

# **Report on the remuneration policy and remuneration paid**

**(Article 123-ter, paragraph 3, of Italian  
Legislative Decree no. 58 of 24/2/1998)**

## **2023 Remuneration Report of the Banca Sistema Group and overview of the application of the Policies in 2022**

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 for listed companies

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## SECTION I – 2022 REMUNERATION POLICIES DOCUMENT

### 1. Introduction

This First Section (the “**Remuneration Policies Document**” or “**Policies**”) of the “Report on the remuneration policy and remuneration paid”, pursuant to art. 123-ter of Italian Legislative Decree no. 58 of 24 February 1998 (“Consolidated Law on Finance”), was drawn up in accordance, in addition to the mentioned provision of the Consolidated Law on Finance, with Part One, Section IV, Chapter 2 of Bank of Italy Circular No. 285 of 17 December 2013, as subsequently amended and supplemented concerning “Remuneration and incentive policies and practices” (hereinafter “**Circular 285**”) and in compliance with 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 with the guidelines of the European Banking Authority (“**EBA**”) on sound remuneration policies (hereinafter, the “**Guidelines**”, and jointly the “**Provisions**”).

The Provisions on “Transparency of banking and financial transactions and services - Correctness of relations between intermediaries and customers” are also relevant and establish specific principles with reference to remuneration policies and practices for personnel and third parties in the sales network.

The Provisions also implement Directive 2013/36/EU (hereinafter “**CRD**”), 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 (hereinafter “**FSB**”).

The Provisions also consider the Regulatory Technical Standards issued by the European Commission on proposal of the EBA.

In particular, the Provisions set out the specific principles and criteria that banks are required to comply with in order that:

- remuneration systems are correctly established and implemented, also with regard to gender neutrality in application practices;
- any conflicts of interest are effectively dealt with;
- the remuneration system takes due account of current and potential risks, and of each intermediary’s capitalisation and liquidity level;
- the degree of transparency vis-à-vis the market is increased;
- control by the Supervisory Authorities may be strengthened.

The aim of the Provisions is to establish - in the interests of all stakeholders - a remuneration system in keeping with the company’s long-term goals, values and strategies linked to company results that are appropriately adjusted to take into account all associated risks. The system must be consistent with the levels of capital and liquidity required to run the business. Incentive distortions of the type which encourage recipients to breach the provisions or expose the bank and the financial system in general to excessive risks must be avoided at all times. Furthermore, they aim to ensure compliance with the principles of diligence, transparency and fairness in customer relations, to contain legal and reputational risks, to ensure gender-neutral work environments and remuneration practices and to protect and retain customers.

The Provisions require the parent of a banking group to prepare a remuneration policies document for the entire group, taking into account the characteristics of each group company, ensuring overall consistency, providing implementation guidelines and verifying the proper application of the policies by all companies within the group also to consider – as detailed in Annex 2) “Performance Indicators” – the various levels of achieving

the objectives and the consequent impacts on the Group's risk profile and expected capital, liquidity and profitability targets.

This document, drawn up by Banca Sistema S.p.A. (hereinafter "**Banca Sistema**" or the "**Parent**", or the "**Bank**"), applies throughout the Banca Sistema Group (hereinafter the "**Group**").

Each company of the Group is responsible for ensuring compliance with the Provisions and, in general, with the provisions of law applicable to remuneration policies, and for the due implementation of the guidelines issued by the Parent.

Pursuant to Part One, Title IV, Chapter 2, Section I, paragraph 7, of Circular 285, as most recently updated on 24 November 2022 (37th update), in application of the principle of proportionality, Banca Sistema qualifies as a "*smaller and less complex bank*" as it recognised, in its separate financial statements, assets of less than € 5 billion (calculated as the average of the four years immediately preceding the current financial year) and does not belong to a group with consolidated assets equal to or greater than € 30 billion.

In preparing the Remuneration Policies Document, the "*Recommendation of the Bank of Italy on dividend distributions and variable remuneration policies of banks*" of 27 November 2021 was taken into consideration 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. The remuneration guidelines issued by the Italian Corporate Governance Committee, promoted by ABI, Ania, Assogestioni, Assonime, Borsa Italiana and Confindustria for 2022 were also taken into account.

Lastly, as regards the impact of the policies on the capital situation, the Group's variable remuneration structure is strictly linked to the Bank maintaining its capital levels and, in particular: the use of a specific gate ensures compliance with the Risk Appetite Framework (RAF) of the Bank, preventing the payment of the Bonus Pool in the event of a deterioration of TCR below the first level of the 2022 RAF; specific mechanisms are envisaged for the reduction (if required) of the deferred amount through "malus".

## **2. Mission of the Banca Sistema Group and objectives of the Remuneration Policies**

Banca Sistema has adopted a specific business model whereby its mission is to become the leading independent operator in the field of "Specialty Finance". Its growth strategy focuses on leveraging the development of the expertise and capabilities of its resources and on respecting and protecting customer relations over the long term, given that customer satisfaction is a primary objective.

Bearing in mind the aforementioned mission, the Provisions and the Guidelines, the Group's chosen remuneration strategy 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, avoiding marketing products that are not suitable to the needs and characteristics of the individual customer;
- to ensure sound and prudent management of the Bank and its risk profile, containing legal and reputational risks;
- to ensure integration with social responsibility objectives which take into account, inter alia, environmental, social and governance (ESG) factors;
- to ensure remuneration fairness – also with respect to gender neutrality – rewarding individual employees for their contribution, the responsibilities given and their specific working conditions;

- 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 applies, respectively, to all Employees:

- the "National Collective Bargaining Agreement for the Banking sector for Middle Managers and Personnel of Banks, Financial Companies and Associated Companies", for White-Collar Employees and Middle Managers;
- the "National Collective Bargaining Agreement for Senior Managers of Banks, Financial Companies and Associated Companies" for Senior Managers;
- the "National Collective Bargaining Agreement for Employees of Distribution and Service Companies";

as negotiated and signed by the representatives of the employers and employees, throughout the period of their respective validity.

In these agreements, there are specific representations regarding the main areas of professional responsibility, knowledge and competencies and any involvement in decision-making processes and in the coordination of other resources based on which the Group applies specific and proportionate category and remuneration levels.

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 appetite.

The Bank does not provide for any form of employee remuneration or incentives (e.g. payments or other benefits) using special purpose vehicles, instruments or means that do not conform to the Provisions, also in regard to any foreign branches or offices (regardless of where they are located). Therefore, remuneration is paid exclusively and directly by the Bank.

On the basis of specific agreements, the Bank requires its personnel not to avail themselves, also via third parties, of personal hedging strategies or insurance on remuneration or other elements that could undermine or affect the risk alignment effects embedded in remuneration arrangements. In order to ensure compliance with the foregoing, the control departments conduct sample checks on securities custody and administration deposits held with the Bank by "key personnel" (as defined in paragraph 4 below). The Bank requires, in any case, that "key personnel" inform the Bank, on the basis of the aforementioned individual agreements, of the existence or opening of custody and administration accounts with other intermediaries. These agreements shall be drawn up by the Human Capital Department, and expressly accepted by each person belonging to the category of "Key Personnel". Failure to expressly accept said specific agreements shall result in the individual employee in question being excluded from the provisions and benefits of these Policies.

In order to prevent any avoidance of the Policies, the Bank, in establishing and implementing them, shall take due account of any transactions carried out independently, either directly or indirectly, by personnel, on the shares, or on any financial instruments with the Bank's shares underlying them, including:

- transactions on derivatives with the shares, or in general the deferred part of variable remuneration, underlying them;
- securities lending transactions concerning the shares.

In any case, the Bank requires "key personnel" to report any financial transactions and investments that come within the aforementioned categories, and it shall take account of such in order to adjust the Policies, in particular with regard to the risk alignment mechanisms and to the Bank's financial position and results of operations (e.g. duration of the deferral period, malus and claw-back mechanisms, etc.).

In light of the developments in the regulatory framework, the context in which the Group operates and the objectives for sustainable growth over the long term, this document provides for the following main changes with respect to the previous version of 2022:

- the review of the process of identification of “Key Personnel” through the adoption of the criteria laid down in the update of the EBA RTS of June 2020 and the consequent Delegated Regulation (EU) 2021/923 of 25/03/21;
- the description of the analyses and assessments conducted by the Remuneration Committee and the Board of Directors regarding the “gender pay gap” previously introduced in the 2022 Remuneration Policies, with specific provisions concerning the gender neutrality of the Bank’s remuneration policies and practices;
- reference to the Operational Procedure regarding flexible bonuses assignable to the Banking Group’s employees, decided by the Board of Directors on 11 October 2022 and designed to establish the corresponding operations, responsibilities and methods of calculating the bonus pool and bonuses of key personnel, as per the reports on the results achieved by the Bank and by individuals;
- the strengthening of ESG factors and of the management of climate and environmental risks within the context of the annual performance management process, also in relation to the Three-Year Climate and Environmental Risk Management Plan currently being prepared, implementation of which shall be the responsibility of the risk-takers involved;
- the reference to the remuneration guidelines issued by the Italian Corporate Governance Committee, promoted by ABI, Ania, Assogestioni, Assonime, Borsa Italiana and Confindustria for 2022.
- as regards the non-financial objectives, already included in the previous versions, the Bank: (i) opted for the preparation of voluntary non-financial reporting, thus preparing the Sustainability Report also for the year 2022, drafted in line with the GRI standards; (ii) will, at the same time, cover the areas of reporting under Italian Legislative Decree 254/2016, which will therefore add value to the base of the parameters, including the identification of additional non-financial objectives in particular to ensure a long-term approach and the convergence of the interests of all the stakeholders;
- the update to the amount of particularly high variable remuneration of Italian high earners, as indicated in the latest EBA report published in January 2023 with reference to remuneration for the year 2021;
- the description of application of the retention bonuses in place of the previous non-compete agreements, in particular with regard to the CEO.

The 2022 Policies (Section I of the Report on the remuneration policy and compensation paid: 2022 Remuneration Policy) were approved by the Shareholders’ Meeting on 28 April 2022 with a vote in favour of 97.60% of those present and, on that occasion, no questions were asked or comments made.

## **2.1 Gender-neutral Policies**

The Bank adopts remuneration and incentive policies which provide for remuneration based on equity, understood as pay consistency between comparable roles and responsibilities, and the recognition of merit, thus excluding any possible influence on the remuneration package of external factors, such as, for example, gender diversity.

The Bank undertakes to guarantee equal opportunities and treatment, through the use of neutral, objective and inclusive performance assessment criteria, based on the recognition of skills, experience, performance and professional qualities, in order to encourage the full and effective participation of all personnel in the creation of value.

In order to facilitate the application of gender-neutral policies, be able to assess their effectiveness and monitor in a timely manner the application of equality criteria in terms of remuneration with respect for gender neutrality, during 2022 the Bank performed a series of analyses and assessments of the remuneration practices applied to the genders represented in the Bank, subdivided into Key Personnel and other personnel, and also subdivided according to levels of office. Said analyses and assessments did not reveal any significant differences in remuneration between the less represented gender and the most represented gender. The Human Capital Department shall periodically update these analyses - in particular that of the distribution of gender at different contractual levels - in order to provide support to the annual review of fixed remuneration and of employment categories, and when advances are made as a result of any organisational changes implemented.

### **3. Process of formation and review of Remuneration Policies**

The Policies are defined and reviewed in accordance with the process described below, in compliance with the Provisions and with Banca Sistema's Articles of Association, which are in effect consistent with said Provisions.

In consideration of the importance and stability over time of the guidelines and principles which provide the inspirational foundations of the Group's Remuneration Policies (legislation, industry best practices and guidelines defined by the Shareholders' Meeting and the Bank's strategic management Bodies), the Remuneration Policies, as defined in this Document, are analysed, assessed and, when necessary, reviewed at least once a year. Each review is disclosed through the drafting of an ad hoc Document according to the procedure and with the engagement of the relevant bodies and departments, as described in this section.

