2013, which introduced article 256-bis to the "environmental code" envisaging the offence of "illegal burning of waste";
19. Legislative Decree no. 39 of 4 March 2014, which extended the crimes referred to in article 25-quinquies of the decree to include that of article 609-undecies of the Criminal Code "child grooming";
20. Law no. 62 of 17 April 2014, which amended article 416-ter of the Criminal Code: "electoral exchange between politicians and the mafia";
21. Law no. 186 of 15 December 2014 (provisions on the exposure and repatriation of capital held abroad, as well as to enhance the fight against tax evasion. Provisions on self-money laundering) which (after article 648-ter of the Criminal Code), with article 3 paragraph 3, added article 648-ter.1, extending the corpus of predicate offences referred to in article **25-octies** of the decree to include "self-laundering", and amending the header to "receiving stolen goods, money laundering and the use of money, goods or other proceeds from crime, as well as self-laundering";
22. Law no. 68 of 22 May 2015 (provisions on environmental offences), which extended the corpus of predicate offences referred to in article 25-undecies of the decree by introducing the following cases: "environmental pollution" (article 452-bis of the Criminal Code), "environmental disaster" (article 452-quater of the Criminal Code), "environmental offences with criminal intent" (article 452- quinquies of the Criminal Code) and "trafficking and dumping of highly radioactive material" (article 452-sexies of the Criminal Code);
23. Law no. 69 of 27 May 2015 (provisions on crimes against Public Administration, mafia-type association and false accounting), which made changes to the crime of "bribery", a predicate offence referred to in article 25 of the decree, and the offence of "false financial disclosures" in article 25-ter of the decree, with particular regard to the offence of "false accounting";
24. Law no. 199 of 29 October 2016 (provisions on the fight against undeclared labour, exploitation of agricultural labour and pay realignment in the agricultural sector), which amended the offence of "illegal brokering and exploitation of labour" (article 603-bis, Italian

Criminal Code) and supplemented article 25- quinquies of the decree on “crimes against the person”;

25. Law no. 236 of 11 December 2016 (amendments to the Italian Criminal Code and to Law no. 91 of 1 April 1999 on transplant organ trafficking, as well as to Law no. 458 of 26 June 1967 on kidney transplants between living persons), which amended the offence of “criminal association” (article 416 of the Italian Criminal Code) referred to in article 24-ter “cases of organised crime” in the decree;
26. Legislative Decree no. 38 of 17 March 2017, which amended the offence of private-to-private corruption and extended the corpus of predicate offences referred to in article 25-ter of the decree, introducing the case of incitement to corruption (article 2635-bis, Italian Civil Code);
27. Law no. 161 of 17 October 2017, which introduced additional crimes to article 25-duodecies of Italian Legislative Decree 231/01 in relation to illegal immigration pursuant to article 12, Italian Legislative Decree 286/1998 and regarding aiding and abetting illegal entry and facilitating illegal immigration;
28. Law no. 167 of 20 November 2017 (provisions on compliance with obligations deriving from Italy’s membership of the European Union - the 2017 European Law), which introduced to article 25-terdecies to Italian Legislative Decree 231/01 the racism and xenophobia offences referred to in article 3, paragraph 2, Law no. 654 of 13 October 1975, later included in article 604-bis of the Criminal Code - propaganda and incitement to commit offences for racial, ethnic and religious discrimination purposes - introduced by Legislative Decree no. 21 of 1 March 2018;
29. Law no. 3 of 9 January 2019 (provisions on combating offences against Public Administration, as well as on the statute of limitations on such offences and on transparency in political parties and movements), which amended articles 13 (paragraph 2), 25 (paragraphs 1, 5, 5-bis), 51 (paragraphs 1 and 2) of Italian Legislative Decree 231/01, introducing the predicate offences of article 346-bis of the Italian Criminal Code (unlawful influence trading) and the reasons for non- punishment pursuant to article 323-ter of the Criminal Code, amending articles 2635 and 2635-bis of the Italian Civil Code and articles 316-ter, 318, 322-bis and 346-bis of the Criminal Code;
30. Law no. 39 of 3 May 2019 (ratification and implementation of the Council of Europe Convention on the Manipulation of Sports Competitions, signed in Magglingen on 18 September 2014), which introduced article 25-quaterdecies to Italian Legislative Decree 231/01 (fraud in sports competitions, illegal gambling or betting operations and gambling using forbidden devices);
31. Law no. 133 of 18 November 2019, converting with amendments Law Decree no. 105/2019, which contained urgent measures on the scope of national cybersecurity and added the crimes referred to in article 1, paragraph 11 of the aforementioned Law Decree to article 24-bis (“Cybercrimes and unlawful data processing”) in Italian Legislative Decree 231/2001.
32. Italian Legislative Decree no. 124 of 26 October 2019 (Measures to counter evasion of tax and social security contributions and tax fraud), converting with amendments Law Decree no. 157 of 19 December 2019, which introduced art. **25 quinquiesdecies**, relating to tax offences.
33. Italian Legislative Decree no. 75 of 14 July 2020 which implements EU Directive 2017/1371 relative to the fight against fraud affecting the financial interests of the Union through criminal

law which introduced art. **25 sexiesdecies**, relating to contraband and has modified and introduced new offences in articles 24 and 25 of Italian Legislative Decree no. 231/01 (offences against the Public Administration) and article 25 quinquiesdecies (tax offences).

2.12.3 Further provisions contained in other Italian regulatory measures

34. Law no. 146 of 16 March 2006 (ratifying and implementing, of the United Nations convention and protocols against transnational organized crime, adopted by the UN General Assembly on 15 November 2000 and 31 May 2001) with reference to article 3 “definition of transnational offence” and article 10 “corporate administrative liability”;
35. Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Financial Intermediation, pursuant to articles 8 and 21 of Italian Law no. 52 of 6 February 1996) with reference to article 187-quinquies “corporate liability” as later amended by Italian Legislative Decree no. 107 of 10 August 2018.

The headings for all offences contemplated in the decree are indicated in the document “catalogue of offences and crimes pursuant to Italian Legislative Decree 231/01” which is updated, made available in the 231 document repository on the corporate Intranet and forms an integral part of the model.

3 Nature of the model

With adoption of the model, the bank intends to satisfy the provisions of law, complying with the guiding principles of the decree, corporate governance codes and the recommendations of the Supervisory Authorities, as well as to make the control and corporate governance systems more effective, particularly with regard to the objective of preventing the commission of offences envisaged in the decree and in laws that make specific reference to it.
The model has the following objectives:

- awareness of the activities that present a risk of committing offences significant to the bank;
- awareness of the rules and protocols governing activities at risk;
- suitable, effective information to recipients on the methods and procedures to be adopted when carrying out activities at risk;
- awareness of the disciplinary consequences that they or the bank could face as a result of violation of legal, regulatory or internal bank regulation provisions;
- dissemination, personal adoption and strong consolidation of a business culture based on lawfulness, aware of the bank's specific condemnation of all conduct that is contrary to law, regulations, corporate governance, Supervisory Authority instructions, internal regulations and, in particular, the provisions contained in the model;
- dissemination, personal adoption and strong consolidation of a culture of control, which must supervise the achievement of objectives imposed by the bank over time - solely on the basis of decisions duly adopted by the competent corporate bodies;
- efficient and balanced organisation of the bank, with particular regard to the clear allocation of powers, forming of decisions and their transparency and justification, the prior and subsequent controls of documents and activities, as well as the fairness and truthfulness of internal and external information.

The provisions of the model supplement those of the Code of Ethics adopted by the banks and forming an essential basis thereof.
This model constitutes a bank regulation that is binding on the bank itself and on the recipients to which it applies.

4 Subjective scope of application of the model

The rules contained in the model apply to the recipients, who are obliged to comply with all its provisions, also in satisfying the duties of loyalty, fairness and diligence arising from legal relations established with the bank.

The bank condemns and disciplines any conduct that does not comply with the law, provisions of the model and the Code of Ethics, and likewise conduct that is adopted with a view to circumventing the aforementioned provisions, also if the conduct is adopted in the conviction that it pursues, even only in part, the interests of the bank or is with the intention of benefiting the bank.

The bank disseminates the model by methods suitable for guaranteeing real awareness from all the recipients, who are required to ensure the broadest possible commitment and maximum professionalism in their assigned duties. Publication in the “Regulations” section of the corporate Intranet is the moment in which the model and all regulations relevant for the purpose of provisions of the decree are considered issued to the recipients and become operationally effective. At the time of recruitment, new recruits receive instructions to access the regulations section of the corporate Intranet to become fully aware of the model and undertake to comply with the related provisions, signing a specific declaration to this effect.

At the time of signing a contract, collaborators receive the summary document of the model, Code of Ethics and anti-corruption policies.

