

**ANNUAL REPORT
ON
CORPORATE GOVERNANCE
AND SHAREHOLDER STRUCTURE
OF THE GROUP
PURSUANT TO ARTICLE 123-BIS OF THE CFA
2021 ACCOUNTING PERIOD**

BANCO DI DESIO E DELLA BRIANZA S.p.A.
Registered office in Via Rovagnati, 1 – 20832 Desio (Monza and Brianza)
Tax Code No. 01181770155
Registered in the Metropolitan Chamber of Commerce of Milan, Monza and Brianza and Lodi, REA No. MB-129094
Share capital Euro 70,692,590.28 fully paid-up
Member of the Interbank Deposit Protection Fund
and the National Guarantee Fund
Registered in the Register of Banks at ABI Code No. 3440/5
Parent Company of the Banco di Desio e della Brianza Banking Group
Entered in the Banking Group Register under No. 3440/5
Website: www.bancodesio.it

("traditional" administration and control model)

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ATTACHED SCHEDULES

- 1 – STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS AND THE COMMITTEES
- 2 – STRUCTURE AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS
- 3 – MAIN OFFICES HELD BY THE COMPANY REPRESENTATIVES
- 4 – SUMMARY OF COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

MAIN DEFINITIONS USED IN THIS REPORT

CBL: Consolidated Banking Law – Italian Legislative Decree No. 385/1993 and subsequent amendments and additions.

CFA: Consolidated Finance Act – Italian Legislative Decree No. 58/1998 and subsequent amendments and additions.

Company representatives: Directors, Standing and Alternate Auditors, the General Manager and the Vice General Manager¹

Executives with strategic responsibilities: the General Manager and the Vice General Manager.

Group: the Banking Group as defined by the CBL, including Banco Desio (Parent Company) and the subsidiary banking and finance companies.

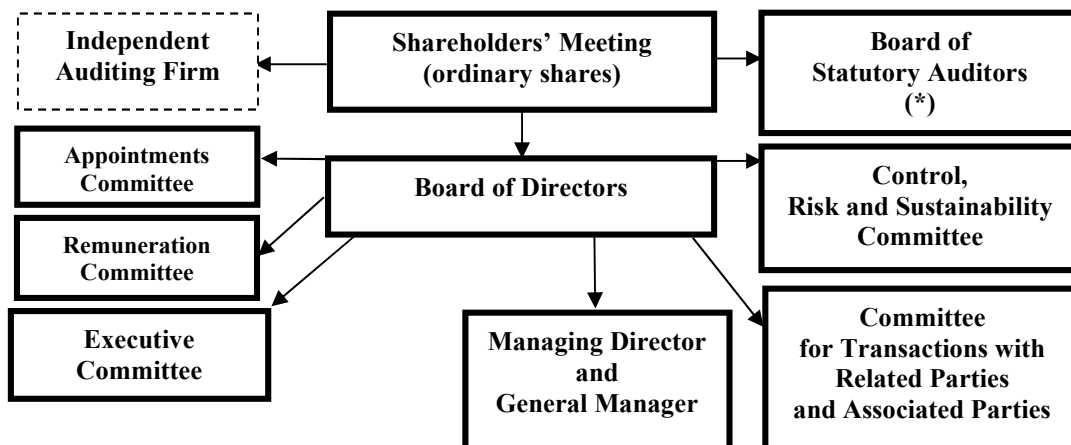
Supervisory Authorities: Bank of Italy and Consob.

AISCI: the Director in charge of the Internal Control and Risk Management System (whose role is absorbed by that of the Managing Director as from 23 April 2020).

1 - GENERAL INTRODUCTORY REMARKS ON THE CORPORATE GOVERNANCE SYSTEM

1.1 Preliminary information

During 2021, a number of changes have taken place with regard to the essential profile within the overall corporate governance structure of Banco Desio and the Group². In detail, the current structure of the Bodies of the Bank is represented by the following chart³:



¹ In this Report, “Vice General Manager” means the Vice General Manager, if any, or, if more than one, the Vice General Managers appointed as and when.

² At the Extraordinary Shareholders' Meeting and the Special Shareholders' Meeting of 4 October 2021, within their respective areas of competence, the mandatory conversion of savings shares into ordinary shares was resolved, which became effective on 29 November 2021. As a result of these resolutions, the Special Meeting of the Savings Shareholders was dissolved and the mandate of the Common Representative of the Savings Shareholders also came to an end.

³ In the diagram, the arrows indicate the appointment and removal relationships between the main bodies. Note that the BoD is also responsible for appointing/removing the Vice General Manager, the Executive appointed to draw up the accounting documents (“Appointed Executive”) and Heads of the Internal Control Departments and the Executives in general.

(*) the Board of Statutory Auditors also performs the tasks of the Supervisory Body established pursuant to Italian Legislative Decree No. 231/2001 (hereinafter, also “SB 231”) - For more detail, see section 7

The division of functions between the Shareholders’ Meeting, the Board of Directors, the Board of Statutory Auditors and the Independent Auditing Firm is disciplined by legal and supervisory regulations, to which the **Articles of Association** refer. With regard to the general aspects, the division of the functions between:

- i) Senior Bodies (Board of Directors, Advisory/Proposal-making internal board Committees⁴, Executive Committee)
- ii) Executive Parties (Managing Director and General Manager)
- iii) Technical-operating committees⁵
- iv) Internal control departments
- v) Appointed Executive

is disciplined, in observance of the legal, supervisory and Articles of Association restrictions, by the “Internal Regulations of the Corporate Bodies, of Internal Board Committees and of the General Management” hereinafter briefly “Internal Regulations”). For specific aspects not detailed in the Internal Regulations, reference is made to the "Organisational Structure and Description of Functions (so-called Function Chart)" and to the "Policies" (documents also approved by the Board of Directors), as well as to the Process Regulations. Process Regulations are, as a rule, approved by the Executive Committee, unless the matters are reserved to the competence of the Board of Directors by virtue of legal, regulatory, Articles of Association provisions and/or of resolutions of the Board itself, the Process Regulations pertaining to controls and risk remaining in any case reserved to the approval of the Board.

In 2018 - you are hereby reminded - it was deemed advisable to separate the Internal Regulations of the Board of Statutory Auditors from the aforesaid Internal Regulations. The Internal Regulations of the Board of Statutory Auditors were last updated in 2020, while the Internal Regulations of the Corporate Bodies, the Internal Board Committees and the General Management were last updated in 2021.

In addition, the legislative system regarding the matters involved in this Report remains characterised essentially by the following documentation:

1. **General Shareholders’ Meeting Regulations** (see Section 10 below);
2. **Internal Regulations of Information Flows of Corporate Bodies**, last updated in 2021;
3. **Internal Regulations for Coordinating the Controls and the Information Flows of the Parent Company** (see Section 7 below) most recently updated in 2020;
4. **Internal Regulations of Delegated Powers**, most recently updated during 2021, which discipline in a unified manner the structure of delegations: i) of operational powers and ii) of powers of representation granted to the Managers and certain employees of the operating units making up the corporate structure;
5. **Internal Regulations regarding Corporate Information of the Banco Desio Group** (“Corporate Information Procedure”), most recently updated during 2021, containing, among other things, provisions on the functioning of the Bodies within the Board in specific reference to the dissemination of related documentation and the handling of inside information and the register of the individuals who have access to the same, as well as for the communication of Internal Dealing transactions;
6. **Internal Regulations on Transactions with "Associated Parties"** and Article 136 CBL, adopted in compliance with the Prudential Supervisory Provisions on risk activities and conflicts of interest

⁴ The Advisory/Proposal-making Committees (Appointments Committee, Remuneration Committee, Control, Risk and Sustainability Committee, Committee for Transactions with Related Parties and Associated Parties) are composed solely of Board members and are, as such, defined as internal board committees.

⁵See Section 4.3 below.

with associated parties issued by the Bank of Italy pursuant to Article 53 CBL (see Section 5 below); said Regulation was updated during 2021 following the issuance by Consob of the amendments to its Regulation on the subject in assimilation of Italian Legislative Decree No. 49/2019 regarding shareholders' rights in assimilation of the so-called "SHRD2" EU Directive (see below);

7. **Policy for identifying and managing conflicts of interest**, referenced by the procedures used to identify the types of conflict of interest, potential or otherwise, in relation to the provision of any investment service or activity, related service, etc., by way of implementation of the provisions acknowledging the MIFID Directives (see Section 5 below);
8. **Policy for the regulation of “personal transactions”⁶ in relation to investment services**, also issued in implementation of the provisions transposing the MIFID Directives;
9. **Policy that defines the Group’s overall risk propensity (“Risk Appetite”)**, intended as the maximum amount of capital that the Group is prepared to make available to hedge risks against a set expected return and that contains the general rules for business risk management with reference to each type of risk indicated in Prudential Supervisory Provisions of the Bank of Italy, containing specific provisions relating to risk activities with “Associated Parties” pursuant to point 4.

* * *

In the presentation of this Report, the traditional layout was maintained that, owing to the lack of consistent provisions on the matter, takes into consideration the guidelines indicated from time to time by Borsa Italiana S.p.A. and by Assonime. In said context, the attached Table 4 was maintained, which included the schedule summarising the implementation status of the recommendations in the new Corporate Governance Code for Listed Companies, referred to as the "Corporate Governance Code", as per Section 2.2 below (for the sake of brevity “the CG Code”)⁷.

⁶ Personal Transaction is understood, for the specific purposes of the aforementioned Policy, as a trade in a financial instrument effected by or on behalf of a Relevant Person, where at least one of the following criteria is met:

- a. the Relevant Person is acting outside the scope of the activities they carry out in their capacity as a Relevant Person;
- b. the trade is carried out for the account of any of the following persons:
 - i. the Relevant Person;
 - ii. any person with whom the Relevant Person has a "Family Relationship" or "Close Links";
 - iii. a person whose relationship with the Relevant Person is such that the Relevant Person has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

A Relevant Person shall mean persons belonging to one of the following categories relating to each Group Company:

- a) members of "Corporate Bodies" (understood, also hereafter, as the Board of Directors and the Board of Statutory Auditors);
- b) shareholders who possess a significant equity investment in the Parent Company or in Group Companies;
- c) executives (including, also hereafter, the General Manager);
- d) employees;
- e) temporary workers and project-based contractors who participate in the provision of investment services and the exercise of investment activities;
- f) individuals who directly participate in the provision of services to the Parent Company and Group Companies based on an outsourcing agreement regarding the provision of investment services and related services.

Persons with whom the Relevant Person has a Family Relationship are intended as:

- a. the (not legally separated) spouse or the common law spouse of the Relevant Person;
- b. the children of the Relevant Person;
- c. any other relative of the Relevant Person to the fourth degree (i.e. parents, grandparents, great-grandparents, grandchildren, first cousins, aunts, uncles and great-aunts and great-uncles) who has shared the same household as the Relevant Person for at least one year on the date of the Personal Transaction.

Parties with whom the Relevant Person has Close Links means one or more individual or legal persons linked to a Relevant Person by:

- a) an equity investment (which means ownership, direct or by way of control, of 20% or more of voting rights or capital of an undertaking);
- b) control.

⁷ On 31 January 2020, the new Corporate Governance Code for listed companies was published ("Corporate Governance Code"). The new version of the Code streamlines and enhances the formulation of the recommendations, introducing elements of flexibility in relation to the dimensions of the business and its ownership structure. The Code also assigns the BoD a new role in the furthering of the sustainability strategies and the dialogue with the market and the relevant stakeholders. **The new Code is applied by the companies as from the first financial year starting after 31 December 2020, informing the market of its adoption in this Corporate Governance Report.**

This Report:

- has been drawn up in accordance with Article 123-bis CFA, which lays down a series of information on the ownership structure, the corporate governance practices, the risk management and internal control systems relating to the financial disclosure process, and the composition and functioning of the general meeting, board and audit bodies; the independent auditing firm is required to express a consistent opinion on certain information required by the aforementioned Article 123-bis; this information is specified in Section 2.1 below;
- has been approved by the BoD, subject to the assessment of the Independent Directors as per a specific recommendation in the CG Code as transposed in the Internal Regulations⁸. This assessment is attached to the Report itself (Attachment A) following the Board of Directors' resolution of 22 March 2022; the Independent Directors have, moreover, already expressed a favourable opinion in their meeting of 17 February 2021 on the information contained in this Report pursuant to Article 123-bis of the CFA.
- it is published, albeit as a separate document, together with the Report on Operations, which also contains the due references. Likewise, it contains references to the financial statement documentation (Notes to the Consolidated Financial Statements, Report on Operations, etc.), as well as the Remuneration Report as per the subsequent point, for the information contained therein, which otherwise would be duplicated; the latter is prepared in accordance with Article 123-ter CFA, which also contains the information required by Bank of Italy Circular No. 285 regarding remuneration and incentive policies and practices in banks and banking groups.

This Report and the aforementioned Remuneration Report are also published on the website www.bancodesio.it in the “La Banca/Governance/Documenti Societari” (The Bank/Governance/Corporate Documents) section.

1.2 General aspects of the corporate governance model pursuant to the applicable Supervisory Provisions⁹

The corporate governance model of Banco Desio is essentially structured on three legislative levels characterised by the Articles of Association, the Internal Regulations and the Control Coordination Document, whose main aspects are summarised below.

1.2.1. Articles of Association¹⁰

In 2021, the Parent Company resolved on a number of amendments to its Articles of Association, which concerned, in particular:

⁸ In accordance with the current CG Code, the Independent Directors have met at least once a year in the absence of the other Directors (as a rule, at the time of the approval of the Annual Corporate Governance Report and for the purpose of expressing their opinion on the aspects they are responsible for).

⁹ The provisions to which reference is made are contained in the aforementioned Circular No. 285.

¹⁰ In addition to what is reported in this paragraph, it should be noted that, by virtue of the Board resolutions of 16 December 2021 and 27 January 2022, on 28 January 2022 the Parent Company has sent a request to the Bank of Italy to ascertain the amendments to the Articles of Association pursuant to Article 56 of the Consolidated Banking Law for the purpose of aligning them to the provisions of the 35th update of Circular No. 285, which provide, inter alia, for the amendment of the Board powers, including the extension of the powers of the body with strategic supervision function, which cannot be delegated, and the introduction of the profiles to be considered in the definition of corporate strategies; the responsibility of the body with strategic supervision function for defining and promoting the standards of conduct that must inspire the activities of bank employees (codes of ethics) is provided for, and, in line with the EBA Guidelines on corporate governance for banks, it is stated that the chair of the risk committee may not also be the chair of the body with strategic supervision function or of other committees; finally, a requirement is laid down for larger banks to adopt, in their internal regulations, a policy for managing dialogue with shareholders, including institutional investors and asset managers (see new CG Code).

- Extraordinary Shareholders' Meeting of 15 April 2021: the amendment to Article 22 of the Articles of Association, following the Bank of Italy's requirement to expressly regulate the coexistence of the offices of Managing Director and General Manager, specifying that if these offices were to coexist they must be held by the same person;
- Extraordinary and Special Shareholders' Meeting of 4 October 2021: the alignment of the Articles of Association to the resolutions concerning the mandatory conversion of savings shares into ordinary shares and the elimination of the nominal value of the shares (which took effect on 29 November 2021);
- Extraordinary Shareholders' Meeting of 4 October 2021: i) amendments to the identification of shareholders pursuant to Article 83-duodecies of Legislative Decree No. 58 of 24 February 1998, as amended by Legislative Decree No. 49/2019 implementing Directive 2007/36/EC on shareholders' rights as amended by Directive 2017/828/EU, known as "SRD II" (see amendment to the current Article 5); ii) amendments relating to aspects of corporate governance and specifically aimed at allowing flexibility in the structuring of the system of delegated powers (providing for the possibility of alternatively appointing a Managing Director, a General Manager or both, also providing that, in the latter case, as required by the Bank of Italy, the two offices must be held by a single person; iii) the introduction into the articles of association of the "whitewashing" mechanism for related party transactions in the event of a contrary opinion of the Related Party Transactions Committee, in line with the provisions of the relevant Related Party Transactions Procedure; iv) in the context of Shareholders' and Board of Directors' meetings, the possibility of all the authorised and entitled parties to participate also by means of remote connection and without the presence of the Chair and Notary Public, in line with the practice established during the pandemic and as expressly allowed by the recent notarial maxims v) the simplification of the references to the independence requirements of directors to the applicable and pro tempore self-regulatory provisions of law, including self-regulatory and supervisory ones, as well as to the applicable and pro tempore corporate governance provisions, in order to have a flexible provision also following any changes in the discipline.

Duties and powers of the corporate bodies

A.1 Board of Directors

The body with strategic supervision function is first and foremost reserved the decisions concerning strategic policies and transactions as well as business and financial plans. This provision is included in the Articles of Association of the Parent Company (for further details see Section 3 below). Among the powers that cannot be delegated, the BoD is responsible for the appointment of the heads of the internal audit and compliance departments and the definition of the essential elements of the overall architecture of the internal control system¹¹ (subject to the favourable opinion of the Board of Statutory Auditors). The Board of Directors also carries out management functions.

A.2 Board of Statutory Auditors

The body with control function oversees the observance of the legal, regulatory and Articles of Association provisions, the correct administration, and the adequacy of the organisational and accounting set-ups of the bank. The Articles of Association of the Parent Company assign the Board of

¹¹ Among the "essential elements of the overall architecture of the system of controls", the Provisions themselves indicate powers, responsibilities, information flows and handling of conflicts of interest.

Statutory Auditors the related duties and powers, which are illustrated within said Articles, according to the structure indicated in Circular No. 285. Furthermore, as stated, the Board of Statutory Auditors performs SB 231 functions, taking account not only the aforementioned Circulars No. 263 and 285, but also the provisions of paragraph 4-bis of Article 6 of the aforementioned Italian Legislative Decree No. 231/2001, and a specific recommendation in the CG Code with regard to the Parent Company. The relevant provision is added to the respective Articles of Association.

B. Composition of the Corporate Bodies

- With regard to the Parent Company, the discipline of “list voting” is in force for the election of the members of the BoD and the Board of Statutory Auditors, already introduced in the Articles of Association, by virtue of Article 147-ter and Article 148 CFA. Moreover, the Articles of Association of the Parent Company also include the “gender quota” regulations introduced by Law No. 120/2011¹² for companies listed in regulated markets. This regulation envisaged that the “gender quota” had to be at least 1/5 for the first office (2014-2016) and at least 1/3 for the following two offices. The Extraordinary Shareholders' Meeting held on 23 April 2020 approved the amendment to the Articles of Association consequent to the entry into force (1 January 2020) of Italian Law No. 160 dated 27 December 2019 (the 2020 Budget Law), which extended the period of application by six mandates and raised the gender quotas for the Board of Directors and the Board of Statutory Auditors to at least 2/5 (a quota, however, maintained at least 1/3 in the case of bodies comprising 3 members, as in the case of the Board of Statutory Auditors) with effect from the renewal of offices that took place during the aforementioned Shareholders' Meeting.¹³

The Articles of Association of the Parent Company envisage the role of “Independent Directors”.

C. Remuneration and incentive mechanisms

The provisions of Bank of Italy Circular No. 285 are shown: i) in the Articles of Association with respect to the general principles, where the Ordinary Shareholders' Meeting, in addition to establishing fees due to the Bodies it has appointed, approves the remuneration policies, including the plans based on financial instruments, and the criteria/limitations for any amounts agreed in view or on the occasion of the early termination of employment or cessation from office of identified staff (“golden parachutes”) as provided for by the aforementioned Circular No. 285; ii) in the Internal Regulations with regard to the application guidelines (for more details also see section 6 below).

1.2.2. Internal Regulations of the Corporate Bodies, of Internal Board Committees and of the General Management

With regard to the regulatory provisions that are complementary to the Articles of Association provisions as per the previous Section 1.2.1, the Internal Regulations acknowledge the application guidelines of Bank of Italy Circular No. 285 as per points A.2) Board of Statutory Auditors and C) Remuneration and incentive mechanisms (for further details also see Section 6 below). It is also established, within the Internal Regulations, that the Statutory Auditors cannot undertake offices in bodies other than the Board of Statutory Auditors within other Group Companies, as well as with companies in which Banco Desio

¹² So-called “Golfo-Mosca” Law

¹³ It should be noted that the gender quota regime adopted by Banco Desio as a listed company absorbs the one introduced for all banks by the aforementioned 35th update of Circular No. 285.

directly or indirectly holds a strategic investment¹⁴. With reference to the role of Chair of the Board of Directors, who, according to the general principles expressed in the same Circular No. 285, performs an important role for the purpose of encouraging internal dialogue and ensuring the balancing of the powers, in the Internal Regulations it is specified that “the Chair of the Board of Directors promotes a communicative and transparent relationship among the members of the Board, to assure the effective functioning of the corporate governance system”; for this purpose, the Chair “within the scope of their function, directed at promoting internal dialogue and assuring the balancing of powers within the Board of Directors with respect to its different members, and to the Managing Director and General Manager in relation to the role described in Section 4.2 below, oversees the organisation of the Board's activities and the circulation of the information relating to said work, furthering the constant performance of the role of strategic supervision and management of said Board. Maintains relations with the Chair of the Board of Statutory Auditors and with the Chairs of the advisory/proposal-making committees established within the Board of Directors, serving as their main interlocutor”. For more details see also Section 4.2 below.