The following company bodies and departments are involved in establishing the Policies, according to the remits and responsibilities described hereinafter:

The **Board of Directors** (or the "**Board**"):

- formulates and approves the Bank's Policies, submits them to the Shareholders' Meeting, and reviews them at least once a year, and is responsible for their correct implementation;
- approves the results of any procedure for the exclusion of "key personnel" referred to in Paragraph 4 and in Annex 1 to the Policies, and periodically reviews the criteria for such exclusion;
- ensures that the Remuneration Policies are duly documented and accessible within the company, and that personnel are aware of the consequences of any breach of the provisions contained in these Policies; it defines the incentive plan for those persons within the "key personnel" category (see Paragraph 4 below and Annex 1), as well as for all other Group employees;
- also ensures that the Bank's Policies are effectively implemented and that they are consistent with the Bank's overall corporate governance, corporate culture, risk appetite, their actual application with respect to gender neutrality and the specific working conditions, as well as the associated governance processes, and ensures that the granting, payment and accrual of variable remuneration do not negatively affect the need to maintain a strong capital base;
- analyses, with the support of the Remuneration Committee, the gender neutrality of remuneration policies, verifying the gender pay gap and its evolution over time;
- approves, in compliance with the principles set out in these Policies and in implementing the rules in the Provisions on "Transparency of banking and financial transactions and services", the criteria for the remuneration of personnel who offer products to customers, interacting with the latter, personnel they report to hierarchically and credit intermediaries, as well as personnel in charge of assessing creditworthiness and personnel responsible for handling complaints; it submits a clear

and complete information document concerning the Policies to be adopted, to the Shareholders' Meeting. The purpose of this information document is to illustrate: the reasons, aims and means of implementation of the Policies; the controls carried out in regard to said Policies; the characteristics of the remuneration system; the consistency of such characteristics with the established guidelines and objectives; compliance with applicable law; the principal information regarding the process of identification of "key personnel" and the corresponding outcomes, including any exclusions (see Paragraph 4 below and Annex 1); any changes to systems and processes that have already been approved; the evolution of the dynamics of remuneration, also compared to the trend within the sector.

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

- the **Human Capital Department**, which coordinates the 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 Capital Department provides its support to the Compliance Department in verifying compliance with the regulations. Among other things, it ensures consistency between the Policies and the various human resource management procedures (skills assessment system, technical, professional and managerial development, HR administration) and the remuneration and incentive systems of the Bank;
- the **Risk and Sustainability Department** is involved in identifying events that could potentially affect the Company's business, analysing the impact of such events in relation to acceptable levels of risk, and periodically monitoring the effects of implementation of Policies on the Group's risk profiles. The Risk and Sustainability Department is invited to meetings of the Remuneration Committee to discuss the drawing up, implementation and monitoring of the Policies; in particular, it helps to ensure compliance with the reference framework for measuring risk appetite and with the risk control 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 the data supplied by the Manager in charge of financial reporting, the Risk and Sustainability Department performs the necessary controls and checks concerning the achievement of the corporate access conditions and criteria and the consequent establishment of the "bonus pool" (as defined below) and the performance indicators, and highlights 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**, which verifies ex ante the compliance of the Policies and checks, on an annual basis, that the remuneration policies are 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 and Anti-Money Laundering Department informs the Board of Directors of any findings with a specific assessment on the compliance of the Policies with the regulatory framework in order that due account may be taken of such assessment by the Board when approving and assessing the Policies;
- the **Internal Audit Department**, which assesses, among other things, at least yearly, whether the remuneration practices are consistent with the approved policies and with the current provisions of law. The outcome of the assessment, brought to the attention of the Board of Directors, is submitted to the Shareholders' Meeting;
- the **Finance Department**, which verifies the compliance of the Policies with the Bank's medium and long term objectives and strategies, so as to ensure financial sustainability over the medium to long term through the definition of the final level of the "gate" parameters and access criteria to define the bonus pool payable for each financial year.



- the **Manager in charge of financial reporting**, who verifies the compliance and consistency of the Policies with accounting and company documents, and in particular their accuracy with respect to the approved accounting entries. The Manager in charge of financial reporting confirms the level of satisfaction of the corporate access conditions and criteria, as defined in this Document, and sends them to the Risk Department for the relevant controls and checks and to the Human Capital Department for the application of the Policies for the year and for the assessment of any “malus” condition relating to deferred portions from previous years, and the level of achievement of the targets assigned.

The **Remuneration Committee** assists the Board of Directors in reviewing the Policies to be submitted to the Shareholders’ Meeting, with support also from the previously specified company departments, and has the following responsibilities:

- to make proposals on the remuneration paid to “key personnel” and evaluate the overall application of the Policies for the remaining personnel as well;
- 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 pursuant to paragraph 4 and to Annex 1 of the Policies;
- to support the Board of Directors in monitoring gender neutrality in the application of remuneration policies; in this activity it is in turn supported by the Human Capital Department and by specialist external consultants;
- 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 Policies;
- to provide input, based also on the information received from the corporate departments concerned, on the achievement of the performance targets to which the incentive plans are 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 Policies, 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 Policies. 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 Capital, Legal and Finance Departments), whose resources may be asked to attend the Committee's meetings.

The Remuneration Committee adopts specific measures and practices to evaluate any external consultants that may be necessary for identifying and managing conflicts of interest, which are described in the Internal Regulation on the operation of the Committee.

The **Internal Control and Risk Management Committee** ascertains that the incentives underlying Banca Sistema's remuneration and incentive system are consistent with the RAF, notwithstanding the powers of the Remuneration Committee, checking, in the absence of the Director responsible for the Internal Control and Risk Management System, that the remuneration of the Head of the Internal Audit Department and of the Head of the Compliance Department is defined consistently with the Company's policies.

The **Shareholders' Meeting** approves:

- the Policies applicable to Group employees and "key personnel";
- any 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) <sup>(1)</sup>.

On approving the Policies, the Shareholders' Meeting also resolves on any proposal 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<sup>(2)</sup>.

For the current year, only with reference to the Chief Executive Officer, a maximum limit of 2:1 on the ratio between variable and fixed remuneration is envisaged. Therefore, for the remaining personnel the general limit of 1:1 is envisaged, without prejudice to what is specified below with reference to certain specific categories of personnel (see Chapter 7.3).

The Group companies are also given the opportunity to cap the ratio between the variable and fixed remuneration paid to individual employees 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.

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<sup>1</sup> Currently, the Bank has acknowledged the resolution of the Shareholders' Meeting of 30 April 2021 which establishes, in the event the term of office of the Board of Directors ends prematurely as a result of any extraordinary transaction on the Bank's capital, that all Directors shall automatically receive, for two years, the remuneration approved for the same in the same Shareholders' Meeting as referred to in item 4 of the respective Agenda (for the CEO/GM the remuneration is added to the annual fixed and variable remuneration as well as to the benefits).

<sup>2</sup> The resolution is voted on with the abstention of those employees who are shareholders in the Bank, if the decision concerns the approval of an increase in the cap on their own remuneration.

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) according to the methods and limits laid down by the applicable Supervisory Provisions.

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.

Banca Sistema's control departments, together with those of the Group companies, cooperate and exchange all relevant information.

The Policies are reviewed at least annually, and the associated activities and any amendments which are proposed, approved and implemented thereof are documented in written reports or in the minutes of the related meetings.

#### **4. Key personnel identification and exclusion process**

The process of identifying "key personnel" (employees whose professional activity has or may have a material impact on the Group's risk profile) takes into account the provisions of the Commission Delegated Regulation (EU) of 25 March 2021 which incorporated the new Regulatory Technical Standards ("RTS") published by the EBA in June 2020, together with any further criteria established by the Bank and set out in Annex 1.

"Key personnel" are identified at least once a year by the Bank's Board of Directors, and at the time of any change to the organisational structure, based on a structured self-assessment process which sees the involvement of the Remuneration Committee and the internal control departments, as described in greater detail in Annex 1. This process enables the aforementioned rules and criteria to be applied on the basis of the actual capacity of individual members of personnel to impact the Bank's risk profile.

"Key personnel" are governed by more stringent rules with regard to the structuring of remuneration, in order that remuneration is fully consistent with economic-financial performance, both currently and with a view to the future. This is achieved by taking account of the risks taken and the sustainability over the course of time of the company's performance.

In accordance with the Provisions, the Bank, following the aforementioned identification process, and on the basis of the exclusion process, may consider certain members of personnel identified as above not to be "key personnel" (see Annex 1). With reference to the financial year 2022, the Bank did not activate the prior authorisation process for the exclusion of personnel from the "key personnel" category pursuant to Article 6, paragraph 3 of Delegated Regulation (EU) no. 923/2021.

#### **5. Disclosure requirements**

The Bank publishes on its website the information referred to in Article 450 of the CRR, according to the templates and instructions identified in Implementing Regulation (EU) no. 637 of 15 March 2021.

## **6. The structure of remuneration at Group level**

### **6.1 General Principles**

Pursuant to Part I, Title IV, Chapter 2, Section I, Paragraph 3, of Circular 285:

- i) remuneration shall mean: *“any payment or benefit, including any additional items (allowances), provided directly or indirectly to personnel in the form of cash, financial instruments or services, or fringe benefits, for the work or professional services they provide to the Bank or to other companies of the banking group or to third parties in the sales network. Marginal payments or benefits granted to personnel on a non-discretionary basis, which come within a general policy of the Bank and do not have any effect in terms of incentives to take or manage risks, may not be included”*;
- ii) fixed remuneration shall mean: *“remuneration of a stable, irrevocable nature calculated and paid on the basis of pre-established, non-discretionary criteria - such as, in particular, the levels of professional experience and responsibility - that do not create incentives to the taking of risks and do not depend on the Bank’s performance”*;
- iii) variable remuneration shall mean: *“(i) any remuneration that is granted and paid subject to performance, however measured (income-based targets, volume targets, etc.) or that is conditional on other parameters (e.g. seniority of service), excluding severance pay paid pursuant to employment laws, and indemnity in lieu of notice, where their amount is determined in accordance with, and within the limits set by, the provisions of law; (ii) discretionary pension benefits and compensation agreements stipulated by the Bank and personnel in anticipation of, or as a result of, early termination of employment or early exit from office, regardless of the entitlement to, the legal qualification of, and the financial grounds for, payment of this remuneration. These amounts include those granted in relation to non-compete agreements, or within the context of an agreement for the settlement of an existing or potential dispute, regardless of where such agreement is reached; (iii) carried interest, as classified by the provisions on remuneration and incentive policies and practices within the asset management sector, in implementation of Directives 2009/65/EC (UCITS) and 2011/61/EU (AIFMD); (iv) any other form of remuneration that is not clearly classifiable as fixed remuneration”*.

In light of the preceding definitions, 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” (without prejudice to the exceptions indicated by this Remuneration Policies Document), that may be applied to other employees of the Bank in line with the guidelines and principles of these Policies 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” (for further information on the ratio between the variable and fixed components of remuneration, see paragraph 6.5 of the Policies).

With regard to the credit intermediaries that the Bank may use to distribute its products, reference is made to the specific provisions set out below (see Chapter 7.4).

The remuneration paid to the Group's employees consists of the components described below.

### **6.2 Fixed component**

The fixed component of remuneration:

- is based on 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 externally with respect to the rest of the sector and as regards gender neutrality, taking also into account any assessments conducted by external consultants appointed by the Parent Company. The Bank adopts (i) the National Collective Bargaining Agreement for Employees of Distribution and Service Companies (CCNL) applicable to Middle Managers and Personnel of Banks, Financial Companies and Associated Companies; (ii) the National Collective Bargaining Agreement for Senior Managers of Banks, Financial Companies and Associated Companies; and in the sole case of the subsidiary that does not conduct financial business, the National Collective Bargaining Agreement for Employees of Distribution and Service 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.

### 6.3 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, policies 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 positive gross annual earnings at consolidated level. The nature of such benefits shall depend on the employee's role and seniority within the company and be gender-neutral, and they mainly consist in medical insurance, company cars and the Flexible Benefits Plan.

The benefits expected to be granted in 2023 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;
- supplementary pension and life insurance policies for senior managers;
- favourable conditions for access to the Bank's products to support the financial needs of employees and their families (in particular to meet the housing needs of all Personnel);
- Flexible Benefits Plan for all Personnel to support employees and their families in connection with caring for family members, social and cultural activities, public transport and education/schooling costs for their children, in accordance with the limits and conditions set out in the specific applicable Regulation, and in accordance with the applicable provisions of tax law. A further provision of welfare credit has been made for the year 2023 for the benefit of those employees working exclusively from company premises, to help support their greater travel and living expenses.