Compliance with the contents of the model is also guaranteed in reference to:

- the general part, by collaborators’ acceptance of a contractual clause in which they confirm their awareness of the decree;
- the special part, by the supervisory duties of outsourced activity contacts assigned to supervision of the operations of collaborators.

5 The bank model

5.1 The evolution of the model

The bank adopted an initial Model in January 2004, which was subsequently updated on several occasions to comply with legal provisions, and in particular with the inspiring principles of the Decree, the recommendations of the Supervisory Authorities and the guidelines of the brokers' trade associations (ABI and Assosim), and to keeping the bank's internal control system constantly updated for the offences provided for in the Decree.

On 1 January 2017, the parent company Banco BPM was created due to the merger between Banco Popolare and Banca Popolare di Milano. Since its incorporation, Banco BPM has decided to adopt and effectively implement a model suitable for preventing the commission of the offences referred to in the Decree, the principles and guidelines of which were adopted by the bank to adapt to the new Group structure in 2018.

Following the consolidation of the bank's organisational structure, the mapping of areas and activities at risk was carried out in the second half of 2019, applying the broad methodology described below, in line with the indications of industry guidelines, best practices, doctrine and case law. The evidence of this activity, together with updating the predicate offences referred to in the decree, made it appropriate to update the model.

5.2 Organisational management

Maintenance of the model is arranged by the Organisational function of the Parent Company, which can make use of support from the Audit, Compliance, Legal and Regulatory Affairs functions of the Parent Company and all other functions to the extent of their responsibilities, in order to pursue the following objectives:

- start and manage the model updating process in relation to changes in 231/01 provisions identified as part of the business processes for monitoring external regulations, when there are substantial changes to the business model or organisational structure sufficient to change or redistribute the risks of committing offences;
- define and maintain a standard approach to consistently recording and assessing risks in a manner compliant with regulations, and with indications formulated by case law and banking system best practices;
- report to the Board of Directors, to top line management (to the extent of their responsibility) and to the Supervisory Body of the bank on the results of risk assessment activities, including any improvement actions for the controls to ensure the overall effectiveness of the control system.

5.3 Mapping of areas/activities at risk

The mapping is performed on the basis of an examination of internal documents, in particular:

- the corporate organisational function chart which shows the structures, the reporting architecture and the responsibilities assigned to each;
- the resolutions and reports of the administrative and control bodies and the Supervisory Body;
- updates to the corporate and Group regulatory systems;
- the system of delegations and powers;
- the system of controls;
- the reports from structures regarding changes to their own procedures for effective implementation of the model;

as well as external sources, and in particular:

- developments in legislation on corporate administrative liability;
- regulations, for profiles of respective responsibility, of the European Central Bank, Bank of Italy, Consob and other designated supervisory authorities;
- indications contained in ABI (Italian banking association) guidelines and any other relevant sector guidelines.

Risk mapping is carried out only from activities carried out directly by the bank (or for other Group companies) and not also for those outsourced to other Group companies, for which risk identification and the establishment of mitigation measures is the responsibility of the outsourcers[5].

However, as the bank is liable for any offence that might be committed in its interest or to its benefit, through the Parent Company Organisational function the Group outsourcers make documentation available to the bank (the mapping results, specific special parts of their own model and any other regulations of importance in governing corporate administrative liability) in relation to the activities managed on the bank's behalf, so that the set of findings of all those involved in development of an entire process (multiple structures of the bank, the bank itself and the outsourcer, multiple structures of a single outsourcer or multiple outsourcers) places the bank - as owner - in a position of having an integrated and systematic map that allows:

- overall census of "231 risks" that must be included in the special parts of the model;

[5] Since the Outsourcer is the owner of the company organization that performs the service, it is up to the latter - first and foremost - to censure the "231 risks" and adopt the organizational measures aimed at preventing them. The protection of the Client (which does not have direct powers of intervention in the organization of the person performing the service) is achieved contractually.

It follows that each Company must take a census of both the activities at "231 risk" carried out by itself and the activities at "231 risk" carried out for other Group Companies and that, as a result of the census, the Outsourcer must indicate the measures aimed at preventing the perpetration of Offences also against the Principal.

- assessment of the adequacy as a whole of controls put in place to mitigate its own risks and those attributable to the outsources used for the provision of specific services;
- identification and monitoring of the action that has to be taken to mitigate the risks as detected overall. In this respect, the bank:
  - as owner, monitors the level of service received, detecting and reporting to the outsourcers without delay on events that can be deemed an alleged violation or a risk of violating 231 regulations;
  - as outsourcer (where appropriate), periodically arranges reporting on the implementation status of improvement action planned with regard to activities carried out for other Group companies.

Without prejudice to the above, for each structure the Organisational function of the Parent Company, where necessary with support from other competent corporate functions, sets up a dedicated work group to:

- prepare risk assessment sheets that cover all the responsibilities as defined in the organisational function chart;
- use as reference the offences contemplated in the decree as at the mapping project start date;
- meet with the heads of the organisational structures to verify the completeness of their assigned responsibilities and that the risks/offences concerned match those responsibilities, as indicated in the risk assessment sheet submitted to them following pre-analysis of the available documentation and information.

The latter are responsible for:

- the execution, operational success and effective application of the processes over time, proposing amendments to the procedures under their responsibility when such changes appear necessary for efficient implementation of the model;
- verifying the existence and proposing remedies to the Organisational function for any shortcomings in the regulations that could give rise to foreseeable risks of offences being committed within the scope of activities under their responsibility;
- reporting any irregular situations or anomalous conduct to the Supervisory Body;
- ensuring constant updating of the risk assessment sheet and making this available to the Supervisory Body;
- taking action on forms to:
  - supplement them with information regarding: (i) the frequency with which a responsibility is implemented, (ii) assessment of the adequacy of specific controls put in place for risk/offence mitigation;
  - amend them (if considered necessary) with regard to the contents included by the work group;
  - submit their own observations;
  - share the contents (also after discussion with the work group as necessary) and sign them to acknowledge awareness of the 231/01 risks intrinsic to their responsibilities and to those of the structures under their responsibility;
  - return them to the Organisational function.

With regard to the activities for preparation of the risk assessment sheets referred to in previous points, the work group takes into account the possible means by which offences can be committed in the various business areas. In particular:

- provides examples of the cases and opportunities for offences that can arise in the internal and external operating contexts with which the corporate structures relate;
- assesses risks by correlating them to their potential materiality (under the terms of the decree) in the real and actual business framework (institutional and corporate) of the bank and in line with the methodological approach adopted;
- takes into account the bank's past affairs (also referring to events affecting companies later merged into the bank), those of other Group companies, other entities operating in the same sector and instructions contained in sector guidelines issued by the Italian banking association.

On completion of the above activities which, as already mentioned, are supplemented by constant support activities and discussion with the heads of structure, the work group goes on to examine the risk assessment sheets which:

- result in independent identification of risks, where indications from the structures after changes to the sheets submitted proved insufficiently motivated, which are formally communicated to the heads of the aforementioned structure in the consolidated sheets returned on completion of the mapping procedures;
- through systematic and cumulative reading of the findings, allows harmonisation and standardisation of the risks based on whether their degree of materiality is low or high;
- ensures impartiality in the risk assessment and subsequent gap analysis.

The company areas that are potentially exposed to the risks of committing the offences outlined in the 231 regulations are indicated in the report on the census and risk assessment which the Parent Company's Organisation Department prepares at the end of the mapping activities for the structures, for the higher structures, for the Chief Executive Officer and the Board of Directors at the end of the risk assessment.

The risk assessment, as set out above, must be considered integrated with the offences or opportunities for offences identified concerning the Management Committees (where established) and those provided for by the Articles of Association, the Company Bodies and those relating to the Group's outsourcers to which the Bank has outsourced its activities.

This mapping method makes it possible to identify the link between the sensitive activities referred to in the special parts of the model and each of the corporate functions exposed to a certain risk of offence. Thus, each recipient can clearly see what risks they are exposed to, what their role is and what rules govern their work.

Mapping documentation, which is an integral part of the model, is made available in a specific repository on the company network:

- of the bank's Body;
- of the Group companies for which the bank may act as outsourcer.

The monitoring of the areas and activities at risk of commission of offences requires an audit of the model to be carried out every three years or whenever there are significant changes or amendments:

- in the legislative and regulatory system, including internal, governing its activities;
- in its company structure or in its organisation or breakdown;
- in its business or its services or goods offered to customers, including financial instruments or products;
- in the event of the emergence of previously unidentified risks (e.g. arising from audit or reporting activities).

In such cases, there is provision for a review of the mapping of company processes and activities in which the risk of commission of one of the offences expressly referred to in the Decree could arise.

