

**2019 Remuneration Report of the Banca Sistema Group  
and overview of the application of the Policies in 2018**

drawn up pursuant to Art. 123-*ter* of Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented ("**Consolidated Law on Finance**"), Art. 84-*quater* of the regulation adopted by CONSOB resolution no. 11971/1999 as amended ("**Issuers' Regulation**"), and in compliance with Bank of Italy Circular No. 285 of 17 December 2013 as amended, and the Corporate Governance Code of listed companies

**Approved by the Board of Directors on 1 March 2019 and submitted for approval in point [6] of the agenda of the ordinary session of the Shareholders' Meeting to be held on 18 April 2019**

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### Introduction - Legal Framework

This Remuneration Report (the “**Report**”) drawn up by Banca Sistema S.p.A. (the “**Bank**”) includes:

- Section I providing a description of the general remuneration policy for 2019 for members of the Board of Directors (the “**Directors**”), the General Manager and key management personnel (the “**Key Management Personnel**”) of the Bank, “key personnel”, in addition to other roles that are key to achieving the corporate objectives (the “**Remuneration Policy**” or the “**Policy**”), and an outline of the procedures used to adopt and implement this Policy;
- Section II providing a description of the remuneration paid for any reason and in any way during the financial year ended 31 December 2018 (the “**Financial Year**” or the “**Financial Year 2018**”) to the aforementioned personnel, subdivided according to name and/or in aggregate.

The Report also provides information on any shares held by members of the Board of Directors (the “**Board**”), the Board of Statutory Auditors and other Key Management Personnel, as well as an overview of the audits conducted by the Remuneration Committee (the “**Committee**”) and the Compliance Department to verify whether the Policy complies with the current legal framework.

This Report has been prepared as a public disclosure pursuant to the applicable regulations in force, specifically Art.123-*ter* of the Consolidated Law on Finance (TUF), Art. 84-*quater* of the Issuers’ Regulation, as well as the provisions governing the banking sector and Art. 6 of the Corporate Governance Code for listed companies adopted by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (the “**Corporate Governance Code**”).

This Report also includes additional information, in an aggregate form, in relation to the so-called “Risk Takers” not referenced in Art. 123-*ter* of the TUF.

The Report outlines the Remuneration Policy of the Banca Sistema Group (the “**Group**”), which was drawn up in accordance with Part One, Section IV, Chapter 2 of the Bank of Italy Circular No. 285 of 17 December 2013, as subsequently amended and supplemented concerning “Remuneration and incentive policies and practices” (“**Circular 285**”), implementing Directive 2013/36/EU - CRD 4), and with the guidelines of the European Banking Authority (“**EBA**”) on sound remuneration policies (hereinafter, the “**Guidelines**”, and jointly the “**Provisions**”). The Policy also takes into account the technical standards and regulations agreed at international level, including those issued by the EBA, the Financial Stability Board (“**FSB**”), as well as those governing related party transactions.

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The Policy and the Report were reviewed and approved by the Remuneration Committee on 27 February 2019 and approved by the Bank’s Board of Directors on 1 March 2019.

Section I of the Report is subject to a non-binding resolution by the ordinary Shareholders’ Meeting (“**Shareholders’ Meeting**”) called on 18 April 2019 to approve, among other things, the financial statements for the year ended 31 December 2018.

The Report is made available to the public at the registered office and in the “Investor Relations/Governance/Shareholders’ Meeting” section of the Bank’s website [www.bancasistema.it](http://www.bancasistema.it), in accordance with laws in force.

The Board of Directors has also adopted a regulation to govern the procedures for the assignment and award of Bank shares, pursuant to the 2019 Remuneration Policy, of which it forms an integral part. For more information, reference is made to the information document published on the Bank’s website ([www.bancasistema.it](http://www.bancasistema.it)).

### 1. Classification of the Bank

Pursuant to Part I, Title IV, Chapter 2, Section I, Paragraph 7 of Circular 285, in application of the proportional principle, each bank shall implement the remuneration provisions according to the methods that best reflect the bank's characteristics and size, and the risk levels and complexity of its business activities.

In particular, Circular 285 divides banks into the following three categories:

- “*larger and more complex banks*”: those that are deemed to be significant under art. 6(4) of the (EU) Regulation no. 1024/2013 (the Single Supervisory Mechanism, “SSM”)(<sup>1</sup>);
- “*smaller and less complex banks*”: banks whose balance sheet assets are equal to or below € 3.5 billion, which are not deemed to be significant under art. 6(4) of the SSM;
- “*medium size banks*”: banks whose balance sheet assets are between € 3.5 and 30 billion and banks which belong to a group whose consolidated balance sheet assets are between € 3.5 and 30 billion, which are not deemed to be significant under art. 6(4) of the SSM.

Banca Sistema, having total assets of less than € 3.5 billion at both separate and consolidated levels, could be considered to be a “smaller bank”. However, in view of its status as a listed company and considering also the EBA guidelines, the Bank has opted to apply the rules relating to “medium-sized” banks.

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(<sup>1</sup>) According to art. 6(4) of the SSM, “a credit institution or financial holding company or mixed financial holding company shall not be considered less significant [...] if any of the following conditions is met:

- (i) the total value of its assets exceeds € 30 billion;
- (ii) the ratio of its total assets to the GDP of the participating Member State of establishment exceeds 20%, unless the total value of its assets is below € 5 billion;
- (iii) following notification by the appointed national authority stating that such an institution is of significant importance for the domestic economy, the ECB takes a decision confirming such significance following a comprehensive assessment by the ECB, including a balance-sheet assessment, of that credit institution”.

### SECTION I – 2019 PERSONNEL REMUNERATION AND INCENTIVE POLICY

#### A. Bodies and persons involved in the drafting and approval of the remuneration policy, and responsible for its correct implementation

The preparation of the Remuneration Policy is the result of a process, involving the following bodies and departments of the Bank, according to the remits and responsibilities described hereinafter. The **Board of Directors** formulates and approves the Bank's Policy, submits it to the Shareholders' Meeting, and reviews it at least once a year, and is responsible for its correct implementation. It also approves the results of any procedure for the exclusion of "key personnel" and periodically reviews the relevant criteria for exclusion.

The Board further defines the incentive plan for "key personnel" and all other Group employees and ensures that the Bank's Policy is effectively implemented and consistent with the Bank's overall management strategy, corporate culture, risk propensity and the associated governance processes. The Board ensures that the granting, payment and accrual of variable remuneration, including application of the malus and claw-back rules, do not negatively affect the need to maintain a strong capital base in accordance with the Group's remuneration policy.

The Board discharges its duties with the support of the following company departments.

The **Human Resources Department** coordinates the 2019 Policies definition process and contributes to the drawing up of the Policies, providing the required information also in relation to the organisational structure, the remuneration levels and the incentive systems. In particular, the Human Resources Department lends its support to the Compliance Department, ensuring, among other things, that the Policy is consistent with the Bank's personnel management procedures and remuneration and incentive systems.

The **Risk Department** is involved in identifying events that could potentially affect the Bank's business, analysing the impacts of such events in relation to acceptable levels of risk, and periodically monitoring the effects of implementation of the remuneration policies on the Group's risk profiles. The Risk Department helps to ensure compliance with the reference framework for measuring risk propensity and with the risk governance and management policies defined in the Risk Appetite Framework ("**RAF**"), also by establishing risk indicators to be used for (ex-ante and ex-post) adjustment mechanisms; it also expresses its opinion on the correct use of these mechanisms. Based on their respective remits, the Risk Department and the Compliance Department are of support in deciding the "bonus pool", the result indicators and the remuneration to be granted and highlight any possible impacts which these factors may have on the conduct of employees and/or in terms of the riskiness of the activities undertaken.

