

**BANCA SISTEMA S.P.A.**

Fully paid-up share capital € 9,650,526.24

Tax code and Milan Companies' Register No. 12870770158 - ABI code No. 03158.3

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*[www.bancasistema.it](http://www.bancasistema.it)*

**ORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL  
AT THE REGISTERED OFFICE AT LARGO AUGUSTO 1/A, ANGOLO VIA VERZIERE 13, MILAN  
28 APRIL 2022, 10.00 A.M.**

**BOARD OF DIRECTORS' REPORT  
ON ITEM 3 OF THE AGENDA**

(prepared pursuant to Art. 125-ter of Legislative Decree No. 58 of 24 February 1998,  
as amended and supplemented)

**ORDINARY MEETING**

**"APPROVAL OF THE FIRST SECTION (REMUNERATION POLICIES OF THE BANCA SISTEMA GROUP FOR 2022) OF THE REPORT ON THE REMUNERATION POLICY AND REMUNERATION PAID: RESOLUTION PURSUANT TO ARTICLE 123-TER, PARAGRAPH 3-TER OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AS AMENDED AND SUPPLEMENTED. RELATING AND RESULTING RESOLUTIONS."**

## **BOARD OF DIRECTORS' REPORT**

Dear Shareholders,

Your attention is drawn to the proposed resolution submitted for examination by the ordinary Shareholders' Meeting of Banca Sistema S.p.A. (the "Bank" or the "Company") as illustrated below, referring to the first section (Remuneration Policies of the Banca Sistema Group for 2022, the "**2022 Policies**") of the Report on the remuneration policy and remuneration paid, pursuant to article 123-ter, paragraph 3 of Legislative Decree no. 58 of 24 February 1998.

The Shareholders' Meeting is called upon to resolve with a binding vote, pursuant to article 123-ter, paragraph 3-ter, of Legislative Decree no. 58 of 24 February 1998 as amended and supplemented.

Pursuant to Bank of Italy Circular no. 285 of 17 December 2013, as amended and supplemented ("**Circular 285**") and article 9.2 of the Articles of Association, the Shareholders' Meeting is asked to approve the remuneration and incentive policies for the members of the Board of Directors and the Board of Statutory Auditors and the Bank's other employees.

The 2022 Policies, which apply throughout the Banca Sistema Group, were drawn up and approved by the Board of Directors on 18 March 2022, with input from the Remuneration Committee, in accordance with Part One, Section IV, Chapter 2 of Circular 285 concerning "*Remuneration and incentive policies and practices*", the prescriptions of the Corporate Governance Code for listed companies, approved by the Corporate Governance Committee, promoted by Borsa Italiana S.p.A. in January 2020 and entered into force on 1 January 2021 (the "**Corporate Governance Code**"), and the guidelines of the European Bank Authority ("**EBA**") on sound remunerations policies (the "**Guidelines**", and jointly, the "**Provisions**"). The Provisions also implement Directive 2013/36/EU ("**CRD IV**"), insofar as the prescriptions governing remuneration and incentive policies and practices adopted by banks and banking groups are concerned. The Provisions also take into account the guidelines and criteria agreed at international level, including those issued by the EBA and the Financial Stability Board. The Provisions are further supplemented by the Regulatory Technical Standards issued by the European Commission on proposal of the EBA.

Note that - in accordance with the update of the Bank of Italy Provisions concerning remuneration policies and practices in banks and banking groups ("Circular 285" mentioned above), in transposition of the remuneration rules contained in Directive (EU) 2019/878 ("**CRD V**") - the 2022 Policies have undergone a significant revision with particular reference to:

- The Bank's classification as a "less complex bank" and the consequent definition of specific application criteria in line with the principle of proportionality: in particular, the provision of a two-year deferral period, without providing for the assignment of shares of the Bank (or similar instruments), and the definition of a materiality threshold, in line with updated supervisory provisions, for the purpose of assigning bonuses entirely up-front and in cash.
- Update of the criteria for assessing and identifying key personnel and key management personnel.
- The definition of mechanisms for calculating the bonus pool, linearly linked to the financial and income performance of the Group; the definition, on an experimental basis, of pre-defined methods for calculating individual bonuses for key personnel of the Bank.
- The definition of a different payout curve for the variable remuneration paid to the CEO/General Manager, which provides, when the maximum results are achieved, for a remuneration equal to

125% of the fixed component, instead of the previous maximum remuneration achievable of 200%<sup>1</sup>.