5.4 The regulatory framework, the system of delegation of powers and of controls as a prerequisite for the model

The bank takes the utmost care in defining organisational structures, procedures, regulations and the control system in order to ensure efficiency, effectiveness and transparency in the management of activities and the allocation of related responsibilities.

In accordance with the primary rules and regulations applicable to it, the bank has adopted a complex system of rules that serve the following purposes:

- organising the system of powers and delegations;
- regulate and standardise the activities carried out within the bank;
- managing relations between the various players in the system of controls;
- regulate the flow of information between the components of the corporate organisation and the Group;

which constitutes the preceptive basis of what is a model according to the decree and which is defined and constantly monitored in order to comply with the regulatory provisions to which the bank is subject.

This set of special rules, as well as the fact that it is subject to supervision by the European Central Bank, the Bank of Italy, Consob and other competent authorities, also constitutes an effective tool for preventing unlawful conduct in general, including that provided for in the rules on the administrative liability of entities.

This model and the regulatory framework described in the following section also provide effective protection against the risks arising from the decree. the regulatory framework described in the following paragraph, the control system and the system of powers and system of controls and the system of powers and delegations, which form an integral and substantial part of it.

5.4.1 The Group’s Regulatory Framework/System

The regulatory framework aims to ensure:

- compliance with corporate strategies and the achievement of the effectiveness and efficiency of corporate processes.

- the safeguarding of the value of assets and protection against losses;

- the reliability and integrity of accounting and management information;

- compliance of operations with the law and supervisory regulations, as well as with company policies and plans.

It consists of:

- governance documents that oversee the operation of the bank;

- more strictly operative norms (and among these the model) that, in themselves inclusive also of the 231 aspects, constitute protocols for the purposes of the regulations on the subject of corporate administrative responsibility.

The contents of the instruments listed above are not reported in detail in the model but are part of the broader system of organisation, management and control that it is intended to integrate and that senior management and employees are required to comply with.

The body of regulations, which is contained and catalogued in a specific document repository on the company's intranet, is overseen by the specific Regulatory structure of the Parent Company, which is also responsible for overseeing the overall regulatory process, the final act of which - publication on the company's intranet - is the moment in which the regulatory document is considered delivered to the structures to which it is addressed and becomes operationally effective.

The internal discipline as well as the managerial and operational interactions between the various components of the Group are governed by the formal operating mechanisms set out in the management and coordination regulations.

5.4.2 The system of powers and delegations

The role of the Board of Directors

The management of the company is the exclusive responsibility of the Board of Directors.

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the company, with the right to carry out all acts, of disposal or otherwise, appropriate for the implementation and achievement of the corporate purposes, except for those powers that the law or the Articles of Association reserve for the Shareholders' Meeting.

The role of the Board of Statutory Auditors

The Board of Statutory Auditors performs the duties and exercises the functions envisaged by the regulations in force, and in particular monitors:

- compliance with the law, regulations and articles of association as well as compliance with the principles of proper administration;
- the adequacy of the company's organisational and administrative-accounting structure and the financial reporting process, to the extent of its authority;
- the effectiveness and adequacy of the risk management and control system, internal audit and the functionality and adequacy of the overall internal control system;
- the external audit process of the annual and consolidated accounts;
- how the rules of corporate governance with which the company claims to comply are actually implemented;
- the adequacy of the instructions given by the company to its subsidiaries in the exercise of management and coordination activities;
- the independence of the external auditors, in particular as regards the provision of non- audit services.

The Board of Statutory Auditors is vested with the powers provided for by law and regulations. It reports to the Supervisory Authorities in compliance with the regulations in force from time to time.

Without prejudice to the obligation referred to in the previous paragraph, the Board of Statutory Auditors reports to the Board of Directors any shortcomings and irregularities found, requests the adoption of appropriate corrective measures and checks their effectiveness over time.

The role of Delegated Bodies

The Board of Directors can delegate its powers to a Chief Executive Officer, determining the limits of the delegation. The Board can appoint a General Manager. If a Chief Executive Officer has been appointed, the office of General Manager is held by the same person.

The structures

The structures - where required - operate based on specific company and Group regulations, which define their areas of competence and responsibility. These regulations are stored in a special document repository distributed within the bank via the group intranet and are constantly updated by the competent functions. Operational procedures governing how the various business processes are carried out are also disclosed in the same way. As a result, the main decision-making and implementation processes concerning the bank's operations are codified and can be monitored and known by the entire organisational structure.

Managerial and white-collar personnel with delegated powers, or who have been assigned certain tasks to be carried out within the operational unit to which they are assigned, are responsible for strict compliance with general and special laws, the Articles of Association and the resolutions of the Management Bodies.

The power to delegate is exercised through a transparent, constantly monitored process, graded according to the role and position held by the delegate.

Moreover, the procedures for signing deeds, contracts, documents and correspondence, both external and internal, are formalised, and the relevant powers are granted in combined or single form. In particular, please note that all acts, contracts, documents and correspondence, both external and internal, enacting/binding for the bank must usually be signed with a joint signature, without prejudice to special ad personam delegations.

5.4.3 The internal control system

The internal control system is composed of the set of rules, functions, structures, resources, processes and procedures that, through a suitable identification, measurement, management and monitoring process of the main risks, aims to ensure the following in compliance with sound and prudent management:

- verification of the implementation of business strategies and policies;
- containment of risk to within the limits indicated in the risk appetite framework (RAF) of the Parent Company;
- safeguarding of asset values and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of business information and IT procedures;
- prevention of risks to which the bank is exposed, including involuntarily, through unlawful acts (with particular reference to those associated with money laundering, usury and terrorism financing);
- operational and regulatory compliance with the law and supervisory regulations, as well as with policies, plans and internal regulations and procedures.

The internal control system plays a central role in the business organisation and represents a key source of knowledge for the corporate bodies so as to guarantee full awareness and responsibility for the effective monitoring of business risks and their interrelations; steers the strategic guidelines and company policies and therefore the organisational context; monitors the operations of the management systems and compliance with the prudent regulatory institutions; promotes the dissemination of a correct culture of risks, lawfulness and corporate values.

Given these characteristics, the internal control system is of strategic importance. The control culture holds a strong position on the scale of business values and does not only refer to the control functions, but also involves the entire organisation (corporate bodies, structures, hierarchical levels, personnel) in the development and application of logical and systematic methods for identifying, measuring, communicating, managing and continuously verifying the risks typical of banking activities and of the Group companies.

To achieve this objective, the internal control system must in general:

- ensure the completeness, adequacy, operations (in terms of efficiency and effectiveness) and reliability of the risk management process and its consistency with the RAF;
- envisage that control activities are disseminated to every operating segment and hierarchical level;
- guarantee that any anomalies detected are promptly brought to the attention of the appropriate levels of the company (to corporate bodies, if significant) able to quickly take corrective measures; incorporate specific procedures for acting upon any violation of operating limits.

The bank's internal control system must ensure that operations as a whole are designed to satisfy the general principles outlined above, with which the conduct of individuals, functions and corporate bodies must comply.

The players involved in the internal control system are the corporate bodies, board committees and management committees, control functions and the series of functions which in accordance with legal, regulatory, statutory or self-governance provisions are responsible for control, also including the Supervisory Body.

The bank adopts a three-level internal control system, in line with current legal and regulatory provisions. This model envisages the following types of control:

- line controls (first level controls): carried out by the operating structures which have prime responsibility for the risk management process. As part of their operations they must identify, measure, monitor, mitigate and report risks deriving from ordinary business activities. The scope of these controls is to guarantee the correct execution of transactions. These are integrated into procedures or carried out manually through hierarchical, systematic and sample checks;
- risk and compliance controls (second level controls): ensure implementation of the risk management process, compliance with operating limits assigned to the various functions and regulatory and operating compliance with rules, including self-governance rules. The functions performing second level controls are separates from operating functions and assist in defining the risk management process;
- internal audit (third level controls): aim to identify violations of procedures and regulations as well as periodically assess the completeness, adequacy, operations (in terms of efficiency and effectiveness) and reliability of the internal control system and the ICT Audit system, with a frequency established according to the nature and intensity of the risks.

6 Adoption, modification and updating of the model

The Board of Directors has sole responsibility for the adoption, amendment and effective implementation of the model.

The Board of Directors:

- amends the model if significant violations or sidestepping of its provisions are found, highlighting its inadequacy, even if only partial, in guaranteeing effective prevention of the offences and crimes;
- updates all or part of the model, also at the proposal of the Supervisory Body, if changes or amendments are made to:
    - the legal and regulatory system, external or internal, governing the activities of the bank;
    - the corporate structure or in the organisation or activities of the bank;
    - the bank's activities or its goods or services offered to customers, including financial instruments or products;
- ensures the effective implementation of the model, through assessment and approval of the actions necessary to implement and amend it.