The **Compliance and Anti-Money Laundering Department** verifies ex ante the compliance of the Policy and checks, on an annual basis, that the Policy is consistent with the applicable legal framework and the internal policies, including the Group's Code of Ethics so as to take into account legal and reputational risks present, in particular, in relations with customers. The Compliance Function informs the Board of Directors of any findings in a specific report, which is taken into account by the Board when approving, reviewing and verifying the Policy.

The **Internal Audit Department**, in compliance with the Provisions and the Guidelines, conducts an independent review of the personnel remuneration and incentive practices to be approved and implemented in order to assess, at least once a year, the effects these may have on the Bank's risk profile; among other things it assesses, at least yearly, whether the remuneration practices are consistent with the approved policies and with the current provisions of law.

The **Central Finance Department** verifies compliance with the Bank's medium-long term objectives and strategies, so as to ensure financial sustainability over the medium-long term.

The **Manager in charge of financial reporting** verifies the compliance and consistency of the Policy with accounting and company documents, and in particular its accuracy with respect to the approved financial statements. The Manager in charge of financial reporting – jointly with the Head of the Risk Department – evaluates and confirms the level of satisfaction of the corporate access conditions and criteria and the level of achievement of the targets assigned.

As detailed in paragraph B) below, the **Committee** within its sphere of influence, has advisory and proposal-making duties vis-à-vis the Board of Directors. More specifically, the Committee has a proposal-making and preliminary investigation duty in respect of the Board of Directors, with regard to defining the Policy.

The **Shareholders' Meeting** approves:

- the Policy applicable to Group employees and "key personnel";
- the remuneration plans based on financial instruments (for example, stock option and stock grant plans);
- the criteria for determining any compensation to be paid in the event of early termination of employment or early exit from office, including the limits upon such compensation in terms of the number of years of fixed remuneration and the maximum amount resulting from application of such criteria (so-called golden parachute).

On approving the Policy, the Shareholders' Meeting resolves on any proposal to cap the ratio between the variable and fixed remuneration paid to the CEO and General Manager at more than 1:1, but not in excess of the maximum limit of 2:1.

The Group companies are also given the opportunity to cap the ratio between the variable and fixed remuneration paid to individual staff members at more than 1:1, but not in excess of the maximum limit of 2:1. In this regard, being a Group, the Shareholders' Meeting empowered to decide on the proposal to set a ratio of more than 1:1 is that of the Group company in which the personnel to whom the decision refers are employed. Banca Sistema may vote in favour of the proposal to increase the limit submitted for approval to the Shareholders' Meeting of a Group company.

In this regard, the Shareholders' Meeting is informed of the fact that the cap on the ratio between variable and fixed remuneration includes any amounts payable as discretionary pension benefits, in anticipation of or as a result of the early termination of employment, or early exit from office (so-called golden parachutes).

The **Board of Statutory Auditors** has an advisory function and monitors the proper application of the remuneration policies based on the provisions and regulations in force at the time.

The **Internal Control and Risk Management Committee** verifies compliance between the incentive plan and the Group's Risk Appetite Framework.

The Policy is subject to review at least annually, by the Remuneration Committee supported by the relevant departments: the associated activities and any amendments thereof which are proposed, approved and implemented are documented in written reports or in the minutes of the related meetings.

## **B. Remuneration Committee - Intervention, composition, powers and modes of operation**

The **Remuneration Committee** comprises three non-executive directors of which two meet the independence requirements set out by applicable legislation and regulations, and in the Bank's Articles of Association.

At least two Committee members must have adequate knowledge and experience in financial or remuneration policy matters, without prejudice to the Bank adopting appropriate training programmes to ensure that all Committee members carry out their role with due cognisance. Based on resolution dated 24 May 2018, the Board of Directors appointed the following Directors as members of the Committee: Giovanni Antonino Puglisi (non-executive Director) as Chairperson, Francesco Galietti (independent Director) and Marco Giovannini (independent Director).

The Remuneration Committee assists the Board of Directors in reviewing the Policy to be submitted to the Shareholders' Meeting, with support also from the departments specified in paragraph A. above, and has the following responsibilities:

- to make proposals on the remuneration paid to "key personnel" and other employees;
- to provide advice in determining the remuneration criteria for "key personnel";
- to offer its opinion, also on the basis of the information received from the relevant company departments, regarding the outcome of the process of identification of "key personnel", including any exclusions;
- to carefully monitor due application of the rules on the remuneration of the managers in charge of the corporate control departments, in close coordination with the Board of Statutory Auditors;
- to prepare the documentation to be submitted to the body tasked with the strategic supervision of the related decisions;
- to cooperate with the other committees within the Board of Directors, in particular with the Internal Control and Risk Management Committee;
- to ensure that all appointed departments are involved in the process of preparing and monitoring the Policy;
- to provide input, based also on the information received from the company departments concerned, on the achievement of the performance targets to which the incentive plan is subject and to verify the other requirements for payment of the remuneration;
- to assess the need to make ex-post adjustments to the variable remuneration (malus and claw-back) and to submit proposals in this respect to the Board of Directors;
- to provide adequate feedback on the activities carried out to the corporate bodies, including the Shareholders' Meeting, checking the adequacy of the information to be provided to shareholders in relation to the Policy, particularly concerning any proposals to exceed the variable-fixed remuneration ratio of 1:1;
- to make proposals to the Board of Directors concerning the use of external experts specialised in remuneration and incentive policies;
- to check that the existing remuneration policy is up-to-date, and to propose any required amendments.

In order to perform its duties effectively and responsibly, the Remuneration Committee is given access to all data and information associated with the Board of Directors' decision-making process in relation to the preparation, implementation, monitoring and review of the Policy. The Committee is also provided with the necessary resources, and has unconditional access to all information and data produced by the control

departments; it interacts with said control departments and with other relevant departments (e.g. the Human Resources, Legal and Finance Departments), whose resources may be invited to attend Committee meetings.

The Committee meets at the intervals needed to carry out its functions, and at any time deemed appropriate by the Chairperson of the Committee, or in the cases specified in the latest Committee regulation adopted on 25 January 2019.

The following are invited to attend Committee meetings:

- the Chairperson of the Board of Statutory Auditors, or another Statutory Auditor duly designated by the former, with the option of having other Statutory Auditors attending;
- the Head of the Risk Department to ensure that the incentive systems are appropriate enough to take into account all the risks undertaken by the Bank, based on methodologies consistent with those adopted by the Bank to manage risks;
- the Head of Human Resources.

The Chairperson of the Board of Directors is entitled to attend the Committee's meetings without voting powers, and the CEO may also attend the meeting on the invitation of the Chairperson of the Committee.

From time to time, the Chairperson of the Committee may invite others to attend the meetings, if their attendance is considered appropriate to support the functioning of the Committee.

No Director may take part in a Committee meeting which will be formulating proposals to submit to the Board of Directors regarding their remuneration.

The Bank shall provide the Committee with adequate financial resources for the performance of its duties and to ensure operational independence, based on an adequate annual budget, which is commensurate to the Committee's duties and responsibilities. The Committee's annual budget is determined by the Board of Directors, and proposed by the Chairperson of the Committee.

For further information see the Annual Report on Corporate Governance and Ownership Structure in the 'Governance' section of the Bank's website ([www.bancasistema.it](http://www.bancasistema.it)).

### **C. Independent experts**

During the Financial Year, the Remuneration Committee was supported by consultants of the Bank specialised in the sector, and more specifically the Law Firm Gianni Origoni Grippo Cappelli & Partners and Ernst & Young S.p.A., with which it held in-depth discussions on the activities performed by them with reference to relevant issues, with the relevant documentation obtained for its assessments.