### 6.4 Variable component

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

- is defined for all the Bank's Personnel in line with the level of responsibility undertaken;
- 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 calculated on the basis of objective parameters regarding the mainly quantitative targets set and reported at the end of the financial period;

- is subject to the achievement of specific performance targets both at bank and personal level, as per Annex 2 to this Remuneration Policy Document.

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, as defined in paragraph 6.4.1. If it is necessary to increase the level of capital, the bonus pool, as described below, is reduced and/or ex-post adjustment mechanisms are applied.

The variable component is also subject, on the basis of specific agreements, to ex-post adjustment mechanisms (malus as per point 6.4.2.2 and claw-back as per point 6.4.2.3 below) capable of reflecting performance and capital levels net of the risks actually taken or incurred. Pursuant to the aforesaid provisions, the Company, without prejudice to the right to greater damages, following disbursement of the Bonus accrued, and in accordance with the applicable terms and conditions, may request the refund of the Bonus paid, regardless of whether the beneficiary's employment is still on-going or has been terminated.

On 11 October 2022, the Bank's Board of Directors approved the Operational Procedure regarding flexible bonuses assignable to the Bank Group's employees, subject to the opinion of the Remuneration Committee; said Procedure governs the new objective criteria for the determination of the overall bonus pool, of the assignable individual bonuses, and of the control mechanisms, and it is in keeping with the provisions of the 2022 Remuneration Policies. Said Procedure, drawn up with the support of a qualified external consultant and the involvement of the control departments, takes account of the best market practices.

This new calculation system aims to: calculate the entity of the assigned bonus pool on the basis of results achieved; guarantee the correlation between individual performance and the economic rewards that each individual material risk taker (hereinafter "MRT") can obtain in the form of variable annual remuneration; render the variable component of remuneration foreseeable ex ante, and link it to objective, risk-adjusted performance criteria. Therefore specific ex ante relations have been established between business target results on the one hand, and the distributable bonus pool and the individual bonuses assignable to individual MRTs, on the other. The new incentive scheme is to be applied in experimental form, in order to ascertain over time its sustainability and overall soundness.

The target business objectives assigned at Group, Division and MRT level are defined within the scope of the annual budget approved by the Board of Directors on the basis of defined macroeconomic, market and regulatory assumptions. In the event of occurrence of any unforeseen events or exogenous circumstances leading to significant changes in these assumptions that are objectively verifiable, the Board of Directors, in order to ensure a fair calibration of the objectives, may evaluate, at the time of verifying the results and subject to the opinion of the Remuneration Committee and of the Internal Control and Risk Management Committee for any issues pertaining to relations with related parties, appropriate and weighted adjustments to be made to the assigned objectives (e.g. definition of the objective, target levels, percent weights, etc.), in compliance with a prudent approach and the maximum payable bonus pool amount.

#### **6.4.1 The Bonus Pool**

Banca Sistema has defined a structured funding process for the variable component of remuneration, as defined in paragraph 6.4, in order to ensure its sustainability on a capital and financial level.

The so-called "Bonus Pool" represents part of the consolidated personnel expense, which is approved by the Bank's competent management bodies at the end of the budgeting process for the relevant year. This component, planned by cost centre (Division/Corporate Centre/Group), is measured by means of the so-called "*funding curve*" against the achievement of the income results set in the budget, and it can decrease or

increase, within the limit of predefined thresholds, according to the actual degree of achievement of those results and with a minimum level achieved equal to 80% of the Group's gross profit (excluding the bonus pool).

Furthermore, consistently with the principle of financial sustainability, the Bonus Pool budgeted for each Division is then adjusted, as final balance, according to the actual result achieved by the same Division against the budget, in addition to a specific weighting linked to the actual achievement of the result attained by the Group.

The actual availability of the Bonus Pool is in any case conditional, in the calculation of the final balance, upon prior compliance with the capital and liquidity requirements consistent with the RAF ("gates"), in particular, joint compliance - at the end of the relevant year - with the first-level threshold, as defined in the RAF, for the TCR and LCR.

Failure to meet even one of the aforementioned parameters will result in the Bonus Pool not being activated and consequently no bonus will be allocated.

Verification of compliance with the gates and the amount of the Bonus Pool actually available falls under the responsibility of the Board of Directors, upon consultation with the competent departments (Finance Department, Risk and Sustainability Department, Manager in charge of financial reporting, Human Capital Department), subject to the opinion of the Remuneration Committee.

#### **6.4.2 Rules governing the bonus payable to "key personnel"**

As indicated in the Introduction, Banca Sistema, having a four-year average of total assets of less than € 5 billion and not belonging to a group with assets worth more than € 30 billion, is considered to be a *"smaller and less complex bank"*.

Therefore, the Bank shall apply the provisions relating to key personnel subject to percentages and to deferral and retention periods that may be defined in proportion to their characteristics, thereby ensuring a proportional alignment criterion also in relation to the provisions of the Corporate Governance Code, for longer deferral in the case of members of the Board of Directors and key management personnel (they are thus extended to all Key Personnel).

The Bank indicates 25% of average total remuneration of Italian high earners, as shown in the latest EBA report (published in January 2023) and relating to data processed at the end of 2021, as being a particularly high level of variable remuneration <sup>(3)</sup>.

##### **6.4.2.1 Deferral**

The variable remuneration for "key personnel" relating to the performance of the year 2022 will be paid as follows, after the approval of the financial statements, subject to verification of compliance with the gates and the actual availability of the bonus pool as defined in paragraph 6.4.1:

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<sup>3</sup> Pursuant to Title IV, Chapter 2, Section III, Paragraph 2, no. 4: *"Particularly high variable remuneration means the lower of: i) 25 per cent of the average total remuneration of Italian high earners, as indicated in the latest EBA report; and ii) 10 times the average total remuneration of the Bank's employees. The banks' remuneration policies shall indicate the level of variable remuneration that they consider to be particularly high, and they shall update this figure at least once every three years"*. An examination of the EBA Report on figures for the end of 2021 shows that the amount referred to in point i) above is € 424,260.

- amounts equal to or lower than € 50,000 of variable remuneration, provided that this does not represent more than one third of the beneficiary's total annual remuneration: entirely up-front and in cash;
- amounts greater than € 50,000 and up to € 424,260 or where the condition referred to in the previous point is not met:
  - o up-front and in cash for 70%;
  - o for the remaining 30%: deferred in the first and second subsequent year, with payment according to the pro-rata criterion equal to 15%;
- for amounts greater than € 424,260:
  - o up-front and in cash for 60%;
  - o for the remaining 40%: deferred in the first and second subsequent year, with payment according to the pro-rata criterion equal to 20%.

Given the new provisions of the Bank of Italy Circular, which allow banks with assets of less than € 5 billion (as an average of the last four years) to neutralise the provisions relating to the disbursement of variable remuneration in financial instruments and to solely apply an "appropriate" deferral period, Banca Sistema intends to make use of this simplification and apply the abovementioned cash payment schemes for the payment of variable remuneration starting from 2022 (without prejudice to any regulatory updates and/or the achievement of the size thresholds indicated by Circular 285).

The foregoing is without prejudice to the allocation of up-front and deferred portions in shares relating to past years in accordance with the rules set out in the relevant Policies of the same years.

Given the particular liquidity condition of the Bank's shares and to prevent as much as possible the sale of shares held by the beneficiaries of the incentive systems from affecting the performance of the shares as well as in order to meet the tax requirements to be fulfilled by the individual beneficiaries - also in consideration of the changes in cash flows arising from the new cash deferral rules applied starting from the possible incentive remuneration for the year 2022 - the Bank specifies that, at the request of the individual beneficiary to be sent to the Bank before the date of the Board of Directors meeting called to approve the application of the relevant Policies for each year, the same beneficiary may be granted, by crediting his/her individual securities deposit and subject to the approval by the Shareholders' Meeting of the financial statements for that year and of the Report on Remuneration Policies, a number of shares, which will grant the relevant rights but will be unavailable for the subsequent one-year retention period under the regulations in force from time to time, lower than that previously granted and notified to the individual beneficiary for the sole purpose of settling the corresponding tax calculated and withheld by the Bank as withholding agent.

#### **6.4.2.2 Malus**

With a view to allowing the use of suitable ex-post adjustment mechanisms, during the deferral period of variable remuneration, the Bank may reduce or cancel altogether the deferred portion of the remuneration to reflect actual performance throughout the whole two-year period, net of risks assumed or incurred, and/or to take into account the Bank's financial position (understood as the need to recover a TCR at least equal to the first threshold set in the reference RAF) and liquidity position, any unexpected situations/extraordinary events (e.g. new risks, unexpected losses) or the beneficiary's individual conduct.

In this sense, the deferred portions will be effectively paid subject to verification of compliance with the gates defined by the Remuneration Policy for the year of accrual thereof. In the event of failure to meet the gates, the Board of Directors, subject to the opinion of the Remuneration Committee and the Internal Control and Risk Management Committee, will decide to reduce those portions or cancel them altogether.



The amount of the reduction (or cancellation) of the deferred portion of variable remuneration shall be decided by the Bank's Board of Directors, on proposal of the Remuneration Committee and of the Ethics Committee, if applicable. The assessments made are suitably tracked in the resolution minutes.

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 referred to in point 6.4.2.3 below, as well as in the cases of needing to strengthen the Bank's capital arising before the date of accrual of the portions of deferred variable remuneration or for the recovery of sums already disbursed.

Any disciplinary measures applied by the Bank to employees during the deferral period shall be taken into consideration for evaluation purposes, in regard to individual conduct as per this paragraph, 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 the Bank's Code of Ethics or other codes of 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 Consolidated Law on Banking or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank.

For the purposes of applying the malus mechanisms, the Bank also considers any conduct by the Bank's personnel or credit intermediaries that has caused or contributed to causing significant damage to customers or a violation of the provisions contained in Title VI of the Consolidated Law on Banking or the related implementing provisions.

#### **6.4.2.3 Claw-back**

Incentives that have already been granted and/or paid to employees are 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 by the Bank or other codes of conduct applicable to the Bank, 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 Consolidated Law on Banking or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank;

- conduct that caused or contributed to causing significant damage to customers.

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

Upon the occurrence of the aforementioned events, following the adoption of a disciplinary measure, the Bank activates the decision-making process aimed at assessing the reductions to be applied, involving the bodies and departments in charge of defining the remuneration for the individual personnel categories.

#### **6.4.2.4 Specific rules governing the deferred portion of the bonus**

The following are the terms and conditions governing relations between the Bank and the beneficiaries of the bonuses upon occurrence of certain specific events.

##### Dismissal, resignation, consensual termination

If a beneficiary is dismissed by the Bank for any reason or leaves the company due to resignation, but excluding retirement or disability, the beneficiary shall lose the entitlement to receive any deferred portion of the Bonus still outstanding at the date of employment termination, unless otherwise decided on justifiable grounds by the Bank’s Board of Directors, on proposal of the Remuneration Committee.

The Group applies to all Employees the “National Collective Bargaining Agreement for the Banking sector for Middle Managers and Personnel of Banks, Financial Companies and Associated Companies”, the “National Collective Bargaining Agreement for Senior Managers of Banks, Financial Companies and Associated Companies” and the “National Collective Bargaining Agreement for Employees of Distribution and Service Companies”, as negotiated and signed by the representatives of the employers and employees, throughout the period of their respective validity.

These agreements define the various types of applicable employment contracts with specification of their duration (fixed-term or permanent contracts) and the minimum notice required on resignation for the various categories of personnel.

The Group has signed non-compete agreements with all key personnel and other personnel with specific sales and business development positions pursuant to and for the purposes of Art. 2125 of the Italian Civil Code. The relevant amount can be disbursed at a later date, subsequent to the date of termination of employment and the successful checks on compliance with the contents of the agreement signed in the subsequent three-year period. 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 relevant personnel 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.

Any breach of the aforesaid obligation will entail the application of the penalties defined in the signed agreements.

The variable part of remuneration cannot be paid during the notice period, whether worked or not.

In the case of consensual termination of the employment relationship, Beneficiaries are entitled to the variable remuneration accrued, calculated on a “pro-rata temporis” basis, subject to the level of achievement of the pre-established individual and company-level performance targets. The payment of the full amount to the beneficiary is approved by the Board of Directors, subject to the opinion of the Remuneration Committee.