1.2.3. Regulations for Coordinating the Controls and the Information Flows of the Parent Company

The Control Coordination Regulations define the tasks and responsibilities of the control Bodies and functions within the Banco Desio Group (in particular, procedures, moments of coordination, organisational reports, and relevant links among the above-mentioned company functions), as well as the duties and responsibilities of the control functions, the main controls carried out by each function, the information flows between the different functions and between them and the corporate Bodies, the coordination and collaboration procedures eliminating any potential overlaps and allowing to develop synergies between the functions establishing, inter alia, that the Internal Control System consists of the set of the rules, procedures, organisational structures and coordination mechanisms that aim at essentially assuring the compliance of the Group Companies' operations with respect to the corporate strategies and with internal and external regulations. To this end, the Parent Company, as part of the Group's management and coordination activities, regulated as a whole by the “Group Regulations” adopted at that time, exercises: a) strategic control on the evolution of the various areas of activities where the Group operates and the impending risks on the portfolio of activities carried out; b) management control aimed at maintaining the balance of the economic, financial and equity conditions, both for individual companies and the Group in its entirety; c) technical-operating control aimed at evaluating the various risk profiles contributed to the Group by the individual subsidiaries. For more information, see also Section 7 below.

2 - GENERAL INFORMATION ON THE OWNERSHIP STRUCTURE AND ON OTHER CORPORATE ASPECTS, ON COMPLIANCE WITH A CORPORATE GOVERNANCE CODE AND ON THE GROUP STRUCTURE

This section contains information on the ownership structure and the corporate aspects **pursuant to Article 123-bis CFA**, as well as on the Group structure and the management and coordination activities, according to the various banking and statutory rules.

Banco Desio is qualifiable as an “SME” in accordance with Article 1, Paragraph 1, Letter w-quater.1) of the CFA, which defines SMEs as the enterprises, issuing listed shares, whose market capitalisation is

¹⁴ As indicated by the aforementioned Circular No. 285, “strategic” for such purposes is understood to mean the equity investment that is equal to at least 10% of the share capital or the voting rights during ordinary Shareholders' Meetings of the investee company and 5% of the consolidated regulatory capital of the Banking Group.

less than 500 million Euros. Issuers of listed shares that exceeded the aforesaid limit for three consecutive years are not considered SMEs. The checks carried out following promulgation of Consob Resolution No. 20621 of 10 October 2018 (updated by means of Consob Resolution No. 21625 dated 10 December 2020 which eliminated the reference to turnover) made it possible to ascertain that Banco Desio falls within the definition of SME provided above, because its market capitalisation as at 30 June 2018 amounted to 278 million Euros. If, for three consecutive years, Banco Desio were to exceed the aforesaid limit relating to revenue and capitalisation, it would cease to be included in the SME category. As an indication, it should be noted that the total market capitalisation of the ordinary shares as at 11 February 2022 is approximately 418 million Euros. At the end of each year, the data is verified in accordance with the timescales and procedures established by the latest Consob Resolution referred to above.

2.1 OWNERSHIP STRUCTURE AND OTHER CORPORATE ASPECTS OF BANCO DESIO (Article 123-bis CFA, paragraph 1)

a) Structure of the share capital

The share capital of Banco Desio, fully subscribed and paid-up, effective 29 November 2021,¹⁵ is composed of a total of 134,363,049 shares with no par value, following the effectiveness of the mandatory conversion of the 13,202,000 savings shares into ordinary shares in execution of the approval resolutions passed by the Extraordinary Shareholders' Meeting and the Special Shareholders' Meeting on 4 October 2021, to the extent of their respective areas of competence. The conversion ratio was 0.88 ordinary shares for each savings share held. The last day of trading on the Stock Exchange for registered and bearer savings shares was 26 November 2021, and as of 29 November 2021, only ordinary shares, including ordinary shares resulting from the mandatory conversion, having the same characteristics as those outstanding on the effective date of the conversion are traded on Euronext Milan of Borsa Italiana.

The ordinary shares grant the holders the rights and obligations envisaged by current legislation (in particular, the right to profits and voting rights pursuant to Articles 2350 and 2351 of the Italian Civil Code), without Articles of Association exceptions or limitations.

Other specific categories of shares or equity financial instruments endowed with specific equity or administrative rights have not been issued nor is the option to issue the same envisaged by the Articles of Association.

b) Restrictions on the transfer of shares

No voluntary or Articles of Association restrictions on the circulation of the shares are envisaged, such as limits to the possession of shareholdings or approval clauses. Furthermore, making equity investments in the Banks' share capital that would exceed the specific percentage thresholds is subject to restrictions established by the CBL and Supervisory Provisions.

c) Significant investments

Shareholders who hold stock in Banco Desio of **over 5¹⁶%** as at 31 December 2021 were as follows:

¹⁵ It should be noted that up to the effective date of the Mandatory Conversion of Savings Shares into Ordinary Shares, Banco Desio's fully subscribed and paid-in share capital was composed of a total of 135,947,289 shares (with a nominal value of 0.52 Euros each), of which 122,745,289 were ordinary shares (approximately 90% of the total) and 13,202,000 were non-convertible savings shares (approximately 10% of the total).

¹⁶ As a result of the acquisition, by Banco Desio, of the capacity of SME in accordance with the aforementioned regulations, the threshold for reporting significant investments rose from 3% to 5% in 2018.

- share capital represented by a total of 134,363,049 ordinary shares:

- Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (controlling interest)	50.08%
- Avocetta S.p.A.	8.41%
- Stefano Lado ¹⁷ (of which 5.52% through Vega Finanziaria SpA)	7.42%
Total	65.90%

The information on significant investments was essentially acquired on the basis of the entries in the Shareholders' Register, as well as the indications received by the company in accordance with Article 114, section 7 CFA (Internal Dealing) and Article 120 CFA (Ownership Structure).

d) Securities that grant special control rights

No securities that grant special control rights have been issued.

e) Shareholdings of employees: voting procedure

Currently, there are no active employee shareholding plans.

f) Restrictions on voting rights

Restrictions on voting rights are not envisaged, except for the above limitation regarding savings shares and without prejudice to the restrictions envisaged by ad hoc legislation (for example: failure to acquire authorisation for the purchase of significant investments, not meeting "good standing" requirements by those investing in the share capital, failure to fulfil specific disclosure obligations vis-à-vis the Bank of Italy and Consob, etc.).

g) Agreements between shareholders

There are no shareholders' or corporate agreements between shareholders, as envisaged by current provisions (Article 20 CBL and Article 122 CFA).

h) Change of control clauses

Banco Desio and/or its subsidiaries do not have any significant agreements in place, the effectiveness of which is conditional to or which would be modified or terminated in the event of a change in the control of Banco Desio¹⁸ itself, except for the granting of a "call" option in favour of Anthilia Holding on the entire stake held from time to time by Banco Desio in Anthilia Capital Partners SGR S.p.A, exercisable in the event of a change in the control of Banco Desio during the partnership between Banco Desio itself and the aforementioned companies (for any information on this partnership, please refer to the joint press release issued on 5 November 2021).

i) Indemnity paid to directors in the event of early termination of employment

Refer to Section 6 below of the Remuneration Report.

l) Appointment and replacement of Directors and Statutory Auditors and Articles of Association amendments

¹⁷ The shareholding referring to Stefano Lado includes shares registered in the name of his spouse (0.005%) and shares registered in the name of his two children (in total 0.14%).

¹⁸ A change of control is defined as any transaction as a result of which a third party, other than Brianza Unione di Luigi Gavazzi e Stefano Lado S.p.a., acquires an interest in the share capital of Banco Desio in excess of 50%.

The appointment of Banco Desio's BoD and Board of Statutory Auditors has been disciplined by the procedure set forth in Article 147-ter and Article 148 CFA, respectively.

The BoD is made up of a minimum of 8 and a maximum of 12 members¹⁹, according to the decisions of the Shareholders' Meeting, and is appointed by means of "majority" list voting that, in the event of the presentation of two or more lists of candidates, envisages the appointment of all the Directors less one from the list that obtained the greatest number of votes expressed during the Shareholders' Meeting (majority list). One Director is appointed from the minority list that has obtained the greatest number of votes expressed after the majority list, provided that the number of votes is at least equal to half of the quorum necessary for the presentation of the lists and on condition that the minority list is not linked to the shareholders who have presented or voted for the majority list.

These lists can be presented by shareholders who are owners of ordinary shares equal to at least 2.5% of the share capital represented by ordinary shares and must be presented at least 25 days before the Shareholders' Meeting, accompanied by: documentation proving the identity of the shareholders and their legitimate right to present the list; individual declarations accepting the candidacy and statement of compliance with the prescribed requirements, including independence requirements, as well as the Curriculum Vitae of the candidates; declarations of the shareholders who present the minority lists of the absence of any link with the majority shareholders.

In the event the Director appointed from the minority list leaves office, the BoD is obliged to co-opt, where possible, a non-elected candidate from the same list. In any event, during the Shareholders' Meeting called to resolve the replacement of the Director appointed from minority lists, the candidates can only be presented by other shareholders not linked to those who have presented and voted for the majority list at the time of BoD appointment and the appointment of the Director takes place by means of a relative majority.

With regard to the Board of Statutory Auditors, a similar procedure applies with the following changes: two Standing Auditors and two Alternate Auditors are appointed from the majority list; a Standing Auditor, who will take on the office of Chair, and an Alternate Auditor, are appointed from the first minority list not linked to the majority shareholders, irrespective of the number of votes obtained. In the event that in the 25 days prior to the Shareholders' Meeting, only the majority list has been duly presented, the deadline for the filing of the minority lists is extended by 3 days and the presentation quorum is halved.

Amendments to the Articles of Association are the exclusive responsibility of the Extraordinary Shareholders' Meeting, except in those cases where the law and the Articles of Association permit approval by the BoD. In any event, the Article of Association amendments are subject to the prior assent of the Bank of Italy in accordance with Article 56 CBL. For further information relating to the management body and the control body, see Sections 3 and 9 below.

m) Powers pursuant to Article 2443 of the Italian Civil Code and authorisations to purchase own shares

No powers have been granted to Banco Desio's BoD for increasing the share capital as per Article 2443 of the Italian Civil Code, nor for issuing equity financial instruments. There are no Shareholders' Meeting authorisations for the purchase of own shares in force.

¹⁹ On 6 April 2017, the Extraordinary Shareholders' Meeting resolved to raise this maximum number from 11 to 12. Following the resignation of the Vice Chair (Mr Tommaso Cartone) with effect from 17 December 2021, Banco Desio sent to the Bank of Italy, in anticipation of the next Shareholders' Meeting on 14 April 2022, a request for assessment pursuant to Art. 56 of the Consolidated Banking Law of the proposed amendments to the Articles of Association, with a view, inter alia, to reducing the number of Board members to a minimum and maximum odd number (i.e., from a minimum of 9 to a maximum of 11 members), in order to minimise, even in abstract terms, the risk of tied votes may arise requiring recourse to the so-called "casting vote", specifying that this numerical "range" is deemed appropriate for the purposes of the composition and functioning of the Board itself and of the Committees established within it.

2.2. COMPLIANCE WITH A CORPORATE GOVERNANCE CODE (Article 123-bis, paragraph 2, letter a) CFA)

As illustrated in previous Reports, Banco Desio complies with the Corporate Governance Code (now CG Code) for Listed Companies as from its first issue by Borsa Italiana. In detail, the Code was adopted on a generalised basis, with the exception of certain criteria of a circumscribed nature that it was considered not necessary or appropriate to assimilate fully. For detailed information on the status of adherence to individual recommendations of the Code, refer to the attached Table 4. The current Code can be found at the following web address: <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>

On 19 November 2020, the Board of Directors resolved to fully adopt the new Code in force as from 1 January 2021: i) within the scope of the recommendations applicable to **"non-large" and "concentrated ownership" companies**²⁰; ii) in compliance with the Supervisory Provisions applicable to listed banks as they are treated as "larger banks" pursuant to Circular No. 285, as from 1 January 2021, it being understood except that the recommendations relating to independence criteria shall be applied at the same time as the independence requirements set forth in the MEF Regulation pursuant to Article 26 of the Consolidated Banking Law (the "MEF Decree") in order to ensure the consistency of the system at the next renewal of corporate offices.

The possible use of the relevant flexibility options for the application of the Code is significantly limited by the fact that these Supervisory Provisions are particularly stringent. **For an illustration of the options and actions resolved upon by the Board of Directors, please refer to Attachment D in full.**

Additional information laid down by Article 123-bis, paragraph 2 CFA, referring to financial disclosure (letter b), the functioning of Shareholders' Meetings and dealings with shareholders (letter c) and the composition/functioning of administration and control bodies (letter d) is provided, specifically, in Sections 3, 7, 9 and 10 below. Section 7 also contains information about the non-financial statement.

2.3. GROUP STRUCTURE AND MANAGEMENT AND COORDINATION ACTIVITIES

Information in this section reflects (unless otherwise specified) the situation as at 31 December 2021.

Banco Desio is the Parent Company of the **banking group** by the same name, pursuant to Articles 60 and 61 of the CBL, which currently includes the following companies:

Banco Desio e della Brianza SpA Parent bank

Fides SpA

Finance company entered in the Financial Intermediaries Registry, directly controlled (100%)

²⁰ The respective definitions are as follows: **"large company"** - a company whose capitalisation exceeded 1 billion Euros on the last trading day of each of the three preceding calendar years; **"concentrated ownership company"**: a company in which one or more shareholders participating in a Shareholders' Agreement hold, directly or indirectly (through subsidiaries, trustees or intermediaries), a majority of the votes exercisable at an Ordinary Shareholders' Meeting.

Desio OBG Srl

Directly controlled (60%) special purpose vehicle for the issue of Covered Bonds

Banco Desio exercises management and coordination activities over these companies, both according to current banking system provisions and in accordance with Article 2497 et seq. of the Italian Civil Code. To this end, special “Group Regulations” that regulate the matter as a whole were adopted at that time.

Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A.

As the result of a specific Articles of Association provision, however, **it does not exercise management and coordination** activities over Banco Desio and its subsidiaries, based on neither banking legislation nor statutory provisions. Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. does not hold any other controlling interests²¹.

3 - BOARD OF DIRECTORS

The information in this section has been provided in accordance with Article 123-bis, section 2, letter d of the CFA and articles 144-octies and 144-novies of the Issuers’ Regulation and reflects (unless otherwise specified) the situation as at 31 December 2021. For its development, see Section 13 below. For information on sustainability issues and, in this context, on the diversity policies applied by the Banco Desio Group to the composition of the administration, management and control bodies with regard to aspects such as age, gender and education and professional experience, in accordance with Article 10 of Italian Legislative Decree No. 254/2016, please refer to Section 7 below.

3.1 Composition and requirements

The current Board of Directors of Banco Desio is made up of 11 directors, was appointed by the Shareholders' Meeting of 23 April 2020 (with the exception of one director, appointed by the Shareholders' Meeting of 4 October 2021 to replace a deceased director), with the list voting mechanism referred to in paragraph 2.1.l) above and expires at the time of the Shareholders' Meeting called to approve the financial statements as at 31 December 2022. One Independent Director was elected from a list submitted by a minority shareholder (see also Section 3.2 below). For further information, please refer in full to the general meeting documentation published on the website www.bancodesio.it – section “La Banca/Governance/Corporate Governance/Assemblea” (The Bank/Governance/Corporate Governance/Shareholders' meeting). The composition of the BoD, together with other information on the structure of the Management Body and Committees, is included in the attached Table 1.

According to the special regulations for banks with listed shares, directors must meet specific requirements under penalty of disqualification from office. On 15 December 2020, Decree No. 169 of

²¹ In accordance with Articles 11 and 99 of Regulation EU No. 575/2013 (CRR) Brianza Unione is also obligated, starting from the accounting date of 30 June 2018, to forward prudential supervisory reports (so-called COREP) and statistical reports (so-called FINREP) on a consolidated basis. As consequence, Banco Desio, starting from the same accounting date, no longer sends the related reports on a consolidated basis because they are transmitted by Brianza Unione. Brianza Unione has appointed Banco Desio with a dedicated service agreement for the execution of some activities concerning the drafting and forwarding of the reports. For additional information, please refer to the Report on Operations.

23 November 2020 was published in the Official Gazette, containing the implementing regulation of Article 26 CBL issued by the MEF (the "MEF Decree"), which, having consulted the Bank of Italy²², was called upon, as is well known, to identify in accordance with CRD4: a) the homogeneous good standing requirements for all the representatives; b) the professional standing and independence requirements, graded according to proportionality principles; c) the criteria of competence, consistent with the office to be held and with the characteristics of the bank, and of adequate composition of the body; d) the criteria of correctness, concerning, among other things, the business relations of the representative, the behaviour with regard to the supervisory authorities and the sanctions or corrective measures imposed by them, restrictive measures concerning professional activities carried out, as well as any other element likely to affect the correctness of the representative; e) the limits to the number of offices held by bank representatives, graded according to proportionality principles and taking into account the size of the intermediary; f) the causes that involve the temporary suspension from the office and its duration. The relevant provisions shall apply to appointments after the date of its entry into force, i.e. 30 December 2020.

Following the introduction by the aforementioned Ministerial Decree No. 169/2020 of the so-called "Fit&Proper Assessment", Banco Desio has adopted, with a Board resolution of 3 August 2021, the "Fit&Proper" Policy, which defines the substantive and procedural obligations regarding the suitability and efficacy of both the overall Administrative Body (Board of Directors) and the Control Body (Board of Statutory Auditors), as well as of the company Representatives, the commitment in terms of sufficient time for the position held, the principles of honesty, integrity and independence of judgement, as well as the requirements of knowledge, expertise and experience. The Policy also concerns the Managers of the main corporate functions to the extent applicable to them²³. The Policy has been implemented by the subsidiary Fides in the context of its management and coordination activities, which has adopted a similar document to the extent applicable to it.

Verification of the company Representatives' requirements pursuant to the MEF Decree is the responsibility of the Board of Directors itself, within 30 days of appointment, in accordance with the procedure set forth in the Bank of Italy's Supervisory Provisions; in short, possession of the requirements is verified in a specific manner and resolved upon by the BoD²⁴ for each individual Representative, with the abstention of the party concerned, on the basis of appropriate documentation produced by the exponents themselves (e.g. certificates, attestations, curricula vitae, declarations in lieu of affidavits or certifications, declarations made by home companies/bodies, etc.) and of a specific questionnaire (the so-called "tool") made available by the Bank of Italy and usable on a voluntary basis²⁵.

Information on the personal and professional characteristics of the Directors, as well as information on their satisfaction of the requirements described in this section, are published upon submission of the lists for the renewal of corporate offices, in compliance with governing Consob regulations. For more

²² The relevant Supervisory Provisions were issued by the Bank of Italy on 4 May 2021.

²³ The persons in charge of the Bank's main corporate functions are identified, pursuant to the MEF Decree, as the Managers:

- of the anti-money laundering function (Anti-Money Laundering Office),
- of the regulatory compliance function (Compliance Office),
- of the risk control function (Risk Management Department),
- of the internal audit function (Internal Audit Department),

and in the Executive appointed to draw up the accounting documents pursuant to Article 154-bis CFA.

²⁴ See also section 9 below for the members of the Board of Statutory Auditors' requirements.

²⁵ Banco Desio used this "tool" to verify the requisites of Executive Director Gerolamo Gavazzi, appointed by the Shareholders' Meeting of 4 October 2021 to replace the deceased Director Egidio Gavazzi. For more information on this succession, see the following paragraphs.

details, refer to Section 3.5 below. Their curricula are also made available on the www.bancodesio.it website, in the section “La Banca/Governance/Corporate Governance/Consiglio di Amministrazione” (The Bank/Governance/Corporate Governance/Board of Directors) . The same website now also contains summary profiles of the individual Company representatives, the Appointed Executive and the Heads of Internal Control Departments.

3.2 Independent Directors

Of the 11 Banco Desio Directors in office, most of whom were appointed by the Shareholders' Meeting on 23 April 2020, **5** of them qualify as independent, according to the specific provisions of Articles 147-ter and 148 of the Consolidated Finance Act as well as according to the criteria of the CG Code²⁶. The assessment of independence is subject to BoD resolution specifically reviewing the individual positions of the Directors on the basis of suitable documentation available to the company or disclosure made by the party concerned, who abstains from voting and favouring, in any case, substance over form. The checks are envisaged after appointment, as well as when establishing Committees that require the participation of a certain number of Independent Directors, at the time of approval of the Self-Assessment Report of the BoD and of this Report (as well as each time the BoD considers it appropriate in relation to any situations that may change the qualification of independence relating to one or more Directors). The Directors, by virtue of said evaluations and checks performed in 2020 at the time the appointments were renewed and also confirmed during the approval of this Report, who currently meet the independence requisites (all in accordance with both the Consolidated Finance Act and the CG Code), are listed below:

- **Ms Valentina Casella** (first appointed 28 March 2019)
- **Mr Ulrico Dragoni** (appointed 23 April 2020)
- **Prof. Cristina Finocchi Mahne** (first appointed 30 May 2013)
- **Ms Giulia Pusterla** (appointed 23 April 2020)²⁷
- **Ms Laura Tulli** (appointed 23 April 2020)

Ulrico Dragoni was appointed from a list presented by a minority shareholder (Carit Foundation - Cassa di Risparmio di Terni e Narni).

When the Fit&Proper Policy was adopted, the quantitative and/or qualitative criteria to be used for assessing the relevance of the relationships under review for the purposes of verifying independence was defined. It should be noted that a director is not considered independent:

- i) whether, directly or indirectly (e.g. through subsidiaries or companies of which it is an executive director, or as a partner in a professional firm or consulting company), he/she has, or has had in the previous three financial years, a significant commercial, financial or professional relationship:
- with the bank or its subsidiaries, or its executive directors or top management;
 - with a party who, also jointly with others through a shareholders' agreement, controls the company;

²⁶ In accordance with the aforementioned Circular No. 285, the Articles of Association provide that at least 1/4 of the members of the Board of Directors must meet the independence requirements required by the applicable provisions, including regulatory and/or supervisory provisions, in force at the time, as well as those adopted by the company in compliance with the recommendations of the CG Code. The actual number 5 is therefore currently higher than the minimum number 3. An independent director who no longer meets the requirements of independence after his/her appointment shall immediately notify the Board of Directors. Failure to meet the aforementioned requirements results in forfeiture of the position of independent director. If, following forfeiture, the remaining number of independent directors on the body is sufficient to ensure compliance with the provisions requiring a minimum number of independent directors, the director who does not meet the aforementioned requirements remains in office as a non-independent director.