### **D. Goals pursued by the remuneration policy, underlying principles and possible changes to the remuneration policy compared to the previous financial year**

The Group's Policy pursues the following goals:

- to direct the efforts of executive directors and employees towards the priorities and objectives established at Bank and Group level, supporting the creation of value over the medium and long term;
- to attract and retain highly qualified personnel, also through external remuneration competitiveness;
- to motivate personnel, by recognising merit and encouraging the development of professional skills;



- to develop and improve the quality of the services provided to customers;
- to ensure sound and prudent management of the Bank and its risk profile;
- to ensure remuneration fairness, rewarding individual employees for their contribution and the responsibilities given;
- to ensure conduct that is consistent with the Code of Ethics of the Group (hereinafter the "**Code of Ethics**"), the Group's internal regulations and the legislative and regulatory provisions applicable to Banca Sistema and the Group.

The Group's remuneration strategy also takes account of the RAF (Risk Appetite Framework) adopted by the Bank, which includes specific performance indicators that take account of risk propensity. Furthermore, the Group's remuneration strategy takes account of the cost and level of capital and liquidity required to deal with the business operations undertaken, and it is designed to avoid incentives that are in conflict with the Bank's long-term interests.

The remuneration paid to the Group's personnel includes a fixed component, which is paid to all employees, a "benefit" component, and a variable component that is paid to the "key personnel", that may be applied to personnel other than key personnel of the Bank in line with the guidelines and principles of the Policy and in compliance with the applicable law.

The ratio between the variable and fixed components of remuneration is duly balanced, accurately calculated and carefully assessed in relation to the characteristics of Banca Sistema and of the various categories of personnel, particularly that of "key personnel".

The main changes compared to the remuneration policy adopted in 2018 refer primarily to bringing this in line with the new regulatory framework applicable with the 25<sup>th</sup> update to Circular 285 coming into effect, and more specifically:

- integration of parameters whereby the Bank must set its own remuneration system (i.e. cost and level of capital, and liquidity needed to meet its undertakings);
- additional monitoring aimed at preventing possible avoidance of the Policy and the Provisions, including (i) conducting sample checks on securities custody and administration deposits held with the Bank at the least by key personnel, (ii) signing specific agreements with key personnel to prevent situations that could undermine or affect the risk alignment effects embedded in remuneration mechanisms, (iii) monitoring transactions carried out independently, either directly or indirectly, by personnel on the Bank's shares, or on any financial instruments with the Bank's shares underlying them;
- skills refresher training for the Bank's bodies and departments involved in the definition, adoption, implementation and review of the Policy;
- description in Annex 1 of the key personnel identification and exclusion process, clearly designating the parties involved and the duties assigned to them;
- update to parameters determining and calculating the "bonus pool", as well as ex-ante and ex-post adjustment mechanisms;
- update to the "golden parachute" provisions;
- update to the variable component structure for "key personnel" and some specific categories, as well as the assignment procedures (i.e. allocation between cash and shares, up-front/deferred, retention, ex-post adjustment mechanisms, etc.);

- change to individual and company performance indicators linked to the payment of variable remuneration, now described under Annex 2 to the Policy;
- inclusion in Annex 3 to the Policy of the Regulation governing the assignment and award of the variable remuneration component to “key personnel” of the Group.

### **E. Description of policies on fixed and variable remuneration components, with special reference to the relative weighting within total remuneration, distinguishing between short and medium-long term variable components**

The remuneration paid to the Group’s personnel includes a fixed component, which is paid to all employees, a “benefit” component (see paragraph F. below) and a variable component that is paid to the “key personnel”, that may be applied to personnel other than key personnel of the Bank.

More specifically, the fixed component of remuneration:

- is paid to all personnel;
- is based on an employee’s technical, professional and managerial skills and the responsibilities assigned to that employee, and is monitored constantly and reviewed annually to ensure fairness, both internally and compared to the rest of the sector, taking also into account any assessments conducted by external consultants appointed by the Parent Company; the Bank adopts two collective bargaining agreements (CCNL): (i) one applicable to Middle Managers and Personnel of Banks, Financial Companies and Associated Companies, and (ii) the other applicable to Senior Managers of Banks, Financial Companies and Associated Companies;
- is based on the principle of sustainability, to a degree that allows the variable component to be substantially reduced - and in extreme cases, to be reduced to zero - in relation to the results actually achieved.

The variable component of remuneration (hereinafter also referred to as the “**Bonus**”):

- is paid to personnel classifiable as “key personnel” when certain set targets are achieved (without prejudice to the provisions of the Policy);
- may also be paid to personnel other than “key personnel”;
- is based on performance indicators measured net of risks and consistently with the measures used for management purposes by the Risk Department (the so-called ex-ante risk adjustment);
- is subject to attaining specific performance targets both at bank and personal level, as per Annex 2 to the Policy;
- is composed as follows:
  - as regards “key personnel”, by a part in cash (“**Cash**”) and a part in the Bank’s shares (“**Shares**”);
  - as regards personnel not classifiable as “key personnel”, by cash only.

In order to ensure the financial sustainability of the Bonus, and to guarantee the Bank’s ability to maintain a sufficient level of capital, the overall value of the Bonuses assigned and paid to employees and “key personnel” cannot exceed the total value of the bonus pool, which is determined each year by the Bank’s Board of Directors, together with approval of the budget for the year, upon the proposal of the CEO, following consultation with the CFO, the Manager in charge of financial reporting, the Head of the Risk Department and

the Head of the Compliance Department. The CEO's proposal shall be assessed by the Remuneration Committee, which in turn shall submit its opinion to the Board of Directors. If it is necessary to increase the level of capital, the bonus pool is reduced and/or ex-post adjustment mechanisms are applied.

The ratio between the fixed and variable components of remuneration is accurately determined and carefully evaluated in relation to the characteristics of the Bank and of the various categories of personnel.

As a rule, the variable component of remuneration may not exceed 100% of the fixed component (ratio of 1:1). However, as permitted under the applicable legislation and in the Bank's Articles of Association, the Board of Directors may request the Shareholders' Meeting to grant to one or more "key personnel" positions or uniform categories of personnel a variable remuneration in excess of 100% but not exceeding 200% of the fixed remuneration (ratio of 2:1). This applies only in exceptional cases and the reasons for the proposal to exceed the aforementioned ratio must be clearly stated, with indication also of the current and future implications on the Bank's ability to continue to comply with all prudential rules.

Without prejudice to the derogations provided for by applicable law, the calculation of the limit to the variable/fixed remuneration ratio includes:

- retention bonuses;
- long-term incentive plans;
- discretionary pension benefits;
- the agreements stipulated in anticipation of, or as a result of, early termination of employment ("golden parachute" payments).

The remuneration of the members of the Board of Directors is determined by the Shareholders' Meeting, and consists in a fixed annual amount for each Director. The amount of this remuneration is different for the Chairperson of the Board of Directors, the CEO and the Directors. The CEO may receive a variable remuneration, which may not exceed the maximum limit of 2:1.

The remuneration paid to the members of the Board of Statutory Auditors is of a fixed nature only, and the entity of such remuneration is established by the Shareholders' Meeting at the time of appointment, and is valid for the entire term of office.

In the case of personnel employed in the Bank's Control Departments and Human Resources Department, and of the Manager in charge of financial reporting, the variable component of remuneration is limited, and granting of the Bonus is subject to the achievement of targets consistent with the duties assigned to the departments, in particular with corporate sustainability targets (e.g. cost containment, strengthening of capital, etc.) provided that they do not result in possible conflicts of interest, that are in no way linked to the Bank's financial performance and are independent of the results achieved by those areas under their control.

