



## **Regulation and Procedures governing related party transactions**

Latest update: 15 June 2021

## CONTENTS

<b>CONTENTS</b> .....	<b>2</b>
<b>1. Introduction</b> .....	<b>3</b>
1.1. Purpose .....	3
1.2. Scope of application and implementation procedures .....	3
1.3. Summary of updates.....	3
<b>2. General Principles</b> .....	<b>4</b>
2.1. Scope of related parties .....	4
2.2. Type of Transactions .....	5
2.2.1. Excluded transactions.....	5
2.2.2. Exempt transactions .....	6
2.2.2.1. Standard transactions of lesser significance .....	6
2.2.2.2. Related party transactions subject to Article 136, Consolidated Law on Banking .....	7
2.2.2.3. Intercompany transactions.....	8
2.2.2.4. Urgent transactions.....	8
2.2.3. Transactions of lesser significance.....	9
2.2.4. Transactions of greater significance.....	10
2.2.5. Transactions under the remit of the Shareholders' Meeting.....	11
2.2.6. Framework resolutions .....	11
2.3. Disclosure to the Public .....	12
2.4. Periodic disclosure to the administrative and supervisory bodies .....	13
<b>3. Roles and Responsibilities</b> .....	<b>14</b>
3.1. Parent Company.....	14
3.2. Companies belonging to the Group.....	14
3.3. Corporate functions .....	14
3.3.1. Proponent functions .....	14
3.3.2. Corporate Affairs Secretariat .....	15
3.3.3. Equity Investments.....	15
3.3.4. Administration and Budget.....	15

# 1. Introduction

## 1.1. Purpose

This Regulation defines the principles, roles and responsibilities for ensuring the substantial and procedural transparency and fairness of related party transactions.

## 1.2. Scope of application and implementation procedures

The Regulation is established by resolution of the Board of Directors of Banco BPM (hereinafter also the "company") in implementation of the provisions of Article 2391-bis of the Italian Civil Code and by Consob guidance on related parties<sup>1</sup>, and applies to transactions executed by Banco BPM, either directly or through subsidiaries.

The Regulation was adopted by the relevant Management Bodies of the subsidiaries which, to the extent of their remits, resolve on adoption of the Regulation and guarantee that their internal regulations are consistent with those of the Group.

The Regulation and its subsequent amendments are published on the web sites of Banco BPM and the subsidiaries.

## 1.3. Summary of updates

ID number	Date of update	Summary content update
Initial approval	01/01/2017	
1st update	15/03/2019	Formal changes to ensure the Regulation remains consistent with the organisational structure.
2nd update	15/06/2021	Update following changes introduced by Consob with Resolution no. 21624 of 10 December 2020 and effective from 1/07/2021, and streamlining of the text from which the description of operating processes was removed.

---

<sup>1</sup> Consob Regulation on related party transactions (Resolution no. 17221 of 12 March 2010, last amended by Resolution no. 21624 of 10 December 2020).

## 2. General Principles

The regulations on conflict of interest aim to manage risks where transactions are carried out by individuals with significant roles in the Group companies, capable of causing real or potential damage to the company, shareholders, depositors and the market and require the adoption of procedures and controls that guarantee:

- transparency in disclosure within the Group and to third parties;
- substantial fairness of all transactions with parties in conflict of interest in reference to the conditions applied and the convenience of their acceptance;
- procedural fairness in reference to the due diligence and decision-making process adopted.

The Regulation governs the due diligence and decision-making process that must be applied to all related party transactions, as well as the methods and timing for independent directors<sup>2</sup> to receive information and related documentation on the related party transactions (see Related Parties Committee Regulation) so as to express their opinion.

The provisions on conflict of interest also refer to Articles 2391 and 2391-bis of the Italian Civil Code (2475 for limited liability companies), specific provisions regarding at-risk activities with related parties, obligations of bank representatives (Article 53, paragraph 4 and Article 136, Consolidated Law on Banking) and IAS 24 indications on the financial statement disclosure on related party transactions.

As the regulations envisage partially overlapping scopes and differentiated controls and processes, a substantial application of the reference regulations and the adoption of procedures and controls in relation to all parties in potential conflict of interest is necessary.

For all transactions potentially in conflict of interest, the justification of the convenience to the company and to the Group of the proposed transactions and the substantial fairness of the conditions applied must be indicated and assessed.