The Parent Company Organisation function defines the structure of the model and prepares proposals for changes to it. These proposals are first communicated to the Parent Company Compliance function, which provides a compliance opinion, and then to the Body, which expresses a non-binding opinion.

Notwithstanding the above, the Parent Company's Organisation function can make non- substantial changes to the model if necessary to improve its clarity or efficiency. These changes are communicated to the Parent Company Compliance function, the Body and the Board of Directors.

Through the adoption and effective implementation of the model, the bank aims to

- in all persons operating on behalf of the bank in areas which, by their nature, can give rise to the commission of offences referred to in the decree, determine the awareness that they could face, if the related instructions and provisions are violated, disciplinary or contractual consequences, in addition to criminal and administrative penalties that could be inflicted upon them;
- reiterate that such forms of unlawful conduct are strongly condemned as, even if the bank could apparently benefit, they are - in any event - contrary not only to the provisions of law, but also to the principles that the bank intends to comply with in the exercise of its business activities;
- through monitoring of the business areas at risk, allow the bank to promptly intervene in order to prevent or combat the commission of offences and sanction conduct that is contrary to its model.

The effective and firm implementation of the model is also guaranteed by:

- senior managers and the heads of the various structures,
- the Supervisory Body, in exercising its powers of initiative and control over activities carried out by individual structures;

Through the Organisational function of the Parent Company, the senior managers and heads of the structures concerned submit proposals to the competent functions for amendment of the procedures under their responsibility when such changes appear necessary for efficient implementation of the model. The procedures and related amendments are promptly reported to the Supervisory Body.

The Supervisory Body reports in writing to the chairman of the Board of Directors and to the Chief Executive Officer on events that suggest an opportunity or need to amend or review the model. In this case, the Chairman of the Board of Directors includes the Supervisory Body's report on the agenda of the Board of Directors meetings so that the appropriate decisions can be adopted.

7 Supervisory Body and reporting obligations

7.1 Introduction

The duty of supervising the function and compliance of the model and arranging its updating has been assigned to a body of the bank that has independent powers of initiative and control.

7.2 Membership, requirements, term of office and appointment

7.2.1 Composition

The Body is a board currently comprising three members, appointed by the Board of Directors as follows:

(a) two external members, one of whom serves as Chairman in compliance with the provisions set out below;

(b) a member of the company control function.

7.2.2 Requirements

In deciding on members, the only significant criteria are those relating to the specific professionalism and expertise required to carry out the duties of the Supervisory Body, integrity - to be assessed on the basis of requirements established for corporate officers of banks envisaged in article 26 of the Consolidated Banking Law - and, for external members, their absolute independence from the bank.

Other reasons for incompatibility include:

- being a director that does not meet the independence requirements, an executive director or a member of the company to which statutory audit has been assigned;
- being the spouse, direct relative or other relative to the fourth degree of persons referred to in the previous point;
- being convicted, also if the sentence is not final (e.g., also a sentence pronounced pursuant to article 444 of the Italian code of criminal procedure), for one of the offences;
- having accessory administrative penalties inflicted upon them as envisaged in article 187 quater of the Consolidated Finance Law;
- being convicted, also if the sentence is not final, with punishment involving a temporary or permanent ban on holding public office, or temporary ban on holding office as director of legal entities and businesses.

7.2.3. Term of office of members

Members of the Supervisory Body remain in office for three years. In order to avoid any break in continuity of the work of the Supervisory Body, it is considered necessary to differentiate the termination of office dates of its members.

On initial appointment, therefore, the term of office of external members not acting as chairman, if appointed, is limited to two years.

Members of the Supervisory Body can be re-elected for one additional mandate, if appointed as external members and can be confirmed while covering roles and offices, if appointed as standing member of the Board of Statutory Auditors or are the head of a control function (internal members).

7.2.4. Procedure for assessing and verifying requirements

Within 30 calendar days of appointment and in any event annually, the Board of Directors assesses whether members of the Supervisory Body continue to meet the requirements, complying with the procedural provisions of this paragraph.

The loss of such requirements during the course of the mandate results in lapse of the term of office or other penalty as indicated below, in compliance with the provisions contained therein.

The Board of Directors assesses the completeness of documentation provided by the interested party and can request sight of additional documents regarding proof of satisfaction of the requirements.

After examining the documentation submitted and any additional documents requested, the Board of Directors decides on the existence of requirements within thirty calendar days of the appointment. The deadline is extended by seven business days for the submission of any additional documentation.

If any member, after appointment, should find themselves in one of the loss of requirements situations that result in lapse, after examining the documents the Board of Directors declares the lapse and initiates appropriate action to restore full members of the Supervisory Body.

The Board of Directors normally arranges the above when situations of failure to meet requirements arise from checks associated with the appointment or from periodic checks.

The related deadlines are triggered from the moment that circumstances suitable to determining failure to meet requirements become known.

Members of the Supervisory Body have a duty to immediately inform the Supervisory Body and the Board of Directors, in writing, if a loss of requirements situation should arise and in any event if any proceedings (civil, administrative, court) are brought against them that could potentially result in loss of requirements.

7.2.5 Further scenarios of changes in the Supervisory Body and termination of office rules

Further reasons for termination of office for internal members derive from disbandment of the office to which they were appointed or loss of qualifications (also as a result of promotion). In this case, the Board of Directors promptly arranges appointment of the missing member after ascertaining that the requirements of integrity, professionalism and independence are satisfied, as well as other prescribed requirements.

Without prejudice to the rules for declaration of lapse due to the original lack or later loss of the aforementioned requirements, each member of the Supervisory Body is subject to termination by

the Board of Directors only for serious violation of their official duties, by justified decision and after obtaining the compulsory and binding opinion of the Board of Statutory Auditors.

As an exception to the previous paragraph, the termination of a statutory auditor from office as member of the Supervisory Body for violation of official duties is declared by the Board of Directors, subject to decision of the Board of Statutory Auditors. The reasons are stated in the decision of the Board of Statutory Auditors, without prejudice to the rules for declaration of lapse due to shortcomings brought to light in the original possession of requirements.

In the event of termination, the Board of Directors promptly arranges replacement of the terminated member after ascertaining that the requirements of integrity, professionalism and independence are satisfied, along with other prescribed requirements.

7.3 Competence, powers and tasks of the Body

The Supervisory Board collectively has independent powers of initiative, action and control, which are extended to all structures of the bank. Such powers are exercised in order to efficiently and promptly carry out the functions envisaged in the model.

In order to carry out its duties in complete independence, the Supervisory Body has independent spending powers based on an annual budget approved by the Board of Directors at the Supervisory Board's own proposal.

The Supervisory Body can autonomously make use of resources beyond its spending powers if the use of such resources is necessary to overcome exceptional and urgent circumstances. In such cases, the Supervisory Body must inform the Board of Directors.

The Supervisory Body does not have, nor can be attributed with, even in a deputising capacity, management action, decision-making, organisational or disciplinary powers, even if relating to matters or issues pertaining to the activities carried out by the Supervisory Body.

Control and audit activities carried out by the Supervisory Body are also strictly functional to the objectives of efficient implementation of the model and cannot substitute the institutional control functions of the bank.

As part of its activities to supervise the effective and efficient implementation of the model, the Supervisory Body has the following powers of initiative and control, which it exercises in constant compliance with legal regulations and the individual rights of workers and persons concerned:

- periodically performs audit and control activities, the frequency of which is at least justifiably predetermined by the Supervisory Body itself as part of its action plan;
- can make use of the structures and control functions to perform and guide its audits and assessments as necessary. For this purpose, it receives suitable information flows from them, either periodic or relating to specific business situations or performances;

- has access to all information, by whomever held, concerning at-risk activities, including documentation produced as part of risk assessment processes for identifying activities in which 231 offences could be committed;
- periodically meets with the heads of functions and can request information or sight of documents from all those (recipients and collaborators) who carry out or supervise, even on an occasional basis, activities at risk. The obligation of collaborators to comply with requests from the Supervisory Body is included in the individual contracts or applicable regulations;
- can request information or documents relating to banks and Group companies by means of a request addressed to the Supervisory Body of the company concerned;
- examines information flows with predetermined frequency and methods, requested from the heads of structures in which activities at risk are carried out or are even partly affected by such activities;
- can make use of external advisors of particularly complex issues or those requiring specific expertise. Communication to the Chief Executive Officer can be omitted, under the Supervisory Body's responsibility, on the basis of the particular delicate nature of investigations or their subject matter;
- submits to the Chief Executive Officer and the head of the Parent Company's Human Resources function the reports for the possible start of sanctioning procedures provided for in the specific chapter of the model;
- promptly provides information, of which it becomes aware, to the corporate bodies and heads of the control functions and is significant to the execution of their duties;
- verifies the model, regulations and procedures adopted for its implementation and proposes updating as envisaged in the model;
- prepares an annual written report on the activities carried out, submitting this to the respective chairmen of the Board of Directors and the Board of Statutory Auditors. The periodic reports prepared by the Supervisory Body are also prepared to allow the Board of Directors to make the assessments required for any updates or amendments to the model and must at least contain:
    - an indication of activities carried out in the reporting period;
    - any problems emerging from model implementation checks;
    - the summary of reports received from internal and external parties in relation to the model;
    - any disciplinary procedures and penalties inflicted by the bank, with sole reference to activities at risk;
    - an overall assessment of the implementation and effectiveness of the model, with indications as required for additions, corrections or amendments;
    - any use of the allocated budget.
- performs the functions referred to in the chapter "Penalties system";
- is consulted in all circumstances in which it is considered necessary or appropriate, or is required by the Supervisory Body itself, or by the Board of Directors or Board of Statutory Auditors, in relation to the operations of the model and compliance with the obligations imposed by the decree. Likewise, the Supervisory Body can consult the Board of Directors and/or the Board of Statutory Auditors.