For key personnel in the Control Departments and in the Human Resources Department, and for the Manager in charge of financial reporting, fixed remuneration is commensurate with key responsibilities and with the commitment associated with the role performed.

The variable component of the remuneration payable to personnel of control departments may not exceed the limit of 1/3 (one-third) of the fixed component.

The Bank's control departments include the Internal Audit Department, the Risk Department, and the Compliance and Anti-Money Laundering Department.

### F. Policy governing Non-monetary Benefits

The corporate bodies and employees receive certain non-monetary benefits - the definition and assignment of which takes place on the basis of company plans, policy and rules that require compliance with sustainability parameters connected to the Bank's general medium/long-term performance - which may be assigned provided that the Group reports a gross annual profit at consolidated level. The nature of such benefits shall depend on the employee's role and seniority within the company, and they mainly consist in medical insurance, company cars and the Flexible Benefits Plan.

The benefits expected to be granted in 2019 can be summarised as follows:

- medical insurance for all employees and for the members of the Bank's Board of Directors;
- company cars for senior managers and for sales and business development staff;
- Flexible Benefits Plan for all Personnel.

Banca Sistema has adopted a Flexible Benefits Plan to support employees and their families in connection with social and cultural activities, public transport and education/schooling costs for their children, and with the purchase of homes, in accordance with the limits and conditions set out in the specific applicable Regulation, and in accordance with the applicable provisions of tax law.

### G. Description of performance targets in variable components

The variable component of remuneration is subject to meeting individual and company-level targets, which the Bank uses to measure performance and subsequently to calculate individual Bonuses. With regard to "key personnel", indicators are used to calculate ex-post adjustment mechanisms (malus) for the evaluation of performance during the deferral period, and in particular to establish whether the beneficiary shall be entitled to the initially granted Bonus, at the end of said period.

#### A. *Distribution and Access Criteria*

The indicators of company-level performance - to which the distribution of the variable component under the Bonus Pool is subject - are as follows:

**CONDITION FOR DISTRIBUTION** - the achievement of positive Consolidated Gross Earnings is the requirement to be met for distribution of the Bonus Pool.

**CONDITION FOR ACCESS** - satisfying the Key Risk Indicators ("KRIs"), which are equally weighted and envisaged in the RAF for the reference year, in the three-year period 2017/2019: **Common Equity Tier 1 - CET1 and Liquidity Coverage Ratio - LCR**.

Failure to reach the first-level threshold, as indicated in the RAF, for even just one of the aforementioned 2 KRIs shall result in the Bank not distributing any Bonus.

#### B. *Assignable targets*

##### 1. **Targets linked to the Bank's performance**

The targets set for the assessment of the Bank's performance are linked to the following indicators:

- **Profitability of the Bank** (determined by means of any one of the following alternative indicators: consolidated gross earnings, ROE/RORAC, Cost/Income, etc.), having an overall weight of at least 30% relative to the overall score of the targets.
- **Growth of the Bank** (determined by means of any one of the following alternative indicators: growth vs. budget of total income, market shares, etc.), having an overall weight of at least 30% relative to the overall score of the targets;
- **Increase in the value of the Bank** (determined by means of any one of the following alternative indicators: increase in the value of the Bank's shares, sustainability indicators, risk profile, accomplishment of the business plan or specific company projects, development of human capital, etc.).

## 2. **Targets linked to the performance of the Beneficiary's Department and/or Business Line/Division**

The business targets linked to the performance of the Beneficiary's Department and/or Business Line/Division are:

- Meeting the budget targets set for the Department/Business Line/Division, primarily linked to sales volumes, credit facilities granted, containment/reduction of costs, profitability and level of capitalisation, cost assessment on individual business dealings;
- Managing and reducing risks: capital and liquidity indicators at division/business line level, cost of risks, Risk profile/RWA Density, again at division/business line level, projects and actions implemented to reduce risks, NPE ratio, etc.
- Value creation, specifically, the value added of a new product or new service, the correct performance of a company process or its redesign, the growth and enhancement of the Bank's technical and human resources;
- Management of operations: targets linked to increasing customer satisfaction, internally and externally, and actions that improve the efficiency of internal management of operations;
- Increased efficiency: these targets are based on a comparison with the same activities performed in the previous years in connection with improving the overall performance of the Bank.
- Management of the technical and human resources allocated: these targets are linked to the creation of a constructive working environment, the growth of talent and the best allocation and development of professional skills, the dissemination and capitalisation of company knowledge, effectiveness and awareness in the use of company tools and processes, also with a view to minimising costs.

## 3. **Targets linked to individual managerial and professional activities**

Individual qualitative targets linked to the contribution to the financial results, customer relations (internal and external), organisational and managerial skills and personal qualities.

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## **Targets set for the Chief Executive Officer/General Manager**

The Bonus awarded to the Chief Executive Officer/General Manager is subject to the Bank meeting the abovementioned performance targets (see the distribution and access criteria).

If the aforesaid targets and requirements are satisfied, the payment of the Bonus is subject to the assessment of the achievement of the targets linked to a number of alternative indicators, as per the examples below, which are weighted accordingly in percentage terms relative to the overall targets:

- **Profitability of the Bank** (determined by means of any one of the following indicators, which may be alternative one to the other: consolidated gross earnings, ROE/RORAC, Cost/Income, etc.), having an overall weight of at least 30% relative to the overall score of the targets.
- **Growth of the Bank** (determined by means of any one of the following alternative indicators: growth vs. budget of total income, market shares, etc.), having an overall weight of at least 30% relative to the overall score of the targets;
- **Increase in the value of the Bank** (determined by means of any one of the following indicators, which may be alternative one to the other: increase in the value of the Bank's shares, sustainability indicators, risk profile, accomplishment of the business plan or specific company projects, development of human capital, etc.).

\* \* \* \* \*

### **Targets set for other “key personnel”**

The targets set for other “key personnel” are:

- Targets linked to the Bank's performance, to an extent not less than 30% of the overall targets sheet,
- “Business” targets linked to the performance of the Beneficiary's Department and/or Business Line/Division, not less than two and having an overall approximate weight of at least 30% relative to the overall targets sheet,
- Individual targets linked to the Beneficiary's managerial and professional activities, not less than two and having an overall approximate weight of 40% relative to the overall targets sheet.

\* \* \* \* \*

### **Targets set for other employees**

For the remaining employees - pursuant to the relevant National Collective Bargaining Agreement and in line with the principles and instruments described in the Policies - the Bank may assign “Business” targets linked to the performance of each employee's Department and/or Business Line/Division (not less than one and with an approximate weight of 30%), as well as individual targets linked to their managerial and professional activity (not less than two) - to be assigned and documented through the “targets” sheet of the tool - and individual performance targets (“performance” sheet of the tool).

### **H. Criteria used to assess performance targets forming the basis for the assignment of shares, options, other financial instruments or other variable remuneration components**

With regard to the variable remuneration component, the assessment as to whether the company-level and individual targets set in the Policy have been achieved, determining the variable component of the remuneration payable and subsequent notification to the personnel concerned is done by the Board of Directors after approval of the financial statements for each reference year.

The achievement of company-level and individual performance targets is assessed by the Board of Directors, with input from the Remuneration Committee, in accordance with the procedures described in the Policy, with the support of the relevant corporate departments.

Subsequent to verification that the required performance targets have been met, the Board of Directors calculates the total amount for the variable component that is payable, including the number of shares to be assigned to each beneficiary, informing the latter in writing in this regard.

### **I. Information to show consistency between the remuneration policy and long-term interests of the Bank and the risk management policy, where applicable**

The Policy adopted by the Bank was formulated taking into account the specific context in which it operates and the risks related to its activities, with due regard for the Provisions and the best practices followed by companies operating in the same sector.