### 2.1. Scope of related parties

The related parties<sup>3</sup> of Banco BPM are those identified as such pursuant to international accounting standards and which are included in the following cases:

- subsidiaries (direct or indirect) or companies subject to joint control (direct or indirect), companies subject to significant influence<sup>4</sup> (associated companies) and their subsidiaries, joint ventures and their subsidiaries;
- executives with strategic responsibilities of the company and of any Parent Company. In the case of Banco BPM, these are: members of the Board of Directors, standing members of the Board of Statutory Auditors, the General Manager (if any), Joint General Managers, senior operational and executive managers, the Financial Reporting Manager, the Compliance

---

<sup>2</sup> This refers to an independent director pursuant to Article 20.1.6 of the Articles of Association, the text of which includes, amongst other things, the cases governed by the Corporate Governance Code of Borsa Italiana S.p.A.

<sup>3</sup> In line with the Appendix to the Consob Regulation on related party transactions and with international accounting standards (IAS 24).

<sup>4</sup> Pursuant to IAS 28 (indicated in Section 10 "Interests in associates and joint ventures" under "Part B - Assets" in the Notes to the Consolidated Financial Statements).

Manager, the Risk Manager, the Internal Audit Manager and any additional structure heads identified by the Board of Directors of Banco BPM;

- close relatives of executives with strategic responsibilities. These are individuals able to influence (or be influenced by) the interested party, as well as all other individuals that the party considers he/she might be influenced (or he/she might influence), in relations with Banco BPM;<sup>5</sup>
- companies in which the executives with strategic responsibilities or their close relatives control (pursuant to Article 2359 of the Italian Civil Code on control and joint control) or exercise significant influence;<sup>6</sup>
- pension funds for employees of the Banco BPM Group;
- shareholders and the relative corporate groups (parent companies, subsidiaries or subject to joint control) which control the Parent Company, even jointly, or which exercise significant influence<sup>7</sup> over Banco BPM;
- parties who, as a result of statutory clauses or shareholders' agreements, are able to individually nominate one or more members of the Board of Directors of Banco BPM.

Information on those classified as related parties must be entered in the information system. The mapping of related parties must be (i) prompt on first time application and when subsequent events occur that require an update, (ii) periodically checked and (iii) available for consultation by Group functions for checks prior to each new transaction.

## 2.2. Type of Transactions

For each transaction<sup>8</sup> proposed, even if implemented through Group companies, a check must be performed as to whether the counterparty is among the related parties of Banco BPM.

Differentiated processes are envisaged based on the characteristics of the transactions.

### 2.2.1. Excluded transactions

Without prejudice to reporting obligations envisaged in applicable regulations, the provisions of the Regulation do not apply to transactions defined as excluded. Standard due diligence and decision-making processes are applied to these, in accordance with specific regulations in force. Excluded transactions are those which, regardless of the amount, refer to:

- resolutions of Banco BPM Shareholders' Meetings pursuant to (i) Article 2389, paragraph 1 of the Italian Civil Code, relating to remuneration for members of the Board of Directors and (ii)

---

<sup>5</sup> The following are considered as such, unless otherwise declared in writing by the executive, under the latter's own responsibility and containing adequate and analytical justification that excludes any possible influence as described above: spouses, common law spouses (including cohabitants whose status is not indicated in the family status certificate), offspring of the party, of the spouse or common law spouse, dependents of the party, the spouse or common law spouse.

<sup>6</sup> It is presumed that such parties hold, directly or indirectly, at least 20% of the voting rights which can be exercised during ordinary shareholders' meetings (also including joint ventures, for example) or 10% if the company has shares listed in regulated markets; These companies, though not included in the scope of related parties pursuant to the provisions of *IAS 24, paragraph 9 (b) (vi)*, are included for self-governance.

<sup>7</sup> Significant influence is considered to exist when voting rights of more than 10% are held.

<sup>8</sup> Any transaction involving a transfer of resources, services or obligations, regardless of whether a consideration has been agreed.

Article 2402 of the Italian Civil Code, relating to remuneration for members of the Board of Statutory Auditors.