²⁷ Giulia Pusterla has covered the office of Standing Auditor since 2014 and Chair of the Board of Statutory Auditors between 2017 and 2020.

or, if the controlling company is a company or entity, with its executive directors or top management;
ii) if he/she receives, or has received in the preceding three financial years, from the bank, one of its subsidiaries or its parent company, significant remuneration in addition to the fixed remuneration for the office held and to the remuneration provided for participation in the Committees as recommended in the Code or provided for by the regulations in force.

In the case of a Director who is also a partner in a professional firm or consulting company, the Administrative Body assesses the significance of professional relationships that may have an effect on his/her position and role within the firm or consulting company or that otherwise relate to important operations of the company and the group he/she heads, even irrespective of any quantitative parameters.

With reference to commercial, financial or professional relations sub i):

- As far as quantitative criteria are concerned, Banco Desio conventionally assumes, as an index of non-significance, the "smallness" criterion established by the Internal Regulations on Transactions with Associated Parties. The same criterion is applied for the non-significance of the additional remuneration mentioned above.
- As far as qualitative criteria are concerned, Banco Desio conventionally adopts, as an index of non-significance, the "ordinariness" criterion established by the Internal Regulations on Transactions with Associated Parties (without prejudice to the fact that relations deriving from transactions classified as "of greater significance" or assimilated to them, pursuant to the same Regulations, are in any case considered significant, even if they are of an ordinary nature such as in the case of credit facilities).

With reference to remuneration in addition to the fixed remuneration for the office under ii), in-depth studies are underway with a leading law firm (Gatti Pavesi Bianchi Ludovici) in order to identify specific criteria other than those under i), possibly refining the latter as well. The outcome of the investigations and the consequent revision of the Policy shall be submitted to the Council for deliberation at a future meeting.

These criteria extend to the Control Body to the extent applicable to it pursuant to the Consolidated Finance Act and the MEF Decree.

The Independent Directors, take part in the Board's work and the activities of the advisory/proposal-making Committees to which they belong (i.e., the Control, Risk and Sustainability Committee and the Remuneration Committee, of which they form the majority, as well as the Appointments Committee and the Committee for Transactions with Related Parties and Associated Parties, consisting solely of three Independent Directors)²⁸. Said Directors met on 17 February 2022, to express their assessment of the aspects of this Report that are under their competence, taking into account the role assigned by the Code, among non-executive members, especially to these Directors. The **Independent Directors' assessment** (which also takes into account the results of the self-assessment process per Section 3.6

²⁸ In accordance with the Supervisory Provisions, the Independent Directors oversee the management of the company with autonomous judgement, contributing to ensure that such management is carried out in the interest of the company and consistently with sound and prudent management objectives, serving as a counterweight with respect to the bank's executive and management components and promoting dialogue within the body of which they are members. An extract from a Comment contained in the previous Corporate Governance Code is presented: "the non-executive directors enhance the board discussions with expertise formed outside the company, of a general strategic or specific technical nature. These skills make it possible to analyse the various subjects being discussed from different points of view and, therefore, contribute towards stimulating the dialogue that is the distinctive condition for a well thought-out and informed collective decision. The contribution of non-executive directors is particularly useful on matters where the interests of the executive directors and those of the shareholders may not coincide, such as the remuneration of said executive directors and the internal control and risk management system.

below) is attached to this Report (**Attachment A**)²⁹. **The Independent Directors have, moreover, already expressed a favourable opinion in their meeting of 17 February 2021 on the information contained in this Report pursuant to Article 123-bis of the CFA.** A further meeting of the Independent Directors was held on 21 March 2022 for the purpose of approving the Attachment above and Attachment B below.

3.3 Functioning

As a rule, Banco Desio's Board of Directors meets monthly, which is more frequently than the at least bi-monthly schedule envisaged in the Articles of Association. In 2021, a total of 22 meetings³⁰ were held, the majority of which scheduled at the beginning of the year. For 2022, at least 15 meetings have been scheduled. The dates of the meetings to approve periodic accounting documents (draft financial statements and consolidated financial statements, interim financial reports and quarterly voluntary reports) were made public, in January, within the context of the Annual Calendar of Corporate Events, in compliance with stock exchange legislation. The publication of the Corporate Calendar falls within the sphere of a more extensive process of scheduling the Board's work for all Group companies, which sees the involvement of the same BoDs of the Parent Company and the subsidiaries, for the purpose of optimising the activities of the Corporate Bodies consistent with the general principles of efficiency and effectiveness established by both the CG Code and the aforementioned Circular No. 285. Internal regulations concerning the information flows between and within the Corporate Bodies are based on the same principles and were formalised in the "Information Flows Regulations for Corporate Bodies". These regulations are aimed at ensuring a circulation of information consistent with the needs of the Directors and Statutory Auditors to act in an informed manner and, at the same time, with the need to maintain organisational safeguards to avoid the risk of the improper use of confidential information. In accordance with the provisions of the Articles of Association and the Corporate Information Regulations, the Chair calls the BoD meetings by means of a notice that contains the list of issues to be discussed at least 5 days in advance. The documentation relating to the agenda items is made available to Directors and Statutory Auditors, by means of a dedicated IT platform, through an e-mail generally sent at least 3 days in advance (7 days for the previous meeting's minutes). The documents not transmitted within 48 hours prior to the meeting (typically those that are "price sensitive" in order to maximise the protection of inside information as a precaution against any possible form of IT violation by third parties) are made available for consultation at the Corporate Affairs Department starting from the morning of the day prior to the same meeting. This advance is generally considered reasonable by the Board of Directors and is observed for most documents. Especially for particularly complex documents, the provision is made prior to the above-mentioned minimum terms and sometimes prior to sending the notice of call (which normally takes place six days before the Board meetings). The scheduling of most of the meetings of the internal board committees (in particular, of the Control, Risk and Sustainability Committee) 2 days before the Board meetings ensures that the circulation of documents, as they become available from the competent functions, is normally initiated in respect of the members of the Committees and the Board of Statutory Auditors between 6 and 8 days before the Board meeting, thus extending the investigative activity as a whole for most documents (activity that is promoted in particular by the Chairs of the Committees also through preliminary discussions with the competent functions).

²⁹ The provision that the Independent Directors meet at least once a year in the absence of the other Directors has been retained, although no longer contemplated in the case of Banco Desio by the new CG Code, as the Bank itself deems it useful to maintain the meeting at least once a year when preparing this Report, as the main, albeit not exclusive, method of discussion among the Independent Directors, also pursuant to Circular No. 285. Since the current financial year, the Independent Directors also find it useful to meet at least on two different occasions during the year.

³⁰The average duration of the Board meetings was 2 hours and 30 minutes (also by virtue of the rationalisation measures put in place). For additional details see Table 1.

In any event, without prejudice to any "price sensitivity" case, where it has not been possible – due to the need to ensure confidentiality or for other justified reasons, including those of opportunity/urgency (e.g. the need to define with the counterparty, possibly also consulting the regulatory authorities, the terms of a transaction/project to be submitted to the Bodies within the Board for review) – to provide the documents in question with the above-mentioned reasonable advance notice, appropriate in-depth reviews are carried out during the meetings by the Chair, the Managing Director and the heads of the competent functions, as well as by any specifically invited consultants, depending on the case, leaving more room for discussion and making available, where required, more detailed documents/information during or after the meetings.

The increasingly systematic use of "executive summary" to illustrate arguments favours effective representation even in cases where documents are received at short notice.

Confidentiality restrictions regarding the documentation and information subject to Board resolutions are decreed – consistent with the mentioned market abuse regulations – also by the Corporate Information Regulations, for Directors, Statutory Auditors, external auditors and all employees who enter into possession of potentially price sensitive documentation and information. In this context, specific provisions discipline access to the minutes of Board of Directors' meetings, without prejudice to the fact that all interested parties are assured that the necessary information is made available to carry out their responsibilities in an informed manner (For further details on this Regulation, see Section 8 below). The information in question is also provided directly by the heads of the corporate functions (in particular the internal audit managers) who, to this end, are regularly called to take part in the meetings (also of the internal board Committees) to help illustrate the subjects within their competence on the agenda. The same functions also participate, albeit for a more essential representation, in the summary of topics under the responsibility of the Control, Risk and Sustainability Committee, that is carried out by the Committee Chair at the board meetings.

3.4 Powers

The BoD is vested with all the powers of ordinary and extraordinary administration, except for the faculties reserved for the Shareholders' Meeting by legal and/or supervisory provisions. In addition to the functions that cannot be delegated, decisions concerning the following matters are reserved by the Articles of Association for the exclusive competence of the BoD, also in accordance with the provisions of Circular No. 285:

- the setting of policies that affect the general management of the Bank's and Group's business and - within this area - decisions concerning strategic guidelines and transactions as well as the business and financial plans, as well as those concerning, again at the level of strategic supervision, the internal control and risk management system, approval of the organisational and corporate governance structure, approval of the accounting and reporting systems and supervision of the public disclosure and bank communication process, in accordance with the supervisory provisions in force at the time;
- the issuance and amendment of main internal regulations and in particular the "Internal Regulations of the Corporate Bodies" and the "Group Regulations", with the exception of amendments merely to comply with the provisions of current legislation or resolutions issued by the Shareholders' Meeting or the Board of Directors, already adopted and effective, subject to the favourable opinion of the Board of Statutory Auditors where regulatory provisions concerning the internal control system are concerned;
- the establishment, transfer and closing down of branches and representative offices;
- the purchase, construction and sale of real estate, other than properties leased by the company in the exercise of its institutional activities; without prejudice to the Board's power to delegate, setting limits, conditions and procedures, the performance of certain transactions involving owned portions

of real estate (including on a non-exclusive basis), pertinences or real rights encumbering such real estate;

- the acquisition and sale of strategic equity investments or investments that involve changes in the Banking Group or, in any event, the undertaking or disposal of controlling or associated interests or which involve exceeding the authorisation thresholds according to the applicable provisions. The Board has the faculty to delegate, establishing the related limits, conditions and formalities, the purchase and sale of shares of subsidiaries listed on regulated markets, provided that these operations take place: a) in observance of current regulations concerning issuers, brokers and markets; b) under the aforementioned authorisation thresholds;
- the setting of criteria for the management and coordination of the companies of the Group and the other subsidiaries, as well as criteria for executing instructions from Bank of Italy;
- the appointment and removal of the General Manager, Vice General Managers and Executives and determining the powers and responsibilities assigned to them and to Middle Management;
- the appointment and dismissal of the heads of the internal audit, compliance and risk control functions and the definition of the essential elements of the overall architecture of the internal control system, subject to the favourable opinion of the Board of Statutory Auditors;
- the appointment and removal of members of the internal board committees required by applicable legal and regulatory provisions (in particular, the Appointments Committee, the Remuneration Committee, the Control and Risk Committee and the Related Party Transactions Committee), as well as the establishment, appointment and regulation of additional committees with proposal-making, advisory, supervision and/or coordination roles, if any, with determination of their tasks;
- pursuant to the laws and regulations in force at the time and the procedure for related party transactions adopted by the Company in compliance with said laws and regulations, a) the related party transactions of greater or lesser significance falling under the Board's competence, including related party transactions of greater significance in the presence of a contrary opinion from the Related Party Transactions Committee and b) the proposal for authorisation by the Shareholders' Meeting to carry out related party transactions of greater significance in the presence of a contrary opinion of the aforesaid Related Party Transactions Committee for the purpose of adopting the resolutions issued by the Shareholders' Meeting.

Consistently, also incorporating the provisions of the aforementioned 35th update of Circular No. 285, the Internal Regulations attribute to the BoD:

- the definition of policies affecting the general management of the Bank and the Group's business, the strategic guidelines and transactions, business and financial plans, as well as those concerning the internal control and risk management system; when defining corporate strategies, the Board takes into account, inter alia, the following aspects: i) the monitoring and management of impaired loans as well as the approval of policies for their management; ii) the possible adoption of new business models, applications, processes or products, including through partnership or outsourcing, related to the provision of technology-intensive financial services (Fintech); iii) the risks of money laundering and terrorist financing in consideration, inter alia, of the business carried out, the clientele and the geographical areas of reference; iv) the objectives of sustainable finance and, in particular, the integration of environmental, social and governance (ESG) factors in business decision-making processes; v) the risks, particularly legal and reputational, arising from any related or instrumental activities carried out; vi) the definition and proper implementation of funding policies, also with reference to the type of savers and/or investors involved, including planning and choices regarding compliance with regulations on Minimum Requirement for own funds and Eligible Liabilities (MREL);
- the adoption of rules of professional conduct for the Bank's staff, including through a Code of Ethic or similar instruments, (e.g. an Organisation and Management Model pursuant to Legislative Decree No. 231/2001 or "MOG") guaranteeing their implementation and monitoring their compliance by the

- staff; these instruments also specify the operating procedures and controls aimed at ensuring compliance with the aforesaid rules, including by indicating inadmissible conduct, including the use of misleading or inaccurate information and the commission of financial or tax offences;
- the approval of the organisational and corporate governance structure;
 - the approval of the accounting and reporting systems and supervision of the public disclosure and Bank communication process, in accordance with the Supervisory Provisions in force from time to time;
 - the approval, with reference to the activities of the Executive appointed to draw up the company's accounting documents, with the input of the Control, Risk and Sustainability Committee and the favourable opinion of the Board of Statutory Auditors, of the internal regulations pertaining to its duties and/or of "Financial Reporting". The Board of Directors ensures that its own evaluations and decisions relating to the approval of the financial statements, of the other corporate accounting documents and to the relations with the Independent Auditor are supported by an adequate preparatory activity and assesses, with the input of the Board of Statutory Auditors, the results posted by the Independent Auditor in its own reports;
 - the issuance and amendment/update of the main internal regulations and in particular of these "Internal Regulations of the Corporate Bodies", of the "Group Regulations", of the Internal Regulations of Delegated Powers, with the exception of non-substantial amendments (so-called "wording");
 - the approval, after consulting the Appointments Committee, of a Policy for the promotion of diversity and inclusiveness within the Corporate Bodies (also within the Group); the composition of these Bodies must in fact reflect an adequate degree of diversification in terms of, inter alia, skills, experience, age, gender, international origin, and the aforementioned Policy identifies the measures for the achievement of this objective;
 - the approval of the corporate policy pertaining to the outsourcing of corporate functions (also within the Group), with the opinion of the Control, Risk and Sustainability Committee, constantly retaining full responsibility, knowledge and governability of the risk factors relating to the outsourced functions (see also the Outsourcer and Third Party Governance Process Regulations in a subsequent paragraph);
 - the purchase, development and sale of real estate property assets other than those granted under financial lease by the Bank as part of its institutional activities;
 - the acquisition or sale of strategic equity investments or investments involving changes in the Banking Group, or in any case the acquisition or sale of controlling or associated interests, or entailing the exceeding of authorisation thresholds in accordance with the applicable provisions;
 - the determination of criteria for the management and coordination of Group companies, in accordance with the Supervisory Instructions;
 - the appointment of Managers in charge of first line functions and of those regulated by specific legal and regulatory provisions;
 - the appointment of a Data Protection Officer (DPO) under EU Regulation 2016/679;
 - the appointment and dismissal of the members, as well as the indication of the Chair, of the internal board committees established by applicable laws and regulations (in particular, the Appointments Committee, the Remuneration Committee, the Control, Risk and Sustainability Committee and the Committee for Transactions with Related Parties and Associated Parties), as well as the possible establishment, appointment and regulation of additional committees with proposal-making, advisory, supervisory and/or coordination functions, with determination of their duties the Chair of the Risk and Sustainability Committee cannot coincide with the Chair of the Board of Directors or the Chair of other Committees;
 - the approval, review and updating of the recovery plan, as well as its amendment and updating at the request of the supervisory authorities; the adoption, at the request of said authority, of changes

- to be made to the business, organisational structure or corporate form of the Bank or Banking Group, and other measures necessary to achieve the objectives of a reorganisation plan, as well as the elimination of the causes that form the basis for early intervention (without prejudice to the powers of the Shareholders' Meeting in this regard); the decision to adopt a measure provided for in the reorganisation plan or to refrain from adopting a measure even under given circumstances;
- the review/approval of the reports of the corporate functions and structures, such as, by way of non-comprehensive example, the annual report on complaints, the report containing aggregate data pertaining to whistleblowing, as well as all reports prescribed in the Flows Regulations;
 - the review/approval at least once a year of the Outsourcer and Third Party Governance Process Regulations.

To the Board of Directors are also exclusively reserved the review and approval of the "significant" transactions carried out also by the subsidiaries, the term "significant" meaning, by way of non-comprehensive example, at least the following extraordinary transactions: capital increases, transfers in companies, acquisitions/sales of business units, transformations and liquidations, the merger by incorporation of companies included in the Group at least at 90%, the establishment and closure of secondary branches, share capital reductions, in case of withdrawal by the shareholder, the transfer of the registered office of the company inside the territory of Italy, the establishment, transfer and/or closing down of branches and representative offices. The powers listed above include those provided for in the Corporate Governance Code and, in particular, the inherent responsibility of approving strategic, business and financial plans. The assessment of the general organisational and accounting set-up, envisaged by the Code, falls under the exclusive responsibilities of the BoD, established by the Internal Regulations, consistent with supervisory legislation regarding the internal control system and individual and Group risk management policies. The Internal Regulations also reserve for the Board the specific responsibility of operational management, whose division between the BoD and the Bodies delegated by the same is expressed in terms of both business area and/or amount (as detailed in Section 4 below).

The Board of Directors of Banco Desio is also entrusted, at Group level, with the approval of strategies, policies and reporting on sustainability issues (as detailed in Section 7 below), also in order to concretely guide the Bank in the pursuit of its sustainable success (an objective that is substantiated by the creation of long-term value to the benefit of shareholders, taking into account the interests of other relevant stakeholders).

3.5 Appointment

Without prejudice to the description in Sections 2.1.1) and 3.1 above, as part of the CG Code's recommendations, Banco Desio's BoD also established, in the Internal Regulations, the following general criteria relating to the accumulation of the appointments by directors³¹: a) establishing the number of appointments as Director or Standing Auditor held in other listed companies and/or supervised companies³² as 5 (excluding subsidiary, associated and investee companies directly or indirectly invested in to a significant extent by Banco Desio from this group) if exceedance and/or incompatibility situations occur, the Board of Directors examines on a case by case basis any non-compliant situations and assumes the consequent initiatives, subject to the general principle whereby Directors accept appointments solely when they expect to be able to devote the necessary time to the performance of their duties; if the Shareholders' Meeting authorises, in a general and preventive

³¹ Note that for auditors' offices, specific regulatory norms are in force with regard to the number of offices that can be held (Article 144-duodecies of the Consob Issuers' Regulations).

³² in this context, "supervised companies" are understood to be: banks, insurance companies, stock brokerage companies, asset management companies and finance companies enrolled in the special register pursuant to Article 106 CBL (Italian).

manner, waivers of the competition prohibition prescribed by the law (Article 2390 of the Italian Civil Code, Paragraph 1), without prejudice to compliance with the aforesaid current provisions pertaining to the “interlocking ban”³³, the Board of Directors assesses the merit of each problematic instance and reports any critical issues to the first useful Shareholders’ Meeting.

For this purpose, each Director informs the Board of Directors, upon accepting the candidacy/appointment or verifying law requirements, about any activities exercised in competition with the Bank and/or with the subsidiaries and, subsequently, of any significant change.

Without prejudice to the specific related provisions (with particular reference to those envisaged by law regarding the “interlocking ban” between competing banking, financial and insurance groups) the aforementioned general principles pertaining to accumulation of duties should not be considered compulsory and should a situation of non-compliance occur, it would not, in itself, entail termination from office. In addition to performing a specific assessment at least annually with regard to the “interlocking ban”, in compliance with the application criteria issued by Supervisory Authorities³⁴, the BoD reserves the right to evaluate any non-compliant situations pertaining to accumulation of duties on case-by-case basis, without prejudice to the principle, defined in the Code, according to which the assessment regarding opportunities to accept offices is put to the discretion of the interested parties, including in internal committees, exclusively “when they feel they are able to dedicate the time necessary to perform their duties”.

All this, without prejudice to the more stringent discipline introduced by the aforementioned MEF Decree for the Representatives appointed after its entry into force (in the case of Banco Desio, such discipline currently applies to the aforementioned Director Gerolamo Gavazzi and will be extended to all Representatives with the renewal of their positions).

The offices covered by Banco Desio’s Directors and Statutory Auditors in the Parent Company (Brienza Unione), in subsidiary, associated and investee companies, and in other listed and/or supervised companies, are summarised in the attached Table 3.

3.6. Self-Assessment

The Board of Directors has approved the Internal Self-Assessment of Bodies Regulations in order to regulate the relevant process in conformity with the provisions of Circular No. 285. It particularly identified the methodologies to use (mainly based on each Director filling in a special questionnaire and on holding a special complementary interview, possibly also in writing, when filling in the questionnaire) and the profiles to be analysed – on the aggregate level – regarding the composition (professional competence, independence, etc.) and functioning (operating procedures, information flows, etc.) of the Board and Committees formed within it. Said Regulations were revised on 8 February 2018 and more recently on 3 August 2021, providing, inter alia, the prior involvement of the Appointments Committee in the procedure for selecting the consulting company appointed to support the self-assessment process.