The Policy was formulated to encourage personnel to pursue the Bank's long-term interests, by, among other things:

- ensuring an appropriate balance between the fixed and variable remuneration components, and the link between the latter and set and measurable company-level and individual performance criteria,
- deferred assignment of the allocated variable component;
- provision of ex-post adjustment mechanisms (i.e. malus and claw-back);
- provision of a retention period for the variable component assigned as shares of the Bank (holding period during which shares cannot be transferred).

The Policy in no way induces beneficiaries to assume risks above the risk propensity levels set in the Bank's relevant strategies.

### **J. Vesting period, any deferred payment systems, specifying the deferral periods and criteria used to determine these periods, and ex-post adjustment mechanisms, if applicable**

In 2019, the variable component of remuneration for "key personnel" will be paid as follows upon approval of the Bank's financial statements:

- for amounts equal to or lower than € 30,000, variable remuneration shall be paid entirely up-front and in cash, subject to the necessary approval of the Board of Directors and of the Shareholders' Meeting provided for in the Policies;
- for amounts from € 30,000 to € 435,000, 70% of the variable remuneration shall be paid up-front (50% in Cash and 50% in Shares of the Bank) and the remaining 30% (50% in Cash and 50% in Shares of the Bank) shall be deferred and paid at the end of the three-year deferral period;
- for amounts greater than € 435,000, 60% of the variable remuneration shall be paid up-front (50% in Cash and 50% in Shares of the Bank) and the remaining 40% (24% in Cash and 76% in Shares of the Bank) shall be deferred and paid at the end of the three-year deferral period.

The overall timeline of deferral is 3 (three) years, in that a deferred portion of the Bonuses will be paid in the three-year period 2020/2022 in accordance with Annex 3 of the Policies, and it is established by adopting a prudential alignment principle also in relation to the provisions of the Corporate Governance Code regarding longer deferral for members of the Board of Directors and for key management personnel.



With a view to allowing the use of suitable ex-post adjustment mechanisms, during the deferral period, whether relating to variable remuneration in cash or shares, the Bank may reduce or cancel altogether the deferred portion of the remuneration to reflect actual performance throughout the whole three-year period, net of risks assumed or incurred, and/or to take into account the Bank's financial and liquidity position or any unexpected situations/extraordinary events (e.g. new risks, unexpected losses) or the beneficiary's individual conduct.

The malus mechanism is specifically applied if during the three-year deferral period, the Bank has not satisfied, for each year of said period, the conditions set out in Annex 2 "Performance Indicators" of the Policies, under point 1 "Distribution and Access Criteria", and in particular the **Condition for Distribution** (distribution of the Bonus shall be conditional upon the achievement of positive Consolidated Gross Earnings by the Group) and the **Condition for Access** (satisfaction of the access criteria at least to the first level threshold indicated in the RAF of the year concerned by the Key Risk Indicators, which are equally weighted: Common Equity Tier 1 - CET1 and Liquidity Coverage Ratio – LCR), as well as exceeding the second level threshold of the RORAC.

The amount of the reduction (or cancellation) of the deferred portion of variable remuneration may be applied in the same circumstances in those cases provided for in relation to the claw-back.

Any disciplinary measures adopted during the deferral period shall be taken into consideration for evaluation purposes, in regard to individual conduct as per the first paragraph of this section, in particular conduct implying an impact on the risks actually taken or incurred, or to the following conduct:

- conduct that does not comply with the provisions of law, regulations, Articles of Association or any codes of ethics or conduct that apply to the Bank, which results in a significant loss for the Bank or for customers;
- other conduct that does not comply with the provisions of law, regulations, Articles of Association or any codes of ethics or conduct that apply to the Bank, in those cases provided for by the Bank;
- breach of the requirements set out in article 26, or, if the employee is an interested party, the breach of the requirements of article 53, paragraph 4 ff. of the TUB (Consolidated Law on Banking) or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank.

Incentives that have already been granted and/or paid to employees are also subject to claw-back (i.e. the incentives granted are no longer paid or those already paid must be refunded) when it is found that the beneficiaries are responsible for or involved in:

- conduct that does not comply with the provisions of law, regulations or Articles of Association that apply to the Bank or with the Code of Ethics adopted, in those cases provided for by the Bank, which result in a significant loss for the Bank or for customers;
- other conduct that does not comply with the provisions of law, regulations or Articles of Association that apply to the Bank or with the Code of Ethics adopted, in those cases provided for by the Bank;
- breach of the requirements set out in article 26, or, if the employee is an interested party, the breach of the requirements of article 53, paragraph 4 ff. of the TUB (Consolidated Law on Banking) or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank.

The period of application of the claw-back clauses for "key personnel" is 5 years, and this period shall run from payment of the single (up-front or deferred) portion of variable remuneration.



**K. Information on possible inclusion of clauses to retain financial instruments in the portfolio after their acquisition, specifying the retention periods and the criteria used to determine these periods**

Without prejudice to the provisions in the previous paragraph, the Policy also provides that the Shares awarded are subject to a retention period of 12 months (holding period during which shares cannot be transferred), which applies to both Shares awarded up-front and Shares awarded at the end of the deferral period.

**L. Policy relating to the amounts payable in the event of leaving office or termination of employment, specifying the circumstances determining entitlement to the right and any connection between these indemnities and the Bank's performance**

The Bank does not enter into agreements with Directors or Key management personnel that govern the financial aspects ex ante regarding the possible early termination of employment based on the Bank or employee's initiative, except for the non-compete agreement signed with the CEO, where the amount is calculated for the purposes of capping the fixed and variable component ratio. In relation to the aforesaid non-compete undertaking, it has been agreed that for each of the three years following the exit from office, the CEO will receive 25% of the value of the gross annual salary received in the last year of office, including any flexible benefits granted. Therefore, in accordance with the rules established, such payments shall not be included in the calculation of the 1:1 ratio of fixed to variable remuneration.

The foregoing amount will be calculated from the date the relationship is terminated, and the settlement of the sum shall be deferred to the end of the month preceding the last month of the non-compete undertaking (that is, at the end of the three-year non-compete period). In the event of breach of the foregoing non-compete undertaking, the CEO shall immediately repay a sum amounting to overall cost incurred by Banca Sistema in payment of the non-compete undertaking and shall also immediately pay, as a contractual penalty pursuant to articles 1382 ff. of the Italian Civil Code, a net amount equal to 35% of the gross annual salary received in the last year of office, inclusive of flexible benefits. Furthermore, should any of the additional undertakings of the agreement be breached (e.g. information, confidentiality, staff poaching), the CEO shall be required to pay a net penalty for each breach, pursuant to articles 1382 ff. of the Italian Civil Code, equal to 20% of the gross annual salary received in the last year of office, inclusive of flexible benefits.

Furthermore, the amount of any payments agreed on in anticipation of, or as a result of, early termination of employment or early exit from office ("golden parachute" payments), is established taking account of the length of service, in accordance with applicable law, and the following principles:

- the safeguarding of the Bank's level of capitalisation;
- no reward for failure;
- the blamelessness of individual conduct;
- consistency with national and international best practices;
- the connection with the role of, and the risks taken by, the person they concern, in keeping with the principles of the Policy.