7.3.1 Confidentiality obligation

Members of the Supervisory Body and any parties who, for any purpose or reason, are heard by the Supervisory Body or who are recipients of its documents, are obliged to maintain the confidentiality of all information that becomes known in the exercise of their duties or activities.

7.3.2 Powers of self-organisation and criteria for their exercise

The Supervisory Body governs its own operations by adopting a regulation which - among other things - has to regulate the methods for carrying out its activities, methods for calling and holding meetings, methods for forming decisions, management of information flows to and from the Supervisory Body, and management of reports to the Supervisory Body.

The Supervisory Body performs its functions ensuring that, to the widest extent possible, it promotes a rationale and efficient cooperation with the bank's corporate bodies and control functions.

Control and audit activities carried out by the Supervisory Body are also strictly functional to the objectives of efficient implementation of the model and cannot substitute the institutional control functions of the bank.

7.4 Reporting of support to the Supervisory Body

The bank implements systems capable of capturing and processing information - from internal and external sources - that is useful to promptly becoming aware of, and therefore managing, the risks.

Such information, if involving sensitive 231 profiles, are brought to the attention of the Supervisory Body (except for any secrecy obligations imposed by authorities) so that they might be assessed also in relation to the level of anomalies or critical issues found and the opportunities for proposing the introduction of new or different risk mitigation procedures.

The Supervisory Body fulfils its supervisory obligations through the analysis:

- of systematic information flows received under the terms of the document approved by the Parent Company Board of Directors which, amongst other things, defines the information flows among the various functions and control bodies and between these and the corporate bodies;

- of reports[6] from anyone regarding:
  - information regarding the commission, or reasonable belief of commission, of offences to which Italian Legislative Decree 231/01 applies, including the launch of judicial proceedings against senior managers, employees and collaborators for crimes and offences envisaged in the decree;
  - violations or alleged violations of the codes or conduct or procedural codes contained in the model, including the Code of Ethics, procedures and regulations that form an integral part thereof;
  - proceedings or information originating from law enforcement bodies, or any other authority, from which it can be deduced that investigations into offences are in progress, also against persons unknown, if such investigations involve the bank, senior managers, employees or collaborators;
  - requests for legal assistance from senior managers and employees in the event of legal proceedings brought for offences envisaged in the decree;
  - information regarding disciplinary or sanction proceedings brought against senior managers, employees or collaborators.

Reports to the Supervisory Body should be sent to the following e-mail address:

odv231@bancaakros.it

or to the mailing address:

Supervisory Body of Banca Akros

c/o Group Corporate Affairs Banco BPM

Piazza Meda 4, 20100 Milan

Whistleblowers are required to submit reports giving details of material unlawful conduct pursuant to Italian Legislative Decree 231/01, or on violations of the organisation, management and control model pursuant to Italian Legislative Decree 231/01 of which they become aware during the course of their duties.

The whistleblowers are protected against any form of retaliation or discrimination, direct or indirect, for reasons associated directly or indirectly with the report. In this respect, the invalidity of retaliatory or discriminatory dismissal of the whistleblower, the invalidity of a

[6] Also pursuant to the Law of November 30, 2017, no. 179 "Provisions for the protection of the authors of reports of crimes or irregularities of which they have become aware as part of a public or private employment relationship" which introduced in art. 6 of Legislative Decree 231/01 three additional paragraphs relating to the provisions, about reports.

change in duties pursuant to article 2103 of the Italian Civil Code and any other retaliatory of discriminatory measure adopted against the whistleblower will prevail.

Confidentiality is guaranteed regarding the identity of the whistleblower within the limits envisaged by law or determined by the need to protect the company, and disciplinary sanctions are established by the competent function against any individual violating these measures, as well as against any whistleblower who with fraudulent intent or serious negligence submits reports that prove unfounded.

The Supervisory Body's management of reports is governed by specific regulations issued by the bank and implemented in compliance with regulations in force and with the principles of confidentiality and fairness.

The Supervisory Body assesses reports received and adopts any consequent measures it considers reasonable, at its own discretion and under its own responsibility, if necessary listening to the whistleblower or the alleged offender, and justifying its decisions in writing.

With reference to reports received pursuant to the model and regulations on anti- corruption issues, the Supervisory Body informs the Head of the Internal Whistleblowing System (SISV Manager) of the bank if such reports could also constitute a violation of other regulations governing banking activities.

Without prejudice to its independence, the Supervisory Body coordinates with the aforementioned SISV Manager for implementation of the procedures in question and a ssesses the reports.

In turn, the SISV Manager promptly informs the Supervisory Body, for the purpose of coordination, of any reports received with an impact on matters under their control.

- of information concerning:
  - disciplinary measures and penalties inflicted upon senior managers, employees and collaborators for violations of the model/decree or the dismissal of proceedings brought against them with related reasons;
  - measures for which the bank is liable as ordered by judicial authorities for violation of the decree;
  - other measures for which the bank is liable as ordered by judicial authorities, tax authorities or other entities/authorities responsible for supervising the bank (e.g.: INPS, INAIL, INPDAP, Provincial Labour Department, Occupational Medicine, local public entities, local health authorities, fire departments, European Central Bank, Bank of Italy, Consob, IVASS, Antitrust Authority, Privacy Regulator, Ministry for Economic Development, etc.) if such measures are attributable to violations of the model;

- findings of the auditing firm.

Unlike reports that constitute alerts of events that could potentially give rise to a 231 liability for the bank, these reports relate to events whose significance - for the purpose of 231 rule - is confirmed.

- of other information flows. The Supervisory Body fulfils its supervisory obligations also through the analysis of information flows from the control structures and from others contributing to the control system as regards the monitoring of certain risks (e.g.: Executive in charge of financial reporting, pursuant to article 154-bis of the Consolidated Finance Law, Employer pursuant to Italian Legislative Decree 81/2008), also through:
  - specialist functions and the heads of structures operating in areas at 231 risk;
  - Supervisory Bodies of the outsourcers and relating to outsourced activities;
  - Supervisory Bodies of contractors for events affecting outsourced activities. Normally, for such events, the administrative body of the contractor informs the corresponding bodies of the interim controlling entity (if any) and the Parent Company, which in turn inform their respective Supervisory Bodies.

7.5 Coordination powers of the Parent Company Supervisory Body

The Supervisory Body supervises an individual company, considering that the decree states that it qualifies as a body only for a single company and not for a group.

The independence assigned by law to the Supervisory Body refers to the exercise methods and its ownership of powers which do not therefore qualify as deriving from those of the administrative body or other body and their exercise cannot be subordinated at the proposal or request of others.

At the same time, if the company is a member of a Group and the production processes are harbingers of risks referred to in the decree and result from activities spread among different companies in the Group, the monitoring of such risks demands coordination between the companies involved in such processes. It is therefore important that not only information required to carry out the coordinated production activities circulates among the companies, but also the information necessary for identifying and preventing the risks.

For this purpose, four types of information flows are established:

- that between Group companies, i.e. among the respective administrative bodies: dialogue between Group companies is governed by taking into account the fact that the legitimate existence is recognised (without prejudice to resulting liability) of a management and coordination power, associated with which - in the case of banking groups - is a duty suited to

generating binding effects on subsidiaries when instructions issued by the Supervisory Authority in the interests of the Group's stability are to be implemented;

- that from each company to its own Supervisory Body: dialogue between supervisory bodies and the administrative bodies of each company is envisaged by law and also regulated by the model in line with specific regulatory provisions;
- that between the Supervisory Body of each company and the counterpart bodies of every other Group company involved in the same production processes: dialogue between supervisory bodies is governed by equal terms and non-interference criteria in the supervisory duties and initiatives undertaken by each body;
- those between the supervisory bodies of subsidiaries to the Supervisory Body of the parent company (and intermediate bodies, if any).