#### Retirement, disability

The rules governing the consensual termination of the employment relationship shall apply if the Beneficiary gains access to old age pension, contribution-based pension or disability pension rights when this results in the termination of the employment relationship.

#### Death

In the event of the death of the Beneficiary, his/her heirs, at the opening of the succession, shall be entitled to request payment of the bonus (accrued but not distributed) still payable to the Beneficiary in accordance with the applicable terms and conditions.

### **6.4.3 Rules governing the bonus payable to personnel other than “key personnel”**

The variable component of the remuneration payable to personnel other than “key personnel”, established and granted subject to the limits of the Bonus Pool actually available, and subject to verification of the gates, on the basis of the criteria referred to in Paragraph 6.4.1 above, shall be fully paid up-front and in cash.

In order to allocate the bonus, the Bank, following approval of the financial statements, delivers a written communication to the beneficiaries indicating, among other things, the amount paid.

The bonus granted to personnel other than “key personnel” remains subject to the same claw-back mechanisms referred to in paragraph 6.4.2.3. above that apply to the bonus for “key personnel”.

### **6.5 Ratio of the variable to fixed components of remuneration**

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.

In detail, the Board of Directors’ proposal to the Shareholders’ Meeting will indicate at least the following information: (i) the departments to which those persons affected by the decision belong and their number, for each department; (ii) the reasons underlying the proposed increase; (iii) the implications, even in a forward-looking perspective, for the Company’s ability to continue to comply with all applicable prudential rules.

The Board of Directors sends the Bank of Italy:

- at least 60 days prior to the date set for the Shareholders’ Meeting’s decision, the proposal it intends to submit to the Shareholders’ Meeting, together with details and proof of the fact that the higher limit(s) for “key personnel” or for certain categories of such, does/do not prejudice compliance with prudential rules, and in particular those rules regarding requirements concerning own funds;

- without delay, and in any case no later than 30 days after the date on which the Shareholders' Meeting resolved to increase the limit, the Shareholders' Meeting's decision complete with details of the approved limit(s) for each category of personnel concerned.

If the Shareholders' Meeting approves the increased limit, then there shall be no need to submit a new resolution to the Shareholders' Meeting in subsequent years, provided that the underlying premises, on the basis of which the increase was decided, nor the personnel to whom it refers or the amount of the limit itself, do not change. In any case, the remuneration policy contains suitable information about the increase in the previously-agreed limit, and about the reasons why it is not subject to a further decision by the Shareholders' Meeting. The Shareholders' Meeting may however decide, at any time, on a reduction of the limit exceeding 1:1, on the basis of the majorities envisaged for the ordinary Shareholders' Meeting. Within five days of the Shareholders' Meeting's decision, the Bank shall inform the Bank of Italy of the decision taken.

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

- retention bonuses;
- any 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), with the exceptions provided for in paragraph 6.6 below.

At present, only the retention bonus remuneration scheme has been assigned, in the forms and manner described in this Document.

## **6.6 Severance Policy<sup>4</sup>**

### **6.6.1 Golden Parachutes**

The Bank may pay individual Group employees, upon termination of employment, additional benefits to what is due pursuant to the provisions of the law in force and of the applicable national and corporate collective bargaining agreements (including severance pay, allowance in lieu of notice, any allowance in lieu of holidays accrued but not taken, etc.).

These benefits, governed by the Supervisory Provisions on remuneration ("Severance" or "Golden Parachutes"), may be agreed between the Bank (or other Group companies) and individual employees or collaborators provided that there is an initiative and/or an interest on the part of the Bank in this regard.

Consequently, in the event of voluntary resignation or in any other case in which such payment does not appear to be consistent with the Group's interests, the requirements for the agreement between the parties of such benefits are not met. The amount deriving from the application of these clauses/agreements may not in any case exceed a maximum of 24 months of fixed remuneration, defined at the time of activation of the agreement,

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<sup>4</sup> The ordinary Shareholders' Meeting of 30 April 2021 resolved, in the event the term of office of the Board of Directors ends prematurely as a result of any extraordinary transaction on the Bank's capital, that all Directors shall automatically receive, for two years, the remuneration approved for the same in the same Shareholders' Meeting as referred to in item 4 of the respective Agenda (for the CEO/GM the remuneration is added to the annual fixed and variable remuneration).

taking into consideration the Group's overall performance, individual performance and the duration of the employment relationship. This amount may not in any case exceed the maximum limit of € 1,100,000.00.

Such maximum limits are inclusive of any amounts allocated under a non-compete agreement.

Consistently with the regulatory provisions, if the related amounts are defined within the limit of one annual fixed remuneration payment, they are not subject to:

- verification of the alignment with the Bank's overall performance, individual performance or duration of the employment relationship;
- the rules relating to the composition of the payment, with particular reference to the deferral, malus and the breakdown between cash and financial instruments.
- 

### **6.6.2 Non-compete agreements**

With reference to professional roles with particularly relevant characteristics, such that termination of employment may cause risks, the Bank reserves the right to define, on a case-by-case basis, non-competition agreements that provide for the payment of an amount proportional to the duration and extent of the obligation deriving from the same agreement following termination of employment and/or exit from office as described in paragraph 6.4.2.4. Non-competition agreements are currently stipulated with 9 key personnel and other personnel with particularly important professional roles.

### **6.6.3 Retention Bonus**

As an alternative to non-compete agreements, all the members of the Bank's and/or the Group's key personnel and other employees with professional roles with particularly relevant characteristics may be granted remuneration linked to their seniority within the Group over a medium-long period, and as such, not linked to performance targets (so-called retention bonus). The provisions set out in the relevant regulations as detailed in Bank of Italy Circular no. 285 are applicable to such sums as may be disbursed, in a medium to long-term period by way of stability pact, which represent forms of variable remuneration.

The proposal for non-compete agreements or retention bonuses in favour of key personnel at the Bank or within the Group is submitted to the Remuneration Committee on a preliminary basis, which assesses the reasons, the beneficiaries and the overall pay consistency.

During the course of 2022, in accordance with point 6.6.3 (Retention Bonus) of the 2022 Remuneration Policy and on the basis of the Board of Directors' resolutions passed on 25 November 2022, a total of 29 retention bonus agreements were stipulated to replace the non-competition agreements – subsequently terminated - aimed at the key personnel employed by Bank and/or the Group, together with other personnel possessing particularly significant experience and skills. More specifically, in accordance with the applicable regulatory provisions, said agreements must be:

- based on motivated, documented reasons, which in the Bank's case are rooted in the need to strengthen the retention of key personnel and skills within the context of an increasingly dynamic labour market, particularly following the Covid pandemic,
- connected to a set time period or until a given date; in the case in hand, such events have been identified as including the termination of employment of such personnel when they reach the age of 67, their retirement, death or invalidity, and the completion of any extraordinary transaction on the share capital of the Bank;

- payable only after the conditions mentioned in the preceding point have been met (and thus not before the end of the pre-established period or the occurrence of the event); in fact, the regulations do not permit the payment of a retention bonus to the same person more than once;
- considered as constituting variable remuneration, and thus subject to all of the rules applicable to such based on the Remuneration Policy in force, according to the beneficiary's category (variable/fixed ratio; deferral and nature of pay-out; malus and claw-back clauses, etc.);
- computed, for the purposes of calculating the limit of the variable/fixed ratio, in equal shares for each year of the individual's seniority of service or in a given period of said period (e.g. the first 5/10 years) using the linear pro-rata system, or as a single amount in the year in which the service requirement is met. These conditions were taken into account when drafting the wording of the agreement;
- non-renewable or able to be stipulated more than once in regard to the same member of personnel, except in exceptional or duly justified cases.

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The "Golden Parachutes" are included in the calculation of the incidence of variable remuneration with respect to the fixed remuneration for the last year of employment or tenure of office, with the exception of:

- amounts agreed and 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;
- amounts agreed and 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, defined by multiplying 3 months of the overall annual remuneration (gross annual remuneration for the last year plus the amount allocated as flexible benefits and the average of the amounts paid as annual incentive system, whether up-front or deferred in subsequent years, in the previous two years) by the number of years of seniority, or, with reference to the Key Personnel identified within the corporate control departments, 12 months of the overall annual remuneration defined with the same methods, in any case within the maximum amount established by the Shareholders' Meeting.

Any remuneration granted by way of Golden Parachute is usually paid, in cash, within 1 (one) year from termination of employment and/or exit from office or, with reference to any components relating to non-compete agreements, within the time limits defined by the same agreement. In the event that such remuneration is granted to Key Personnel, the payment, with the exception of any amount granted under a non-compete agreement payable entirely in cash and within the time limits defined in the agreement, shall be made in the same way as the variable remuneration is paid in the relevant year and subject to the capital and liquidity requirements being met in the year of payment.

Calculation and payment methods are adjusted over time based on the evolution of the Bank's characteristics and complexity and taking into account the developments of the applicable regulatory framework. Any remuneration paid is subject to the same malus and claw-back rules envisaged for variable remuneration.

The rules described above do not apply to the amounts agreed in anticipation of, or as a result of, early termination of employment or exit from office of both Key Personnel and the remaining personnel in the context of non-recurring transactions (e.g. mergers or changes of control) or company reorganisation processes in cases where they are aimed exclusively at containing company costs and rationalising personnel and whose amount does not exceed € 100,000.00.

Likewise, with the exception of compliance with the maximum amount in absolute terms or as a number of monthly payments approved by the Shareholders' Meeting, the rules described above do not apply to voluntary redundancy benefits, including those connected to non-recurring transactions (e.g. mergers or changes of control) or company reorganisation processes, granted to personnel other than key personnel, provided they are aimed exclusively at containing company costs and rationalising personnel and that they favour compliance with supporting measures provided for by law or by national collective bargaining agreements, for all employees, and do not produce ex-ante distortive effects on the conduct of personnel.

Any amounts granted in both cases are subject to claw-back mechanisms in the event of fraudulent conduct or gross negligence to the detriment of the Bank.

## **6.7 Personal data protection**

The employee expressly authorises the Company, through its own representatives, together with all those persons involved in the management and administration of the Policies, to use his/her personal data in accordance with Italian Legislative Decree no. 196 of 30 June 2003, with Regulation (EU) 679/2016 on personal data protection, and with other related provisions of law, for the purposes of the Remuneration Policies.

However, it should be noted that any information relating to application of the Remuneration Policies and the relations between the Company and the individual Beneficiaries, is of a strictly confidential nature and may not be disclosed or transferred to third parties, without prejudice to legal obligations.

## **7. Structure of the remuneration of specific categories**

### **7.1 The remuneration of the members of the Board of Directors**

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 paragraphs 6.2 and 6.3.

The variable remuneration paid to the CEO is subject to the provisions of paragraph 6.4 and Annex 2 as well as to the rules applying to the Bonus Pool.

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.

#### **7.1.1 Retention Bonus agreements between the Bank and the CEO**

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

During the course of 2022, in keeping with the resolution adopted by the Board of Directors at its meeting held on 25 November 2022 regarding key personnel as described in point 6.6.3 above concerning the question of Retention Bonuses, the CEO agreed with the proposal to replace the non-competition agreement with a retention bonus scheme. The effect of the CEO's agreement - regarding the portion concerning the fees payable to the CEO - was subjected to the approval by the Ordinary Shareholders' Meeting of the present 2023 Remuneration Policy Document.

#### **7.2 The remuneration of the members of the Board of Statutory Auditors**

The remuneration paid to the members of the Board of Statutory Auditors is of a fixed nature only, and the amount of such remuneration is established by the Shareholders' Meeting at the time of appointment, and is valid for the entire term of office. The remuneration also takes account of the level and trends in remuneration paid (as measured through periodic surveys conducted by independent external consultants with regard to market practices of Banks of a comparable size and complexity), the expertise, professionalism and the commitment effectively needed and required to perform the relevant duties, also on the basis of guidance and insights that may be supplied by the Control Body.

#### **7.3 The remuneration of the members of the Bank's Control Departments, Human Capital Department, and Manager in charge of financial reporting**

In the case of personnel employed in the Bank's Control Departments and Human Capital 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 Capital 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. "Department allowances", as defined by the Board of Directors during the approval of the Remuneration Policy Document of the relevant year, are granted on an annual basis to the Parent Company's Heads of the Control Departments (Internal Audit Department, Risk and Sustainability Department, and Compliance and Anti-Money Laundering Department). This allowance is paid to each employee assigned by the Bank to the role of Head of one of the afore-mentioned Parent departments in relation to the implicit responsibilities associated with the role and therefore, insofar as being closely linked



to this role assignment, it shall cease to be paid in the event of assignment to another role also on the Bank's initiative.