The golden parachute payments are considered to constitute variable remuneration, and are taken into account for the purposes of the calculation of the 2:1 limit applicable to the ratio between the fixed component and the variable component of remuneration, with the exception of:

- (i) amounts paid on the basis of a non-compete agreement in regard to the portion which for each year of said agreement, does not exceed the most recent annual fixed remuneration;
- (ii) amounts paid within the context of an agreement between the Bank and its personnel for the settlement of an existing or potential dispute, regardless of where such agreement is reached, if calculated on the basis of a predetermined formula: for such purposes, the Bank shall indicate, as the basis for the calculation of these amounts, the sum of the cost of the notice period and the maximum number of monthly salaries established by the applicable National Collective Bargaining Agreement, in relation to the unfair termination of employment, increased by up to 15%;
- (iii) voluntary redundancy benefits, including those connected to non-recurring transactions (e.g. mergers) or company reorganisation processes, granted to personnel other than key personnel, provided they meet all of the following requirements: i) they are aimed exclusively at containing company costs and rationalising personnel; ii) they favour compliance with supporting measures provided for by law or by national collective bargaining agreements, for all employees; iii) they do not produce ex-ante distortive effects on the conduct of personnel; iv) they provide for claw-back mechanisms that at the least cover cases of fraudulent conduct or gross negligence to the detriment of the Bank.

The golden parachute payments are subject to ex-post adjustment mechanisms (malus and claw-back), and if made to “key personnel”, are subject to the balancing of cash and shares, and are governed by the deferral and retention conditions. It should be noted that Banca Sistema has not entered into any agreement providing for the assignment of amounts in the event of early termination of employment or early exit from office.

#### **M. Information on any insurance, welfare or pension coverage other than mandatory coverage**

The Bank currently has the following insurance coverage in place:

For senior managers, in line with the CCNL Dirigenti Terziario, instead of CCNL Dirigenti Credito, with further registration at fondo previdenziale Mario Negri, fondo Assistenza Sanitaria Dirigenti Aziende Commerciali Mario Besusso (Fasdac) and fondo previdenziale Associazione Antonio Pastore.

#### **N. Remuneration policy, if any, governing: (i) independent directors, (ii) committee membership and (iii) covering specific appointments (chairperson, deputy chairperson, etc.)**

The remuneration of the members of the Board of Directors is determined by the Shareholders' Meeting, and consists in a fixed annual amount for each Director. Directors are paid a fee of different amounts for the Chairperson of the Board of Directors, the CEO and the Directors, as resolved by the Board of Directors.

With the exception of the Chairperson of the Board of Directors and the CEO, each member of the Board of Directors is paid an additional fixed annual fee for each internal Committee they are members of, plus the reimbursement of documented expenses incurred in relation to their offices. Furthermore, each member of the Board of Directors receives an attendance fee for each meeting of the Board of Directors he/she attends in person.

The fee paid to the Chairperson of the Board of Directors, proportional to the role assigned, is determined ex ante for a value not exceeding the fixed remuneration received by the CEO.

The CEO receives a fee determined by the Board of Directors. Furthermore, as General Manager, and thus as an employee of the Bank, he/she receives a gross annual remuneration, determined again by the Board of Directors, in addition to the series of benefits for which the Bank's senior managers are eligible, as specified in the Policy.

No incentive schemes are provided for non-executive directors. Where established, these schemes would not represent a significant part of remuneration. In such case, the financial instruments used to pay the variable component are subject to retention until expiry or termination of the term of office. For the sake of completeness of information, it should be noted that renewals do not constitute a case of expiry of the term of office.

The remuneration due to employees who hold offices as directors in subsidiaries and/or associated companies is included in the remuneration they receive as employees of the Group.

**O. Remuneration policy possibly formulated using the policies of other companies as a reference, and if so, the criteria used to select these companies**

Banca Sistema has not used the remuneration policies of other companies as a reference.

## SECTION II – 2018 PERSONNEL REMUNERATION AND INCENTIVE POLICY

### 1. General considerations

Information is provided below regarding the implementation of the remuneration policy for 2018 (hereinafter the “2018 Policy”), with an analysis of the fees paid for any reason and in any way by the Bank and its subsidiaries or associates during the financial year, specifying the fee components referring to activities carried out in previous financial years, and the fees to be paid during one or more subsequent financial years for activities performed during the financial year in question.

Based on the verification conducted by the Remuneration Committee during the periodic assessment required by the Corporate Governance Code, the assignment of remuneration analysed below is consistent with the 2018 Remuneration Policy, which was approved by the Board of Directors on 8 February 2018, and with the Shareholders’ Meeting resolutions taken on 23 April 2018.

### 2. Information on remuneration according to role and functions

During 2018, the fixed portion of the remuneration for directors and employees was paid in accordance with the 2018 Remuneration Policy, and in compliance with the applicable national Collective Bargaining Agreements. In 2018, the variable component of remuneration paid amounted to € 486.000,00 for key personnel and to € 267.500,00 at overall level.

Banca Sistema has not provided for discretionary pension benefits or compensation agreements in the event of early termination of employment or early exit from office.

### Board of Directors and Board of Statutory Auditors

Information is provided below regarding members of the Board of Directors and the Board of Statutory Auditors and the items making up their remuneration, which is also summarised in Table 1.

The remuneration received in 2018 by the current members of the Board of Directors was decided by the Shareholders’ Meeting on 23 April 2018, which established to pay € 30,000.00 (thirty thousand euro) to each Director, plus an attendance fee of € 1.500,00 (one thousand five hundred euro) for the Chairperson and € 500.00 (five hundred euro) per Director, except CEO, for attending in person – and not by audio/video conference – the meetings of the Board of Directors.

Committee membership fees are shown in table 1, under “Committee membership fees” and are as follows:

- Internal Control, Risk Management and Related Parties Committee: € 15,000;
- Remuneration Committee: € 5,000;
- Appointments Committee: € 5,000;
- Ethics Committee: € 5,000;
- Supervisory Body under Legislative Decree 231: € 15,000.

As at 31 December 2018, the Directors appointed by the Shareholders' Meeting on 23 April 2018 had received a total of € 765.377,00.

The fee due to members of the **Board of Statutory Auditors** was established by the Shareholders' Meeting on 27 April 2017 to be € 40,000 for the Chairperson and € 24,000 for the Standing Auditors.

### Chairperson and CEO

On 23 April 2018, with the appointment of the new Board of Directors, the remuneration payable to the Chairperson of the Board of Directors was established to be € 150,000 inclusive of the fee of € 30,000 for the office of Director and Committee membership fees. At the aforesaid Shareholders' Meeting of 23 April 2018, the Chairperson of the Board of Directors was also assigned an attendance fee of € 1,500.00 for attending in person – and not by audio/video conference – only the meetings of the Board of Directors. In 2018 the CEO, who is also the General Manager, was paid a total fee of € 265,000.00, inclusive of committee membership fees, and received a Gross Annual Salary of € 589,000.00 as the General Manager.

The fees established for the Chairman of the Board of Directors, the Directors, the members of the internal committees and the members of the Board of Statutory Auditors were consistent with the fees paid during 2018 for the services provided. No incentive mechanism was applied, except in the case of the CEO, as highlighted in Table 1.

Banca Sistema has signed a non-compete agreement with the CEO, pursuant to and for the purposes of art. 2125 of the Italian Civil Code.

### Key Personnel

The remuneration of key personnel comprises a gross annual salary ("RAL") paid during 2018 in accordance with the applicable National Collective Bargaining Agreements and a variable portion as defined in the 2018 Remuneration Policy.

The fixed portion was paid on the basis of the standard contract procedures (monthly). The variable portion is subject to verification and assessment as set out in the 2018 Remuneration Policy.

As specified in Section I of this Report, the Bank also signed non-compete agreements with all senior managers, sales staff and employees in key positions.

### 3. Plans based on financial instruments

Please see the Information Document published in the 'Governance' section of the website [www.bancasistema.it](http://www.bancasistema.it) regarding the Stock Grant Plan and how the rights assigned under said Plan are affected if the employment relationship is terminated.