The Supervisory Bodies performs their functions ensuring that, to the widest extent possible, they promote a rationale and efficient cooperation with the company's corporate bodies and control functions, in terms of subdivision of activities and sharing of information. In this respect, also in relation to provisions of the supervisory instructions for banks[7], the bank approved a document which, amongst other things, defines the information flows between the various control functions or bodies and between these and the corporate bodies.

The equal terms criterion does not exclude one of the supervisory bodies from playing a driving role in the exchange of information and as moderator in dialogue and, in general, in initiatives that pursue fact-finding purposes.

Given that, as Parent Company, the bank is required to identify and monitor the risks of offences giving rise to corporate liability in relation to the exercise of management and coordination activities and running the risk of becoming liable for offences perpetrated within the organisation by a subsidiary, the bank's Supervisory Body has the following powers:

- coordination and guidance activities regarding application of the organisation, management and control model by Group companies (which adopt them) to ensure correct and standardised implementation;
- the option of requesting that the supervisory bodies of Group companies implement specific control actions to ensure the adoption and effectiveness of the organisation, management and control model in their respective companies.

[7] Bank of Italy Circular 285

As it is responsible for more extensive supervisory duties than those required of other companies, the Parent Company Supervisory Body receives information flows that are more complete than any other Supervisory Body[8].

Coordination between the Supervisory Body of the Parent Company and the supervisory bodies of Group companies is guaranteed, as a minimum, by reporting activities[9].

The information flows primarily refer to:

- completeness of the register of activities in which offences or crimes could be committed;
- use of control tools to detect critical issue profiles;
- identification of any shortcomings in the models;
- cases of violation of individual models.

Envisaging a reporting obligation to the Parent Company Supervisory Body in relation to actions or events [10] strictly functional to the objectives of effective implementation of the organisation, management and control models is compatible with the principle of independence of subsidiaries' supervisory bodies.

[8] This is in line with the regulatory framework whereby individual Models envisage not only reporting obligations of the Company to the Supervisory Body, but also impose upon the Supervisory Body the exercise of powers of initiative in areas under its responsibility to require and promote the set-up of information flows considered necessary for the exercise of its supervisory duties.

[9] Autonomy, far from discouraging, encourages exchanges of information among agencies, since each has an interest in performing its duties as diligently and accurately as possible, taking in all useful information and not being able to rely on the assessments of other agencies.

[10] By way of example: (a) planning of audit activities; (b) periodic reports to the Management Body, with specific regard to the performance of its functions in relation to activities/services provided (also) to third Group Companies; (c) initiatives that have a cognitive purpose and require the involvement of other Bodies; (d) info-training activities; (e) schedule of meetings between Supervisory Bodies or part of them.

8 Penalties system

The decree envisages that, in reference to senior managers and subordinates, the organisation, management and control models must introduce, with reference to subjects in senior positions[11] and subjects under the management of others[12] (...) a disciplinary system suitable for penalising failure to comply with the measures indicated in the model (...).

As a result of the above, the preparation of a suitable penalties system for the violation of rules and provisions contained in the model, procedures and regulations (hereinafter the 231 regulatory system") is essential to ensuring the effectiveness of the model and constitutes conduct that does not comply with the principles and rules of conduct established in them as a contractual offence.

The application of sanctions does not compromise or modify any further criminal, civil law or other consequences that could derive from the same offence.

Consequently, failure to comply with the rules and provisions contained in the 231 regulatory system, harming, if only per se, existing relations with the bank, leads to actions of a penalising and disciplinary nature regardless of any instigation of or result of criminal proceedings, in cases in which the violation constitutes an offence or crime.

The investigation outcomes and the application of sanctions for the violation of provisions of the model fall within the exclusive powers of the competent functions and bodies of the bank in relation to the duties assigned to them by the Articles of Association or by regulations.

Every violation or circumventing of the 231 regulatory system, by any person, must be reported in writing to the Supervisory Body by the party becoming aware of such action, without prejudice to procedures and measures applied by the holder of disciplinary powers.

The Supervisory Body must always be informed if a penalty is inflicted for violation of the 231 regulatory system against any party required to comply with that system.

8.1 The penalties system pursuant to Italian Legislative Decree 231/01 for employees

The 231 regulatory system is made up of a series of provisions with which employees must comply, also in accordance with the legal and contractual provisions on codes of conduct and disciplinary measures.

The violation or attempted violation of the 231 regulatory system or circumventing of the control system envisaged for its implementation, committed in whatever manner, including theft, concealment, destruction or alteration of documents relating to the 231 regulatory system, constitute disciplinary infringements. The following also represent infringements: failure to prepare

[11] Article 6, paragraph 2, letter e)

[12] Article 7, paragraph 4, letter b)

documentation envisaged in the 231 regulatory system, conduct to obstruct controls, blocking access to information and documentation by parties responsible for control of the 231 regulatory system, and conduct that facilitates the violation or circumventing of the control system.

As the general rules (and with them the existing instruments concerning codes and disciplinary penalties in employment contracts) also apply with regard to provisions of the decree, in the presence of a violation of provisions of the 231 regulatory system, the bank begins disciplinary proceedings and inflicts the related penalties in compliance with specific regulatory and contractual provisions governing the employment contracts of employees (in Italy, see article 7, Italian Law no. 300 of 20 May 1970, the workers' charter and, for examples, the national pay agreement for managerial staff and personnel of professional areas in the employ of credit, financial and instrumental companies and the national pay agreement for executives in the employ of credit, financial and instrumental companies), as well as any applicable legal provisions (i.e. Italian Law no. 179 of 30 November 2017, "Provisions for the protection of whistleblowers reporting offences or irregularities of which they become aware in a public or private employment relationship").

The type and extent of each penalty established are inflicted in consideration of the degree of carelessness, lack of expertise, negligence, culpability or intent of the conduct relating to the action or omission, also taking into account any repetition and the business activities carried out by the offender and their related position, together with all other particular circumstances that action could portray.

To this end, the human resources function of the Parent Company prepares the disciplinary measures relating to the penalties, infringements to which each can be applied and the procedures for challenging which are to be brought to the attention of employees. These apply the provisions established in any existing labour agreements and contracts.

The penalties inflicted on an employee who violates the obligations referred to in the previous paragraph are objectively and subjectively related to the seriousness of the infringement, in compliance with the criteria of proportionality established by law and in contractual relations governing the specific employment relationship.

If the violation was committed by executive personnel, the holder of the disciplinary power involves the competent functions to launch proceedings for reprimand purposes and to inflict any penalties envisaged by law and the applicable NATIONAL PAY AGREEMENT. If the NATIONAL PAY AGREEMENT does not have a penalties system applying to executives, the applicable penalties will be dismissal pursuant to articles 2118 (termination of a permanent contract) and 2119 (termination for just cause) in the Italian Civil Code, which must be decided by the Board of Directors after conducting the procedure pursuant to article 7, Italian Law 300/1970. For cases considered less serious, and where envisaged in the contracts signed, the holder of the disciplinary power can impose a conservative measure.

8.2 The penalties system pursuant to Italian Legislative Decree 231/01 for members of the Board of Directors and Board of Statutory Auditors

For a member of the Board of Directors or Board of Statutory Auditors committing violation of the model, procedures or its implementing regulations, suitable measures as permitted by law or the penalties system, if adopted or envisaged, can be inflicted.

If the violation concerns a member of the Board of Directors or Board of Statutory Auditors, the Supervisory Body is informed immediately - in a written report - by the Chairman of the Board of Directors or Chairman of the Board of Statutory Auditors.

8.2.1 Members of the Board of Directors

With abstention of the member concerned, the Board of Directors arranges the necessary investigations and - after consulting the Board of Statutory Auditors - adopts suitable measures, that can also include the precautionary withdrawal of delegated powers, and calls a shareholders' Meeting to arrange replacement if necessary.

If a violation involves multiple members of the Board of Directors and, in the absence of the individuals involved, a majority decision by members of the Board of Directors cannot be adopted, the Chairman calls a shareholders' Meeting without delay to resolve upon potential termination of office. If one of the members involved is the Chairman of the Board of Directors, reference should be made to the provisions of law on the urgent calling of a shareholders' Meeting.

8.2.2 Members of the Board of Statutory Auditors

In compliance with provisions of the Articles of Association and the law, the Board of

Directors and Board of Statutory Auditors can adopt suitable measures that also include calling a shareholders' meeting.