- resolutions relating to remuneration for directors assigned specific functions, falling within the total amount predefined by the Shareholders' Meeting pursuant to Article 2389, paragraph 3 of the Italian Civil Code;
- share-based compensation plans approved by the Shareholders' Meeting of Banco BPM in accordance with Article 114-bis of the Consolidated Law on Finance and the relative implementing transactions;
- resolutions, other than those referred to above, on the remuneration of directors assigned specific functions as well as other executives with strategic responsibilities, including the reimbursement of expenses related to their office, in compliance with the conditions established by Consob guidance on related party transactions.
- activities to be carried out on the basis of instructions, for the purpose of banking group stability, issued by the Supervisory Authority or by the Parent Company for the execution of such instructions;
- transactions implementing framework agreements already adopted with application of the enhanced process, unless any exemptions pursuant to paragraph 2.2.2 should apply;
- share capital increases under option, also to service convertible bond loans, share capital increases free of charge as envisaged in Article 2442 of the Italian Civil Code, full or partial demergers applying the proportional share allocation criterion, share capital decreases through reimbursement to shareholders as envisaged in Article 2445 of the Italian Civil Code and own share purchases pursuant to Article 132 of the Consolidated Law on Finance, i.e. targeting all shareholders at equal conditions;
- internal review of credit facilities with no change to the terms, conditions and due dates;
- low value transactions, i.e. transactions with a value equal to or less than EUR 250 thousand for legal entities (all parties that do not qualify as natural persons) and equal to or less than EUR 100 thousand for natural persons.

Also excluded from application of the Regulation provisions are transactions of lesser significance, as defined in the following paragraphs, applied without distinction to all customers and in which decision-making responsibility is assigned by law to the commercial network structures, where related financial conditions are determined accurately and in advance, involving the use of predefined procedures and conditions and the signing of standard arrangements or contracts.

## **2.2.2. Exempt transactions**

The provisions of the Regulation apply only partially to transactions defined as exempt. The opinion of the Related Parties Committee is not required at due diligence stage.

### **2.2.2.1. Standard transactions of lesser significance**

Standard decision-making processes are applied to transactions defined as of lesser significance, i.e. of amounts between the limits for definition as low value and for definition as transactions of greater significance (see paragraph 2.2.4), provided they qualify as normal operating activities and associated financial activity, and are concluded at conditions equivalent to standard or arm's length conditions.

Operating activities refer to the core business activities that generate revenue for the Group bank or company concerned, and all other operating activities that cannot be classified as investing or

financing activities, as well as their associated or ancillary activities.<sup>9</sup> For such transactions, checks must be performed for any anomalies in reference to the purpose of the transaction, recurrence, size, contractual terms and conditions, also with regard to characteristics of the consideration, the nature of the counterparty and account performance.

Transactions concluded under conditions similar to those normally applied to unrelated parties for transactions of a similar nature, amount and risk or based upon regulated rates or prices imposed or applied to entities with which the Bank is obliged by law to contract at a specified fee are considered to be standard or at arm's length. With regard to condition matching with standard or arm's length conditions, objective evidence must be provided.

Also classed as normal operations are the transactions of lesser significance executed by non-banking companies in the Group, provided they are included in the corporate purpose defined at statutory level and are concluded at arm's length.

The transactions must be recorded in the related party transactions register.

### **2.2.2.2. Related party transactions subject to Article 136, Consolidated Law on Banking**

Transactions which are also subject to Article 136 of the Consolidated Law on Banking must follow the decision-making process envisaged in the Regulation on obligations of bank representatives pursuant to said Article.

For transactions of greater or lesser significance, the members of the Related Parties Committee must be provided with complete and updated information, sufficiently in advance, on the different profiles of the transaction involved in the resolution, such as the counterparty, type of transaction, conditions, convenience to the company and impact on the interests of the entities involved.

The resolution must contain suitable justification of the company's interest in carrying out the transaction, as well as of the convenience and substantial fairness of the conditions;

For transactions of greater significance, the disclosure document<sup>10</sup> must be prepared and made available to the public in accordance with the methods and terms indicated in paragraph 2.3 below.

Transactions of greater or lesser significance that are also subject to Article 136 of the Consolidated Law on Banking must be recorded in the related party transactions register.

---

<sup>9</sup> For example: public funding, lending, purchase, sale and placement of financial instruments, sale of products and provision of services such as collections and payments, management of current accounts and debit and credit cards, purchase and sale of currencies, asset management, insurance product distribution; investment in current financial instruments; activities other than above undertaken by Group companies as envisaged in their respective Articles of Association.