### 4. Tables

The following tables, drawn up in accordance with Annex 3, Schedule 7 bis and ter of the Issuers' Regulation, are attached hereto:

Table 1, Schedule 7 bis - Fees paid to members of the management and control bodies and to general managers and other key management personnel;

The following additional tables are included pursuant to Bank of Italy provisions and article 450 of the CRR:

- Table 4 (pursuant to art. 450 CRR – paragraph 1 g) – Aggregate quantitative information on remuneration, broken down by business area;
- Table 5 (pursuant to art. 450 CRR – paragraph 1 h) – Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution.

No personnel received a fixed remuneration equal to or higher than € 1 million for the year ended 31 December 2018.

### **Internal Audit Department**

The Internal Audit Department has put in place adequate monitoring activities to assess:

- compliance between the variable component of remuneration determined for 2018 and the prescriptions contained in the Remuneration Policies Document approved by the Shareholders' Meeting of the Bank on 23 April 2018;
- the process associated with the identification, assessment and granting of the variable component accrued under the 2017 Policies, which was paid together with the May 2018 salary on completion of the relevant resolution process and in accordance with the methods set out in the 2017 Remuneration Policies.

The variable component of remuneration paid to the internal control departments (Risk, Compliance and Internal Audit) did not exceed the limit of 1/3 of the Gross Annual Salary and the incentive mechanisms applied were not linked to the financial results achieved by the Bank or by the areas subject to their control.

The audits conducted by the Department established that the Group's Remuneration Policies for 2017 had been correctly applied during 2018.

### **Compliance and Anti-Money Laundering Department**

The Compliance and Anti-Money Laundering Department verified compliance of the 2018 Policies with the Provisions and the supervisory rules applicable to the Bank.

### **Risk Department**

The Risk Department verified compliance with the risk parameters set out in the 2017 Remuneration Policies Document and applied during 2018 to determine incentives for key personnel.

### **Central Finance Department**

The Central Finance Department verified compliance of the Bank's medium-long term objectives and strategies, so as to ensure financial sustainability over the medium-long term.

### Manager in charge of financial reporting

The Manager in charge of financial reporting verified the consistency of the financial statements and budget parameters used to calculate the Bonus Pool and the correct recognition of the amount calculated.

### Remuneration Committee

The current Remuneration Committee comprises three non-executive directors of which two meet the independence requirements. Current members of the Committee are:

- Mr. Giovanni Antonino Puglisi (Chairperson of the Committee and Non-executive Director)
- Mr. Francesco Galletti (Non-Executive Independent Director)
- Mr. Marco Giovannini (Non-executive Independent Director).

In 2018, the **Remuneration Committee** met 8 times with the meetings lasting on average an hour. During these meetings, the Committee:

- launched the project associated with the analysis of the Bank's positioning in terms of benefits granted to key personnel and employees other than key personnel, thereby also taking care of the choice of the external consultant;
- prepared and discussed the 2018 Remuneration Policies Document of the Banca Sistema Group;
- reviewed the 2019 Remuneration Policies Document in light of new Circular no. 285, handling the selection of the external consultant, also in order to compare the industry best practices for the definition of the objectives and the parameters to measure performances and calculate the bonuses and for the simplification of the content and the communication methods;
- examined and proposed the update of the employment contract of the General Manager;
- drew up, discussed and approved the Regulation on its Operation;
- conducted the process for the self-detection and identification of key personnel for 2018 and proposed the outcomes;
- examined and proposed a specific remuneration proposal for the new Head of the Legal Department hired in 2018.

During the 3 meetings held in the early months of 2019:

- the Committee examined the 2018 Remuneration Report pursuant to art. 123-ter of Legislative Decree no. 58/1998, the Board of Directors' Report on points 5) and 6) of the agenda of the Shareholders' Meeting held on 18 April 2019 (ordinary session);
- assessed, following the approval by the Board of Directors of the draft financial statements as at 31 December 2018, the achievement of the performance targets underlying the Bank's variable remuneration system and provided the relevant opinions to the Board of Directors for the purpose of approving and granting the variable component for 2018;
- examined and acknowledged the annual self-detection and identification process of key personnel pursuant to Regulation (EU) No. 604/2014 ("Regulatory Technical Standards" or "RTS");

- examined and acknowledged the set of remuneration interventions for senior managers and key personnel proposed by the CEO for 2019;
- examined and proposed the new Regulation of the Bank's 2019 – 2021 Flexible Benefits Plan containing some additions that were implemented in 2019.

At the Shareholders' Meeting, the Committee also provides feedback regarding any proposals to increase the variable-fixed ratio of remuneration to 2:1 and in relation to the self-assessment used to identify key personnel, as well as in respect of the performance targets associated with the incentive plans. The Remuneration Committee has advisory functions, makes inquiries and puts forward proposals to support the Board of Directors pursuant to Bank of Italy Circular 285 and the Corporate Governance Code, and has adequate authority and means to carry out the duties it was assigned.



**TABLE 1 - FEES PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES AND TO GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL**

| (A)                       | (B)                     | (C)                           | (D)                                     | note | (1)                |  |                |                                  |                                 | (2)                       | (3)                          |                | (4)               | (5)                | (6)    | (7)                               | (8)   |
|---------------------------|-------------------------|-------------------------------|---|------|--------------------|--|----------------|----------------------------------|---------------------------------|---------------------------|------------------------------|----------------|-------------------|--------------------|--------|-----------------------------------|---|
| Name and surname          | Position held           | Time in position              | Expiry of office                        |      | Fixed remuneration |  |                |                                  |                                 | Committee membership fees | Non-equity variable          |                | Non-cash benefits | Other remuneration | Total  | Fair Value of equity remuneration | Severance indemnity or employment termination |
|                           |                         |                               |   |      | Fixed remuneration | Offices held pursuant to art. 2389, par. 3 of the Civil Code | Attendance fee | Capped reimbursement of expenses | Fixed remuneration of employees |                           | Bonuses and other incentives | Profit sharing |                   |                    |        |                                   |   |
| GIANLUCA GARBI            | CHIEF EXECUTIVE OFFICER | From 01/01/2018 to 31/12/2018 | Approval of finan.statements 31/12/2020 |      | 265                |  |                |                                  | 589                             |                           | 123,5                        |                | 30                |                    | 1007,5 |                                   |   |
| LUITGARD SPOGLER          | CHAIRPERSON OF BoD      | From 01/01/2018 to 31/12/2018 | Approval of finan.statements 31/12/2020 |      | 150                |  | 18             |                                  |                                 |                           |                              |                |                   |                    | 168    |                                   |   |
| CLAUDIO PUGELLI           | DEPUTY CHAIRPERSON      | From 01/01/2018 to 30/06/2018 | 30/06/2018                              |      | 14,9               |  | 2              |                                  |                                 |                           |                              |                |                   |                    | 16,9   |                                   |   |
| GIOVANNI ANTONINO PUGLISI | DIRECTOR                | From 01/01/2018 to 31/12/2018 | Approval of finan.statements 31/12/2020 |      | 30                 |  | 5.5            |                                  |                                 | 10                        |                              |                |                   |                    | 45,5   |                                   |   |
| DANIELE PITTATORE         | DIRECTOR                | From 01/01/2018 to 31/12/2018 | Approval of finan.statements 31/12/2020 |      | 23,3               |  | 3              |                                  |                                 | 23,7                      |                              |                |                   |                    | 50     |                                   |   |
| GIORGIO BARBA NAVARETTI   | DIRECTOR                | From 01/01/2018 to 23/04/2018 | Approval of finan.statements 31/12/2017 |      | 9,2                |  |                |                                  |                                 | 7,7                       |                              |                |                   |                    | 16,9   |                                   |   |
| LAURA CIAMBELLOTTI        | DIRECTOR                | From 23/04/2018 to 31/12/2018 | Approval of finan.statements 31/12/2020 |      | 20,8               |  | 5.5            |                                  |                                 | 10,4                      |                              |                |                   |                    | 36,7   |                                   |   |