The assessment methodology (whose application is appropriately differentiated during the three-year office of the Board) is based on updated models in light of the banking sector’s best practices. The use of a consultant and the carrying-out of the interview in oral form by the consultant are envisaged at least every 3 years. For the self-assessment process relating to the 2020 financial year, the related assignment was entrusted to the consulting firm Crisci&Partners, following a selection procedure conducted with the involvement of the Appointments Committee (board resolution of 16 December

³³ Article 36 so-called “Save Italy Decree” converted into Italian Law No. 201/2011 and supervisory application criteria of 20 April 2012.

³⁴ Lastly, of note is the joint Communication by Consob, Bank of Italy and IVASS of 21 December 2018, which revised the criteria for the application of the “interlocking ban”.

2021). It should be noted that this consulting firm, which the Bodies consider to be particularly authoritative and independent by virtue of the specific "expertise" recognised to it in the banking system, has not so far received any other assignments within the Banco Desio Group.

The aforementioned Self-Assessment Regulations identify, among the parties appointed to carry out the preliminary activity to the Board of Directors' passing of the self-assessment resolution, the Appointments Committee with an advisory role in compliance with Circular No. 285.

A summary of the **results of the self-assessment process**, approved by the Board subject to consulting the Appointments Committee, is attached to this Report (**Attachment B**). It should be noted that this timing is dictated by the greater breadth and depth of the process itself compared to previous years.

As part of the self-assessment process, consideration was given to the number of years in office (from the first appointment) of each member of the Board of Directors, as summarised below:

NAME	PRIMARY ACTIVITY	APPOINTMENT DATE INDIVIDUAL OFFICE	TERMINATION DATE INDIVIDUAL OFFICE	TOTAL SENIORITY IN THE OFFICES HELD AT THE COMPANY
Agostino GAVAZZI - Director - Vice Chair - Chair - Chair of the EC	Director banking sector	05/05/1983 10/04/1992 30/04/2002 06/04/2017	09/04/1992 29/04/2002 05/04/2017	39 years
Stefano LADO - Director - Vice Chair - Chair - Member of the AC	Director banking sector Attorney	23/04/1993 28/04/2008 06/04/2017 23/04/2020	27/04/2008 05/04/2017	29 years
Tommaso CARTONE³⁵ - Managing Director - AISCI - Member of the CRSC - Vice Chair	Director banking sector	20/06/2012 27/09/2012 06/04/2017 06/04/2017	05/04/2017 23/04/2020 15/12/2020 17/12/2021	10 years
Alessandro DECIO - Managing Director and General Manager - Member of the EC	Director and Executive banking sector	23/04/2020		2 years
Egidio GAVAZZI - Director - Executive Director (member of the EC)	Director banking sector	28/04/2008 28/04/2011	19/06/2021 (date of death)	13 years
Gerolamo Giuseppe GAVAZZI³⁶ - Director	Banking sector director Chartered Accountant	04/10/2021		N.A.

³⁵ Tommaso Cartone has resigned from all positions held in the Company effective 17 December 2021.

³⁶ Gerolamo Gavazzi was appointed by the Shareholders' Meeting on 4 October 2021 to replace Egidio Gavazzi (deceased on 19 June 2021). Please note that Mr Gerolamo Gavazzi has previously held positions within the Banco Desio Group.

- Executive Director (member of the EC)				
Tito GAVAZZI - Executive Director (member of the EC) - Director (member of the CRSC)	Director banking sector	29/04/2014 19/01/2021	18/01/2021	8 years
Graziella BOLOGNA - Executive Director (member of the EC)	Director banking sector	29/04/2014		8 years
Cristina FINOCCHI MAHNE - Independent Director ³⁷ - Chair of the AC - Member of the AC ³⁸ - Chair of the CRSC	Company Director University lecturer	30/05/2013 06/04/2017 31/01/2022 23/04/2020	30/01/2022	9 years
Valentina CASELLA - Independent Director - Member of the RPTC - Chair of the RC	Company Director Attorney	28/03/2019 23/04/2020		3 years
Ulrico DRAGONI - Independent Director - Member of the RC and RPTC	Company Director	23/04/2020		2 years
Giulia PUSTERLA - Standing Auditor - Chair of the Board of Statutory Auditors - Independent Director - Chair of the RPTC - Member of the CRSC	Company Director and Statutory Auditor Chartered Accountant	29/04/2014 27/04/2017 23/04/2020	26/04/2017 22/04/2020	8 years
Laura TULLI - Independent Director - Member of the AC - Chair of the AC ³⁹ - Member of the Risk Committee	Company Director	23/04/2020 31/01/2022	30/01/2022	2 years

³⁷ Ms Cristina Finocchi Mahne will no longer meet the independence requirement with the next office renewal, according to the transitional regime provided for by the aforementioned MEF Decree, having reached 9 years in office. The application of this scheme to this case was also brought to the attention of the Bodies within the Board.

³⁸ Pursuant to the new CG Code, in line with the EBA Guidelines on corporate governance for banks, which include the provision that by January 2022 the Chair of the Risk Committee may not also be the Chair of the body with strategic supervision function or of other committees, as at 31 January 2022, Banco Desio has terminated the combination of office of the Chair of the Risk Committee and the Chair of the Appointments Committee as follows: Ms Cristina Finocchi Mahne has informed the Appointments Committee, on 14 December 2021, of her decision to relinquish her position as Chair of the Committee as from 24 January 2022. As a result of the above, with the favourable opinion of the Appointments Committee and the approval of the Board of Directors, the chairmanship of the Committee was retained by Ms Cristina Finocchi Mahne until 30 January 2022, after which - following formalisation of the appointment at the meeting of 24 January 2022 - the chairmanship was assumed by Ms Laura Tulli.

³⁹ See previous note.

AVERAGE SENIORITY				10.90 years
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After the offices renewal in 2014, the average seniority decreased from 13 to 9 years (approximately - 30%) and it subsequently rose each year to 12.66 years in 2019 exclusively as a result of the elapsing of time, since in the meantime, in the 2017 renewal, there were no cessations/appointments of Directors which would have significantly affected this number. With the 2020 succession of Board members Mr Egidio Gavazzi and Mr Gerolamo Gavazzi and the termination of the Vice Chair Mr Tommaso Cartone at the end of the 2021 financial year, the average length of service has decreased to 10.90 years (- 14%).

3.7 Training programmes

As part of initiatives aimed at updating professional knowledge in the sector in which the Banco Desio Group operates, in business dynamics and their evolution, in the principles of proper risk management, as well as in the reference regulatory and self-regulatory framework, 59 training sessions were carried out as a whole as from 2012 (in addition to 6 meetings for analysing in depth that will be discussed below), properly diversified by subject and speakers (among which there are also, in addition to the corporate functions and consulting firms present in the respective project activities, external parties such as qualified managers, advisors, jurists, economists and journalists). From time to time it was decided to focus these sessions on:

- issues related to the actual banking application of Italian Legislative Decree No. 231/2001 with regard to administrative liability of companies and entities, also with reference, recently, to tax-related offences inserted as from 2019 in the scope of the same Legislative Decree and the offences associated with facilitated credit pursuant to the provisions issued in 2020 and 2021 during the "Covid-19 emergency", also from the point of view of anti-money laundering implications, an area that was the subject of a dedicated session;
- the structure and functioning of the corporate governance system of banks, also with reference to the Corporate Governance Code;
- rules regarding related and associated parties (see Section 5 below), market abuse rules (see Section 8 below) and antitrust regulations;
- profiles pertaining to the process of issuing European Community regulations of greater interest for the banking sector;
- key aspects of the internal capital adequacy assessment process ("ICAAP") and of the internal liquidity adequacy assessment process ("ILAAP"), of the Supervisory Review and Evaluation Process ("SREP") and of the internal model for the assessment of the rating-based credit risk ("AIRB"); in 2019 and 2020 the latter aspect was subject to more specific analysis in relation, chiefly, to the use by Banco Desio of the new AIRB risk parameters in the credit granting, renewal and monitoring and head office reporting processes applied to the Corporate clientele, as well as the develop of project activities in their entirety; accordingly, in 2020 a session was also held regarding ICAAP/ILAAP dedicated to Banco Desio's Board of Statutory Auditors;
- analysis of IT risk and of cyber risk and measurement of reputational risk; in 2019 this analysis was enhanced with a focus on the role, in particular, of the Board of Directors and on the use by Banco Desio of a new method for assessing the IT risk; in 2020, an in-depth review meeting was also held on remote access to information systems; the training session held in November 2021 also covered business continuity and disaster recovery;
- the regulatory changes with regard to anti-money laundering, pertaining to supervisory and criminal aspects as well as to GDPR;

- different macroeconomic and regulatory issues, including international, affecting the banking system and financial markets (e.g. “Basel 3”); in 2019 this aspect was subject to a transversal updating on the main dossiers open with the European Institutions and on the activities carried out on this occasion by the Italian Banking Association, as well as on the potential strategic, management and operational impacts for Banco Desio; in 2021, an update meeting was held on European dossiers;
- IFRS 9 and its impact, in particular on internal credit management models; to this end, a session dedicated to Banco Desio’s Board of Statutory Auditors was also held in 2020;
- the Recovery Plan and the Resolution Plan, including the minimum requirements for own funds and the eligible liabilities (“MREL”), introduced by the prudent supervisory rules (see Section 7 below), as well as on the related application to Banco Desio;
- sustainability issues also in relation to the rules on non-financial statement (see Section 7 below), last addressed in the November 2021 training session;
- the Product Governance in the investment services; in 2019 this aspect was extended with focus on banking services further to the enforcement of Product Oversight Governance (“POG”);
- Non-Performing Exposures (“NPE”);
- Farming Credit;
- General Data Protection Regulation (“GDPR”);
- the implications on the banking system of digital innovation with particular reference to credit to enterprises;
- the development of financial innovation (“fintech”, “blockchain”, etc.) and of innovation governance with particular attention to the risks and controls; for such purposes, in 2019 a session dedicated to the Boards of Statutory Auditors of the Banco Desio Group was also held;
- the disintermediation of payment services through digital payments (e.g. mobile payment services, P2P payments, etc.);
- “data transformation” in the financial sector;
- the development of banking communication (styles, channels, etc.);
- Governance Outsourcing and Third Parties in relation to the application of the new EBA Guidelines on the subject;
- the new Crisis and Insolvency Code with an overview and focus on the protection of bank credit;
- on the use of data analytics in the bank to better manage customers and on the bank’s information assets to support the business model (meeting held in June 2021);
- on evolutionary HR management issues (motivation, training, attraction, retention, etc. – meeting held in July 2021).

In 2021, 7 training sessions were delivered overall addressing all Group Representatives, whereas 8 were held in 2020. In detail, these sessions, which had a total duration of approximately 18 hours, were widely attended by all Company Representatives and by the “corporate front lines”, to whom it was deemed useful to extend them, ended with a lively debate and were supported by a wealth of material that is now available to attendees in a dedicated electronic library.

In this context, also specific sessions on both governance and business topics held at ABI (Italian Bankers’ Association) and SDA Bocconi venues for newly appointed representatives were attended as from 2014. The Directors and Statutory Auditors appointed in 2020 have benefited from a number of dedicated sessions, of an introductory nature, held by the corporate functions (in particular, the Administrative and General Affairs Department and the Risk Management Department), for a total duration of around 9 hours (of which 6 dedicated to the Statutory Auditors).

In 2020, an in-depth session, dedicated to the positioning of the Group in the market of reference, was also held with a strategic planning and business model approach and attended by the members of the Bodies of the various Group Companies and some corporate functions in the light of macroeconomic

and regulatory scenarios, which was carried out by an outside banking business expert and by an outside expert in macro-economy applied to the banking sector. This initiative, which followed those held in the last five years, falls within the “good practice” that the members of the Bodies meet once or twice a year outside of board meetings in order to analyse in depth and discuss strategic questions as required by Circular No. 285 and, in the case in question, also in the in-depth process leading to the approval of the Group's 2021-2023 Business Plan.

A specific Policy was also adopted in 2019.

For the year 2022, the plan is to conduct a substantially similar training course, taking into account, as always, the guidelines provided in the self-assessment process.

3.8 Succession plans

On 1 October 2020, the Board of Directors, after obtaining the favourable opinion of the Appointments Committee, approved the Policy for the Succession Plan and the Succession Plan, which apply to the senior management roles of the Bank's Executive Board (Managing Director/General Manager and Vice General Manager, if any) and which it was deemed appropriate to extend also to the Appointed Executive. On 27 January 2021, an update of the Plan extended to the figure of the Chair was also approved in accordance with the aforementioned 35th update of Circular No. 285.

4 - SYSTEM OF POWERS AND AUTHORITY

Information in this section reflects **(unless otherwise specified) the situation as at 31 December 2021.**

4.1 General outlines

This system, regulated at senior level, by the Articles of Association and, more specifically, by Internal Regulations⁴⁰, has been structured on the basis of criteria consistent with the principle that the main decisions are reserved for the Board of Directors (in other words, those that Circular No. 285 summarises in the policy and supervision functions of corporate management) and the periodic reporting to said BoD by executive Bodies and Parties who are primarily delegated **the function of managing**, i.e. implementing the policies resolved by the BoD as it carries out its role of strategic supervision: **Executive Committee, Managing Director and General Manager**. The latter, who - as also specified in the Article of Association provisions - coincides with the role of Managing Director, represents the apex of the internal structure and, as such, participates in the management function, and in the BoD and Executive Committee meetings, and also has the task of executing the resolutions adopted by the above-mentioned Bodies. The delegated Bodies and Parties, in addition to the general powers for their role, have different operating powers in various areas related to current operations, in particular, with regard to credit, commercial, legal and organisational issues, in line with their respective roles, as specified below. The layout of the powers defined in the Internal Regulations can be summarised as follows.

4.2. Chair - Executive Committee - Managing Director and General Manager

⁴⁰ The system of powers and authority is currently broken down also in various special powers of attorney issued as and when to individual names for specific categories of deeds. More comprehensive Internal Regulations of Delegated Powers were also adopted/implemented in 2019/2020 (last updated in 2021).

The Chair, who is assigned a coordination and guarantee role for the purpose of the due functioning of the Board of Directors and the Shareholders' Meeting, and the Vice Chair who replaces the former in the event of his absence or unavailability, are not assigned operating powers. They are assigned the representation of the Company in dealings with third parties and before the legal authorities on the basis of the Articles of Association, acting separately. Pursuant to the Articles of Association, the Chair can adopt, for reasons of particular urgency, decisions which are the responsibility of the BoD or the Executive Committee (provided that they are not reserved by law or the Articles of Association for the exclusive competence of these bodies), with the obligation to promptly disclose the same to the BoD during the first available meeting⁴¹. This is a procedure of an exceptional nature that has almost never been applied. The Chair is a high-profile representative (General Partner) of the Holding Company "Brianza Unione" (see Table 3, attached). As previously mentioned in Section 1.2, the Chair does not have operating powers and does not individually carry out operational functions, not even de facto. The same applies to the Vice Chair. Certain rights on cash settlements with charity purposes are reserved to the Chair, which can be exercised within a strictly limited amount and in compliance with particularly strict business policies and procedures, especially for what concerns identification of beneficiaries and carrying out of preliminary investigations.

The Chair fosters a dialectical and transparent relationship among the members of the Board, in order to ensure the effective functioning of corporate governance. The Chair, as part of his/her function to foster internal debate and ensure the balance of powers within the Board of Directors, oversees the organisation of the Board's activities and the dissemination of related information, promoting the constant performance of the Board's role of strategic supervision and management. He/she maintains relations with the Chair of the Board of Statutory Auditors, acting as the latter's main interlocutor. In order to effectively perform its role of guaranteeing the proper functioning of the Body, he/she does not assume any executive role and does not perform, even de facto, any management functions. He/she is the Legal Representative, pursuant to Article 2384 of the Italian Civil Code, and in this capacity is also responsible for reporting suspicious transactions for the purposes of anti-money laundering legislation. In particular, the Chair is responsible for:

- i) convening and chairing the meetings of the Board of Directors and ensuring that the members are provided, well in advance of the date of the Board meeting (except in cases of necessity and urgency), with the required documentation and information to enable the Board to make informed judgement and decisions on the issues submitted for review and approval;
- ii. ensuring the distinction between supervisory and management issues in the conduct of the board meeting, through clear explanations and breakdown of the issues to be discussed, giving priority to issues related to strategic supervisory decisions and critical topics;
- iii. coordinating information flows related to the activities of the Board of Directors and guiding the conduct of the relevant meetings;
- iv. playing a leading and coordinating role in the Board of Directors' self-assessment process, as per the Group Corporate Bodies Self-Assessment Regulations;
- v. governing the management of corporate minutes according to the rules defined by the Board of Directors;
- vi. ensuring that Directors and Statutory Auditors may participate, after their appointment and during their term of office, in initiatives aimed at providing them with adequate knowledge of the business sectors in which the Banco Desio Group operates, of corporate dynamics and their evolution, of the principles of proper identification and management of risks, as well as the regulatory framework of reference;
- vii. ensuring that measures are put in place to protect the free participation of Shareholders at the

⁴¹ Urgent resolutions are passed by the Chair upon the binding proposal of the Managing Director and General Manager.

Shareholders' Meeting; he/she shall invite, through the Shareholders' Meeting documentation published pursuant to law, Shareholders who control Banco Desio or who exercise significant influence over it pursuant to law, to inform the public well in advance of the proposals that said Shareholders intend to submit to the Shareholders' Meeting on any matters on which the Board of Directors has not formulated a specific proposal; in this sense, the Chair ensures the presence at the Shareholders' Meeting, in particular, of those Directors who, due to the roles they hold, can provide a more useful contribution to the Shareholders' Meeting discussion; with regard to the flow of information to Shareholders, specific attention is also paid to ensure that information concerning the exercise of corporate rights and, in particular, the procedures and any other element necessary to exercise voting rights at the Shareholders' Meeting, is made available to the Shareholders in a clear and easily accessible manner and well in advance; it is also assured that information concerning the outcome of the Shareholders' Meeting shall be made available to the Shareholders on the same basis; a Shareholders Engagement Policy is adopted for managing the dialogue with the Shareholders (including institutional investors and asset managers); see also below, Section 10.

viii. maintaining relations with the press and the Shareholders (possibly with the help of the Managing Director, the General Manager or other personnel designated by the Chair himself), on the understanding that the Board is called upon to oversee the information disclosed to the public and the communication process;

ix. performing the other tasks indicated in the Shareholders Engagement Policy approved by the Board;

x. receiving prior notice of professional and consulting assignments for management needs (without prejudice to the provisions of the Sourcing Process and Suppliers Management Regulation as regards professionals included in special lists) assigned by the Managing Director or the General Manager (depending on the areas);

xi. taking, for reasons of particular urgency, pursuant to Article 25, paragraph 4 of the Articles of Association, decisions within the competence of the Board of Directors in the interest of the Company, adhering, in substance, to non-binding proposals formulated by the Managing Director and General Manager. The Chair may always abstain from passing the resolution - referring it to the Board - if he/she does not see the prerequisites of particular urgency and/or interest of the Company.

The Executive Committee (appointed with the same term of office as that of the Board of Directors and currently consisting of 4 Directors) is granted operations management powers, with set limits on amounts, for matters not reserved exclusively for the BoD, by virtue of legal, regulatory, statutory provisions and/or of resolutions of the Board itself, those pertaining to controls and risk remaining in any case reserved to the Board. Pursuant to the Articles of Association, for particularly urgent reasons, the Executive Committee may also adopt decisions that are the responsibility of the Board of Directors, provided that they are not reserved by law exclusively for the latter. In the event of a tie, the vote of the Chair of the meeting prevails. The Board itself must be informed of these decisions during the first subsequent meeting. Meetings of the Executive Committee may be attended by the Chair and Vice Chair of the Board of Directors, on a listening basis and therefore without voting rights, as well as by the Managing Director (if not a member of the Committee) or the General Manager, as the case may be. In 2021, the Executive Committee met 14 times in total⁴².

The Managing Director and General Manager submits to the Bodies within the Board projects and objectives for the growth of the Bank and the Group; within the sphere of the powers granted to the same, in compliance with the general, programmatic and strategic guidelines determined by said

⁴²The average duration of the Executive Committee meetings was approximately 1 hour. For additional details see Table 1.

Bodies, (s)he co-ordinates the entire management of the Bank and Group; executes the resolutions adopted by the BoD and by the Executive Committee and is the member of the top management of the operating structure, for which (s)he has management responsibility; (s)he is thus in charge, of personnel management, of the organisation and functioning of company structures and carrying out current business affairs, according to the general policies established by the BoD and by the Executive Committee.

As a Body with management functions, the Managing Director and General Manager has autonomous powers within amount limits lower than those of the Executive Committee.

The executive Bodies and parties inform the BoD and the Board of Statutory Auditors, according to the provisions of the Regulations of Information Flows of Corporate Bodies, with regard to activities carried out within the sphere of the assigned powers and the performance of Banco Desio and subsidiaries. Reports that provide a comparison between the results achieved and those scheduled are also envisaged. Detailed indications on the amounts representative of the limits of the powers assigned are not provided, because the authorisation standards differ according to the matters dealt with.

Given the system of powers described above, in addition to the Managing Director and General Manager Alessandro Decio, Directors Graziella Bologna, Agostino Gavazzi and Gerolamo Gavazzi are also considered executive directors, as they are members of the Executive Committee and in consideration of the frequency of meetings and the expansion of its responsibilities⁴³. For the sake of thoroughness, note that: no Director other than the Managing Director covers executive positions within Banco Desio nor has the appointment of overseeing specific areas of the corporate operations ensuring a steadfast presence in said company and/or acquiring information from the operating structures and/or participating in the meetings of the Committees pursuant to the subsequent Section 4.3 (except for the possible participation on a listening basis of the Chair at the meeting of the aforesaid Committees); no Director holds directive roles in subsidiaries or the Holding Company; other Directors hold administrative offices in the Holding Company and/or subsidiaries; the Managing Director and General Manager of Banco Desio currently also serves as board member of the subsidiary Fides.