<sup>10</sup> Disclosure Document, the contents of which must reflect the provisions of Annex 4 to the Consob guidance on Related Parties

### **2.2.2.3. Intercompany transactions**

These are transactions that Banco BPM carries out with its subsidiaries or associates, including transactions carried out between subsidiaries or associates, or transactions between subsidiaries of Banco BPM in which there are no other related parties have a significant interest.<sup>11</sup>

The proposal must contain a precise indication of the information acquired and, when not concerning the Parent Company, the latter must approve "pass-through" transactions<sup>12</sup> by adopting the decision-making process applicable if the transaction were concluded by Banco BPM.

The resolution must contain suitable justification of the company's interest in carrying out the transaction, its convenience and its substantial fairness

For transactions in which a significant interest of other related parties is confirmed, the due diligence and decision-making process defined for transactions of lesser or greater significance is applied.

The transactions must be recorded in the related party transactions register.

### **2.2.2.4. Urgent transactions**

Except for cases referred to in Article 136 of the Consolidated Law on Banking and transactions under the responsibility of the Shareholders' Meeting, in urgent situations the decision-making body or party can approve related party transactions provided that the Chairperson of the Board of Directors - if the transaction falls under the Chief Executive Officer's remit - is informed of the reasons for urgency promptly and in any event prior to execution of the transaction.

The proposal must provide objective justification for the urgency, in addition to justifying the company's interest in carrying out the transaction, as well as of the convenience and substantial fairness of the conditions.

The transactions must be recorded in the related party transactions register.

Following the resolution on urgency, without prejudice to its effectiveness, the transaction must be subject to a non-binding resolution by the first available ordinary Shareholders' Meeting, supported by a report containing suitable justification of the reasons for urgency and the assessments of the Board of Statutory Auditors on the grounds for such reasons of urgency.

The reports and assessments must be disclosed to the public, by the methods envisaged in Consob's Issuers Regulation<sup>13</sup>, at least twenty-one days before the date scheduled for the Shareholders' Meeting. For transactions of greater significance, the documentation can be included in the disclosure document drafted pursuant to paragraph 2.3.

Furthermore, by closed of business on the day after the Shareholders' Meeting, information on the vote's outcome must be made public, by the same procedures mentioned above, with particular regard to the number of votes cast overall by unrelated shareholders.

---

<sup>11</sup> Any equity interest in a transaction from which a related party, which is not a counterparty in the transaction, could benefit and which, in the absence of such benefit, would not be concluded or would be concluded at different conditions. The mere sharing by multiple directors or other executives with strategic responsibilities between Banco BPM and subsidiaries or associated companies is not considered significant interest.

<sup>12</sup> These are transactions subject to prior assessment as a result of regulations or internal rules, or in any event de facto practices, i.e. approval by Banco BPM bodies or authorised parties.

<sup>13</sup> Regulation adopted by Consob Resolution no. 11971 of 14 May 1999, as amended and supplemented.



### **2.2.3. Transactions of lesser significance**

For non-standard transactions of lesser significance, i.e. those of an amount between the limits defined for a low value amount and that defined for transactions of greater significance pursuant to paragraph 2.2.4, other than those referred to in paragraphs 2.2.1 and 2.2.2, the enhanced due diligence and decision-making processes apply.

These include, for example, the signing of agreements with external partners, lending, purchase or sale of property, plant and equipment, intangible assets and services, purchase or sale of interests in associates and joint ventures, purchase, sale or transfer of business units, purchase, sale or lease of property and, in general, the establishment, transfer or settlement of real property rights, purchase or sale of movable assets, charity gifts and donations, sponsorships, corporate demergers (other than those indicated in paragraph 2.2.1) and mergers and structured finance transactions.

For these transactions, the characteristics, methods, terms and conditions, as well as justification regarding the company's interest in carrying out the transaction, the convenience and substantial fairness of the conditions must be clearly illustrated. If the transaction conditions are defined as equivalent to arm's length or standard, objective evidence confirming that they match the standard or arm's length conditions are provided.

Non-standard transactions of lesser significance must be submitted to the Related Parties Committee for a non-binding opinion prior to approval of the transaction. The Committee's opinion is expressed in reference to the company's interest in carrying out the transaction, its convenience and the substantial fairness of the conditions.

The Related Parties Committee has the right to assistance from experts of its own choice, the independence of which must be verified in advance by the Committee.<sup>14</sup>

The opinion, if necessary accompanied by the independent expert appraisals and attached to the Committee meeting minutes, is sent to the decision-making body or party.