The variable component of the remuneration payable to key 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 and Sustainability Department, and the Compliance and Anti-Money Laundering Department.

In the financial year 2023, the aforementioned department allowance shall also be paid to the Heads of the Control Departments of the subsidiary Kruso Kapital S.p.A. (Internal Audit Department, Risk and Sustainability Department, and Compliance and Anti-Money Laundering Department).

#### **7.4 The remuneration of credit intermediaries**

To distribute its credit products, Banca Sistema also obtains the contribution of specialised subjects forming an integral part of the Bank's commercial structures (so-called Credit Intermediaries).

The principles governing the remuneration of credit intermediaries are set out in specific contracts (mandates, agreements, etc.) signed separately with each party and are based on the sound and prudent management of the Bank and protecting customers' interests.

The remuneration of credit intermediaries is made up of the following components:

- the "recurring" component, i.e. the portion of remuneration other than "non-recurring" remuneration, which represents the most stable and ordinary remuneration element;
- the "non-recurring" component, the part of remuneration which has an incentive value.

The "non-recurring" component is comparable to the variable remuneration of personnel; whereas the "recurring" component is comparable to fixed remuneration.

Except for key personnel, the total remuneration of the individual credit intermediary may be entirely "recurring". When it also includes the "non-recurring" component, the criteria for its determination are defined contractually, in compliance with the rules set out in the specific company regulations, and are subject to ex-post adjustment mechanisms, in a similar way to those provided for the Bank's personnel. Granting of the non-recurring component is subject to meeting the implementation criteria defined by the Board of Directors from time to time.

Granting of the non-recurring component, where provided for in the agreements entered into with the specific intermediaries, is linked to factors such as, by way of example, increasing volumes disbursed, overcoming certain product benchmarks, and launching new products. In any case, this component must not lead to incentives for the credit intermediary to pursue its own or the Bank's interests to the detriment of those of customers, as set forth in the Provisions regarding "Transparency of banking and financial transactions and services".

Both the "recurring" and "non-recurring" components may be subject to partial or total reduction mechanisms and/or refund if wilful conduct or gross negligence is ascertained and other conduct as emerging from the complaints received from customers (number, nature, management and resolution).

The rules of this paragraph do not need to apply to credit intermediaries, not qualifying as key personnel, who have been registered for less than 3 years and have not previously had employment relationships with banks or non-banking financial intermediaries.

For persons identified as key personnel, in accordance with the provisions of Annex 1, the remuneration always consists of a “recurring” and a “non-recurring” component. The stricter rules laid down for key personnel, in paragraph 6.4.2, are applied to the “non-recurring” component of remuneration.

## Annex 1

### KEY PERSONNEL IDENTIFICATION AND EXCLUSION PROCESS

#### 1. “Key personnel” identification process

The process of identification of “key personnel” referred to in paragraph 4 of the Policies, is carried out by the Bank annually and involves various corporate bodies. This process enables all the rules and criteria to be applied on the basis of the actual capacity of individual members of personnel to impact the Bank’s and Group’s risk profile.

The Human Capital Department coordinates the process of identification and exclusion of “key personnel”, with the support of the Bank’s control departments, and it submits the results of this process to the Board Committees, as identified by paragraph 3 of the Policies.

More specifically, the Human Capital Department, bearing in mind the criteria established by the RTS, gathers all the necessary information, including that relating to the personnel of the Group’s companies, in order to conduct relevant analyses.

In this context, for the purposes of the assessments conducted to identify Key Personnel, agents in financial activities and other credit intermediaries that the Bank may use to distribute its products are also considered. The assessment of the importance of these persons is supported by economic/quantitative and managerial criteria (e.g. assignment of specific coordination and control roles: “area managers”, “divisional managers”, etc.).

At the beginning of each year, the Human Capital Department then prepares a list of persons who could be classified as “key personnel” (the “**List**”), accompanied by a brief evaluation of the aforementioned criteria, the number of persons identified for the first time, the roles and responsibilities of such personnel, and a comparison with the results of previous evaluations conducted for the previous year, which shall be promptly transmitted to the Risk and Sustainability Department, the Compliance Department, the Internal Audit Department, and subsequently, together with any observations, to the Remuneration Committee, in order to collect any amendment proposals forthcoming.

The process of identification of “Key Personnel” conducted by the Bank shall actively involve the Group’s companies, which shall provide the necessary information and comply with the instructions received.

Once the opinion of the Remuneration Committee has been received, the Human Capital Department proceeds to formalise the proposed List in a single document. The proposed List is then sent by the Remuneration Committee to the Board of Directors to be duly assessed and decided on.

The Bank’s Board of Directors:

- approves the List, re-examines it regularly, and approves any derogations;
- is involved in, and constantly monitors, the process.

In this respect, the “key personnel” category includes key management personnel, namely, those persons who have direct or indirect powers and responsibilities over the planning, management and control of the Bank’s business activity. Key management personnel include the Bank’s directors (executive and non-executive).

In accordance with the quantitative and qualitative criteria set out in the RTS, the further criteria described above, and on the basis of an evaluation of the various risk levels regarding the Group’s different business activities, a total of 43 persons have been identified for 2023, falling into the following categories:

**A. Directors who hold executive offices**

- Directors who hold executive offices in the Parent (1 person) <sup>(5)</sup>

**B. Non-executive Directors**

- Directors who do not hold executive offices in the Parent (8 persons)
- Directors who do not hold executive offices in the Subsidiaries (4 persons)

**C. Managers of key company functions (12 persons in total)**

- Factoring Division
- CQ Division (no. 2)
- Central Department - Kruso Kapital S.p.A.
- Credit Department - Factoring Division
- Commercial Department - Factoring Division
- Commercial Department - CQ Division
- Finance Department
- Banking Services Department
- Legal Department
- Corporate Strategy Department
- Institutional Relations

**D. Managers and other high ranking members of the Control Departments and the Human Capital Department, and the Manager in charge of financial reporting (7 persons)**

- Internal Audit Department
- Risk and Sustainability Department
- Compliance and Anti-Money Laundering Department
- Manager in charge of financial reporting
- Human Capital Department
- Internal Audit Department – Kruso Kapital S.p.A.
- Risk and Sustainability, Compliance and Anti-Money Laundering Department - Kruso Kapital S.p.A.

**E. Other "risk takers" (11 persons) - Heads of the following corporate departments:**

- Treasury and Structured Finance - Finance Department
- Structured Finance - Finance Department
- Investor Relations - Finance Department
- Chief of Staff
- Preliminary Credit Assessment – Credit Department of the Factoring Division
- Collection – Credit Department of the Factoring Division

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<sup>(5)</sup> The CEO also holds the office of General Manager.

- ICT/Organisation – Banking Services Department
- International Business – Kruso Kapital S.p.A.
- Credit and After Sales – CQ Division
- Finance and Credit – Kruso Kapital S.p.A.
- Operations Department – Kruso Kapital S.p.A.

## **2. Exclusion from the category of key personnel**

Following the procedure illustrated above, which is conducted also bearing in mind the quantitative criteria set out in the RTS, the Board of Directors, on the proposal of the Remuneration Committee, may decide that certain persons identified by means of the aforesaid quantitative criteria are not to be considered “key personnel” insofar as:

- the member of personnel conducts professional activities and has powers only in an operating/business unit which is not a key structure;
- the professional activities of the member of personnel or personnel category do not have a significant impact on the risk profile of a key operating/business unit.

In such event, following the decision of the Board of Directors taken also on the basis of analyses conducted by the Human Capital Department, with the support of the Risk and Sustainability Department, the Compliance Department, the Internal Audit Department and the Remuneration Committee, the Bank will proceed pursuant to and for the purposes of Circular 285, paragraph 6.1 “Key Personnel exclusion procedure”.

With regard to the financial year 2023, the Bank has decided not to apply the exclusion procedure for any member of personnel identified as “key personnel”. Therefore, this category shall remain as previously mentioned.

## Annex 2

### PERFORMANCE INDICATORS

This Annex describes the individual and company-level performance indicators to which granting of the variable remuneration ("**Bonus**") is linked, following the definition of the Bonus Pool in accordance with the Bank's Remuneration Policies Document.

The Bank uses these indicators to measure performance and subsequently to calculate individual Bonuses.

With reference to "Key Personnel", the conditions for access (gates), as subsequently defined, are also used as ex-post adjustment mechanisms (so-called malus) for the deferred portions of variable remuneration relating to the incentives of previous years and other medium and long-term incentive plans.

As specified in the Policies, the application of malus mechanisms could result in a reduction, even of a substantial nature, or in the zeroing of the Bonus, particularly in the case where company-level or individual performance is significantly below the set targets.

The total variable remuneration resulting from the individual incentives may not in any case exceed the amount of the Bonus Pool actually available as approved by the Board of Directors. If this amount is lower than the amount set in the budget according to the mechanism established in the Policy ("funding curve", paragraph 6.4.1), the bonuses actually paid will be reduced proportionally.

#### 1. 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 ACCESS - GATES** satisfying the joint Key Risk Indicators ("**KRI**") for the three-year period 2020/2022, which are envisaged in the RAF for the reference year, which are equally weighted, defined in the value of the first-level threshold of the **TCR - Total Capital Ratio** and the **Liquidity Coverage Ratio - LCR**.

Failure to meet even one of the aforementioned parameters will prevent access to the Bonus Pool and consequently no bonus will be allocated.

The fulfilment of the aforesaid Conditions for access is assessed by the Board of Directors, with input from the Remuneration Committee, in accordance with the procedure described in the Policies and with the Operational Procedure regarding flexible bonuses assignable to the Bank Group's employees.

#### 2. Assignable targets

After verifying the satisfaction of the conditions for access, the bonuses will be calculated on the basis of the results actually achieved relative to each target set in the bonus sheet defined for each member of key personnel in the year considered.

In fact, at the beginning of the year, all beneficiaries of the incentive system are assigned specific quantitative and qualitative "Business" targets linked to their Department and/or Business Line/Division.

The performance appraisal process is carried out yearly as follows: the Bank's employees log onto their personal account on the Banca Sistema HR portal and share the quantitative and qualitative targets for the year with their direct heads.

Each quantitative and qualitative target is assigned a percentage weight, indicating its importance, and includes a precise description of the performance standards in terms of methods, timeframes and content so as to enable the accurate appraisal of the results achieved.

Examples are given below of some of the indicators used, based on the different roles involved in each category of targets linked to the Bank's performance, the performance of the Department and/or Business Line/Division and the beneficiary's own managerial and professional activities.

## **2.1. Targets linked to the Group's performance**

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

- **Profitability of the Group** (determined by means of at least one of the following indicators: consolidated gross earnings at Group level, ROE/RORAC, Cost/Income, Risk profile/RWA Density, loss rate, etc.), having an overall weight of at least 30% relative to the overall score of the targets;
- **Sustainable Growth of the Group** (determined by means of at least one of the following 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;
- **Sustainable Increase in the value of the Group** (determined by means of at least one of the following indicators: increase in the value of the Bank's shares, accomplishment of the business plan or specific company projects/non-recurring transactions, development of human capital, employee satisfaction and engagement, ESG targets, etc.).

## **2.2. Specific targets linked to the performance of the Beneficiary's Business structure (Department, Business Line/Division, Subsidiary - the tool's "targets sheet"):**

Meeting the budget targets set for the Department/Business Line/Division, Subsidiary: these targets can mostly be measured in quantitative terms, primarily linked to sales volumes, credit facilities granted, containment/reduction of costs, profitability and overall capital, and risk assessment on individual business dealings, especially where a measurable quantitative or qualitative indicator exists or in relation to which precise performance standards can be described (e.g. sales volumes vs. budget, annual savings on cost funding vs. budget, containment of indirect costs, reducing overtime, reducing maintenance and management costs, etc.).

Managing and reducing risks: capital and liquidity indicators at Division/Business Line level, loss rate, Risk profile/RWA Density, again at Division/Business Line and Subsidiary level, projects and actions implemented to reduce risks, NPE ratio, etc.