4.3 Technical-operating committees

Besides the Executive Committee and the Advisory/Proposal-making internal board Committees discussed above, at technical-operating level the BoD set up several Committees, so-called “Management” Committees, governed by a specific document attached to the Internal Regulations of the Corporate Bodies.

As part of the strategic measures to reorganise corporate governance and operations, on 29 April 2020, the Board of Directors approved the review of the Management Committees, which envisage the involvement of the top management of the Parent Company and the subsidiaries, in the wake of a new technical-operating structure based on criteria of operational streamlining and maximum management efficiency, able to maximise the execution capacity of managerial actions in line with the development strategies and risk policies established by the Board of Directors. The current general structure and the specific nature of each of these committees is shown below (BoD 10 February 2022).

⁴³ Mr Gerolamo Gavazzi was appointed as Director and Member of the Executive Committee on 4 October 2021, to replace Egidio Gavazzi (who died on 19 June 2021 and remained on the BoD and EC until that date). Effective 19 January 2021, Director Mr Tito Gavazzi was appointed as a member of the Control, Risk and Sustainability Committee to replace Mr Tommaso Cartone, who resigned from that Committee effective 15 December 2020. As a result, the number of members of the Executive Committee is currently 4.

<i>Management Committee</i>	<i>Credit facilities and NPL Committee</i>	<i>ALM Committee</i>	<i>Complex Transactions Committee</i>	<i>Products Committee</i>	<i>Risk Management Committee</i>
<i>advisory</i>	<i>decision-making</i>	<i>decision-making</i>	<i>decision-making</i>	<i>advisory</i>	<i>decision-making</i>

The Chair of the Board of Directors of the Parent Company may take part in all Committees, without voting rights, and may also have access, on request, to the minutes of the meetings.

The Management Committee also serves as the “Sustainability Steering Committee” with the involvement of the corporate functions deemed necessary (see in detail Section 7 below).

4.4. Organisational Structure and outsourced Important Operating Functions (F.O.I.)

Organisational Structure

The Bank's organisational structure, described in the specific document “Corporate organisational chart and description of the functions (so-called Function chart)” most recently updated in its entirety by means of board resolution dated 27 May 2020 (subject to subsequent updates of limited scope) within the sphere of the afore-mentioned strategic measure for streamlining and making the technical-operating structure efficient, is divided up into coordinated Organisational Units.

The term “Organisational Unit” means a set of mutually coordinated human and material resources for the accomplishment of specific corporate goals.

Organisational Units are ordered hierarchically and are positioned at different levels of the corporate structure according to:

- the scope and the nature of their responsibilities, attributions and activities;
- the organisational complexity and the internal articulation that characterises them.

Senior Management

Managing Director/General Manager

Central Functions

These comprise:

Board of Directors staff units,

Units on the staff or reporting in line hierarchy to the Managing Director/General Manager,

Additional information is contained in Section 7 below.

Each Organisational Unit (Department/Area/Office) has specific strategic responsibility and result responsibilities, in relation to the economic and operational goals defined for the functions and the activities under their competence.

Territorial Network

Territorial Areas

The term “Territorial Area” means a grouping of distributive networks, operating on a determined

territory, coordinated at decentralised level in order to valorise territorial proximity, optimise the effectiveness of the commercial action and maximise the financial and capital results.

Branch Networks

Branches are decentralised Organisational Units tasked with carrying out operating and commercial activities with clients, according to efficiency and service quality and effectiveness criteria.

As part of the reorganisation measures mentioned above, on 29 October 2020 the Board of Directors approved a reorganisation of the Commercial Network that includes, among other things, a reduction in the number of Areas, in order to shorten the chain of governance of the Operating Units and, at the same time, achieve cost savings in the "intermediate" structures, while still ensuring a rational and effective supervision and development of customers. On a consistent basis with the service model underlying the 2021-2023 Business Plan, the organisation of the Areas envisages specific business support roles, with the aim of maximising value creation in higher-margin market segments.

The Area Manager is therefore supported by the following personnel:

- Business Manager, a professional figure with a strategically important role, entrusted with the task of developing the SME Segment and creating the necessary synergies with the Small Business Segment, and who in this context reports functionally to the Business Area, as well as hierarchically to the Area Manager
- Retail Specialist, reporting to the Area Manager
- Business Specialist, reporting to the Area Manager (this staff member is present in the Area where necessary mainly for reasons linked to the dimensions and growth opportunities in the area).

The "Business Managers" and "Personal Managers" (in line with customer segmentation and portfolios) as well as the Branches also report to the Area Manager. The "Private Bankers" continue to operate within the Wealth Management Department. The latter was significantly strengthened in 2021 and placed to report directly to the Managing Director, in line with the strategic importance attributed to this division in the aforementioned Business Plan.

Important Operating Functions (F.O.I.) outsourced entirely or in part

- Full Outsourcing of Information System
- "Payment systems" services (e.g. document management, cheques, delegated powers, transfers, e-money)
- Electronic banking (remote banking)
- Data transmission, telephony, etc.
- Credit recovery
- Custody and Settlement Services in Italy and abroad
- Services related to bonds (management of corporate/administrative events and transfer of bonds outwards)
- Transport, escorting, custody, cash counting, delivery of valuables and private security services

5 – CONFLICTS OF INTEREST TRANSACTIONS WITH RELATED PARTIES, CONNECTED PARTIES (COLLECTIVELY REFERRED TO AS "ASSOCIATED PARTIES") AND "ARTICLE 136 CBL"

The subject of conflicts of interest with reference to the various spheres of corporate operations (disbursement of credit, investment services, etc.) is subject to a prudent approach adopted by the Bank. At present, the relevant main internal regulations for this matter are as follows:

- the Internal Regulations for Transactions with Associated Parties and Article 136 CBL; the associated risk policy is integrated in the “Risk Appetite Policy”;
- the “Policy” containing the general rules for governing conflicts of Interest regarding investment services.

Internal Regulations for Transactions with Associated Parties and “Article 136 CBL”

These Internal Regulations, adopted pursuant to Article 2391-bis of the Italian Civil Code and Article 53 CBL, is primarily characterised by the existence of a Committee for Transactions with Related Parties and Associated Parties, with regard to decision-making processes. This advisory body, which was renewed by the Shareholders' Meeting held on 23 April 2020 with a different composition, is composed of 3 Independent Directors (Giulia Pusterla – Chair, Valentina Casella and Ulrico Dragoni; see also [Table 1](#) attached to this Report) and is entitled to receive information and/or issue opinions, which are binding in certain cases, on transactions with related parties and associated parties as set forth, based on the quantitative and qualitative criteria established by the Consob Regulation and relevant Bank of Italy Provisions, in the Internal Regulations in question, that – in addition to the Committee’s methods of operating – governs the various types of total or partial exemptions in relation to small amounts or ordinary transactions, as well as the membership to the Group of the counterpart in the transaction (in the absence of significant interests of other related parties and associated parties). The expected assessment, to be performed at least every three years, on the need to make revisions to the Internal Regulations on this matter, carried out in 2021, gave a negative result, except for the revisions that were made, again in 2021, following the issuance by Consob of the amendments to its Regulations on the subject acknowledging the afore-mentioned Italian Legislative Decree concerning the rights of the Shareholders.

An independent annual expenditure budget of 25,000.00 Euros was assigned to the Committee for 2021 (and reconfirmed for 2022). In 2021, no need to use this budget was noted.

The Committee meetings are duly recorded in full in the specific register, in electronic format, and the Chair of the Committee informs the first subsequent Board Meeting about its content.

In 2021, the Committee for Transactions with Related Parties and Associated Parties met 4 times⁴⁴.

During the year, the Committee - given the absence of transactions to be brought to its attention - focused on the examination of the information where, in particular, the following aspects were highlighted:

- Quarterly reporting of credit facilities to associated parties (disclosure by the Loan Department);
- Register of Associated Parties - Quarterly Processing (disclosure by the Corporate Affairs Department)⁴⁵.
- Amendments to the Consob Regulations on Transactions with Related Parties assimilating the so-called “Shareholder Rights Directive 2” - as well as amendments to Bank of Italy Circular No. 285 (formerly 263) on the subject (disclosure by the Corporate Affairs Department). The changes introduced by Consob entailed a significant revision of the Internal Regulations in

⁴⁴ The average duration of the meetings of this Committee was approximately 1 hour. For additional details see Table 1.

⁴⁵ Information flow established by the Committee following the renewal of offices by the Shareholders' Meeting held on 23 April 2020.

question, which was resolved upon by the Board of Directors on 25 May 2021 after consulting the Committee and the Board of Statutory Auditors. The changes introduced by the Bank of Italy, which are more circumscribed in scope, will entail a further revision that will take into account the clarifications in the regulatory framework ⁴⁶.

The Committee has also promoted, in relation to the changes introduced by Consob, a further induction session for Directors and Statutory Auditors on the above changes held on 25 May 2021, as an update to the one held on 5 November 2020 by the same leading law firm (Gatti Pavesi Bianchi Ludovici).

For more information on the adopted safeguards, refer to the entire Internal Regulations published, in compliance with the Consob Regulation in question, on the website www.bancodesio.it – in the section “La Banca/Governance/Documenti societari/Parti correlate” (The Bank/Governance/Corporate Documents/Related parties). For a summary of the Transactions with Related Parties relating to 2021, reference should be made to the financial statement disclosure and especially Part H of the Notes to the Financial Statements.

The above also fulfils the obligation of shareholders’ meeting information required by the aforementioned supervisory regulations.

The Policy containing the General Rules for identifying and managing Conflicts of Interest has the aim of illustrating the guidelines that the Group has adopted for handling conflicts of interest when providing **investment services and activities**, related services or a combination of these services, following the endorsement in the Italian legal system of the “MiFID” Directives.

The Parent Company has established and regularly updates a register that includes - noting the types of investment and related services concerned - the situations in which a conflict of interest has arisen, or, in the case of a service or activity underway, where a conflict of interest may emerge, which risks seriously damaging the interests of one or more customers. This register is maintained and updated by the Compliance Department and other Parent Company departments according to the Consolidated Law on Conflicts of Interest.

6 – REMUNERATION AND INCENTIVE MECHANISMS - REMUNERATION COMMITTEE

Criteria adopted to compensate and incentivise Group management are in line with general principles correlating these emoluments with the economic results achieved and the consistency with strategies and risk parameterisation, so as to avoid producing incentives in conflict with the interests of the Company over the long-term, as also indicated in the aforementioned Circular No. 285⁴⁷.

⁴⁶ The Bank of Italy has reiterated the obligation for banks to comply with the provisions of Article 88.1 of CRD4 on related party transactions. The enacting act, published in 2021, specified that: (i) all loans made to representatives of a bank by any bank or financial company that is a member of the banking group should be considered; (ii) "members of the management body" means individuals performing administrative, managerial and control functions in the bank. Appropriate reconciliations with the Bank of Italy's provisions on transactions with related parties ("Risk activities and conflicts of interest vis-à-vis associated parties", Bank of Italy Circular No. 285, Part Three, Chapter 11) will be assessed when a subsequent and separate systematic update of these provisions is launched.

⁴⁷ Among other aspects, reference is made to the 25th update of Circular 285 promulgated on 13 October 2018, which has achieved, in particular, compliance with the Guidelines concerning sound remuneration policies promulgated by the EBA to implement CRD4 and with other recent legislative, regulatory and policy measures, defined internationally and nationally, on the same matter. Recently issued provisions include Directive 2013/36/EU, Delegated Regulation (EU) No. 923 of 25 March 2021, and the 37th update of 25 November 2021 of said Circular 285. For further information please refer to the Report on the remuneration policy and on remuneration paid in accordance with Article 123-ter of the CFA (the “Remuneration Report”).

The remuneration of Banco Desio's Managing Director and General Manager, and the Executives with strategic responsibilities consists of a fixed portion and a variable portion, appropriately deferred in compliance with the aforementioned Circular No. 285, as better detailed in the Remuneration Report. With regard to the Parent Company's BoD, the Articles of Association envisage that the Ordinary Shareholders' Meeting determines the overall fee for the Directors other than the Chair, Vice Chairs and any Directors with operating powers or special duties; the BoD, having consulted the Board of Statutory Auditors, contributes to the determination of the fees of the latter, as well as the division between the other Directors of the overall fee established by the Shareholders' Meeting. The division criteria also take into account appointments within the BoD and membership in the various Committees (including the offices as Secretary, if envisaged).

The Remuneration Committee is governed by the provisions set forth in its own Regulations. The Regulations of the Remuneration Committee are attached to the Internal Regulations.

The Remuneration Committee, which was renewed by the shareholders' meeting held on 23 April 2020 with a different composition, is made up of 3 non-executive Directors, all of which independent (Valentina Casella – Chair, Ulrico Dragoni and Laura Tulli; see also Table 1 attached to this Report). The Chair of the Board of Statutory Auditors participates in the Committee's meetings, and other Standing Auditors may also participate (as usually occurs). The Managing Director and General Manager, the Vice General Manager, if appointed, and others who are in charge of relevant corporate functions may be invited to participate in relation to the issues described above, as well as other employees/collaborators/consultants of the Bank and/or of its subsidiaries, depending upon the specific issues to be discussed.

The Remuneration Committee is an advisory/proposal-making body with the main task of: i) formulating opinions and/or proposals on the remuneration of Directors for the BoD in cases in which the decision is the responsibility of a Board Committee of the Parent Company and/or Shareholders' Meeting/Board Committee of the subsidiaries, specifically, decisions concerning Directors who have been appointed to certain offices and/or granted operating powers, as well as the General Manager and Vice General Manager, if appointed, as well as: ii) formulating opinions and/or proposals for the BoD regarding general policies and specific criteria for management remuneration, including at the Group level and any stock-based incentive plans. As part of the above responsibilities, the Remuneration Committee is involved in defining, assessing and monitoring retribution and incentive systems, in compliance with Circular No. 285. In order to express its opinion on the aspects it is responsible for, in 2021 the Remuneration Committee met at total of 8 times (including some joint meetings with the Control, Risk and Sustainability Committee)⁴⁸.

Among the topics dealt with in detail by the Committee, the following are particularly noteworthy:

- Checks inherent to the activation of the incentive system for the purposes of the 2020 draft financial statements
- Remuneration policies (Remuneration Report and associated resolutions)
- Personnel (proposals relating in particular to certain positions of the Parent Company)
- Budget review and related definition of the 2021 reward system
- Regulatory Alert: Consob Regulation "SHRD 2"
- Benchmarking analysis on fixed and variable remuneration prepared by the consultancy firm
- Update of 2021 bonus pool

⁴⁸ The average duration of the meetings of the Remuneration Committee was around 40 minutes (in addition to the joint meetings with the Control, Risk and Sustainability Committee). For additional details see Table 1.

The Committee formally acknowledged that the safeguards regarding remuneration policies remain adequate in compliance with all the current legislation.

The Committee was assigned an independent annual expenditure budget of 25,000.00 Euros for the year 2021 (increased for the year 2022 to 30,000.00 Euros with the resolution approving this Report, in consideration of likely greater knowledge needs arising from regulatory developments). In 2021, this budget was charged with the expenses related to the contract signed with a leading consulting firm that carried out work on the "Executive Compensation Benchmark" for a total negotiated amount of approximately 20,000 Euros (including VAT and incidental expenses).

The Committee meetings are duly recorded in full in the specific register, in electronic format, and the Chair of the Committee informs the first subsequent Board Meeting about its content.

The Articles of Association also envisage that the Ordinary Shareholders' Meeting, in addition to establishing the above fees, approves the remuneration policies, including plans based on financial instruments and the criteria/limits for any "golden parachutes"⁴⁹ as set out in Circular No. 285. The Shareholders' Meeting is ensured adequate disclosure on the implementation of the remuneration policies.

The 2022 remuneration policy confirms the Banco Desio Group's guidelines, which in fact provide that the remuneration systems adopted shall be, in the interest of all stakeholders and in compliance with the instructions of the Supervisory Authorities, aligned with the company's strategy and objectives, including sustainable finance objectives that take into account, among other things, environmental, social and governance (ESG) factors, sustainable over the long term, linked with the company's results appropriately adjusted to take into account all risks, consistent with the levels of capital and liquidity needed to fund the activities undertaken and, in any case, such as to avoid incentives that may give rise to conflicts of interest and lead to excessive risk-taking.

Said remuneration policy is prepared in line with the priorities defined by the 2021-2023 Strategic Plan and taking into account the contribution to the achievement of the Sustainable Development Goals (SDGs) as defined by the UN General Assembly in the sphere of the 2030 Agenda, to support companies in defining strategies related to business priorities that are increasingly oriented towards the sustainability of business activities, in line with:

- the "Corporate Social Responsibility (CSR) Guidelines", approved by the Board of Directors of the Bank on 27 February 2018;
- the targets defined in the "2020-22 Sustainability Plan" approved by the Board of Directors of the Bank on 16 January 2020.

⁴⁹ "Golden parachute" is any compensation to be paid in the event of early conclusion of the employment relationship or early termination of the office.

In particular, the Group undertakes to offer a fair level of remuneration, which reflects the skills, ability and professional experience of each individual, thereby guaranteeing the application of the principle of equal opportunities and avoiding the risk of discretionary powers. In particular, in the definition of incentive mechanisms for the resources, the Group ensures objective and transparent systems which envisage possible and achievable goals and a fair distribution of the monetary bonuses without any type of discrimination, in line with the explicit provisions contained in the latest update of Circular No. 285 on the subject. Furthermore, in the sphere of the rapidly evolving sector context behind the impetus of the extensive European regulations recently issued and those being defined for the implementation of the "Action Plan to finance sustainable growth" published by the European Commission in March 2018 as relaunched with the Green New Deal of December 2019, the Group has committed to tangibly implementing the commitments and objectives declared, via the integration within the management and assessment system by objectives of aspects related to sustainability, already during 2020 and 2021. Also with reference to the incentive systems, the Group has therefore undertaken a development process over the medium-long term that envisages an increasingly quantitative declination of the assessment metrics of the ESG dimensions, according to a modular approach for the various roles and responsibilities with a progressive expansion of the number of employees within the Group organisation who can influence behaviour and performance. In doing so, the Group is monitoring the best practices that are gradually emerging in the banking sector, assessing their feasibility, timing and methods for their implementation in the Group's management and assessment system by objectives. Specifically, for 2022, all Identified Staff are asked to enhance the first and second line managerial team among the objectives of the individual scorecards, activating inclusive paths to support gender and age diversity, confirming also for this year the path aimed at improving diversity inclusion policies, already launched in recent years through various measures including the approval by the Board of Directors of the "Policy on diversity for members of corporate bodies - Board of Directors and Board of Statutory Auditors" and the "People, diversity & inclusion Policy" for the remaining personnel. The Plan, in fact, places a strong emphasis on human capital through the launch of new incentive and training programmes and continuous dialogue with Group employees. In addition to what has already been said about the protection of diversity and equal opportunities, in 2022 a number of these measures are part of the specific strategy of enhancing the resources of the organisational structure, will be activated aiming at meeting the needs of the various professional figures and developing the skills of each one. In the context of resource management and development, this strategy is translated into a set of programmes and initiatives identified for 2022, for details of which please also refer to the DNF (see also Section 7 below).

For additional information on remuneration and incentive policies, refer to the Remuneration Report.

6.bis – APPOINTMENTS COMMITTEE

The Appointments Committee, which was renewed by the Shareholders' Meeting held on 23 April 2020 with a different composition, is made up of 3 non-executive Directors, 2 of whom are independent, including the Chair (Cristina Finocchi Mahne⁵⁰ – Chair, Stefano Lado and Laura Tulli⁵¹; also see Table 1 attached to this Report). The Chair of the Board of Statutory Auditors participates in the Committee's meetings, and other Standing Auditors may also participate (as usually occurs). The Managing Director and General Manager, the Vice General Manager, if appointed, and others who are in charge of relevant corporate functions may be invited to participate in relation to the issues described above, as well as

⁵⁰ See footnote 38 above.

⁵¹ See footnote 38 above.

other employees/collaborators/consultants of the Bank and/or of its subsidiaries, depending upon the specific issues to be discussed.

The Appointments Committee is an advisory/proposal-making body with the main task of:

- advising the Board of Directors in relation to the size and composition of the same and to express recommendations on the professional figures whose presence within the Board is deemed necessary, also in coherence with the Supervisory Provisions in relation to corporate governance and on the following issues:

- indication of the maximum number of assignments as director or auditor that may be considered compatible with the effective performance of the role of Director of the company, taking account of the participation of the directors on Committees and, to that end, identification of the general criteria differentiated on the basis of the commitment related to each role (of executive, non-executive or independent director), also in relation to the nature and dimensions of the companies in which the roles are held as well as their possible membership of the Group;
 - assessment, on their merits, of any problematic circumstances for the purposes of prohibitions on competition laid down by the legal or regulatory provisions;
- supporting the Board of Directors in any co-opting resolutions of Directors and in the nomination/revocation of other Bank Representatives, as well as the designation of Representatives of subsidiaries and possibly of associated and/or invested companies of strategic relevance;
- supporting the Board of Directors in self-assessment activities so they are performed in compliance with the Supervisory Provisions on corporate governance as well as verification of the legal requirements in accordance with Article 26 CBL;
- supporting the Board of Directors in assessments relating to the definition of succession plans of the senior positions of the executive body provided by the cited Supervisory Provisions;
- supporting the Board of Directors in resolutions relating to the nomination and revocation of the heads of the internal control departments and of the Appointed Executive, for which the Board of Directors has sole competence, liaising, to that end, with the Control, Risk and Sustainability Committee, with the Managing Director and General Manager and with the Board of Statutory Auditors. The Appointments Committee met 5 times in 2021, to express its opinion of the matters it is responsible for⁵².