- Setting targets linked to the Bank's risk profile when establishing the bonus to be granted to the CEO/General Manager, having an overall weight of 45%. These targets will also apply to other key personnel of the Bank.
- The inclusion of specific gender-neutrality provisions in the 2022 Policies and the launch of analysis and monitoring activities, including the identification of any corrective actions to be proposed to the Board of Directors following consultation with the Remuneration Committee.
- The assignment of special department allowances only for the Heads of the Bank's Control Departments.
- The introduction of specific provisions on the assignment of Bank shares to eligible key personnel, for the purpose of completing the payment of bonuses relating to previous years. These provisions also take into account the tax requirements to be fulfilled by the individual beneficiaries, and the objective of avoiding that any sale of Bank shares affects the performance of the shares.

Regarding the variable-fixed remuneration ratio, pursuant to article 9.2 of the Articles of Association, at the time of approving the remuneration and incentive policies, the Shareholders' Meeting also resolves on any proposal to cap the ratio between the variable and fixed remuneration paid to individual employees at the ratio of 1:1, but not exceeding the maximum limit of the ratio of 2:1.

In accordance with the provisions of Circular 285, this increase does not require further approval by the Shareholders' Meeting given that the assumptions on the basis of which it was last approved (18 April 2019) have not changed, not even with reference to the value of the limit and to the personnel to whom it applies.

In this regard, the Bank is able to ensure continued compliance with all the relevant prudential rules, as well as the financial sustainability of the bonuses and an adequate level of capital.

Lastly, in preparing the Remuneration Policies Document, the Board of Directors has considered the *"Recommendation of the Bank of Italy on dividend distributions and variable remuneration policies of banks"* of 27 November 2021 which, despite revoking, effective as of 1 October 2021, the previous recommendation on the matter of 16 December 2020, invites banks to continue to adopt a prudent and far-sighted approach to their remuneration policies.

### Objectives of the 2022 Policies

The objectives that the Bank intends to attain by implementing the 2022 Policies, can be summarised as follows:

- to direct the efforts of executive directors and employees towards the priorities and objectives established at Bank and Group level, supporting the creation of sustainable 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 - also with respect to gender neutrality - rewarding individual employees for their contribution according to the responsibilities given and their specific working conditions;

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<sup>1</sup> Amount falling within the maximum limit of 200% approved by the Shareholders' Meeting on 18 April 2019.

- to ensure conduct that is consistent with the Code of Ethics of the Group, the Group's internal regulations and the legislative and regulatory provisions applicable to Banca Sistema and the Group.

### Subject matter of the 2022 Policies

The 2022 Policies govern the remuneration paid to the Group's employees. Remuneration is subdivided into three components: (i) a fixed component that is paid to all employees based on the employees' technical, professional and managerial skills and in proportion to the responsibilities given, (ii) a "benefit" component and (iii) a variable component that is paid to the "key personnel" (without prejudice to the exceptions indicated by the Policies), that may be applied to other employees of the Bank in line with the guidelines and principles of the 2022 Policies and in compliance with the applicable law. The variable component of remuneration 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) and is subject to attaining specific performance objectives both at Bank and personal level, as described in more detail in the 2022 Remuneration Policies Document.

In detail, for 2022, the CEO/General Manager has been set targets linked to compliance with the Bank's RAF, as approved by the Board of Directors on 18 March 2022 (Net NPE ratio, LCR, Cost of Risk and RORAC).

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In view of the above, the following proposed resolution is hereby submitted for your approval:

*"The ordinary Shareholders' Meeting of Banca Sistema S.p.A.,*

- *having examined the Remuneration Policies Document of the Banca Sistema Group for 2022 (first section of the Report on the remuneration policy and remuneration paid, pursuant to article 123-ter, paragraph 3 of Legislative Decree no. 58 of 24 February 1998) and the related annexes made available to the public pursuant to the applicable regulations;*
- *having heard and approved the proposal of the Board of Directors concerning the 2022 Remuneration Policies of the Banca Sistema Group;*

*resolves*

- 1) *to approve the Remuneration Policies Document of the Banca Sistema Group for 2022 (first section of the Report on the remuneration policy and remuneration paid, pursuant to article 123-ter, paragraph 3 of Legislative Decree no. 58 of 24 February 1998);*
- 2) *to grant the Board of Directors, in the persons of the Chairperson of the Board of Directors and the CEO, the powers necessary to fully implement the aforesaid 2022 Remuneration Policies of the Banca Sistema Group, severally and with the authority to sub-delegate such powers - to be exercised in accordance with the application criteria described above, making any necessary amendment or addition for the subject matter resolved on to be implemented.*

Milan, 1 April 2022

On behalf of the Board of Directors  
Ms. Luitgard Spögler  
Chairperson of the Board of Directors