Value creation: these targets measure 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 Group's technical and human resources (e.g. the contribution of marketing activities to the achievement of the commercial target, revenue from new products, the timely management of complaints, the professional growth of collaborators).

Management of operations: these targets are linked to increasing customer satisfaction, internal and external, and to actions that improve the effectiveness of internal management of operations (e.g. timeliness of reporting

adjustments to the budget, number of applications priced/headcount, timeliness in closing Open Issues reported by the control departments, correct and timely performance of management processes linked to the human resources allocated).

**Increased efficiency:** these targets are based on a comparison with the same activities performed in the previous years in connection with increasing the overall performance of the Group (e.g. reducing the percentage of operating errors, increasing the equivalent advertising value, compliance with project completion timelines, reducing the completion time of business processes, etc.).

**Management of the technical and human resources allocated:** these targets are linked to the improved management of human resources, for example: 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, the correct and timely performance of the main processes dedicated to human resources (selection, time management, training and development, gender gap management, etc.).

### **2.3. Skills linked to individual managerial and professional activities**

The individual qualitative targets assigned through the “skills sheet” of the tool are linked, in terms of the skills possessed, to the beneficiary's contribution to the financial results, to customer relations (internal and external), to organisational and managerial skills and to personal qualities, in turn organised into specific constructive and descriptive abilities and included in the “skills sheet” on the aforementioned portal, and according to seven levels of gradual and growing possession of the described skill (from “inadequate” to “excellent”).

There are 7 overall performance levels:

- 1) INADEQUATE;
- 2) SIGNIFICANT AREAS FOR IMPROVEMENT;
- 3) AREAS FOR IMPROVEMENT;
- 4) ALMOST ADEQUATE 2;5)
- 5) ADEQUATE;
- 6) MORE THAN ADEQUATE;
- 7) EXCELLENT.

The assessment of these targets determines the overall performance score which each Manager assigns annually to each direct report and adds to the appropriate section of the portal. The overall score, which is based on the level of achievement of the individual and business targets described above, is supplemented with the assessment of:

- the observance and respect of the “values” that underpin the Bank's activity, in compliance with the applicable regulations and the Group's Code of Ethics;
- appropriateness of customer retention and customer relationships;
- professional ability and skills;
- constant dedication to work, cooperation with co-workers and teamwork;
- the ability to find effective and possibly innovative solutions, whilst continuing to pursue the objectives of sound and prudent management of the Bank and its value over the long-term;



- the tendency to take responsibility for decisions and the timely achievement of the identified individual targets;
- the ability to use resources efficiently, to involve and motivate collaborators and make sensible use of delegation to promote growth, also with a focus on building a gender-neutral working environment;
- the containment of legal and reputational risks.

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### 3. Performance of the CEO/General Manager

With regard to the CEO/General Manager, any disbursement of the bonus is subject to the achievement of the assigned targets, subject to the conditions for access (gates) being met, having verified the actual availability of the bonus pool in accordance with the provisions of paragraph 6.4.1 of the Remuneration Policy.

The targets of the CEO/General Manager for 2023 are set out below with the respective weightings assigned to each area:

Area	Obiettivo		peso
Redditività e crescita	Utile Lordo Consolidato di Gruppo	20%	45%
	Rorac	20%	
	Crescita del valore dell'azione della Banca rispetto ad un panel di peers	5%	
Gestione del Rischio	net NPE Ratio	15%	45%
	LCR	15%	
	Cost of Risk	15%	
Sostenibilità / ESG	Attuazione degli obiettivi annuali previsti dal Piano Triennale di Gestione dei Rischi climatici e ambientali	10%	10%

The targets assigned to the CEO/General Manager are assessed on the basis of the following thresholds:

- **threshold** means achieving at least 80% of the overall score of the sheet
- **overperformance** means achieving more than 120% of the overall score of the sheet

In particular, the bonus will be quantified on the overall achievement of the assigned targets and with the application of linear calculation between one interval and another, in order to ensure the adequate measurement of the results achieved, as follows:

- threshold = 80% of Gross Annual Salary,
- target = 100% of Gross Annual Salary,
- overperformance = 120% of Gross Annual Salary.

The Bank's Board of Directors assesses the CEO's level of achievement of the targets upon approval of the financial statements relating to each year.

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

The targets set for other “key personnel” are:

- Targets linked to the Group’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, Business Line/Division, Subsidiary, not less than two targets 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 targets and having an overall approximate weight of at least 10% relative to the overall targets sheet.
- ESG targets, implementation of corporate employee engagement and diversity initiatives, including in selection procedures and remuneration, dissemination of knowledge of the Sustainability Report.

These targets, and the indicators and weightings described above, are defined by the CEO/General Manager for his/her own direct reports, who, in turn, may apply them to any of their own key personnel direct reports.

Targets linked to the Bank’s performance are identical for all direct reports of the CEO. The targets linked to the performance of the Department and/or Business Line/Division are likewise defined by the CEO/General Manager and are assigned to all key personnel of the Department/Business Line/Division concerned.

For **Subsidiaries**, as part of the Group processes referring to the definition and approval of the budget, the targets for the key personnel of the specific Legal Entity are defined by the Board of Directors of the Subsidiary as part of the guidelines included in the Remuneration Policies Document approved from time to time by the Parent.

The **heads of the control departments** have access to the variable incentive system described in these Policies but in such case, the incentive mechanisms are in line with the duties assigned and are not linked to the results achieved by any of the areas controlled by them. Therefore, bonuses linked to financial results are excluded. The individual targets assigned to the Head of the Internal Audit Department and the results achieved are submitted to the Internal Control and Risk Management Committee.

For the **Manager in charge of financial reporting** and the **Head of Human Resources**, the award of the variable component of remuneration is subject to meeting the sustainability targets (e.g. cost containment, strengthening of capital) and with prior verification that this will not give rise to conflicts of interest.

For all beneficiaries, the targets are described, assigned and appraised in the “targets sheet” of the aforementioned tool. For qualitative targets which cannot be measured directly, the required performance standards and the processes followed to assess achievement levels must be communicated in advance.

Deviations from the target are defined in relation to each department-level and individual target.

The Bank’s Board of Directors will assess the level of bonus achieved by key personnel, based on the level of overall achievement of the Bank’s targets, upon approval of the financial statements relating to each year considered in the Regulation.

#### **5. 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/Subsidiary (not less than two and with an approximate weight of 20%), 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).

## **SECTION II – IMPLEMENTATION OF THE PERSONNEL REMUNERATION AND INCENTIVE POLICIES AND REMUNERATION PAID IN 2022**

### **1. General considerations**

Information is provided below regarding the implementation of the remuneration policy for 2022 (hereinafter the “2022 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 Code of Conduct, the award of remuneration analysed below is consistent with the 2022 Remuneration Policy, which was approved by the Board of Directors on 17 March 2023 and with the resolutions passed by the Shareholders’ Meeting on 28 April 2022.

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

During 2022, the fixed portion of the remuneration for directors and employees was paid in accordance with the 2022 Remuneration Policies, and in compliance with the applicable national Collective Bargaining Agreements. In 2023, the variable component awarded in relation to the application of the Policies for the financial year 2022 amounted to € 1,365,114 for key personnel and to a total of € 1,903,398, plus charges.

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.

The ordinary Shareholders' Meeting of 30 April 2021 also resolved, in the event the term of office of the Board of Directors ends prematurely as a result of any extraordinary transaction on the Bank's capital, that all Directors shall automatically receive, for two years, the remuneration approved for the same in the same Shareholders' Meeting as referred to in item 4 of the respective Agenda. As regards the Chief Executive Officer, who in accordance with paragraph 10.7 of the Articles of Association also holds the post of General Manager, the calculation basis for determining the amount to be paid upon the aforementioned condition being met includes fixed and variable remuneration, in addition to the amount of benefits assigned to the General Manager.

### **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 2022 by the current members of the Board of Directors was decided by the Shareholders’ Meeting on 30 April 2021, which established to pay an annual remuneration of € 45,000.00 (forty-five thousand euro) to each Director plus an attendance fee for participation in the meetings of the Board of Directors in the amount of € 500.00 (five hundred) for each Director, except for the Chairperson, who is granted an attendance fee of € 1,500.00 (one thousand five hundred).

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

- Chairpersons of the Internal Control and Risk Management Committee and the Supervisory Body: € 20,000;

- Other members of the Internal Control and Risk Management Committee and the Supervisory Body: € 15,000;
- Chairpersons of the Appointments Committee, Remuneration Committee and Ethics Committee: € 7,000;
- Other members of the Appointments Committee, Remuneration Committee and Ethics Committee: € 5,000.

As of 31 December 2022, the Directors of Banca Sistema in office during 2022, received a total of € 1,614,353, including incentives paid during 2022 to the Chief Executive Officer and General Manager.

Specific medical insurance is also reserved for the Directors for direct access to medical services and to cover health expenses, taken out annually with a leading sector operator and with coverage no higher than that applied to key personnel with a managerial contract level.

The fee due to members of the Board of Statutory Auditors was established by the Shareholders' Meeting called to approve the 2019 Financial Statements on 23 April 2020 to be € 50,000 for the Chairperson and € 35,000 for the Standing Auditors.

### **Chairperson and CEO**

On 30 April 2021, with the appointment of the new Board of Directors, the remuneration payable to the Chairperson of the Board of Directors was established to be € 170,000 inclusive of the fee of € 45,000 as Director as well as Committee membership fees. The aforesaid Shareholders' Meeting of 30 April 2021 also granted to the Chairperson of the Board of Directors an attendance fee for participating in the meetings of the sole Board of Directors in the amount of € 1,500.00.

In 2022, the CEO, who is also the General Manager, was paid a pro-rata total fee of € 285,000.00, and received a Gross Annual Salary of € 589,000.00 as the General Manager.

The fees established for the Chairperson 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 2022 for the services provided. No incentive mechanism was applied, except in the case of the CEO, as highlighted in the 2022 targets sheet, for whom, in application of the 2022 Policies, the Bonus is quantified on the overall achievement of the assigned targets and with the application of linear calculation between one interval and another, in order to ensure the adequate measurement of the results achieved.

In particular, with reference to the targets assigned for the financial year 2022 (2022 targets sheet specified below), the CEO/General Manager, on the basis of the criteria laid down in the 2022 Remuneration Policy, was allocated by the Board of Directors on 17 March 2023, upon consultation with the Remuneration Committee and the Board of Statutory Auditors on 14 March 2023, a total annual bonus of € 675,078.

Due to the deferral rules in the 2022 Policies, this amount is divided into Euro 405,047 in cash and up-front, and Euro 270,031 in cash and deferred, to be disbursed subject to the approval of the Shareholders' Meeting of 28 April 2023.

2022 targets sheet – CEO - Level of achievement of 2022 performance targets

	2022 assigned targets	Weight	Level of achievement		
			Min	Target	Max
1	<b>GROUP PROFITABILITY</b> Group consolidated gross earnings compared to the budget	20%	x		
2	<b>PROFITABILITY AND GROWTH</b> Group RORAC	20%		x	
3	<b>PROFITABILITY AND GROWTH</b> - average (15 Nov 22-15 Dec 22) minus the average (15 Feb 22-15 March 22) of the FTSE Italia finance index lower than the trend of the BS share price during the same time interval: 2.5% - average (15 Nov 22-15 Dec 22) minus the average (15 Feb 22-15 March 22) of the FTSE Italia banks index lower than the trend of the BS share price during the same time interval: 2.5%	5%	Not achieved		
4	<b>MANAGING RISKS</b> LCR targeting the first level of the RAF	15%			x
5	<b>MANAGING RISKS</b> NPE Ratio	15%			x
6	<b>MANAGING RISKS</b> Cost of Risk	15%			x
7	<b>SUSTAINABILITY - ESG</b> ensure the successful implementation of the Sustainability Report	10%		x	
		100%			

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

During 2022, in keeping with the resolution adopted by the Board of Directors at its meeting held on 25 November 2022 regarding key personnel, the CEO agreed with the proposal to replace the non-compete agreement with a retention bonus scheme. The effect of the CEO's agreement - regarding the portion concerning the fees payable to the CEO - was subjected to the approval by the Ordinary Shareholders' Meeting of the 2023 Remuneration Policies Document.