Among the topics dealt with in detail by the Committee, the following are particularly noteworthy:

- Self-Assessment process of Bodies within the Board
- MEF Decree ("Fit&Proper")
- Adoption of the Fit&Proper Policy for Company Representatives
- Update of the Diversity Policy applied to the members of the corporate bodies
- Update of the Corporate Bodies Self-Assessment Regulations
- Evaluations concerning the appointment of a Director
- Verification of the requirements and criteria ("Fit&Proper") of the new Board member
- Verification of compliance with the ban on interlocking and the limit on the accumulation of offices following the new appointment of the independent members of the Board of Directors, Ms Valentina Casella and Cristina Finocchi Mahne
- Regulatory updates (Circular 285 and MEF Decree) regarding the office of the CRSC Chair
- Regulatory update (Circular 285) on the succession plan for the Chair of the Board of Directors: start of activities

⁵² The average duration of the meetings of the Appointments Committee was around 1 hour and 10 minutes (in addition to the joint meetings with the Remuneration Committee). For additional details see Table 1.

- Anthilia SGR – Designation of Bank Representatives

In light of the documents reviewed and the clarifications received during the meeting, appointment procedures in compliance with all applicable regulations are deemed to be appropriate.

The Appointments Committee was assigned an independent annual expenditure budget of 25,000.00 Euros for the year 2021, increased for the year 2022 to 30,000.00 Euros with the resolution approving this Report, in consideration of likely greater knowledge needs arising from regulatory developments, as well as from the increased articulation of the self-assessment process also in view of next year's office renewal. When formulating the proposal to the Board of Directors to assign the task of the annual self-assessment process to Crisci & Partners, the Committee has forwarded the proposal, as is the practice, to allocate the related fee to the Committee's budget for the year 2021 up to the amount available and, for the surplus, to that of the Corporate Affairs Department, possibly also drawing on residual budgets now unused by other Committees.

The Committee meetings are duly recorded in full in the specific register, in electronic format, and the Chair of the Committee informs the first subsequent Board Meeting about its content.

7 – INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL, RISK AND SUSTAINABILITY COMMITTEE - MOG 231 - WHISTLEBLOWING - RECOVERY PLAN - EXECUTIVE APPOINTED TO DRAW UP THE ACCOUNTING DOCUMENTS AND FINANCIAL DISCLOSURE PROCESS - SUSTAINABILITY ISSUES - NON-FINANCIAL STATEMENT - DIVERSITY POLICIES - CODE OF ETHICS

7.1 - INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL, RISK AND SUSTAINABILITY COMMITTEE - MOG 231 - WHISTLEBLOWING – RECOVERY PLAN - EXECUTIVE APPOINTED TO DRAW UP THE ACCOUNTING DOCUMENTS AND FINANCIAL DISCLOSURE PROCESS

The information in this section was provided also in accordance with Article 123-bis, section 2, letter b, CFA

Banks are subject to regulations on the **internal control and risk management system** established, in particular, by supervisory regulations on banking activities and the provision of investment services, issued by the Bank of Italy and Consob implementing the CBL and the CFA. As “public interest entities”, banks are also subject to the regulations of Italian Legislative Decree No. 39/2010⁵³ governing the external auditing of accounts. In this area, the Board of Directors defines the nature and the level of the risk compatible with the strategic objectives of the issuer, including in its assessments all the risks that may become important with a view to mid/long-term sustainability of the activities of the Banco Desio Group. The Board plays a key role in the assessment of the actual operation of the internal control and risk management system that may be relevant in the aforesaid view. In the presence of relevant circumstances, the Board acquires the required information and takes all appropriate measures to protect the Group and market disclosure.

This system features a complex structure that involves all the corporate levels, with specific duties reserved for the Board of Directors, the Board of Statutory Auditors, the Managing Director and General Manager and the individual in charge of internal auditing, represented by the pro-tempore Head of the Internal Audit Department. This Department reports directly to the Board of Directors. The Risk

⁵³ The afore-mentioned Italian Legislative Decree No. 39 was amended by Italian Legislative Decree No. 135 of 17 July 2016 (Implementation of the 2014/56/EU directive that amends directive 2006/43/EC concerning the external auditing of the annual accounts and consolidated accounts) with no significant impact for the purposes of this section.

Management Department⁵⁴, the Compliance Office and the Anti-Money Laundering Office report to the Managing Director. The audit and reporting activities carried out by this Department are consistent with the specific recommendations of the CG Code. The Parent Company outsources the Functions of internal audit, risk management, compliance and anti-money laundering for Fides SpA.

* * *

In this context, the Board of Directors set up a **Control, Risk and Sustainability Committee** that is currently composed of 3 non-executive Directors, 2 of whom are independent, including the Chair (Cristina Finocchi Mahne - Chair, Tito Gavazzi and Giulia Pusterla; see also Table 1 attached to this Report). The meetings of the Committee are attended by the Chair of the Board of Statutory Auditors or by a Standing Auditor designated by him/her, and the other Standing Auditors may also attend (as is usually the case); the Managing Director and the General Manager also participates as a liaison figure between the Board of Directors and the other components of the internal control and risk management system⁵⁵, and any Vice General Manager, the heads of the Internal Audit, Risk Management, Compliance and Anti-Money Laundering Functions, as well as other employees/collaborators/consultants may be invited to attend depending on the specific issues to be discussed. The Control, Risk and Sustainability Committee, as an internal board committee, performs advisory/proposal-making functions and assists the BoD in its activities of supervising the proper functioning of the internal control and risk management system, as well as assessment of the proper use of accounting standards. The Committee reports to the BoD on activities performed and the adequacy of the internal control and risk management system through specific reports prepared every six months.

The Committee is also tasked, at the Group level, with supervising sustainability matters within the scope of its own advisory/proposal-making role for the purposes of the approval by the BoD of strategies and policies on the matter (as described in detail in the second part of this Section 7).

In assisting the Board of Directors, the Committee also supports, with adequate investigation activities, the assessments and the decisions of the Board on the management of risks deriving from adverse events of which the Board has become aware⁵⁶.

Decisions taken regarding issues that fall under the BoD's responsibilities are communicated, verbally or otherwise, at the first available meeting, by the Chair of the Committee, who normally provides a summary of the assessments of the Committee based on what is illustrated by those in charge of the above-mentioned functions (who are in any case invited to attend the discussion of their respective topics at the Board meetings to illustrate, albeit for a more essential representation, their reports and provide any details requested by the Board members).

⁵⁴ It should be noted that the Risk Management Department includes the Internal Validation Office set up in accordance with the supervisory provisions on AIRB models.

⁵⁵ As part of the review of the Management Committees mentioned above, the Risk Management Committee was set up, which analyses, expresses opinions, validates and/or approves all risk-related documentation produced by the organisational structure in accordance with specific Regulations approved by the Board of Directors on 29 October 2020, subject to the favourable opinion of the Control, Risk and Sustainability Committee. The new Committee absorbs the Risk Meeting of the internal control departments.

⁵⁶ According to a principle still considered valid today, the previous Corporate Governance Code also specified that "a particularly important role within the internal control and risk management system is normally carried out by the legal and compliance divisions, with a special reference to the supervision of the legal and non-compliance risks, including also the risk of committing criminal offences to the detriment or in the interest of the company". With regard to the legal risk, this role is carried out by the Legal Affairs Department.

Also in relation to the introduction of the Non-Financial Statement (see below), the Control, Risk and Sustainability Committee has been assigned a supervisory role for issues falling within the framework of the so-called "Sustainability Report" within the scope of its own advisory/proposal-making role for the purposes of the approval by the Board of Directors of the strategies and the policies in question, and of the review of the related reporting.

During 2021, the Committee met 15 times⁵⁷, in its role as advisory/proposal-making body for issues regarding the internal control and risk management system, as well as body with supervision duties regarding sustainability matters. The participants in the meeting, other than the Committee members, included the Chair of the Board of Statutory Auditors and the Head of the Internal Audit Department, as well as the heads of the risk management, compliance and anti-money laundering departments. Depending on the issues to be discussed, the other Auditors, the Managing Director and General Manager, the Appointed Executive, as well as other Executives and/or employees and external consultants participated in individual meetings.

In addition to the usual topics, such as the evaluation of the periodic reporting produced by the control functions, the examination of the draft financial statements and interim financial reports/disclosures, the examination of the reports on complaints and appeals to the Banking Financial Arbitrator and on lawsuits, as well as the adjustments made to the Policies/Process Rules relevant to the internal control and risk management system - the main issues addressed by the Committee concerned, among others:

- Action for mitigation of risks on loans portfolio
- Collective hedging of performing loan risks
- NPL Operational Plan
- Proposal for factoring of impaired loans
- Recovery plan
- AIRB project
- Business Continuity
- IT risk
- Data processing ("data breach")
- DPO Report
- FGIP Report
- Pillar III disclosure
- Interim non-financial disclosure ("NFS")
- Sustainability issues (see also Part 2 of this Section 7)

As part of its advisory/proposal-making role on "sustainability" issues, the Committee has, among other things, critically analysed the updates to the "materiality matrix" for the 2021 Non-Financial Statement (NFS), with related impacts on the company strategies in various sectors, as well as on the corporate Policies and Regulations.

Every quarter, the Committee discussed the periodic state of play concerning "Corporate Social Responsibility" as envisaged by a specific information flow.

The Committee's considerations, assessments and opinions on the issues dealt with (which indicate an overall positive opinion on the internal control and risk management system, although obviously in need of improvement) were brought to the attention of the Board of Directors on a timely basis, also with the

⁵⁷ The average duration of the CRSC meetings was about 2 hours and 30 minutes. For additional details see Table 1.

support of a suitable summary by the Committee's Chair, when it examined the information and/or adopted resolutions on each of the above issues.

The Committee has also linked its activities with those of the Board of Statutory Auditors - in line with the "Regulations for Coordinating the Controls and the Information Flows of the Group" - also by virtue of the constant and active participation in the above-mentioned meetings of the Board of Statutory Auditors, as well as with the Independent Auditing Firm by virtue of the Committee's participation in joint meetings between the Board of Statutory Auditors and the Independent Auditing Firm at Group level, also for the purposes of assessing the correct use of the accounting standards, as well as the criteria applicable to the Sustainability Report.

The Committee has an independent budget for expenses of 50,000.00 Euros for 2021 (also reconfirmed for 2022). In 2021, no need to use this budget was noted, since the amounts allocated by the corporate top management in support of the different initiatives carried out with reference to issues also under the Committee's competence were deemed amply sufficient.

The Committee meetings are duly recorded in full in the specific register, in electronic format, and the Chair of the Committee informs the first subsequent Board Meeting about its content.

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The **Organisational Model pursuant to Italian Legislative Decree No. 231/2001 ("MOG")**, subject to periodic maintenance measures, is published on the website www.bancodesio.it in the section "La Banca/Governance/Documenti Societari" (The Bank/Governance/Corporate Documents).

The attribution and the operation of the Board of Statutory Auditors in terms of **SB 231** are set out in detail in the specific Regulations and consist inter alia of:

- constantly monitoring the effectiveness of the MOG, with particular reference to its actual ability to prevent the commission of relevant offences;
- analysing the reports coming from personnel or from other parties, relating to the commission, or to the attempted commission, of predicate offences, and proposing to the competent corporate functions the adoption of penalties in accordance with the law and with the employment agreement, informing the Board of Directors;
- analysing the reports received by the Chair of the SB 231 originating from the Whistleblowing System (see below) relating to the commission of violations as described in the Whistleblowing Regulations adopted by the Bank and proposing, informing the Board of Directors, the adoption of disciplinary or penalising measures in accordance with the law;
- coordinating with the competent corporate functions for the definition of personnel training programmes in relation to the 231 regulations, also with regard to training on the Whistleblowing System;
- coordinating with the competent corporate Functions (Internal Audit, Compliance, General and Corporate Secretarial Office) to assess the adequacy of the Model and the need for its revision.

The SB 231 has independent powers of initiative and control, it also relies on the support in particular of the Internal Audit Department in the supervisory activity and reports to the Board of Directors every six months on the activities it carries out.

The SB 231 has received from all involved Functions the required reports, which indicated compliance and the adequacy of the Model, and no reports of violations of the Model have emerged. During the first half of 2021, the Chair of the Supervisory Body received 1 report from the Whistleblowing System (see below).

The SB 231 is currently assigned an autonomous expenditure budget, which for the financial year 2021 has been increased from the ordinary 50,000.00 Euros to 100,000.00 Euros on a one-off basis, in order to enable it to avail itself of the support of an external consultant for the revision of the MOG 231. 50,000.00 Euros is for mixed use with the Board of Statutory Auditors for common requirements. This ordinary component was partially used (for the purposes of the usual "assessment" on the internal control system carried out with the support of a qualified consultancy firm).

For additional information, please refer to the Report of the Board of Statutory Auditors to the Shareholders' Meeting.

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The Group has an **internal system for reporting violations**, pursuant to Article 52-bis CBL, which acknowledges into the Italian legal system the provisions of Directive "CRD IV" on the so-called "**Whistleblowing**".

The internal system for reporting infringements envisaged by the Group uses specific, autonomous and independent communication channels, separate from the normal reporting lines.

As stated, in 2018 it became necessary to revise the Regulations of the Internal System for Reporting Violations so-called "Whistleblowing".

In this regard, mention is made of the promulgation of Law No. 179 dated 30 November 2017 pertaining to provisions for the protection of the authors of reports of offences or irregularities of which they became aware in the course of a public or private employment relationship. Said Law introduced, in particular, the obligation - prescribed by Article 6, paragraph 2-bis, letters a and b, of Italian Legislative Decree No. 231/01 - to provide adequate information channels that allow whistleblowers to "submit, to protection of the entities' integrity, detailed reports of unlawful conducts, significant in accordance with the present Decree 231 and based on precise and consistent facts". In addition to the aforesaid regulatory intervention of a general nature, the lawmakers had already implemented the whistleblowing regulations in some specific contexts, mostly by promulgating laws transposing European regulations. Insofar as it is relevant in the banking field, the following laws are referred to:

- Italian Legislative Decree No. 90 of 25 May 2017 transposing the Fourth Anti-money laundering Directive (Directive 2015/849/EU), whose provisions, for the first time in anti-money laundering laws, include whistleblowing systems;
- Italian Legislative Decree No. 129 of 3 August 2017 transposing Directive 2016/1034 (EU) (MiFID II) on markets in financial instruments, which requires, inter alia, financial intermediaries to adopt specific procedures for the reporting of violations occurred in the course of the activities carried out, and of "market abuses".

All this entailed a reorganisation and a further segmentation of the internal reporting channels. In addition to an existing generic channel, known as general whistleblowing regarding banking activities⁵⁸, a specific anti-money laundering channel was introduced, i.e. the anti-money laundering whistleblowing channel, and one for "231" reports, so-called whistleblowing "SB" channel; these latter reports refer

⁵⁸ Banking activities also include the "intermediaries" and "issuers" fields, regulated by the Consob regulations (MiFID, MAR).

exclusively to violations of the MOG and do not replace existing procedures and channels for the transmission of the usual mandatory reports and disclosures to the SB. The Chief Auditing Officer, as the Head of the internal violation reporting System, receives and assesses all general whistleblowing reports, except those referring to him/herself and to the Corporate Bodies (Board of Directors and Board of Statutory Auditors, as well as SB). The Chief Auditing Officer also receives and assesses anti-money laundering reports, involving the Anti-money laundering officer, equally excepting those referred to him/herself and to the Corporate Bodies listed above. At the end of the assessment phase, the Head of the System immediately transmits in any case an information flow relating to the report and to the outcome of its assessment to the Chair of the Board of Directors. The Chair of the SB of the Parent Company receives SB whistleblowing reports and assesses them collectively with the members of the Body.

This without prejudice, in case of reports relating to the Subsidiaries, of the activities pertaining to the Parent Company's Bodies, which involve the Bodies of the Subsidiaries for matters under their competence or for any collaboration.

The process for managing reports comprises reporting procedures and specific channels that ensure that the persons tasked with receiving, reviewing and assessing the reports are not hierarchically or functionally subordinated to the reported person, are not themselves the alleged perpetrators of the violations and do not have a potential interest related to the report which would compromise their impartiality and independence of judgment. The channels have been defined in such a way as to allow to avoid reports to persons who could be in conflict of interest situations with respect to the whistleblower, to the subject of the report or to any persons involved in the report. The internal system for reporting violations guarantees in any case the confidentiality and the protection of personal data of the person who submits the report and of any reported person.

At the same time, the Bank of Italy and Consob activated specific channels dedicated to receiving Whistleblowing reports. The specific information about the reporting procedures are described on the respective websites.

In 2021, the Regulations were updated to incorporate the revised Code of Ethics with the understanding that reports concerning potential violations of the Code must also be channelled through the internal "General Whistleblowing" system overseen by the Chief Auditing Officer.

After the aforesaid updates, specific training initiatives were carried out for all Group Personnel.

During 2021, 1 report was made, sent through the System and the e-mail channel, which was also received by the Supervisory Body. It was managed by the delegate of the Head of the System, who collaborated with the Supervisory Body for the aspects falling within its area of competence. As regards the reported facts, in-depth checks were carried out to ascertain the validity of the report received. As a result of the investigations carried out, no violations were found. However, the need to always scrupulously adhere to corporate compliance rules and, in particular, to the adopted Code of Ethics was emphasised.

It should be recalled that in compliance with Directive 2014/59/EU - Bank Recovery and Resolution Directive and with the two Italian Legislative Decrees (Legislative Decree No. 180 and Legislative Decree No. 181) that transpose the aforesaid Directive in Italy, in 2017 the Bank prepared a **“Recovery Plan”** (hereafter also “Plan”) - as updated most recently on 17 December 2020 - to address crisis situations, organically framed in the corporate risk governance logic, consistent with the Risk Appetite Framework (RAF) and based on monitoring indicators contained in the EBA Guidelines on the matter and on the selection of recovery options and procedures. The Plan is consistent with the indicated regulatory context and, in particular, it is prepared in compliance with Bank of Italy provisions, notified by the same via specific notes. The Plan was prepared considering the prudential scope of consolidation.

Decisions pertaining to the approval and management of the Recovery Plan are made by the BoD as the Body with strategic supervision function.

The logical/operational process followed in the preparation of the Plan, on the basis of the indicated regulatory provisions, is structured in the following main steps:

- identifying the organisational parties involved in the preparation, approval, revision and management of the Plan in a crisis situation;
- analysing the strategic profiles, assuming as quantitative reference parameters the indicators contained in the RAF, selecting the relevant legal entities and business lines and the essential functions;
- selecting - in accordance with the RAF and in compliance with the regulatory indications - the recovery indicators;
- identifying the stress scenarios and measuring the related effects on the indicators, also for the purposes of verifying their calibration;
- identifying the recovery options and assessing the effects of their activation;
- regulating the communication forms prescribed by regulations.

* * *

In relation to existing risk management and internal control systems in the **financial disclosure process, consolidated or otherwise**, a series of disclosure, audit and intervention powers have been assigned to the Appointed Executive, which essentially involve:

- the possibility of receiving data/information from specific corporate departments; the right to carry out audits autonomously and through the Internal Audit Department, as well as the right to request organisational changes in administrative-accounting activities;
- the possibility of participating in Board meetings that deal with administrative-accounting aspects and proposing policy and coordination actions vis-à-vis Group Companies (such as the appointment of their own Contact Persons in these Companies);
- the recognition of the financial autonomy of said Appointed Executive through the management of a specific annual expenditure budget.

The Articles of Association state that the BoD appoints the Appointed Executive, subject to the favourable opinion of the Board of Statutory Auditors and mandate the integrity and professional standing requirements, consistent with the current legislation for bank representatives. In particular, this party must possess specific expertise with regard to administrative-accounting matters gained, in a period of no less than three years, in positions of operating responsibility in the Company, the Group or other comparable companies or entities in terms of activities and organisational structure.

The Appointed Executive is currently reporting directly to the Managing Director and General Manager, he/she reports directly to the Budget and Sustainability Area, maintaining constant oversight of the financial reporting process, to ensure the reliability and integrity of the accounting and operating information, consolidated or otherwise, with particular reference to the so-called “key accounts”.

With regard to the risk management and internal control system in relation to the financial disclosure process, the BoD defined a specific risk control model relating to financial disclosure (“Financial Disclosure Control Model”), which is an integral part of the internal control system at Group level. As indicated below, the main responsibilities of this model are assigned to the Appointed Executive.

The Control Model allows for the fulfilment of regulatory obligations relating to the adoption of a risk management and internal control system for the financial disclosure process.

In this regard, the set of tasks aimed at identifying and assessing risks and controls on financial disclosure are part of the more general management process of the Control Model, which is broken down into the following phases:

- implementation;
- assessment;
- reporting.

Based on the Model’s scope, which applies to the entire Group, the tasks listed above are carried out for both the Parent Company and, as far as compatible, for the Group Companies included in the scope of consolidation.

Phases in the Risk Management and Internal Control System for the financial disclosure process

Within operations, Banco Desio has identified and defined the following types of financial disclosure risk, in line with its risk mapping:

- “risk of unintentional errors”: the risk of material errors in the financial statements from actions unintentionally committed or omitted, resulting from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events;
- “risk of fraud”: the risk of material errors in the financial statements resulting from an intentional act, committed in order to gain unjust or illegal advantages through false financial disclosure.

