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

SHAREHOLDERS' MEETING

12 April 2022 (on a single call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

CONCERNING ITEM 5) ON THE ORDINARY SESSION OF THE AGENDA

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

**APPOINTMENT OF A DIRECTOR FOR INTEGRATION OF THE BOARD OF
DIRECTORS FOLLOWING CO-OPTATION; RELATED
AND CONSEQUENT RESOLUTIONS.**



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

Dear Shareholders,

You have been called to this Shareholders' Meeting to resolve upon the following **item 5)** on the agenda of the Ordinary Session:

“Appointment of a Director for integration of the Board of Directors following co-optation; related and consequent resolutions”.

On 7 February 2022 the Board of Directors (hereinafter, the “**Board**”) of Banca Monte dei Paschi di Siena S.p.A. (hereinafter, the “**Bank**” or “**BMPS**”) unanimously resolved:

- the revocation, with immediate effect, of Mr. Guido Bastianini, as General Manager, Chief Executive Officer and Director in charge of the internal control and risk management system of BMPS, as well as the revocation of all related powers, while the latter remains in office as a member of the Board of the Bank;
- the replacement by co-optation, pursuant to article 2386 of the Italian Civil Code, with resolution approved by the Board of Statutory Auditors, of Mr. Luigi Lovaglio, following the resignation on 4 February 2022 of the Board member Mrs. Olga Cuccurullo, and his appointment as Chief Executive Officer and General Manager of the Bank.

In accordance with article 2386 of the Italian Civil Code, Mr. Luigi Lovaglio, as co-opted Director, remains in office until this Shareholders' Meeting.

You are therefore invited to proceed with the integration of the Board of the Bank, in accordance with article 15, paragraphs 8 and 10, of the By-Laws and thus pursuant to, and with the majorities required by the law, not being applicable in this case (*i.e.* appointment of a Director to replace a Director ceased to be in office during the term of office), the list voting system set forth by the By-Laws and Legislative Decree no. 58/1998, as subsequently amended (hereinafter, the “**Consolidated Law on Finance**” or “**TUF**”), without prejudice to comply in any case with the necessary requirements established by the applicable legislation and the By-Laws with respect to the independence of directors and gender balance.

In this regard, it is recalled that on 18 May 2020 the Shareholders' Meeting appointed the current Board for the financial years 2020-2021-2022, on the basis of the lists submitted by the shareholders, in compliance with the principle of the necessary representation of minorities, the minimum number of independent directors and the gender balance provided for by the applicable legislation, establishing in 15 (fifteen) the number of the members of the Board. Currently, following the co-optation resolved upon by the Board on 7 February 2022, 11 (eleven) Directors in office meet the independence requirements established by the applicable law and by the Corporate



Governance Code, and 6 (six) Directors, equal to 40% of the members, belong to the female gender (less represented).

Criteria set forth by the applicable law and the By-Laws with respect to independent directors and gender balance

With reference to the resolution proposal below, concerning the appointment of the co-opted Director Luigi Lovaglio as a Director of the Bank, it should be noted that in case of appointment of a male director, taking into account the other members of the Board in office (*i.e.* 11 (eleven) independent Directors pursuant to the applicable law and the Corporate Governance Code and 6 (six) Directors of the less represented (female) gender), the minimum requirements provided for by the law and the By-Laws will continue to be complied with, as regards: *i)* the number of independent directors (at least 1/3, and therefore at least 5) and *ii)* the gender quotas (at least 2/5, and therefore at least 6 members of the less represented gender) that must be in the Board of the Bank pursuant to the legislation in force, which is a percentage that also meets the threshold of at least 1/3 set forth by the Corporate Governance Code (Article 2, Recommendation 8) and by the Bank of Italy Circular no. 285/2013, as subsequently amended - Part 1, Title IV, Chapter 1, Section IV, Paragraph 2.1., hereinafter, the “**Supervisory Provisions**” (*Disposizioni di Vigilanza*).

Appointment process

The appointment process is in accordance with: *i)* Legislative Decree no. 385/1993, as subsequently amended (hereinafter the “**Consolidated Law on Banking**” or “**TUB**”) and the related implementing provisions contained in Ministerial Decree no. 169/2020, *ii)* the criteria provided for by the Supervisory Provisions and *iii)* the Directive no. 2013/36/EU, as subsequently amended (hereinafter, the “**CRD Directive**”). In this case, given the simultaneous revocation, with immediate effect, of Mr. Guido Bastianini as Chief Executive Officer and General Manager of the Bank, as well as of all the related powers granted to him, the appointment process has been carried out in line with the succession plans adopted for the top management positions.