The standard decision-making process is used, as defined in specific regulations for each subject.

If the transaction is resolved upon in the presence of a negative opinion, or conditional to Committee findings, detailed justification must be provided of the reasons for which it was nonetheless approved, with prompt and specifically evidenced responses to observations made by the Committee.

The transactions must be recorded in the related party transactions register.

---

<sup>14</sup> In particular, any economic, equity and financial relations must be verified between the independent experts and: (i) the related party, its subsidiaries, its controlling entities, joint ventures and the directors of such companies; (ii) the company, its subsidiaries, its controlling entities, joint ventures and the directors of the aforementioned companies, taken into consideration for the purpose of qualifying the expert as independent. The reasons for which such relations are considered immaterial to the qualification of independent must also be specified. Information on any relations may be provided by attaching a statement from those independent experts.

## 2.2.4. Transactions of greater significance

Enhanced due diligence and decision-making processes apply to transactions of greater significance, other than those referred to in paragraphs 2.2.1 and 2.2.2.<sup>15</sup>

Transactions of greater significance are those exceeding at least one of the 5% benchmark values with reference to:

- the total value, which is the ratio between the total value of the transaction and the regulatory capital recorded in the most recently published consolidated balance sheet.
- assets, which are the ratio between the total assets of the entity involved in the transaction<sup>16</sup> and the total assets of the Bank recorded in the most recently published consolidated balance sheet. For transactions concerning the acquisition or disposal of interests in associates and joint ventures that have effects on the scope of consolidation, the value of the numerator is the total assets of the equity interest, regardless of the percentage capital being bought or sold;
- liabilities, which constitute the ratio between the total liabilities of the acquired entity and the total assets of the Bank recorded in the most recently published consolidated balance sheet.

Transactions of greater significance are those concluded during the year with the same related party, which are of similar nature or are executed in implementation of a single plan which, even if qualifying individually as transactions of lesser significance, when considered together exceed the above-mentioned threshold for transactions of greater significance.

The transactions must be submitted to the Related Parties Committee for opinion prior to approval of the transaction.

In addition, the Committee or one or more of its appointed delegates must be promptly involved in the negotiations and due diligence phase.

A complete, updated and prompt information flow on the transaction must in any event be sent to the Committee, clearly illustrating the characteristics, methods, terms and conditions, as well as justification regarding the company's interest in carrying out the transaction, the convenience and substantial fairness of the conditions. If the transaction conditions are defined as equivalent to arm's length or standard, objective evidence confirming that they match the standard or arm's length conditions are provided.

The transactions must be recorded in the related party transactions register. Furthermore, the disclosure document must be prepared as envisaged in the Consob Regulation on related party transactions.<sup>17</sup>

The Committee has the right to assistance from independent experts,<sup>18</sup> request information and submit observations to the authorised bodies and to the parties responsible for managing the negotiations or due diligence.

---

<sup>15</sup> The exemptions envisaged for standard transactions pursuant to paragraph 2.2.2.1 do not apply to transactions of greater significance.

<sup>16</sup> For transactions concerning the acquisition or disposal of interests in associates and joint ventures that do not have effects on the scope of consolidation, the value of the numerator for acquisitions is the total value of the transaction plus the liabilities of the company acquired and taken over by the acquiring entity and, for disposals, the consideration agreed for the assets sold.

For acquisition and disposal transactions concerning other assets (i.e. not the acquisition of an interest in associates and joint ventures), the value of the numerator for acquisitions is the higher between the consideration and the carrying amount to be allocated to the asset and, for disposals, the carrying amount of the asset.

<sup>17</sup> See Annex 4, Consob Regulation on related party transactions.

<sup>18</sup> With regard to verification of experts' independence, please refer to paragraph 2.2.3 and note 10.

The justified opinion, if necessary accompanied by opinions expressed by independent experts and attached to the Committee meeting minutes, is sent to the Board of Directors.

The resolution, under the remit of the Board of Directors, must provide suitable justification regarding the company's interest in carrying out the transaction, the convenience and the substantial fairness of the conditions. If the transaction conditions are defined as equivalent to arm's length or standard, objective evidence confirming that they match the standard or arm's length conditions are provided.

If the Related Parties Committee issues a negative opinion and if approved in any event by the Board of Directors, prior to execution the transactions of greater significance require approval from the Shareholders' Meeting.