[illegible]

TABLE 4 - ANNEX Art. 450 CRR, letter h)

AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY “KEY PERSONNEL” CATEGORY

| società   | categoria | n.           | i) retribuzione     |                               |                     | ii) importi e forme componente variabile |                   |                     |                 | iii) rem. Differite |                     | iv) rem.differite |        |         | v) trattamenti |                |         |                | vi) tfr      |                |                     |
|---|-----------|--------------|---------------------|-------------------------------|---------------------|--|-------------------|---------------------|-----------------|---------------------|---------------------|-------------------|--------|---------|----------------|----------------|---------|----------------|--------------|----------------|---------------------|
|   |           |              | fissa               | variabile liquidato 2018 (*1) | totale              | variabile da erogare 2019 (*2)           | azioni(*3)        | strumenti collegati | altre tipologie | attribuite (*4)     | non attribuite (*5) | riconosciute      | pagate | ridotte | di inizio      | n. beneficiari | di fine | n. beneficiari | riconosciute | n. beneficiari | importo più elevato |
| <b>A) KEY MANAGERS (ALTA DIRIGENZA)</b>   |           |              |                     |                               |                     |  |                   |                     |                 |                     |                     |                   |        |         |                |                |         |                |              |                |                     |
| BANCA SISTEMA SPA   |           | 1,00         | 619.000,10          | 123.500,00                    | 742.500,10          | 290.726,67                               | 241.260,00        |                     |                 | 111.000,00          | 282.880,00          |                   |        |         |                |                |         |                |              |                |                     |
| <b>B) DIRIGENTI RESPONSABILI DELLE PRINCIPALI LINEE DI BUSINESS O FUNZIONI AZIENDALI CON RIPO RTO DIRETTO ALL'AMMINISTRATORE DELEGATO, AL DIRETTORE GENERALE O AI CONDIRETTORI GENERALI</b> |           |              |                     |                               |                     |  |                   |                     |                 |                     |                     |                   |        |         |                |                |         |                |              |                |                     |
| BANCA SISTEMA SPA   |           | 7,00         | 1.258.379,27        | 92.850,00                     | 1.351.229,27        | 106.983,33                               | 15.750,00         |                     |                 |                     | 108.500,00          |                   |        |         |                |                |         |                |              |                |                     |
| <b>C) DIRIGENTI E QUADRI DIRETTIVI DI LIVELLO PIÙ ELEVATO RESPONSABILI DELLE FUNZIONI DI CONTROLLO</b>  |           |              |                     |                               |                     |  |                   |                     |                 |                     |                     |                   |        |         |                |                |         |                |              |                |                     |
| BANCA SISTEMA SPA   |           | 5,00         | 730.298,62          | 46.600,00                     | 776.898,62          | 47.500,00                                |                   |                     |                 |                     | 47.500,00           |                   |        |         |                |                |         |                |              |                |                     |
| <b>D) ALTRI RISK TAKERS</b>   |           |              |                     |                               |                     |  |                   |                     |                 |                     |                     |                   |        |         |                |                |         |                |              |                |                     |
| BANCA SISTEMA SPA   |           | 4,00         | 480.945,83          | 27.300,00                     | 508.245,83          | 40.500,00                                |                   |                     |                 |                     | 22.500,00           |                   |        |         |                |                |         |                |              |                |                     |
| <b>E) PRINCIPALI MANAGER OPERANTI NELL'AMBITO DELLE RETI DI DISTRIBUZIONE DELLA BANCA</b>   |           |              |                     |                               |                     |  |                   |                     |                 |                     |                     |                   |        |         |                |                |         |                |              |                |                     |
| BANCA SISTEMA SPA   |           | 4,00         | 664.159,21          | 60.500,00                     | 724.659,21          | 56.500,00                                | 22.500,00         |                     |                 |                     | 60.000,00           |                   |        |         |                |                |         |                |              |                |                     |
|   |           | <b>21,00</b> | <b>3.752.783,03</b> | <b>350.750,00</b>             | <b>4.103.533,03</b> | <b>542.210,00</b>                        | <b>279.510,00</b> | <b>-</b>            | <b>-</b>        | <b>111.000,00</b>   | <b>521.380,00</b>   | <b>-</b>          |        |         |                |                |         |                |              |                |                     |

- remuneration amounts for the financial year, divided into fixed and variable remuneration and number of beneficiaries;
- amounts and forms for the variable remuneration component, divided into cash, shares, share-linked instruments and other types;
- amounts of outstanding deferred remuneration, divided into assigned and unassigned portions;
- amounts of deferred remuneration granted during the financial year, paid out and reduced through performance adjustments;
- new sign-on and severance payments made during the financial year, and number of beneficiaries;
- amounts of severance payments granted during the financial year, number of beneficiaries and the highest amount granted per person.

TABLE 5 - ANNEX Art. 450 CRR, letter g)

## AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY BUSINESS AREA FOR “KEY PERSONNEL”

| Società       | Linee di attività                | n. beneficiari | retribuzione fissa  | retribuzione variabile 2018 | Note |
|---------------|----------------------------------|----------------|---------------------|-----------------------------|------|
| BANCA SISTEMA | <i>Factoring</i>                 | 4              | 664.159,21          | 60.500,00                   |      |
| BANCA SISTEMA | <i>Banking</i>                   | 1              | 195.259,41          | 17.850,00                   |      |
| BANCA SISTEMA | <i>Finance</i>                   | 2              | 390.200,15          | 16.600,00                   |      |
| BANCA SISTEMA | <i>Funzioni Controllo Inteno</i> | 4              | 564.898,55          | 30.000,00                   |      |
|               | <i>Altre</i>                     | 9              | 1.319.265,61        | 102.300,00                  |      |
|               | <b>TOTALI</b>                    | <b>20</b>      | <b>3.133.782,93</b> | <b>227.250,00</b>           |      |

**Note:**

The “Other” business area refers to key personnel employed in the following areas: operations, collection, legal, marketing, treasury and underwriting

SCHEMA N. 7-TER Schema relativo alle informazioni sulle partecipazioni dei componenti degli organi di amministrazione e di controllo, dei direttori generali e degli altri dirigenti con responsabilità strategiche

TABELLA 1 Partecipazioni dei componenti degli organi di amministrazione e di controllo e dei direttori generali

| COGNOME E NOME | CARICA                                       | SOCIETA' PARTECIPATA | NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO PRECEDENTE | NUMERO AZIONI ACQUISTATE | NUMERO AZIONI VENDUTE | NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO IN CORSO |
|----------------|--|----------------------|--|--------------------------|-----------------------|--|
| Gianluca Garbi | Amministratore Delegato e Direttore Generale | BANCA SISTEMA SpA    | 19.065.314   | 45.169                   | 0                     | 19.110.483   |
|                |  |                      |  |                          |                       |  |

TABELLA 2: Partecipazioni degli altri dirigenti con responsabilità strategica

| NUMERO DIRIGENTI CON RESPONSABILITA' STRATEGICA | SOCIETA' PARTECIPATA | NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO PRECEDENTE | NUMERO AZIONI ACQUISTATE | NUMERO AZIONI VENDUTE | NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO IN CORSO |
|---|----------------------|--|--------------------------|-----------------------|--|
| 7 (*)   | BANCA SISTEMA SpA    | 4.000  | 83.546                   | -                     | 87.546   |
|   |                      |  |                          |                       |  |
|   |                      |  |                          |                       |  |
|   |                      |  |                          |                       |  |
|   |                      |  |                          |                       |  |

(\*) numero dirigenti con responsabilità strategica nel corso del 2018