With regard to the prior identification by the Board (with the support of the Appointments Committee) of its qualitative and quantitative composition deemed optimal, identifying and motivating the theoretical profile (including the professional characteristics) of the candidates considered appropriate for such purposes, the Board - with the support of a qualified external advisor specialized in management and corporate governance - also taking into account the results of the annual self-assessment process relating to the financial year 2020, has deemed valid and applicable to the composition of the Board in office at such date, the guidelines formulated by the outgoing Board of Directors, concerning the size and composition of the Board and the required managerial and professional figures, published on the occasion of the Shareholders’ Meeting of 18 May 2020, called - as known - to resolve on the renewal of the corporate bodies of the Bank (hereinafter, the “**Guidelines of the Board of Directors**” or “**Guidelines**”).



The Board, following the process described above, on the basis of the proposal formulated in a joint session by the Appointments Committee (*Comitato Nomine*) and the Remuneration Committee (*Comitato Remunerazione*) (each Committee for the part of its own competence), unanimously approved the co-optation of Mr. Luigi Lovaglio who, by virtue of his significant experience (also at international level) combined with his in-depth knowledge of the Italian banking sector, resulted to be the most suitable candidate to hold the position of Director of BMPS, also taking into account the need to take over the roles of Chief Executive Officer and General Manager of BMPS.

The choice of Mr. Lovaglio was based not only on the varied experience gained in top management positions also within a large banking group, but also on the characteristics shown by Mr. Lovaglio throughout his professional career with reference to the management of corporate reorganization and restructuring transactions (similarly to the context that the Bank is currently facing). Mr. Lovaglio has in fact demonstrated, over the years, reliability and consistency in achieving results, ability in the management and definition of guidelines and development strategy of the managed organizations.

This decision is in line with the qualitative-quantitative overall composition deemed optimal and in compliance with the requirements established by the applicable legislation and the By-Laws with regard to the independence of directors and gender balance.

Suitability requirements

Directors must be suitable to carry out their office and meet the requirements provided for by the applicable legislation (in particular article 26 TUB and related implementing provisions - including Ministerial Decree no. 169/2020 - and the Corporate Governance Code).

In this regard, it is recalled that the Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020 (“*Regolamento in materia di requisiti e criteri di idoneità allo svolgimento dell’incarico degli esponenti aziendali delle banche [...omissis]*”) came into force on 30 December 2020. Said Decree regulates, *inter alia*, for the members of the board of directors, the requirements of good repute and the criteria of correctness (articles 3 and 4), the requirements of professionalism and the criteria of competence (articles 7 and 10), the requirements of independence (article 13) and independence of mind (article 15), the availability of time to carry out the offices (article 16) and the limits on the accumulation of offices (article 17).

In the case at stake, taking into account the necessity and urgency to proceed with the co-optation, also in order to take over the role of Chief Executive Officer and General Manager of the Bank, as well as the tight timeframe imposed by the context (including the market context) related to the position of the Bank - which required to proceed quickly -, the appointment by co-optation was made by the Board before the assessment by the latter of the requirements and the suitability of its new member, as allowed for exceptional cases of urgency by the supervisory regulations on the procedure for the assessment of the suitability of bank officers issued by the Bank of Italy and in force since July 2021, without prejudice to the subsequent verification of the requirements and the



consequent assessment procedure to be held, after the appointment, by the Supervisory Authority pursuant to the applicable legislation.

Submission of candidatures

Considering that, in compliance with the applicable legislation, including in particular article 106 of Decree Law no. 18/2020, converted with amendments by Law no. 27/2020, as extended by article 3 paragraph 1 of Decree Law no. 228/2021, converted with amendments by Law no. 15/2022, the participation in the Shareholders' Meeting is allowed exclusively through the Appointed Representative (as defined in the Notice of Call of the Shareholders' Meeting), to whom only voting instructions can be given, the Shareholders are invited to submit any candidates and resolution proposals for the integration of the Board well in advance, and in any case with the modalities and within the terms indicated in the Notice of Call of the Shareholders' Meeting for the individual proposals of the Shareholders, and therefore **by 28 March 2022**, sending them - together with certification attesting the ownership of the participation and a copy of a valid identification document (for natural persons) or documentation attesting the relevant powers (for legal persons) - by means of own certified electronic e-mail address to the following e-mail address bancamps.settoreaffarisocietari@postacert.gruppo.mps.it and, for information, to the e-mail address settore.societario@mps.it.

The proposals containing the candidatures shall be sent together with the declaration of acceptance of the office by each candidate attesting, under his/her own responsibility: (i) the absence of ineligibility and incompatibility causes and material situations pursuant to article 36 of Decree Law no. 201/2011 (converted by Law no. 214/2011 "*Tutela della concorrenza e partecipazioni personali incrociate nei mercati del credito e finanziari*"), (ii) the existence of the requirements set forth by the applicable legal and regulatory provisions as well as by the By-Laws and (iii) a *curriculum vitae* (in Italian and English) containing detailed information on the professional qualifications and a list of any administration and control positions held in other companies. Candidates are also required to declare they do not hold the position of member of the board of directors, management board or supervisory board of competing banks, not belonging to the Monte dei Paschi di Siena Banking Group, which have a banking license issued by the supervisory authority and operate in the markets of bank funding or ordinary credit in Italy.