## **2.2.5. Transactions under the remit of the Shareholders' Meeting**

At the due diligence and proposal stage, transactions subject by law or the Articles of Association to a Shareholders' Meeting resolution must follow the rules for transactions of lesser or greater significance, taking into account the different type of transaction, including whether any exclusions or exemptions could be applied.

The transactions are submitted for prior opinion of the Related Parties Committee if no exemption cases apply to the type of transaction in question.

If the Shareholders' Meeting is called to approve a transaction of greater significance with negative opinion from the Related Parties Committee, the resolution is considered rejected if the majority of unrelated shareholders entitled to vote express a vote against the transaction and always provided that the number of shareholders attending the meeting represent at least ten per cent of the share capital.

## **2.2.6. Framework resolutions**

For infrequent operations, it is possible to adopt framework resolutions with application of the due diligence process envisaged for the type of transaction in question, including whether any exclusions or exemptions could apply.

The framework resolution must not be generic, but instead contain specific instructions, purposeful to the extent that elements of discretion in their interpretation are excluded.

In addition to typical elements in the cap resolutions adopted, the operating parties concerned must be clearly identified and the maximum value of the transactions, allocation of risk types, contractual types, applicable conditions with an indication of criteria, limits and the effective period of the framework resolution must be determined.

Framework resolutions have a duration of no more than one year and must be promptly adapted to changes in the situations on which basis they were adopted. Reviews must be performed using the enhanced due diligence and decision-making process, without prejudice to possible application of exclusions or exemptions.

Based on the specific regulations on such matters, individual transactions concluded in the implementation of framework resolutions must be authorised by the central decision-making bodies of the Parent Company using the standard process. If, however, transactions are to be carried out which, even in individual aspects, deviate from the criteria indicated in the framework resolution, the enhanced due diligence and decision-making process must be applied again, without prejudice to possible application of exclusions or exemptions

## 2.3. Disclosure to the Public

For transactions of greater significance, other than those excluded pursuant to paragraph 2.2.1 and intercompany transactions pursuant to paragraph 2.2.2.3, a disclosure document must be prepared and disclosed to the public, together with the opinion of the Related Parties Committee and any independent expert appraisals, by the methods envisaged in the Consob Issuers' Regulation, within 7 days of (i) approval of the transaction by the Board of Directors, (ii) from the moment in which the preliminary or final contract is concluded, if the Board of Directors resolves to submit a contractual proposal, or (iii) approval of the proposal to be submitted to the Shareholders' Meeting in cases under its remit or requiring Shareholders' Meeting approval.

For transactions of greater significance relating to mergers, demergers or share capital increases for which the company is required to prepare a disclosure document pursuant to the Issuers' Regulation, a single disclosure document can be prepared which also contains the information referred to Consob guidance on related parties, to be published by the earliest deadline among those envisaged for each applicable provision.

If a related party transaction is disclosed to the public through a press release containing inside information,<sup>19</sup> the press release must also contain:

- the description of the transaction;
- the indication that the transaction counterparty is a related party, and a description of the nature of the relationship;
- the designation or name of the transaction counterparty;
- whether or not the transaction exceeds the significance thresholds and whether a disclosure document will be published subsequently;
- the procedure adopted for approval of the transaction and, specifically, if use was made of an exception envisaged in the Consob guidance on related parties;<sup>20</sup>
- whether the transaction was approved despite advice to the contrary from the Related Parties Committee.

If transactions of lesser significance are in any event approved in the presence of a negative opinion from the Related Parties Committee, a disclosure document must be made available to the public, within 15 days of the end of each quarter and by the methods envisaged in the Consob Issuers' Regulation and by legal and regulatory provisions in force, containing an indication of the counterparty, the subject and the consideration of transactions approved during the reference quarter, with the reasons why the opinion could not be agreed.

In addition, the following information must be provided in the interim and annual reports on operations:

- on individual transactions of greater significance concluded during the reporting period, including intercompany transactions;
- on transactions other than of greater significance, concluded during the reporting period, which significantly influenced the financial position or profits of Banco BPM;
- on any change or development whatsoever in the transactions described in the most recent annual report that had a significant effect on the financial position or profits of Banco BPM in the reporting period.

---

<sup>19</sup> Inside information is that governed by Article 17 of Regulation (EU) no. 596/2014

<sup>20</sup> Articles 13 and 14, Consob guidance on related parties.