8.3 The penalties system pursuant to Italian Legislative Decree 231/01 for collaborators

If events occur that can qualify as violation of the decree by a collaborator, the Supervisory Body informs the senior managers and competent employees to which the contract or relationship refers.

Depending on the seriousness of the infringement and the methods by which it was committed, the bank can take the following action, also in compliance with the provisions of contracts signed with the collaborators:

- reminds interested parties of the compliance with provisions of the summary document of the model delivered to them at the time of signing the contract;
- based on the different contract types adopted or the different state of execution of obligations deriving from the contract, is entitled to assess not only withdrawal from the existing contract for just cause, but also termination of the contract due to default by the persons referred to above and to withdraw all mandates conferred.

This in any event without prejudice to the Group's option to claim compensation for damages if such conduct results in real damage to the bank or to the Group, and likewise the application of penalties by judicial authorities as envisaged in the decree.

9 Provision of intragroup services

The Group has adopted a business model in which:

- the Parent Company exercises management and coordination over the Group companies, facilitating standardised business management;
- the special purpose entities, coordinated by the Parent Company, centralise the service and support functions. Such centralisation aims to maximise economies of scale and specialisation, allowing:
    - clear assignment of responsibilities on the processes and activities carried out;
    - full standardisation of operating rules and processes at Group level;
    - clear separation of operating and control activities.

In the context of its guidance, coordination and control functions, the Parent Company:

- promotes implementation of the reference business model adopted and, over time, verifies its structure in terms of adequacy and alignment with the strategic and operational development of the Group;
- defines the corporate policy on outsourcing, ensuring that it is in line with the requirements of supervisory regulations;
- defines the contractual standards to be adopted to formalise outsourced within or outside the Group and, in reference to outsourcing within the Group:
    - regulates the methods for providing intragroup services;
    - defines and manages the price chargeback model, identifying the pricing criteria;
    - oversees the processes for the centralisation of corporate functions;
    - monitors all activities outsourced within the Group on the basis of information flows and periodic reports submitted by the Group outsourcer concerned.

The bank:

- performs certain services and business support activities on its own account and for other Group companies;
- outsources[13] other services and business support activities to Group companies.

In consideration of the above, for risks applying to the bank and referred to in the special parts, the individual at-risk activities are described as in the following example:

activities carried out for "own use", for other Group companies	**P**	
activities carried out "by third parties" on behalf of the bank and governed by a service agreement		**T**

By making use of outsourcing, it is not the bank's intention to:

- delegate its own responsibilities or the responsibility of corporate bodies;
- alter relations with and obligations to its customers;
- jeopardise its own capacity to comply with obligations envisaged in supervisory instructions and put itself in a position to violate the activities reserved to it by law;
- compromise the quality of the internal control system, taking into account the overall control structure of the Group;
- obstruct supervision.

[13] Various legal techniques (administration, mandate, commission, etc.) may be involved in the so-called decentralization of production. The decentralization of production normally takes place by entrusting another company in the group, and therefore an entrepreneur within the meaning of Article 2082 of the Civil Code, with the performance of an activity. From a civil law point of view, the case must be considered, albeit with some variations and adaptations, as a service contract (see art. 1655 of the Civil Code). Being of contract, the outsourcing contract is riconducibile to a contract with which the Contractor/Outsourcer it assumes, "with organization of the necessary means and with management to own risk", "the fulfillment of a service", "towards a consideration in money", firm remaining that others are the "risks 231" and others the risks mentioned in the civilistica definition of the contract.

9.1 Relations between owner and outsourcer in the provision of intragroup services

Intragroup services provided by the bank (as outsourcer) or received by the bank (as owner) that can involve activities and transactions at risk pursuant to the special part below, are governed by a written contract. The list of contractualised services is made available to the Supervisory Body.

Standard rules for the Group on outsourcing contracts are envisaged by regulations. Ensuring the completeness and linear nature of the management of such contracts, and therefore also tenders, the rules help to monitor not only operational risks in general, but also 231 risks.

As regards liability pursuant to the decree, contracts governing the provision of intragroup activities or services - even if not exclusively for this purpose - contain:

- the subject matter, i.e. the services contracted or, in general, outsourced activities;
- the execution methods for the aforementioned services (in any event, the scope of activities concerned and their execution methods are described and governed by corporate regulations of the Group);
- determination or objective determinability of the consideration;
- obligations of the parties (owner and outsourcer).

The obligations of the parties are extended to the provisions indicated below, which must be referred to in their signed contract.

The company and Group regulations (including the models), procedures and documents mentioned later in this chapter can be used by the parties and their respective Supervisory Bodies (through their secretariats) by accessing the Group IT system. Publishing on the company intranet is the moment in which the corporate and Group regulations, procedures and - in general - documents relevant to the activities outsourced are considered made known to the parties, allowing implementation of the provisions concerning their own and respective Supervisory Body obligations on the provision of intragroup services.

Owner and outsourcer:

- have each adopted an organisation, management and control model pursuant to Italian Legislative Decree 231/01 (hereinafter, the model);
- arrange regular and prompt updating of the model, in relation to developments in the legal framework (regulatory and case law) and amendments concerning the organisation of the individual company and the Group;

- have each acknowledged the model of the other party or, at least, the entire general part of the model and any special parts in any event material to the activities outsourced;
- mutually undertake:
    - to comply with the respective models, with particular regard to the special parts (protocols) material to the activities outsourced;
    - also through the model, to inform the respective Supervisory Bodies to directly arrange communications envisaged in the model as regards liability pursuant to the decree;
    - to mutually accept amendments to the model or parts of the model that are relevant to the activities outsourced;
    - to report any violations that may arise and which could affect the contract, the outsourced activity or the methods for its provision;
    - during execution of the contract, to abstain from conduct that could qualify as any of the circumstances potentially giving rise to liability under the terms of the decree.

The outsourcer indirectly complies with the Code of Ethics and to the provisions of the model, procedures and regulations of the owner and is required to:

- precisely and accurately execute the outsourced activities in compliance with the provisions of the owner's regulations which, as previously mentioned, must be considered described and governed by Group regulations and procedures;
- register activities at risk conducted on its own account and activities at risk carried out for Group companies, and indicate the controls designed to prevent the perpetration of crimes and offences relating to itself and to the owner;
- illustrate to the owner the controls adopted and their suitability to prevent offences;
- promptly inform the owner of any event that could have a significant effect on its capacity to execute the activities/services outsourced in compliance with current regulations and with the contract;
- ensure the confidentiality of data relating to the owner or to third parties provided in order to perform the service;
- allow Supervisory Authority access to the premises on which the activities are carried out and to related documentation;
- make amendments to the contract as requested by the Supervisory Authority of the owner;
- at the request of the owner, provide sight of the documentation of its own Supervisory Body in which the latter informs the administrative body of the results of its control activities adopted to prevent the offences affecting activities performed on behalf of the owner.

The owner:

- undertakes to provide the outsourcer with the necessary documentation and envisaged information in a truthful and complete manner to allow provision of the services required;
- has the right to access the documentation (including that relating to risk identification pursuant to the decree) regarding the outsourced activity and to conduct controls on the documentation and on the activity, also through access to the outsourcer's premises;
- has the right to examine documents regarding the outsourcer's model.

In particular:

  - its entire general part, and in particular the provisions regarding appointment, membership and duties of the Supervisory Board;
  - special parts dedicated to outsourced activities or to the types of risks of offence considered material to the aforementioned activities;
  - any additional documents necessary to verify that the suitability requirements of the outsourcer's model are satisfied;
- the right of withdrawal (outright cancellation clause pursuant to article 1456 of the Italian Civil Code) in the event of breach of any one of the obligations envisaged for the purpose of preventing offences referred to in the decree.

With reference to the supervisory bodies of the outsourcer and the owner, and with a view to correct fulfilment of their duties, it is envisaged that:

- at least once a year, the Supervisory Body of the outsourcer prepares a report on its activities conducted in relation to the services provided. This report is made available to the administrative body and Supervisory Body of the owner (also through specific shares on the corporate intranet). The information flows remain in place between the owner and the outsourcer, as well as between the respective bodies deriving both companies' membership of the same Group and the provisions dedicated to intragroup relations in the respective models.

- the Supervisory Body of the owner has the right to:
  - access the documentation (including that relating to risk identification pursuant to the decree) regarding the outsourced activity and to conduct controls on the documentation and on the activity, also through access to the outsourcer's premises;
  - assess the suitability of the outsourcer's model to extend its effectiveness to meet the requirements of the owner;
  - request information from the outsourcer's Supervisory Body or - provided the latter is informed - from its structures;
  - after consulting the competent functions, propose the outsourcer's adoption of specific control procedures if considered necessary to prevent offences.