The candidatures proposals - subject to verification of their correctness and completeness with respect to the applicable legislation - will be published **by 1 April 2022** on the Bank's website, in order to allow those entitled to vote, to formulate their voting instructions in this regard and allow the Appointed Representative to collect any voting instructions also on said proposals.

Please note that each person entitled to vote may vote for only one proposal.

For the above purposes and in compliance with the Supervisory Provisions concerning the composition of governing bodies, reference should be made to the contents of the Guidelines of the Board of Directors (made available to the Shareholders on the Bank's website www.gruppomps.it - *Corporate Governance - Assemblee azionisti e Cda*



-, at the registered office and at the market management company) concerning the size and composition of the Board, the managerial and professional figures and the theoretical profile of the candidates deemed appropriate for these purposes, so that the choice of candidates may take into account the professional skills and the prescribed requirements.

It should also be noted that the candidates, as banking officers, must meet the requirements established not only by the Italian Civil Code, but also by the TUB and the related implementing Decree (*i.e.* the Ministerial Decree no. 169/2020), as well as by the supervisory regulations, which, in the event of appointment by the Shareholders' Meeting, will be subject to the assessment by the Board for the purposes of: *i)* the applicable legislation on requirements and suitability criteria, as well as *ii)* the so-called ban on interlocking directorates, without prejudice to the subsequent assessment procedure by the Supervisory Authority.

In this regard, it should be noted that, for the purposes of the suitability of the officers required by article 26 of the TUB, as governed by the relative implementing Decree (*i.e.* the Ministerial Decree no. 169/2020), in addition to the requirements of good repute (uniform for all the officers), professionalism and possible independence (graduated according to principles of proportionality), also the criteria of competence and correctness - as provided for by Ministerial Decree no. 169/2020 - must be met.

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Proposal

As illustrated above, with reference to the co-optation of Mr. Luigi Lovaglio, the Board, taking into account the criteria identified during the qualitative and quantitative self-assessment contained in the Guidelines of the Board of Directors, unanimously came to the conclusion that Mr. Lovaglio, by virtue of his professional skills and experience, possesses a suitable profile for the role of Director of the Bank and appointed him at the same time as Chief Executive Officer and General Manager of BMPS. Furthermore, on the occasion of the assessment of the suitability and requirements of Mr. Luigi Lovaglio, carried out following his co-optation, the Board, also taking into account the requirements and suitability criteria indicated above, resolved in favour of his suitability to hold the position of Director, Chief Executive Officer and General Manager of BMPS, confirming that he meets the requirements of professionalism and good repute, the criteria of competence and correctness, has the availability of time necessary to carry out the office effectively and complies with the limits on the accumulation of offices, acknowledging his independence of mind. On that occasion, the Board also reiterated the assessments concerning its adequacy in terms of size, composition and functioning, as well as the indications concerning the characteristics and professionalism required for the appointment as a Director, as well as a Chief Executive Officer of the Bank.

Based on the assessments of the characteristics, requirements, experience and knowledge of Mr. Luigi Lovaglio, already carried out during the co-optation and assessment of the requirements, the Board of Directors deems that he has a suitable profile to hold the office of Director, as well as the role of Chief Executive Officer, which was



granted to him in the same Board's meeting held for the co-optation. The Board therefore proposes to the Shareholders' Meeting the appointment of the co-opted Director, Mr. Luigi Lovaglio, as a Director. His *curriculum vitae* is available to the Shareholders on the Bank's website together with the Shareholders' Meeting documents.

The above is without prejudice, however, to the possibility for the Shareholders to propose further candidates, who may be submitted in compliance with the terms, criteria and modalities described above.

Should the proposal of the Board for the appointment of Mr. Luigi Lovaglio not be approved by the Shareholders' Meeting, any further candidature will be submitted to the vote in accordance with the Shareholders' Meeting's Regulation (*Regolamento Assembleare*) in force, it being understood that, after the appointment, the Board will be called upon to carry out the related assessments in compliance with the provisions of the applicable legislation, including the By-Laws, with respect to the suitability requirements of banking officers and the so-called ban on interlocking directorates.

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Dear Shareholders,

in light of the above, we invite You to approve the following resolution proposal for the integration of the Board of Directors:

“The Ordinary Shareholders' Meeting, having regard to the proposal made by the Board of Directors

RESOLVES

- to appoint as a Director of Banca Monte dei Paschi di Siena S.p.A. the Director already co-opted, Mr. Luigi Lovaglio.”

The appointed Director will remain in office for the remaining period of the current term of office and, therefore, until the date of the Shareholders' Meeting held for the approval of the financial statements for the year 2022. As Director, he will be entitled to the annual remuneration (in the *pro-tempore* due amount) determined by the Shareholders' Meeting of 18 May 2020 for the members of the Board of Directors, which equals to EUR 65,000 in addition to the reimbursement of any expenses incurred in the performance of their duties.

Siena, 11 March 2022

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