### Remuneration data

The remuneration was paid in accordance with the remuneration policy approved by the Shareholders' Meeting on 28 April 2022, taking into account the broad consensus obtained:

- Section I – 2022 Report on the remuneration policy: 97.60% of favourable votes
- Section II – Annual report on remuneration paid in 2021: 97.06% of favourable votes

In line with the most recent regulatory provisions, contained in the update of the Issuers' Regulation (Consob) of 15 December 2020, the comparison information on the annual change, pertaining to the last 3 years, is shown below:

### 3. Tables

The tables relating to the remuneration paid, drawn up pursuant to Annex 3, Schedule 7-bis of the Issuers' Regulation and Table 1 - Schedule 7 - ter of the same Regulation, regarding the equity investments of the members of the management and control bodies, of general managers and of other key management personnel, are attached hereto;

The following additional information tables are included pursuant to Bank of Italy provisions and article 450 of the CRR, as laid down in Implementing Regulation (EU) no. 637 of 15 March 2021.

No personnel received a fixed remuneration equal to or higher than € 1 million for the year ended 31 December 2022.

Change in individual remuneration	FY 2022 remuneration (€/000)	FY 2022 % change versus 2021	FY 2021 % change versus 2020
<b>Remuneration of the Members of the Management Body</b>			
Gianluca Garbi	1.505,109	4,32%	5,95%
<b>Remuneration of the Members of the Strategic Supervision Body</b>			
Luitgard Spögler	203,000	3,29%	9,85%
Giovanni Puglisi	67,500	8,76%	21,25%
Daniele Pittatore	89,082	11,14%	12,83%
Carlotta De Franceschi	65,500	5,95%	4,22%
Maria Leddi	76,000	34,72%	N/A
Francesca Granata	76,082	42,76%	N/A
Daniele Bonvicini	74,500	33,56%	N/A
Pier Angelo Taverna	22,247	N/A	
<b>Remuneration of the Members of the Board of Statutory Auditors</b>			
Massimo Conigliaro	70,000	2,47%	9,68%
Marziano Viozzi	35,000	0,00%	33%
Lucia Abati	35,000	0,00%	10,49%

	2022	2021	2020
Consolidated gross earnings (€/1000)	33.171	34.459	36.302

	2022	2021	2020
Total remuneration of the Chief Executive Officer (€/1000)	1.505	1.440	1.416

	FY 2022 average (€)	FY 2022 % change versus 2021	change versus 2020
Change in the average remuneration paid to employees	66.382	0,88%	3,18%

### **Internal Audit Department**

The Internal Audit Department conducted the appropriate control activities to assess the process associated with the definition, assessment and assignment of the variable component accrued under the 2022 Policies, which will be paid on completion of the relevant resolution process and in accordance with the methods set out therein. The findings of the aforementioned controls are set out in a specific report presented by the Head of the Internal Audit Department to the Shareholders' Meeting. In 2022, the same heads of the Bank's control functions were assigned the department allowance.

The variable component of remuneration paid to the internal control departments, including the Human Capital Department and the Manager in charge of financial reporting, 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.

### **Shareholders' Meeting**

On 28 April 2022, the Shareholders' Meeting approved the 2022 Remuneration Report of the Banca Sistema Group and the overview of the application of the Policies in 2021 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 Code of Conduct for listed companies.

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

The Compliance and Anti-Money Laundering Department participated in the drafting of the 2022 Policies and verified compliance of the same with the Provisions and the supervisory rules applicable to the Bank.

### **Risk and Sustainability Department**

The Risk and Sustainability Department verified compliance with the risk parameters set out in the 2021 Remuneration Policies Document and applied during 2022 to determine incentives for key personnel. More specifically, it contributed - in collaboration with the Manager in charge of financial reporting - to defining the final parameters for the "gates" and the access criteria for the determination of the bonus pool payable for the year 2022.

### **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. More specifically, it contributed - in collaboration with the Risk and Sustainability Department - to defining the final parameters for the "gates" and the access criteria for the determination of the bonus pool payable for the year 2022.

### **Manager in charge of financial reporting**

The Manager in charge of financial reporting verified the consistency of the financial statement and budget parameters used for the quantification of the bonus pool and the correct accounting for the calculated amount, with particular reference to the "gates" and the criteria for access to and determination of the bonus pool paid in 2022 based on the results achieved as reported in the 2021 Financial Statements.

## Remuneration Committee

The Remuneration Committee was appointed on 24 May 2021, but its current composition was established on 20 May 2022, following the resignation of Director Marco Giovannini. As of 31 December 2022, it consists of three non-executive directors, two of whom are independent:

- Francesca Granata (Chairperson of the Committee, independent Director, non-executive),
- Giovanni Antonino Puglisi (Director and Deputy Chairperson of the Bank, non-executive),
- Daniele Pittatore (Independent and non-executive director).

In 2022, the **Remuneration Committee** met 7 times with the meetings lasting on average an hour. During these meetings, the Committee:

- prepared and discussed the 2022 Remuneration Policies Document of the Banca Sistema Group in light of regulatory updates and taking account of the adoption by Consob, with Resolution no. 21623 of 10 December 2020, of **amendments to the “Issuers’ Regulation”** in order to transpose Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement (“SRD II”) and the **new Corporate Governance Code**;
- conducted the key personnel self-assessment and identification process for 2022 and proposed the results;
- analysed the Bank's position in terms of benefits granted to key personnel and personnel other than key personnel, particularly with regard to Senior Managers, also by approving the new “2023/2024 Welfare Plan”;
- evaluated the proposals to revise Non-Compete Agreements and the adoption of Retention Bonuses already provided for in previous Remuneration Policies;
- evaluated the contents of the "Operating procedure on the assignment of variable bonuses assignable to employees of the banking group", in accordance with the new 2022 variable incentive scheme;
- assessed the access / gate criteria for determining the funding curve and the resulting bonus pool for 2022;
- evaluated the set of remuneration interventions for senior managers and key personnel for 2022.

During the 4 meetings held in the early months of 2023 with an average duration of 1 hour and 50 minutes, the Committee:

- examined the 2023 Remuneration Report and the overview of the application of the 2022 Policies pursuant to art. 123-ter of Legislative Decree no. 58/1998, and the Board of Directors' Report on points 3 and 4 of the agenda of the Shareholders' Meeting of 28 April 2023 (ordinary session);
- developed and discussed the 2023 Remuneration Policies Document of the Banca Sistema Group, including to adapt it to the recommendations of the Corporate Governance Committee, to expand the ESG issues and to describe the outcome of the gender pay gap analysis;
- assessed, following the approval by the Board of Directors of the draft financial statements as at 31 December 2022, the achievement of the performance targets at Group level underlying the variable remuneration system (so-called gates) and provided the relevant opinions to the Board of Directors for the purpose of approving and granting the bonus pool and the resulting variable component for 2022 payable to the CEO and General Manager and Key Personnel/Key Management Personnel;
- examined and acknowledged the annual self-assessment and identification process of key personnel pursuant to Regulation (EU) No. 604/2014 (“Regulatory Technical Standards” or “RTS”) as amended



by the provisions laid down in the Commission Delegated Regulation (EU) of 25 March 2021 which incorporated the new Regulatory Technical Standards ("RTS") published by the EBA in June 2020;

- examined and acknowledged the set of remuneration interventions for senior managers and key personnel proposed by the CEO for 2023.

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. In accordance with the Code of Conduct and Bank of Italy Circular no. 285, the Remuneration Committee has proposal, advisory and inquiry functions to support the Board of Directors and is provided with the powers and resources necessary to discharge its duties.

Issuers' Regulation - Annex 3A - SCHEDULE No. 7-BIS: Remuneration Report

TABLE 1\*

Fees paid to members of the management and control bodies and to general managers and other key management personnel (in euro/1000)

A	B	C	D	1		2	3		4	5	6	7	8
Name and Surname	Position	Time in position	Expiry of office	Fixed remuneration	Attendance fee	Committee membership fees	Non equity variable remuneration		Non-cash benefits	Other remuneration	Total	Fair Value of equity remuneration	Severance indemnity or employment termination compensation
							Bonuses and other incentives	Profit sharing					
GIANLUCA GARBI	CHIEF EXECUTIVE OFFICER	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2023	874,00			577,11		54,00	-	1.505,11	N/A	
LUITGARD SPOGLER	CHAIRPERSON OF BoD	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2023	170,00	33,00	-	-	-	1,88	-	204,88		
GIOVANNI ANTONINO PUGLISI	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2023	45,00	10,50	12,00	-	-	1,32	-	68,82		
DANIELE PITTATORE	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2023	45,00	11,00	33,08	-	-	1,88	-	90,96		
CARLOTTA DE FRANCESCHI	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2023	45,00	8,50	12,00	-	-	1,32	-	66,82		
MARCO GIOVANNINI	DIRECTOR	From 01/01/2022 to 26/04/2022		15,00	2,00	7,33	-	-	1,88	-	26,21		
MARIA LEDDI	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2023	45,00	11,00	20,00	-	-	1,32	-	77,32		
FRANCESCA GRANATA	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	45,00	11,00	20,08	-	-	1,88	-	77,96		
DANIELE BONVICINI	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	45,00	9,50	20,00	-	-	1,88	-	76,38		
PIER ANGELO TAVERNA	DIRECTOR	From 05/08/2022 to 31/12/2022		18,25	4,00						22,25		
MASSIMO CONIGLIARO	CHAIRPERSON OF BOARD OF STAT. AUDITORS	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	50,00	-	20,00	-	-	-	-	70,00		
MARZIANO VIOZZI	STANDING AUDITOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	35,00	-	-	-	-	-	-	35,00		
LUCIA ABATI	STANDING AUDITOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	35,00	-	-	-	-	-	-	35,00		
(I) Fees in the firm that prepares the financial statements				1.467,25	100,50	144,50	577,11	-	67,57	-	2.356,72		
GIANLUCA GARBI	Chairperson of BoD of Kruso Kapital	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	20,00							20,00		
LUCIA ABATI	STANDING AUDITOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	10,00							10,00		
ALESSANDRO MAZZOLA	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	20,00							20,00		
DONATO TRENTA	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	20,00							20,00		
PIER ANGELO TAVERNA	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	20,00							20,00		
DANIELA D'IGNAZIO	STANDING AUDITOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	10,00							10,00		
MAURIZIO ROVENTINI	CHAIRPERSON OF THE BOARD OF STATUTORY AUDITORS OF KRUSOKAPITAL	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	15,00		7,50					22,50		
ATTILIO BARUFFI	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	20,00		7,50					27,50		
ILARIA BENNATI	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	20,00							20,00		
FABRIZIO PISCITELLI	DIRECTOR	From 01/01/2022 to 31/12/2022	Approval of the financial statements as at 31/12/2022	20,00							20,00		
(II) Fees from subsidiaries and associates				175,00	-	15,00	-	-	-	-	190,00		
(III) Total				1.642,25	100,50	159,50	577,11	-	67,57	-	2.546,72		

the total remuneration paid to the chairperson of the body entrusted with strategic supervision, to each member of the management body and to the general manager, the co-general managers and the deputy general managers

**SCHEDULE No. 7-BIS: Remuneration Report - TABLE 2**
**Stock options assigned to members of the management body, general managers and other key management personnel**

A	B	Options held at the beginning of the year				Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15= 2+5-11-14	16
Name and Surname	Position	Plan	Number of options	Strike price	Possible exercise period (from - to)	Number of options	Strike price (€)	Possible exercise period (from - to)*	Fair value at the assignment date (€)	Assignment date	Market price of underlying shares upon assignment of options	Number of options	Strike price	Market price of underlying shares at exercise date	Number of options	Number of options	Fair value
Gianluca Garbi	CEO		-			-						-			-	-	
12	Key management personnel		-			-						-			-	-	
(I) Fees in the firm that prepares the financial statements			-			-						-			-	-	
(II) Fees from subsidiaries and associates			-			-						-			-	-	
(III) Total			-			-						-			-	-	

**SCHEDULE No. 7-BIS: Remuneration Report - TABLE 3A**
**Incentive plans based on financial instruments, other than stock options, benefiting the members of the management body, the general managers and other key management personnel**