## **2.4. Periodic disclosure to the administrative and supervisory bodies**

Each quarter, the Board of Directors, Board of Statutory Auditors and the Related Parties Committee receive a full report of the transactions referred to in paragraphs 2.2.2, 2.2.3 and 2.2.4. The Board of Directors and Board of Statutory Auditors also receive a full report on the implementation of framework resolutions.

## 3. Roles and Responsibilities

### 3.1. Parent Company

The Parent Company Board of Directors:

- by means of the Regulation adopted with opinion in favour from the Related Parties Committee, defines the due diligence and decision-making process to be applied to the related party transactions;
- based on periodic reports received, assesses the effectiveness of the procedures adopted;
- resolves on transactions under its remit. With regard to the rules on abstention from voting for directors with an interest in the transaction, their own or of third parties in conflict with the interest of the company, please refer to the related provisions, consistent with Consob guidance on related parties, contained in the Regulation on the function and organisation of the Board of Directors and self-assessment of the Board of Directors and its Committees.

The Board of Statutory Auditors supervises compliance with the procedures applied to principles indicated in the Consob guidance on related parties and reports its activities to the Shareholders' Meeting pursuant to Article 153 of the Consolidated Law on Finance.<sup>21</sup>

The Related Parties Committee receives information and expresses opinions, when required, on related party transactions.

### 3.2. Companies belonging to the Group

The Group companies included in the scope of application of the Regulation must adopt all the principles, criteria, rules, roles and responsibilities defined in the Regulation and implement the provisions of internal regulations.

Transactions proposed by the subsidiaries that require a prior opinion from the Parent Company, in accordance with Group regulations, must be submitted to the Banco BPM decision-making bodies, adopting the process to be applied as if the transaction were proposed by Parent Company structures.

### 3.3. Corporate functions

#### 3.3.1. Proponent functions

Group functions proposing related party transactions are responsible for:

- preparing the case by clearly illustrating the characteristics, methods, terms and conditions, as well as the justification regarding the company's interest in carrying out the transaction, its convenience and the substantial fairness of the related conditions, providing objective evidence confirming that they match the standard or arm's length conditions;
- recording the transactions in the related party transactions register;

---

<sup>21</sup> Italian Legislative Decree no. 58 of 24 February 1998, as amended.

- preparing the contents of information to be submitted to the Related Parties Committee, when required;
- preparing the contents of the disclosure document referred to in paragraph 2.3.
- providing the Board of Directors and Board of Statutory Auditors with a full report on the implementation of framework resolutions, via the Corporate Affairs Secretariat.

### **3.3.2. Corporate Affairs Secretariat**

The function is responsible for:

- interacting with the executives with strategic responsibilities of Banco BPM to obtain information relating to related parties and arranging its registration;
- when required, providing support to the functions proposing the transactions for their correct entry in the register of related party transactions;
- verifying the transactions of lesser significance, by consulting the related party transactions register, for the purpose of calculating any accumulation of transactions classifiable as of similar nature or executed in implementation of a single plan;
- where required, supporting the company structures responsible for due diligence and proposal of the transactions for interpretation and application issues;
- providing support to the Group proposing structures in formalising information for submission to the Related Parties Committee;
- after consulting the related party transactions register, preparing periodic reports on related party transactions for the Board of Directors, Board of Statutory Auditors and the Related Parties Committee.
- if required, arranging disclosure to the public, by the methods stated in legal and regulatory provisions in force, of disclosure documents and opinions of the Related Parties Committee, accompanied by any opinions provided by independent experts.

For clarification on application of the Regulation, the function can obtain the collaboration of other functions and, in particular, the Compliance Function and Legal and Regulatory Affairs Function.

### **3.3.3. Equity Investments**

The function is responsible for:

- registering the related parties of the Group subsidiaries and associated companies, including companies under their control;
- issuing a specific opinion on the check for the existence or absence of significant interest of other related parties in reference to each specific intercompany transaction.

### **3.3.4. Administration and Budget**

The function is responsible for providing:

- the Equity Investments Function with a periodically updated list of subsidiaries and associated companies of the Group, including companies under their control;
- the functions responsible for managing the conflicts of interest register with financial parameters useful in calculating the limits that define transactions of greater significance.

The Financial Reporting Manager provides information on related party transactions in the interim and annual reports on operations.