In addition, criteria have been established for identifying the specific significant company components, items and accounting schedules on which to focus the activities of planning, development and maintenance of administrative-accounting processes (including processes for reporting to the Parent Company by the subsidiaries for the purpose of drawing up the consolidated financial statements) as well as the phase of risk and control assessment. In particular, with regard to this phase, the assessment of risks and the effectiveness of controls are conducted in accordance with the methods defined by the Appointed Executive, shared with the Internal Audit Department, and with support as necessary from the Parent Company’s Risk Management and Compliance Department. In order to identify the approaches to assess financial disclosure risks, the Appointed Executive may avail himself

of the Parent Company's operating risks management department. For the other Group Companies, the Internal Contacts of the Appointed Executive avail themselves of each Company's operating risk management division, where existing. For the specific purpose of assessing risks and controls in the disclosure system, the Appointed Executive is supported by the Operations and Systems Department as well as, where needed, the Parent Company's Internal Audit Department. For the other Group Companies, the Internal Contacts of the Appointed Executive avail of the support of the Operating Department as well as, where needed, the Controller.

In terms of the methods used to inform top management on the Financial Disclosure Control Model, the Appointed Executive reports to the Corporate Bodies on the adequacy and effective application of this Model. In this regard, taking into account the provisions of Italian Legislative Decree No. 39/2010 on external auditing of accounts, the Appointed Executive:

- supports the Board of Statutory Auditors and the Independent Auditing Firm in assessing the correct use and homogeneity of accounting standards for the purpose of preparing the individual and consolidated financial statements;
- provides the Supervisory Body pursuant to Italian Legislative Decree 231/01 with the related certification pursuant to Article 154-bis, paragraph 5 CFA as well as indications when specific critical situations are detected relating to the adequacy or operation of the financial disclosure control model;
- draws up an annual report to submit to the Managing Director and General Manager (according to their respective powers established by the Internal Regulations), subsequently transmitted to the Board of Statutory Auditors, as well as the Control, Risk and Sustainability Committee and the Board of Directors. This report contains:
 - an explanation of activities carried out as well as any key critical situations found in the operation of the financial disclosure control model;
 - an assessment of the significance of the risk, by proposing Group Companies considered "significant" and financial statement accounts classified as "critical", to be analysed the following year;
 - planning of activities to be carried out for the following year, also in consideration of the above points.

Roles and functions

The responsibilities relating to the implementation and operational phases of the "Financial Disclosure Control Model", taking into account the applicable regulatory context, which assigns specific responsibilities to the Appointed Executive, are assigned to Corporate Bodies and mainly to the Appointed Executive. For the purpose of carrying out his/her duties relating to preparing company accounting documents (mainly annual Financial Statements and Interim Financial Reports), the Executive is aided by the competent company officers of Banco Desio and the other Group Companies. Operationally, the Appointed Executive avails him/herself of the afore-mentioned structures directly reporting to the same and in particular with the aid of the Budget and Sustainability Area coordinates with other departments of Banco Desio and the Group Companies in order to receive information on the performance of activities which influence the economic, equity or financial position of Banco Desio and the other Group Companies. Specifically, the Appointed Executive:

- interfaces with the Operations and Systems Department in order to verify that the administrative-accounting processes are formalised in specific organisational procedures, requesting specific supporting documentation from the Department;
- has the right to request specific certifications from the Operations and Systems Department regarding:

- the correct operation of company infrastructures and applications used to acquire, process and represent administrative-accounting information;
- the existence of adequate procedures to guarantee the protection of company informational assets, also with regard to outsourced IT processes.
- promptly acquires information on planned activities and the subsequent results of activities carried out by the Internal Audit Department, and may avail himself of the support of this Department in carrying out his controls;
- has the right to request the Risk Management Department to carry out additional analysis and assessment of risks in administrative-accounting processes he identifies periodically when selecting “key accounts”;
- may request the Compliance Department to provide consulting for the assessment and management of non-compliance risk as well as for any corrective actions to be implemented;
- for the purpose of transmitting the certifications/declarations to the market (with specific regard to the annual, half-yearly and quarterly financial statements), requests that the “Parent Company’s Process Managers” issue specific internal certifications, or may assign said internal structures to carry out specific audit activities for the purpose of verifying the correct performance of administrative-accounting processes. As proof to support the certification and audit activities, the Appointed Executive may acquire specific internal documentation and/or reports from the business structures involved.

With regard to the Group companies, the Appointed Executive liaises with his/her own Contacts, identified separately for each company (the so-called Internal Contacts of the Appointed Executive) on the reporting flows to acquire in order to ensure the regular preparation of the (annual, half-yearly and quarterly) Consolidated Financial Report, as well as of the non-financial statement (see below). Operationally, he receives specific certifications from his Contacts containing, at a minimum, the following information:

- assessment of the adequacy and effective application of administrative-accounting procedures, with specific reference to controls implemented to mitigate the main risks;
- assessment of the adequacy of controls and, more generally, of the organisational safeguards on financial disclosure established at company level;
- correspondence of the equity, economic and financial data and additional information provided for preparing the annual and half-yearly financial report with the accounting books and records;
- compliance of the accounting documents with the applicable international accounting standards;
- any critical situations, risks and uncertainties arising from the audits performed, as well as the related action plan.

7.2 - SUSTAINABILITY ISSUES - NON-FINANCIAL STATEMENT - DIVERSITY POLICIES - CODE OF ETHICS

The findings from the 2021 materiality analysis of sustainability issues show:

- In continuity with the previous year, the prioritisation of issues shows a clear convergence on the part of the stakeholders engaged, which can be summarised in the instance of corporate sustainability, as “doing banking right”, according to a business model more oriented to medium-long term objectives and thus better able to create lasting value, always based on integrity in business conduct and focused on:
 - Sustainability Governance and Integrity in Business Conduct
 - Value creation
 - Protecting employee welfare and enhancing human capital through talent attraction, development and retention

- Security and data protection
 - There is, in particular, an increasingly widespread and mature awareness of the strategic role of sustainability that can be traced back to the positioning of the topic of "Sustainability Governance and Integrity in Business Conduct", which has become even more of a priority than in the past.
 - If on the one hand the indication continues to emerge that Banco Desio is called upon to make a priority commitment with regard to direct impacts (referring to topics such as "Protecting the welfare of employees", "Attracting, developing and retaining talent" and "Security and data protection"), again due to the positioning of the topics in the materiality matrix (i.e. their prioritisation level) the commitment required regarding indirect impacts (referring to the topics "Responsible supply chain", "Acting for climate change and reducing environmental impacts" and "Products and services with social and environmental purposes") would be confirmed as a lower priority, on which, however, the Bank will focus increasing attention, also in view of the evolution in European regulations of reference.
 - The findings also reveal a drive for the Bank to focus its approach to sustainability on "Sustainable Investment and Financing Practices" with an increased awareness of the importance of adopting appropriate "Sustainability Risk Management".

Non-Financial Statement (Sustainability Report)

We reference the provisions of Italian Legislative Decree No. 254 of 30 December 2016 (the "Decree") implementing Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. From the financial years starting from 1 January 2017, the Decree introduced new transparency obligations in line with the aforementioned EU provisions, both specifying the scope of these obligations (scope of the new obligations, content and procedures for publishing the non-financial statement, responsibilities of corporate bodies and of the independent auditor in the process of drafting and checking the statement) and implementing the specific regulatory options left to the member States.

Scope

The transparency regime introduced by the Decree entails the obligation for companies or groups to prepare and publish, for each year, a "non-financial statement" ("NFS") that covers, "to the extent necessary to ensure understanding of the enterprise activity, of its performance, of its results and of the impact caused thereby, ... the environmental and social matters and issues related to personnel, human rights, combating active and passive bribery, which are significant taking into account the activities and characteristics of the company..." (Article 3, Paragraph 1). Parties obligated to publish the NFS are public interest entities: "relevant public interest entities" (or "RPIE").

In this regard, it should be remembered that, in accordance with Article 16 of Italian Legislative Decree No. 39/2010, the banks are included in the definition of "public interest entity".

Content of the NFS

To fulfil the general obligation set out above, Article 3, Paragraph 1, of the Decree (as amended by Italian Law No. 145/2018) provides some additional indications that allow the necessary content of the NFS to be identified. In the first place, the information elements are indicated through which it is possible to assure that the enterprise activity is understood, which consist "at least" of the description: i) of the main risks, including the procedures for their management generated or incurred, in connection with socio-environmental issues and deriving from the enterprise activity or from products and services provided by it; ii) of the organisational and management model of the company, including the corporate models for preventing offences adopted in accordance with Italian Legislative Decree No. 231/2001,

which are relevant in the management of the socio-environmental issues indicated by the decree; iii) of the policies applied by the enterprise for the management of the impacts of the entrepreneurial activity within the non-financial areas referenced above and the results achieved by the implementation of these policies (Article 3, Paragraph 1, Letters from a) to c). In the second place, a significant - or “materiality” - criterion is expressly provided, for the selection of the information to be provided in the NFS with regard to all the profiles referenced above.

Consolidated non-financial statement

RPIEs that are “parent companies” of a large group shall publish a consolidated non-financial statement (Article 4). Mirroring the obligation for parent companies to publish the consolidated NFS is the provision that exonerates a RPIE from the obligation to prepare the individual or consolidated NFS when such entity is included in the consolidated NFS prepared by another parent company that prepares the statement in any case (Article 6).

Procedure for the publication of the non-financial statement

With regard to the publication procedure, Article 5 of the decree provides that the NFS may:

- i) be included in a specific section of the report on operations; this section shall be expressly “marked” in this sense;
- ii) be contained in a distinct report, subject to the obligation to mark it in any case as a non-financial statement.

Banco Desio has adopted the option of producing a separate Group document, consistently with the prevailing indication pertaining to the publication of sustainability reports by listed companies and more in particular by the main Italian banking groups.

Tasks of the party appointed to audit the financial statements

Article 3, Paragraph 10, of the Decree establishes that the party appointed to audit the financial statements shall verify the preparation by the management body of the non-financial statement, disclosing it in a separate section of the audit report (issued under Article 14 of Legislative Decree No. 39/2010).

The same party is appointed to express with a dedicated report, distinct from that of the auditor, a certification of the compliance of the information provided with respect to the requirements of Legislative Decree No. 254/2016 and with respect to the principles, methodologies and procedures prescribed in Paragraph 3 of Article 3 of the same Legislative Decree.

Sustainability governance structure

Banco Desio has adopted the sustainability governance structure which, taking into account the affinity/synergy with the current powers of the Control, Risk and Sustainability Committee related to the supervision of the internal control and risk management system as well as on the correct utilisation of the accounting standards, entails, inter alia, assigning to the same Committee the supervision of sustainability issues:

Level	Body/Function	Duties/Activities
Strategic Governance	Board of Directors	<p>Approves, after consulting the Group Control, Risk and Sustainability Committee, policies on sustainability issues (including the Sustainability Governance Policy and its subsequent amendments).</p> <p>Approves the Group Sustainability Plan (and its subsequent amendments), which outlines the strategic guidelines, medium- to long-term objectives and quantitative targets for all sustainability areas considered priorities.</p> <p>Monitors and supervises the achievement of the objectives and quantitative sustainability targets stated within the Plan and approves their publication within the Non-Financial Statement.</p> <p>Approves reporting on sustainability issues (including the Non-Financial Statement).</p>
	Control, Risk and Sustainability Committee ⁵⁹	<p>Oversees sustainability issues (environmental, social, etc.) as part of its advisory/proposal-making role for the approval and updating/revision by the Board of Directors of the strategic guidelines, medium-long term objectives and quantitative targets of the Sustainability Plan.</p> <p>Oversees the achievement of the Group's declared sustainability commitments, taking an advisory/proposal-making role in identifying actions, interventions and activities aimed at achieving them.</p> <p>It informs the Board of Directors of any critical points in the achievement of the strategic guidelines, the medium to long-term objectives and the declared quantitative targets emerging from the periodic monitoring supervision of the quantitative targets.</p> <p>Supervises in its advisory/proposal-making role (for approval by the Board of Directors) the preparation of reports on sustainability issues.</p>
Management Level	"Sustainability Steering Committee" has identified in the Management Committee with the involvement, depending on the reported matters, of the specific Departments/Functions involved	<p>Proposes strategic guidelines, medium-term objectives and quantitative targets of the Group Sustainability Plan.</p> <p>Proposes when and how to update the strategic guidelines, medium- to long-term objectives and quantitative targets of the Group Sustainability Plan.</p> <p>Defines sustainability activities to be implemented in relation also to sustainability objectives and targets.</p> <p>Reviews in advance periodic reporting on sustainability issues.</p>
Operational / tactical level	All Parent Company and Subsidiaries Functions	<p>They are directly responsible for the achievement of strategic guidelines, medium to long-term objectives and quantitative targets for their area of sustainability.</p> <p>They adopt and implement actions and initiatives in order to apply the principles contained in the Sustainability Policies, as well as to achieve strategic guidelines, medium-long term objectives and targets defined in the Group's Sustainability Plan, again according to their areas of competence.</p> <p>They periodically report with formal internal communication/reporting on the progress of the strategic guidelines, medium-long term objectives and quantitative targets and the results achieved with respect to the performance indicators within their areas of competence in order to update the Budget and Sustainability Area to provide information within the scope of reporting on sustainability issues.</p>
Coordination	Budget and Sustainability Area ⁶⁰	<p>Coordinates the corporate functions of the Parent Company and subsidiaries in the implementation of the strategic guidelines and for the achievement of the medium to long-term objectives and quantitative sustainability targets stated in the Sustainability Plan</p> <p>Periodically monitors and verifies the level of achievement of the medium-long term objectives and quantitative targets and communicates the results to the heads of the corporate functions of the Parent Company and subsidiaries.</p> <p>It reports on the level of achievement of strategic guidelines, medium- to long-term objectives and quantitative targets.</p>

⁵⁹ The Control and Risk Committee took on this new name as from 26 March 2020

⁶⁰ The Budget and Control Office L.262 has taken on this new name as from 19 November 2020.

Diversity policies

Article 10 of the Decree introduced the obligation to add in the present Report “a description of the diversity policies applied in relation to the membership of the administration, management and control bodies with regard to aspects such as age, gender and education and professional experience, as well as a description of the objectives, of the implementation procedures and of the results of such policies.”

In this regard, the practices adopted by the Banco Desio Group are consistent both with the aforementioned law provisions with regard to gender quotas, and with the Supervisory Provisions on the composition of the Corporate Bodies which require “an adequate degree of diversification in terms, inter alia, of competencies, experience, age, gender, international projection”. This aspect, pertaining specifically to the areas of competence of the Appointments Committee, is analysed in the self-assessment process per Section 3.6 above, taking into account the operational and dimensional complexity of the company. The aforesaid practices were formalised in a dedicated policy which, also consistently with the indications of the Italian Corporate Governance Committee, was adopted with the board resolution of 28 February 2019, taking into account the aforementioned EBA/ESMA Guidelines in force since 30 June 2018 and updated in 2021⁶¹. The subject is dealt with in connection with the broader project activities initiated in the area of Corporate Social Responsibility ('CSR') in connection with the DNF mentioned above. In this sphere, a “People, Diversity and Inclusion” Policy was also adopted on 16 January 2020, which applies to all the companies of the Banco Desio Group and addresses all the employees of the same with the aim of:

- creating a working environment free from any form of discrimination, be it direct or indirect, associative or individual, as well as any form of violence or harassment;
- ensuring and promoting an inclusive culture, based on mutual respect, which makes it possible to develop the talent of each individual, allowing the expression of the potential of all, free from stereotypes and prejudices, so as to fully appreciate the diversity and uniqueness of each one;
- pursuing a policy of personnel selection aimed at recognition of merit, with respect for equal opportunities;
- ensuring access to a professional and career development path based on respect for equal opportunities and non-discrimination;
- ensuring that all employees adopt conduct that reflects inclusion and supports the Group's values.

During 2019, Banco Desio complied with the ABI Charter on equal opportunities entitled “Donne in Banca” (Women in Banking).

⁶¹ The Policy, the latest update of which was approved by the Board of Directors on 3 August 2021, defines the situation in which the characteristics of candidates for the Board of Directors and the Board of Statutory Auditors, such as age, gender, geographical origin and educational and professional background, differ in such a way as to allow for a variety of views within the Board of Directors and the Board of Statutory Auditors.

The Policy applies to all Corporate Bodies of the Banco Desio Group (Board of Directors and Board of Statutory Auditors) in accordance with the principle of proportionality indicated by the relevant EBA Guidelines. The application to financial intermediaries belonging to the Group, listed in the register, pursuant to Article 106 of the Consolidated Banking Law ("CBL"), is made on a voluntary basis.

For the Group's unlisted companies (excluding "special purpose vehicle companies" and instrumental companies as defined by the Supervisory Provisions), i.e., currently for Fides, it is now stipulated that at least one of the members of the Board of Directors must belong to the less represented gender. Likewise, it is stipulated that at least one effective member of the Board of Statutory Auditors belongs to the less represented gender. In the event of the termination of the full member of that gender and in the absence of an alternate member of the same gender who can take over, the presence of the lesser represented gender shall be restored at the first subsequent Shareholders' Meeting in accordance with the law.

Code of Ethics

As provided in the project pertaining to sustainability issues, developed in the context of the introduction of the NFS, the path towards systematising the Code of Ethics continued during 2018 with the inclusion of the provisions of the Guidelines for Corporate Social Responsibility (CSR) approved with the Board resolution of 27 February 2018 concerning in particular:

- relations with local communities;
- human rights and personnel matter, as well as diversity and equal opportunity;
- culture of legality;
- environmental responsibility;
- sustainable investments;
- relations with public institutions.

Since these issues are developed at Group level, and the NFS is prepared at Group level as well, it was deemed consistent for the Code of Ethics to be for all intents and purposes a Group document, based on values expressed by Banco Desio in its leading role as Parent Company and shared by the other legal entities through the approval/transposition of the document by the respective Boards of Directors.

With respect to the formulation followed so far the ethical-social and environmental aspects achieved a weight equal at least to the juridical-economic aspects in the structure of the document.

It was deemed useful to dedicate a specific section to the issue of “sexual harassment”.

The last review of the Code of Ethics was approved with a board resolution dated 17 December 2020 (again subject to the involvement of the Control, Risk and Sustainability Committee and the Board of Statutory Auditors) and in particular:

- the topics concerning relations with shareholders have been developed by inserting a new section dedicated to them
- references to so-called "parties involved in unlawful activities" have been rationalised
- the Code of Business Conduct (which was a separate document approved as part of ESG projects) has been incorporated
- with regard to the reporting of violations, it was considered appropriate to channel reports of violations of the Code into the Whistleblowing system (see above), albeit keeping them separate from reports of violations of banking regulations or violations of the MOG.

8 - CORPORATE INFORMATION

Governance of corporate information is formalised in the Corporate Information Regulations, containing, inter alia, the procedures for calling the Board of Directors and the Committees, for the provision of documentation on items on the agenda and the related confidentiality restrictions (also see previous Section 1), and discipline of the register of parties who, within the Group, have access to the inside information before its circulation.

The Regulation was updated on 23 June 2016 as part of the measures to adapt it to the new European rules on market abuse which came into force on 3 July 2016 (in particular, to EU Regulation No. 596/2014 or "MAR"), on 21 December 2017 in order to implement the Guidelines issued by Consob on the matter and on 27 February 2020 to make further procedural improvements supported also by the acquisition, during the year, of a special IT platform for the integrated management of inside information in all stages of the process (mapping of information and parties, registration of parties with access to relevant information, registration of parties with access to inside information, possible delay of disclosure of information).

The minor changes introduced by EU Regulation 2019/2115 have also been finally implemented with the provision that, as of 1 January 2021, issuers shall disclose to the market transactions in financial instruments, carried out by persons exercising administrative, control or management functions and those closely associated with them, within two business days commencing from the date of notification thereof (instead of the previous provision of three business days from the date of execution of the transaction). This is without prejudice to the obligation of the obliged parties to promptly notify the issuer, and no later than three working days after the date of execution, about the transactions carried out (Art. 19(1) MAR).

The afore-mentioned provisions, in effect since 2016, have significantly changed important aspects of the previously existing regulatory framework by widening the obligations of issuers for that which concerns among other things:

- the disclosure to the public of the inside information and the possible delay of the communication itself, in the presence of well-defined conditions, resulting in the activation of a process that also includes a notification to Consob;
- the keeping of the so-called "Insider Register" with more stringent timing/methods;
- the disclosure to the public of transactions on financial instruments issued by company representatives and by persons closely related to them (known as "internal dealing"), likewise with more stringent timing/methods;
- the prohibition for such entities to carry out transactions within 30 days prior to the publication of annual and half-yearly accounting data (known as "closed period");
- the identification of the Inside Information Management Function ("FGIP");
- the establishment of the "Relevant Information List" ("RIL").

The FGIP has been identified as the Head of the Administration and General Affairs Department, who has the operational support of the Corporate Affairs Department.

It should be noted that in 2021 a number of "internal dealing" transactions (purchases and sales) on shares were reported and published for an absolute countervalue of approximately 818 thousand Euros with reference to ordinary shares and approximately 263 thousand Euros with reference to savings shares. In 2021, there were no reported "internal dealing" transactions in equities and bonds.

Banco Desio makes available all the corporate documentation which must be made public by law/regulations on its own website in full.

For the purposes of completeness, note that on 29 January 2013, pursuant to Article 3 of Consob Resolution No. 18079 of 20 January 2012, the Board of Directors resolved to adhere to the “opt-out” regime envisaged by Articles 70, paragraph 8, and 71 paragraph 1-bis of Consob Regulation No. 11971/99, taking advantage of the right to deviate from publishing obligations for disclosure documents described in Attachment 3B of the above-mentioned Consob Regulation, in the event of significant transactions involving mergers, spin-offs, share capital increases through in-kind contribution of assets, acquisitions and disposals.