10 Training

The training of recipients and contractors for knowledge and implementation of the model, managed by the Parent Company's Human Resources function, is compulsory, diversified based on the different company roles and repeated periodically.

The purpose of the training is:

- to sensitise on the risks of committing crimes and offences while undertaking business activities;
- to sensitise on the contents of the model, Code of Ethics and other regulatory documents including 231 aspects;
- to promote compliance in application of the rules indicated therein at every stage of activities carried out.

The training activity designed to disseminate awareness of the regulations pursuant to Italian Legislative Decree 231/01 is implemented through training modules, of a general nature for all recipients, and ad hoc and differentiated in terms of the contents and implementation methods of implementation on the basis of the recipients' position, level of risk in their area of operation and the roles played by senior management functions of the bank. Particular attention is paid to new recruits.

The bank complies with the obligation to train its personnel through specific classroom courses and training made available in e-learning format on the company portal, duly updated as legal provisions change.

The Supervisory Body verifies the correct and prompt attendance of compulsory courses by employees or collaborators and reports cases of failure to do so, also for the purpose of subsequent application of any disciplinary measures or penalties.

The annual training programme is communicated in advance and agreed with the Supervisory Body.

Special Part (protocols)

11 General principles for the prevention of crimes and offences

In relation to the nature and size of the organisational structure specifically affected and the type of activities or function performed, suitable measures are adopted to improve the efficiency of activities carried out, ensuring constant compliance with the law, reference regulations and all other rules governing the activity and verifying the ability to effectively combat the risks identified.

The Group companies adopt and implement regulatory, organisational and procedural decisions, with constant adaptation as required. In particular, they ensure:

- an organisational system that is formalised and clear, especially with regard to the assignment of responsibilities, reporting hierarchies, description of duties and the distinction of roles;
- 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 envisaged in the 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;
    - compliance with regulations on conflict of interest.
- with regard to IT systems, and in particular the development and maintenance of applications:
    - identification of countermeasures and suitable controls to ensure correct operations;
    - protection of information processed in terms of confidentiality, integrity and availability;
    - integration with existing systems;
    - compliance with regulations;
- with reference to bonus systems, which respond to realistic objectives consistent with the duties and activities carried out and the responsibilities assigned;
- a system of authorisational and signatory powers, consistent with the organisational and management responsibilities defined and, where necessary, envisaging precise indication of the spending approval limits;
- an information-training model that envisages a thorough, efficient, authoritative, clear and detailed communication process, integrated with a suitable training programme targeting those operating in areas at risk, appropriately calibrated to the levels of the recipients, that illustrates the reasons for opportunities, not only legal, underlying the rules and their true extent;
- a system of line controls (first level) which, supported by IT procedures and maker- checker mechanisms, ensures the completeness, correctness and accuracy of the information/data contained in documents of specific relevance to the structures;

- with regard to activities associated with financial resource management:
    - definition of limits of independent use of financial resources, setting the quantitative limits consistent with the management duties and organisational responsibilities assigned to individual recipients;
    - presence of authorisational procedures, subordinated to providing suitable justification, if the limits referred to in the previous point are exceeded;
    - in compliance with the principles of professionalism and management and accounting accuracy, the obligation of documenting and recording transactions involving the use of economic or financial resources, in such a way that the decision-making process can be verified and reconstructed, to guarantee transparency in the decisions made;
    - fairness declaration of the applicant entity, which must provide detailed justification for the use of financial resources;
- with regard to human resources, of any level, that they are recruited, managed and trained in accordance with criteria expressed in the Code of Ethics, the principles and provisions of the model and in compliance with related regulations.

With particular reference to activities and transactions at risk, specific procedures and regulations are adopted which - in addition to complying with the provisions herein - envisage that:

- an appropriate assessment is made of collaborators and counterparties with which the Group companies intend to relate which, amongst other things, envisage at least the acquisition of information envisaged in the anti-money laundering and anti-corruption policies of the Group, including for example: verification, also by acquiring specific documentation or self-certification, of the requirements of reliability and professional morals [14], as well as connections with Public Administration or the senior managers and employees of the Group companies;
- formal meetings are held with Public Administration entities (or their representatives/officers) which must be attended by at least two individuals from the bank required to draft and sign specific reports;
- senior managers and employees cannot take the initiative and, for action to be taken in the situation, must immediately report to their immediate superior and the Supervisory Body any attempt to circumvent laws, the model (if applicable), Code of Ethics, anti- corruption policies and, in general, the provisions of regulations;
- collaborators cannot take the initiative and, for action to be taken in the situation, must immediately report to the supervisory contact any attempt to circumvent laws, the summary document of the model, Code of Ethics and anti-corruption policies.

[14] To be understood as the absence of convictions (including plea bargaining sentences) constituting res judicata, in the previous three years in relation to the legal/physical person, including Managers or any person exercising the power of representation, decision-making or control of the counterparty, for offences affecting professional morality according to the law of the applicable State (by way of example sanctioning measures by the Professional Orders or Colleges to which the professionals belong, violations of pay, contribution and withholding tax obligations regarding their employees and collaborators, ascertainment of a higher taxable income than that declared, participation in a criminal organization, corruption offences, failure to comply with legal provisions regarding the protection of health and safety in the workplace, money laundering, market abuse, insider trading, other offences pursuant to Legislative Decree 231/01).
The Parent Company defines for specific types of relations and according to criteria of proportionality, the measures and gradualness to be adopted in the establishment and management of the relationship, according to the gravity and existence of any encumbrances.

- contractual documentation governing assignments to collaborators must contain a specific declaration:
    - confirming awareness of the decree (if this law applies to the relationship), the summary document of the model, Code of Ethics and anti-corruption policies and the undertaking that these will be complied with;
    - undertaking to adopt conduct that will not result in commission of any of the criminal acts envisaged in the decree.

A specific clause is also envisaged to govern the consequences of committing (or attempting to commit) offences referred to in the aforementioned decree, if this constitutes a law applying to the relationship;

- for less tangible services and advice, transparent general criteria are defined as much as possible to determine the conditions of the offer, in such a way that any significant deviation from market standards can be easily detected and suitably justified;
- the person responsible for procedures, if not otherwise identified, is the head of the structure responsible for management of the transaction in question;
- the person responsible, as identified above, can request information and clarification from all structures or from individuals involved with or have been involved with the transaction;
- access to personal data and its processing complies with regulations, allowed solely by authorised persons and guarantees confidentiality in the transmission of information;
- if the document archiving or storage service is performed by a third party, the service is governed by a contract which, among other things, envisages that the third party complies with specific control procedures suitable to not allowing subsequent amendment of the documents except with specific justification;
- every access to the IT network - Intranet and Internet - uses at least two asymmetric credentials (user id and personal password), changed periodically, or other but not less effective solution, that allows the operator to access the network only in the step of the procedure under their responsibility and to leave an indelible trace of the action taken and the author every time the management systems are accessed;
- internal procedures and business processes are driven by principles of organisational, behavioural and technological safety and by accurate control activities, for suitable monitoring to safeguard management and use of IT and reporting systems in line with current regulations;
- documents concerning the activity are archived and preserved by the competent structure, using methods that do not allow later amendment, except with specific justification;
- access to archived documents is always justified and only permitted to persons authorised by the regulations, bodies and control functions and the auditing firm;
- action ceases with regard to cash flows when it is suspected that they originate or could directly or indirectly benefit parties involved in crimes or offences, and the situation is immediately reported to the competent corporate function;

- in the operational management of activities that have tax relevance, the payment is guaranteed of all tax dues and the prompt fulfilment of the requirements of the tax regulations, the correct determination of the tax burden in compliance with the provisions and to the permissible extent, without recourse to transactions or activities aimed exclusively or primarily at achieving tax savings and without proposing to customers, employees or third parties the purchase of products or the conclusion of transactions with such purposes;
- for the purpose of implementing decisions regarding the use of financial resources, financial and banking intermediaries are used that are subject to transparency and fairness obligations in compliance with EU regulations;
- with specific reference to outsourced activities performed on behalf of Group companies, these are required to comply with the rules on conflict of interest pursuant to article 2391 of the Italian Civil Code, associated persons pursuant to article 53 of the Consolidated Banking Law, obligations of bank representatives pursuant to article 136 of the Consolidated Banking Law and related parties according to IAS 24 and Consob Regulation no. 17221.

Under the responsibility of the party implementing them, exceptions to procedures envisaged in the model are permitted in cases of extreme urgency, in the formation or adoption of the decision or if compliance with procedures is temporarily impossible. In such cases:

- the principles for the prevention of crimes and offences are complied with;
- a report is sent immediately to the Supervisory Body;
- subsequent ratification is requested from the competent body if the exception has overridden the responsibilities of the latter.