9 - BOARD OF STATUTORY AUDITORS

The information in this section has been provided in accordance with Article 123-bis, section 2, letter d of the CFA and articles 144-octies and 144-novies of the Issuers’ Regulation and reflects (unless otherwise specified) the situation as at 31 December 2021.

Banco Desio’s Board of Statutory Auditors in office was also appointed by the Shareholders’ Meeting held on 23 April 2020 with the list voting mechanism illustrated in the previous Section 2.1.I), with the term expiring as of the approval date for the financial statements as at 31 December 2022. Its composition is as follows: Emiliano Barcaroli - Chair, Rodolfo Anghileri and Stefania Chiaruttini, as also shown in the attached Table 2. The Chair of the Board of Statutory Auditors and one Alternate Auditor were elected from a list presented by a minority shareholder (Carit Foundation - Cassa di Risparmio di Terni e Narni).

In addition to the integrity and independence requirements and the causes of ineligibility envisaged by special legislation and by the CG Code for listed banks, the Statutory Auditors must meet – on penalty of forfeiture – the following professional standing requirements: at least one Standing Auditor and one Alternate Auditor (and, in any event, the Chair) must be enrolled in the register of chartered accountants; those who do not meet this requisite must have gained specific experience in the activities and the sectors indicated in the Articles of Association.

The aforementioned MEF Decree also applies to auditors with the same transitional regime applied to directors (although the requirements and criteria are partially differentiated between one and the other). The satisfaction of requirements is verified by means of the “supervisory” procedure described by the BoD and, in implementation of a specific principle of the CG Code, the Board carries out a specific check on the observance of the aforementioned requirements.

All the Statutory Auditors have been chosen from among those enrolled in the register of chartered accountants and are independent on the basis of both the Consolidated Finance Act and the CG Code (with the exception of the criteria of “nine years” permanence on the Board of Statutory Auditors which, due to the reasons already mentioned for the Directors in compliance with the resolution adopting the Code adopted on 22 February 2007, is not, however considered in itself an indication of non-compliance with the independence requirement, save that the cases exceeding the 9 years are subject to specific analysis according to the recommendations formulated by the Italian Committee for Corporate Governance). The case of a member of the Board of Statutory Auditors in office since 2002 was analysed at the same time as this Report of 2020 was approved and the comments made in this sphere are confirmed also in this Report, in the absence of any change in the Representative's position.

The lists of the other offices held by the Statutory Auditors, pursuant to Article 2400 of the Italian Civil Code and Article 148-bis CFA, are published in the prescribed methods and timeframes, together with the information on the personal and professional characteristics of the Statutory Auditors as well as the information on possession of the above-mentioned requirements (published upon submission of the lists for the renewal of Corporate offices, in compliance with governing Consob provisions). Their "curricula" are also available on the website www.bancodesio.it in the section "La Banca/Governance/Corporate Governance/Collegio Sindacale" (The Bank/Governance/Corporate Governance/Board of Statutory Auditors). The Internal Regulations of the Italian Subsidiary Banks include a general limit on the accumulation of the offices of statutory auditor, by virtue of which these Statutory Auditors cannot undertake this office when they already cover the office of member of the control body in five listed or supervised companies, in cases where the "interlocking ban" does not apply pursuant to Article 36 of Italian Law No. 214/2011; it is also established that the Statutory Auditors cannot undertake offices in bodies other than the Board of Statutory Auditors within other Group Companies, as well as within companies in which Banco Desio directly or indirectly holds a strategic investment⁶².

The Board of Statutory Auditors acts as an "internal control and audit committee" and, pursuant to Article 19 of the aforementioned Italian Legislative Decree No. 39/2010, is responsible for:

- a) informing the management body of the audited entity of the outcome of the official audit and transmitting to this body the additional report of the official auditor pursuant to Article 11 of Regulation EU No. 537/2014, together with any comments;
- b) monitoring the financial reporting process and making recommendations or proposals to ensure its integrity;
- c) checking the effectiveness of the internal quality control and business risk management systems and, where applicable, the internal audit, in relation to the audited entity's financial reporting, without breaching its independence;
- d) monitoring the official audit of the annual financial statements and the consolidated financial statements, also taking into account the results and conclusions of the quality controls carried out by Consob, where available;
- e) checking and monitoring the independence of official auditors or audit firms, in particular with regard to the appropriateness of the provision of non-audit services to the audited entity;
- f) being responsible for the procedure for the selection of official auditors or audit firms and recommending the official auditors or audit firms to be appointed.

In 2021, the Board of Statutory Auditors of Banco Desio, as well as that of Fides SpA, continued to carry out these duties paying particular attention to the profile of independence of the Independent Auditing Firm as per section 12 below. In this context, the Board examined the non-audit engagements granted to these Companies and monitored them with the support of the Budget and Sustainability Area in accordance with the "Internal Rules for the selection of the official auditor and for the conferral of non-audit engagements to the same and its network" adopted in 2019. The same Regulation was applied to the selection procedure, by said Board, for the Independent Auditing Firm as per section 12 below.

⁶² As indicated by the aforementioned Circular No. 285, "strategic" for such purposes is understood to mean the equity investment that is equal to at least 10% of the share capital or the voting rights during ordinary Shareholders' Meetings of the investee company and 5% of the consolidated regulatory capital of the Banking Group.

As previously stated, the Board of Statutory Auditors of Banco Desio, like that of Fides SpA, performs the functions of SB 231. During 2021, Banco Desio's Statutory Auditors held a total of 53 collective meetings (of which 20 as SB 231), in some cases jointly with other Bodies of the Group, and inspections at the head offices or the branches. The activities of the Statutory Auditors with reference to participation in the meetings of the Corporate Bodies are likewise summarised in Table 2 containing, among other things, information on the average duration of the meetings; the other appointments covered by the statutory auditors in subsidiary, associated and investee companies or in listed and/or supervised companies are shown in Table 3.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the position held as well as the dimensional and sectoral characteristics of the Banco Desio Group companies.

The Board of Statutory Auditors performed its self-assessment process using the same method already adopted by the Board of Directors (see Section 3.6 above), from which a positive judgment emerged.

For the diversity policies of the members of the Control Body, please refer to Section 7 where such policies are understood to refer to all Corporate Bodies.

10 - RELATIONS WITH SHAREHOLDERS - FUNCTIONING OF THE GENERAL SHAREHOLDERS' MEETING

The information in this section has been provided in accordance with Article 123-bis, section 2, letter c, CFA

As indicated in Section 8, Banco Desio publishes the documentation of interest to its shareholders on its website, with particular reference to that pertaining to the exercise of their rights (attendance and voting, dividends, etc.), via the Corporate Affairs Department, which reports to the Administration and General Affairs Department, which in turn reports to the Managing Director and General Manager. Specifically, the notice of call for Banco Desio's Shareholders' Meeting is published, within the legal deadlines differentiated according to the issues on the agenda, on the website www.bancodesio.it – in the section “La Banca/Governance/Corporate Governance/Assemblea” (The Bank/Governance/Corporate Governance/Shareholders' meeting), and concurrently in the national press.

The notice of call contains indications on methods for exercising the right to attend and vote, as summarised below.

Pursuant to Article 83-sexies of Italian Legislative Decree 58/98 (Consolidated Finance Act) and Article 9 of the Articles of Association, parties holding the right to vote who have sent the Company a notification issued by an authorised intermediary based on the evidence in its accounting records at the end of the seventh trading day prior to the date set for the Shareholders' Meeting on first call may participate in the Shareholders' Meeting, or be represented according to the methods set forth by law. Those who are shown to hold shares only following this date shall not have the right to participate or vote in the Shareholders' Meeting.

Each party entitled to participate in the Shareholders' Meeting may be represented according to the methods set forth by law, without Articles of Association exceptions or limitations, by way of written proxy, as explained in detail in the notice of call for the Shareholders' Meeting.

The Board of Directors is entitled to establish, as and when, whether the proxy may be granted to a Designated Representative of the Company as defined by Article 135-undecies of Italian Legislative Decree No. 58/98, without cost to the shareholder, with voting instructions for all or some of the proposed agenda items. This mode was adopted as the exclusive mode for the purposes of the Shareholders' Meeting held on 23 April 2020 by virtue of the specific provisions for the holding of corporate meetings given the "Covid-19" emergency and its continuation.

Pursuant to Article 127-ter of Italian Legislative Decree No. 58/98, shareholders may ask questions about the agenda items, including prior to the Shareholders' Meeting, as explained in detail in the notice of call for the Shareholders' Meeting.

Pursuant to Article 126-bis of Italian Legislative Decree No. 58/98, shareholders who, including jointly, represent at least one-fortieth of the share capital with voting rights may request items be added to the agenda, indicating the additional issues proposed in their request, as explained in detail in the notice of call for the Shareholders' Meeting.

The General Shareholders' Meeting Regulations, which discipline the business of the meetings, aim to ensure the orderly participation of those entitled to attend, in line with the indications that emerged from the work carried out originally care of the pertinent Trade Associations. The underlying criteria that inspired the drafting of the Regulations was to guarantee a certain discretion in the powers of the Chair, albeit in observance of legal and Articles of Association provisions, aimed at permitting appropriate flexibility in handling the general meeting business and ensuring the exercise of the rights of the shareholders, in particular the right to take part in the discussion, also with the faculty to reply. The provisions strictly pertaining to the undertaking of the Chair of the Meeting, the right to attend, personally or via proxy, the right to vote and the resolutions adopted by the meeting, remain disciplined by the Articles of Association, which furthermore do not envisage departures from legal regulations.

The minutes of the Banco Desio Shareholders' Meetings are taken by a Notary, including for Ordinary Shareholders' Meetings. In 2021, two shareholders' meetings (ordinary and extraordinary) of the holders of Banco Desio Ordinary Shares were held on the occasion of the approval of the financial statements for the year ended 31 December 2020 (15 April 2021) and on the occasion of the approval of the mandatory conversion of savings shares into ordinary shares (4 October 2021), for which the special meeting of holders of savings shares was also held on the same date.

A specific section of the Code of Ethics referred to in Section 7 above is devoted to relations with shareholders. In particular, the following is envisaged:

- The Group develops dialogue with the market through the adoption of engagement policies that are complementary to those of institutional investors and asset managers⁶³. A fundamental role of liaison is assigned to the Chair, who submits a policy for the management of dialogue with shareholders in general ("Shareholders' Engagement Policy") to the Board of Directors for approval, in agreement with the Managing Director and General Manager. The Chair ensures that the Board of Directors is adequately informed on the development and significant contents of the dialogue with all shareholders. To this end, the Chair ensures that the Chair him/herself,

⁶³ Banco Desio has adopted voting and engagement policies towards its investee companies as part of its asset management in the banking business, as well as methodologies for evaluating non-financial results over the long term. On 25 February 2021, the Executive Committee has approved the "GPM Engagement Policy 2021" of the GPM Office.

the Managing Director/General Manager, as well as the Administration and General Affairs Department (the function in charge of overseeing relations with Shareholders with the collaboration of other functions including, in particular, the Planning, Finance and Control Department and the Communication Area), provide appropriate information flows, including to the Control Body, on an eventual or periodic basis (at least annually on the occasion of the approval of the Annual Corporate Governance Report and the Non-Financial Statement).

- The Group pursues fair treatment of shareholders by facilitating the exercise of voting rights and the right to participate in shareholders' meetings.
- The Group furthers completeness, transparency and equality of information in order to protect the interests of its shareholders, bondholders and other creditors, including potential ones, in such a way as to ensure that the decisions made by them are informed and disseminated.
- To this end, the Group adequately discloses relevant financial and sustainability information to the market, in an appropriate manner that favours accessibility.
- Whomever is involved in preparing documents that represent, also for tax purposes, the economic, equity or financial situation of the Group or that, in any case, concern facts relevant to the above-mentioned decisions, must comply with the regulatory principles and internal procedural rules concerning the communication and use of the information in question (as well as the very preparation of documents according to criteria of truthfulness and correctness). The Group acts in accordance with the provisions laid down by legal and regulatory provisions for the protection of savings with reference also to the activities of the Appointed Executive.
- The Group requires Significant Shareholders (natural and legal persons whose shareholding in a Group Company exceeds 5% of voting rights) to make the following commitments, providing adequate disclosure in the Banco web site:

- to behave in compliance with the principles set out in the Code of Ethics, as well as to comply with the rules and recommendations set out:

- in the MOG;
- in the Corporate Social Responsibility Guidelines approved by the Company's Board of Directors,

and, in the event that the Shareholder submits nominations for members of the Board of Directors and the Board of Statutory Auditors to be submitted to the Shareholders' Meeting of the Company,

- to confirm that the aforementioned principles, rules and recommendations are taken into account, in particular, in the selection of candidates, where the Shareholder directs the choice towards individuals who in their personal and professional career have adopted behaviour consistent with the same principles, rules and recommendations.

The latter commitment is also required of Shareholders whose shareholding is less than 5% but who are nevertheless entitled to submit candidates.

The Shareholders exercise, in accordance with the law, an influence on the Company related to the voting rights to which they are entitled, providing adequate disclosure of any shareholders' agreement or other agreement that determines a different influence, as well as of any conflict of interest.

Shareholders who are aware of significant information or, a fortiori, of inside information relating to the Group Companies must maintain the utmost confidentiality in handling such information. In the case of legal persons, this obligation extends to all members of their Bodies.

Therefore, on 27 May 2021, the Board of Directors has approved the Shareholders' Engagement Policy, which governs the principles underlying a structured Shareholder Engagement process, with

the aim of improving shareholder involvement in corporate governance.

Shareholder Engagement practices are aimed at encouraging the involvement of the Shareholders, to ensure the sustainable success of the Bank, which is embodied in the creation of long-term value for the benefit of Shareholders, taking into account the interests of all other stakeholders and the environmental and social as well as economic impacts of the Bank's operations, and in stimulating innovation.

In implementation of the aforementioned principles of the Code of Ethics, this Policy mainly provides for the following:

- The Chair ensures that the Board of Directors is adequately informed on the development and significant contents of the dialogue with all Shareholders. To this end, the Chair ensures that the Chair him/herself, the Managing Director/General Manager, as well as the Administration and General Affairs Department (the function in charge of overseeing relations with Shareholders with the collaboration of other functions including, in particular, the Planning, Finance and Control Department and the Communication Area), provide appropriate information flows, including to the Control Body, on an eventual or periodic basis (at least annually on the occasion of the approval of the Annual Corporate Governance Report and the Non-Financial Statement).
- The Chair requires, through a specific letter, the Significant Shareholders (natural and legal persons whose shareholding in a Group Company exceeds 5% of voting rights):
 - to comply with the Code of Ethics adopted by the Bank;
 - to read the Organisation and Management Model adopted by the Bank pursuant to Legislative Decree No. 231/2001, accepting it in full;
 - to comply with the Bank's Corporate Social Responsibility guidelines, adopting consistent behaviour.
- He/she declares:
 - that, where required, periodic information is sent to the Shareholders, in compliance with the rules of transparency and equal treatment, as well as with the provisions applied to inside information;
 - that, where requested, there is a concrete willingness on the part of the Bank towards the Shareholders to discuss economic, social and governance issues;
 - that, appropriate safeguards are maintained by the competent functions to ensure that legitimate Shareholders can easily exercise their rights, with particular reference to convening the Shareholders' Meeting, supplementing the agenda, as well as submitting proposed resolutions and questions on the items on the agenda;
 - that the equal treatment of all shareholders in the same position with regard to the exercise of participation and voting rights at the Shareholders' Meeting is ensured;
 - that there are no obstacles to participation and that the expression of votes (where applicable also by remote participation) by Italian and cross-border shareholders, simplifying proxy voting procedures;
 - that greater availability and timeliness in the dissemination of pre-meeting information is ensured.
- Banco Desio complies with the SRD I and SRD II Directives, which define certain principles aimed at encouraging "Shareholder Engagement" particularly in the medium to long term, in order to improve corporate governance and discourage the assumption of an excessive level of risk in the short term. To this end, Banco Desio provides for: the identification of Shareholders in the event of the exercise of their rights, with particular reference to Shareholders' Meetings and in other cases in which it is required pursuant to applicable regulations; the mandatory, standardised and timely transmission between the company and Shareholders of information functional to the exercise of the same rights; the dialogue with institutional investors, asset managers and proxy advisors who request it or with whom senior management deems it appropriate to initiate a dialogue.

- Banco Desio requires the Relevant Shareholders (natural and legal persons whose shareholding exceeds 5% of the voting rights) to undertake the commitments listed above, giving adequate disclosure on the Banco's website.
- The Shareholders exercise, in accordance with the law, an influence on the Company related to the voting rights to which they are entitled, providing adequate disclosure of any shareholders' agreement or other agreement that determines a different influence, as well as of any conflict of interest. Shareholders who are aware of significant information or, a fortiori, of inside information relating to the Group Companies must maintain the utmost confidentiality in handling such information. In the case of legal persons, this obligation extends to all members of their Bodies.
- The Policy is published on the Bank's website at the following address: <https://www.bancodesio.it/it/content/policy-di-shareholder-engagement>.

11 - SAVINGS SHARES - SPECIAL SHAREHOLDERS' MEETINGS - COMMON REPRESENTATIVE

The information in this section has been provided in accordance with Article 123-bis, section 2, letter d, CFA

As mentioned in section 2 above, at the Extraordinary and Special Shareholders' Meetings of 4 October 2021, within their respective areas of competence, the mandatory conversion of savings shares into ordinary shares was resolved, which became effective on 29 November 2021. As a result of these resolutions, the Special Meeting of the Savings Shareholders was dissolved and the mandate of the Common Representative of the Savings Shareholders also came to an end.

12 - INDEPENDENT AUDITING FIRM

The company has appointed to audit the accounts, in accordance with the law, for the current nine years, KPMG S.p.A. with registered office in Milan. Upon the proposal of the Board of Statutory Auditors, the assignment was granted by the Shareholders' Meeting of 23 April 2020, with the total duration from 1 January 2021 until the approval of the financial statements as at 31 December 2029. The agreed remuneration is indicated in the shareholders' meeting documentation published in accordance with the law (see also Section 10 above) as well as any other information required by the applicable provisions. In this context, the proposal of the Board of Statutory Auditors contains all the relevant information also on the selection procedure implemented. The individual responsible for the audit assignment is Mr Alessandro Nespoli.

The same company is appointed to audit, in accordance with the law, all Italian subsidiaries and the parent company, as well as to express with a dedicated report, distinct from that of the auditor, a certification of the compliance of the information provided in the Group's sustainability statement with respect to the requirements of Italian Legislative Decree No. 254/2016 and with respect to the principles, methodologies and procedures prescribed in Paragraph 3 of Article 3 of the same Legislative Decree.

13 - CHANGES AFTER THE END OF THE ACCOUNTING PERIOD

Between the date of the end of the last accounting period (31 December 2021) and the below-indicated date of approval of this Report, no significant changes took place with respect to those illustrated in the previous sections.

14 - CONSIDERATIONS ON THE LETTER BY THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE addressed to the issuers

⁶⁴By letter dated 3 December 2021 addressed to the Issuers, brought to the attention of the Chair of the Board of Directors as well as the Managing Director and the Chair of the Board of Statutory Auditors and analysed by the Control, Risk and Sustainability Committee at its meeting on 2 February 2021 and by the Independent Directors at the time of review of this Report, the Corporate Governance Committee, in light of the results for the 2021 Report and of the analysis of the Issuers' conduct on the issues set forth in the 2020 letter, once again this year identified six main areas on which to press not only the administrative body, but also, for matters under its competence, the control body, for a better and more substantial application of the best practice recommended by the Code. The highlighted topics, in continuity with last year, are as follows:

- sustainability
- preliminary board disclosure
- criteria of independence
- self-assessment
- optimal composition and succession
- remuneration policies

For the related examination in relation to the position of Banco Desio, refer in full to the attached table **(ATTACHMENT C)**.

Desio, Italy, 22 March 2022

On behalf of the Board of Directors
The Chair
(Mr Stefano Lado)

⁶⁴ As already mentioned in this Report, the Corporate Governance Committee, formed by business and professional investor associations, as well as Borsa Italiana, decided to proceed with a thorough review of the structure and of the set forth principles of the Corporate Governance Code first adopted about 20 years ago and, as a result of this activity, on 31 January 2020, the new Corporate Governance Code, with which the Committee "intended to safeguard the role of the Corporate Governance Code in guiding the governance choices of listed companies and in favouring their evolution towards a model increasingly oriented towards the creation of long-term value to the benefit of shareholders, taking into account the interests of all relevant stakeholders", was adopted. In order to ensure an adequate period for companies to align with the new edition of the Code, the Committee provided that its application would start in the financial year 2021, with information to be included in the corporate governance report to be published in the current year. "The purpose of the letter is to analyse the corporate governance reports which, although referring to the last year of application of the previous Code, provide an initial indication of the process for compliance with the new Code". The Committee approves, in accordance with the CG Code, an Annual Report on the application of the CG Code. With the aforementioned letter and the Report attached thereto, the Committee, "in addition to highlighting some critical issues noted in the Report, has aimed at formulating Recommendations that would encourage and support the process of alignment, while highlighting, in particular, the main innovations of the new Code that may entail a greater effort to redefine application practices for companies". The letter and report therefore provide an overview of the current application of the Code as at 31 December 2020 and represent a useful parameter for assessing the related degree of adhesion by the companies, also with a view to their transition to the new Code. The objective is to incentivise an increasingly conscious application of the Code by Issuers adhering to it and, more generally, to promote the evolution of corporate governance by all Italian listed companies that, as at 31 December 2020, were not adhering to the Code and foreign-registered companies that have their main trading venue in Italy.