Personnel			Financial instruments assigned in previous years and not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and to be assigned	Financial instruments pertaining to the year	
A	B	1	2	3	4	5	6	7	8	9	10	11	12
Name and Surname	Position	Plan	Number and type* of financial instruments	Vesting period	Number and type* of financial instruments	Fair value at the assignment date	Vesting period	Assignment date	Market price at assignment¹	Number and type* of financial instruments	Number and type* of financial instruments	Value at vesting date	Fair value
Gianluca Garbi	CEO	2022 Plan			-	-				-			-
		2021 Plan	146.000	2022-2024						-			
		2020 Plan	348.663	2021-2023						-			
		2019 Plan								158.924			
		2018 Plan									93.731	141.440	
8	Members of the management body (no.)		-		-					-	-		
12	Other key management personnel (no.)	2022 Plan			-	-				-			
		2021 Plan	85.769	2022-2024									
		2020 Plan	129.379	2021-2023									
		2019 Plan								34.583			
		2018 Plan									91.120	137.500	
(I) Fees in the firm that prepares the financial statements			-		-					-	-		
(II) Fees from subsidiaries and associates			-		-					-	-		
(III) Total			709.811		-	-				-	184.851	278.940	

\* Shares

\* Average prices in the 90 calendar days before 18.3.2022

**SCHEDULE No. 7-BIS: Remuneration Report - TABLE 3B**
**Cash incentive plans benefiting the members of the management body, the general managers and other key management personnel**

A	B	1	2			3			4
Name and Surname	Position	Plan	Bonus for the year			Bonus referring to previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
Gianluca Garbi	CEO	2022 Plan	405.047	270.031	2024-2025	-			-
		2021 Plan						47.077	
		2020 Plan						98.088	
		2019 Plan					90.336		
12	Other key management personnel (no.)	2022 Plan	435.264	81.893	2024-2025	-			-
		2021 Plan						52.200	
		2020 Plan						68.700	
		2019 Plan					62.250		
(I) Fees in the firm that prepares the financial statements			-	-		-	-	-	-
(II) Fees from subsidiaries and associates			-	-		-	-	-	-
(III) Total			840.311	351.924		-	152.586	266.065	

SCHEDULE 7 TER - Information on equity investments of members of the management and control bodies, of general managers and of other key management personnel

TABLE 1 - Equity investments of members of the management and control bodies and of general managers

NAME AND SURNAME	POSITION	INVESTE	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE CURRENT FINANCIAL YEAR
Gianluca Garbi	CEO and General Manager	BANCA SISTEMA SpA	514.063	217.728	0	731.791

TABLE 2: Equity investments of other key management personnel

NUMBER OF PEOPLE FROM KEY MANAGEMENT PERSONNEL	INVESTE	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE CURRENT FINANCIAL YEAR
12 (*)	BANCA SISTEMA SpA	613.402	170.035	- 64.250	719.817

(\*) number of people from key management personnel in 2022

## **ANNEXED EU TABLES**

- Table EU REM A: remuneration policy
- Template EU REM 1: remuneration awarded for the financial year
- Template EU REM 2: special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
- 
- Template EU REM 3: deferred remuneration
- Template EU REM 4 - Remuneration of 1 million EUR or more per year
- Template EU REM 5: information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (key personnel)

## TABLE EU REMA: REMUNERATION POLICY

### ***a.1) Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.***

The following main bodies supervise the Group's remuneration and incentive policies (hereinafter "the Group Policies" or "the Policies") and perform the following functions:

The **Board of Directors** formulates and approves the Bank's Remuneration 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.

Within its sphere of influence, the **Remuneration Committee** 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 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.

The Remuneration Committee was appointed on 24 May 2021, but its current composition was established on 20 May 2022, following the resignation of Director Marco Giovannini. As of 31 December 2022, it consists of three non-executive directors, two of whom are independent:

- Francesca Granata (Chairperson of the Committee, independent Director, non-executive),
- Giovanni Antonino Puglisi (Director and Deputy Chairperson of the Bank, non-executive),
- Daniele Pittatore (Independent and non-executive director).

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 Committee regulation.

In 2022, the Remuneration Committee met 7 times.

### ***a.2) External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework***

During the Financial Year, the Remuneration Committee was supported by consultants from Willis Towers Watson specialised in the sector, with whom it held in-depth discussions on the review of the 2022 Remuneration Policies to adapt them to the new reference regulations, in particular with regard to the variable incentive system, with the relevant documentation obtained for its assessments.

### ***a.3) A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries***

The Policies apply to all Group personnel with specific rules and application guidelines relating to the variable incentive systems in place for key personnel and key management personnel as well as for the remaining personnel.

**a.4) A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile (key personnel)**

Banca Sistema identifies key personnel on an annual basis and with the involvement of various corporate bodies.

In this context, for the purposes of determining key personnel, agents in financial activities and other credit intermediaries that the Bank may use to distribute its products are also considered. Assessing the importance of these persons is based both on economic/quantitative criteria and on the possible attribution of specific coordination and control roles to some of these persons (area managers, divisional managers, etc.).

The Human Capital Department then prepares a list of persons who could be classified as “key personnel” (the “List”), accompanied by a brief evaluation of the aforementioned criteria, the number of persons identified for the first time, the roles and responsibilities of such personnel, and the comparison with the results of previous evaluations conducted for the previous year, which shall be promptly transmitted to the Risk Department, the Compliance Department, the Internal Audit Department and, together with any observations made by them, to the Remuneration Committee, in order to collect any amendment proposals. The process of identification of “key personnel” conducted by the Bank shall actively involve the Group’s companies, which shall provide the necessary information and comply with the instructions received. Once the control departments’ contributions have been received, together with those of the Remuneration Committee, said contributions shall be processed and formalised by the Human Capital Department in a single document containing the proposed List. The proposed List is then sent by the Remuneration Committee to the Board of Directors to be duly assessed and decided on. The Bank’s Board of Directors:

- approves the List, re-examines it regularly, and approves any derogations;
- is involved in, and constantly monitors, the process.

In this respect, the “key personnel” category includes key management personnel, namely, those persons who have direct or indirect powers and responsibilities over the planning, management and control of the Bank’s business activity. Key management personnel include the Bank’s directors (executive and non-executive). In accordance with the quantitative and qualitative criteria set out in the RTS, the further criteria described above, and on the basis of an evaluation of the various risk levels regarding the Group’s different business activities, a total of 43 persons have been identified for 2022, as detailed in Annex 1 of the 2022 Remuneration Policies Document.

**b. Information relating to the design and structure of the remuneration system for key personnel**

**b.1) An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (for example, the Shareholders' Meeting).**

The Group Policy - which does not have an established duration but is nevertheless reviewed annually - pursues the following aims:

- 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 – also with respect to gender neutrality – rewarding individual employees for their contribution, the responsibilities given and their specific working conditions;
- 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 Policies are defined and reviewed in accordance with the process described below, in compliance with the Provisions and with Banca Sistema's Articles of Association, which are in effect consistent with said Provisions.

The following company bodies and departments are involved in establishing the Policies, according to the remits and responsibilities described hereinafter:

The Board of Directors (or the "Board"): formulates and approves the Bank's Policies, submits them to the Shareholders' Meeting, and reviews them at least once a year, and is responsible for their correct implementation;

- approves the results of any procedure for the exclusion of "key personnel" referred to in Paragraph 4 and in Annex 1 to the Policies, and periodically reviews the criteria for such exclusion;
- ensures that the Remuneration Policies are duly documented and accessible within the company, and that personnel are aware of the consequences of any breach of the provisions contained in these Policies; it defines the incentive plan for those persons within the "key personnel" category, as well as for all other Group employees;
- also ensures that the Bank's Policies are effectively implemented and that they are consistent with the Bank's overall corporate governance, corporate culture, risk appetite, their actual application with respect to gender neutrality and the specific working conditions, as well as the associated governance processes, and ensures that the granting, payment and accrual of variable remuneration do not negatively affect the need to maintain a strong capital base;
- analyses, with the support of the Remuneration Committee, the gender neutrality of remuneration policies, verifying the gender pay gap and its evolution over time;
- approves, in compliance with the principles set out in the Policies and in implementing the rules in the Provisions on "Transparency of banking and financial transactions and services", the criteria for the remuneration of personnel who offer products to customers, interacting with the latter, personnel they report to hierarchically and credit intermediaries, as well as personnel in charge of assessing creditworthiness and personnel responsible for handling complaints; it submits a clear and complete information document concerning the Policies to be adopted, to the Shareholders' Meeting. The purpose of this information document is to illustrate: the reasons, aims and means of implementation of the Policies; the controls carried out in regard to said Policies; the characteristics of the remuneration system; the consistency of such characteristics with the established guidelines and objectives; compliance with applicable law; the principal information regarding the process of identification of "key personnel" and the corresponding outcomes, including any exclusions; any changes to systems and processes that have already been approved; the evolution of the dynamics of remuneration, also compared to the trend within the sector.

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

- the **Human Capital Department**, which coordinates the 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 Capital Department provides its support to the Compliance Department in verifying compliance with the regulations. Among other things, it ensures consistency between the Policies and the various human resource management procedures (skills assessment system, technical, professional and managerial development, HR administration) and the remuneration and incentive systems of the Bank;

- the **Risk Department**, which is involved in identifying events that could potentially affect the Company'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 is invited to meetings of the Remuneration Committee to discuss the drawing up, implementation and monitoring of the Policies; in particular, it helps to ensure compliance with the reference framework for measuring risk appetite and with the risk control 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 the data supplied by the Manager in charge of financial reporting, the Risk Department performs the necessary controls and checks concerning the achievement of the corporate access conditions and criteria and the consequent establishment of the "bonus pool" (as defined below) and the performance indicators, and highlights 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**, which verifies ex ante the compliance of the Policies and checks, on an annual basis, that the remuneration policies are 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 and Anti-Money Laundering Department informs the Board of Directors of any findings with a specific assessment on the compliance of the Policies with the regulatory framework in order that due account may be taken of such assessment by the Board when approving and assessing the Policies;
- the **Internal Audit Department**, which assesses, among other things, at least yearly, whether the remuneration practices are consistent with the approved policies and with the current provisions of law. The outcome of the assessment, brought to the attention of the Board of Directors, is submitted to the Shareholders' Meeting;
- the **Finance Department**, which verifies the compliance of the Policies with the Bank's medium and long term objectives and strategies, so as to ensure financial sustainability over the medium to long term through the definition of the final level of the "gate" parameters and access criteria to define the bonus pool payable for each financial year;
- the **Manager in charge of financial reporting**, who verifies the compliance and consistency of the Policies with accounting and company documents, and in particular their accuracy with respect to the approved accounting entries. The Manager in charge of financial reporting confirms the level of satisfaction of the corporate access conditions and criteria, as defined in the Policies Document, and sends them to the Risk Department for the relevant controls and checks and to the Human Capital Department for the application of the Policies for the year and for the assessment of any "malus" condition relating to deferred portions from previous years, and the level of achievement of the targets assigned.

The **Remuneration Committee** assists the Board of Directors in reviewing the Policies to be submitted to the Shareholders' Meeting, with support also from the previously specified company departments, and has the following responsibilities:

- to make proposals on the remuneration paid to "key personnel" and evaluate the overall application of the Policies for the remaining personnel as well;
- 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 pursuant to paragraph 4 and to Annex 1 of the Policies;
- to support the Board of Directors in monitoring gender neutrality in the application of remuneration policies; in this activity it is in turn supported by the Human Capital Department and by specialist external consultants;
- 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 Policies;
- to provide input, based also on the information received from the corporate departments concerned, on the achievement of the performance targets to which the incentive plans are 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 Policies, 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 Policies. 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 Capital, Legal and Finance Departments), whose resources may be asked to attend the Committee’s meetings.

The Remuneration Committee adopts specific measures and practices to evaluate any external consultants that may be necessary for identifying and managing conflicts of interest, which are described in the Internal Regulation on the operation of the Committee.

The **Internal Control and Risk Management Committee** ascertains that the incentives underlying Banca Sistema’s remuneration and incentive system are consistent with the RAF, notwithstanding the powers of the Remuneration Committee, checking, in the absence of the Director responsible for the Internal Control and Risk Management System, that the remuneration of the Head of the Internal Audit Department and of the Head of the Compliance Department is defined consistently with the Company’s policies.

The **Shareholders’ Meeting** approves:

- the Policies applicable to Group employees and “key personnel”;

- any 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 Policies, the Shareholders' Meeting also resolves on any proposal 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.

For the current year, only with reference to the Chief Executive Officer, a maximum limit of 2:1 on the ratio between variable and fixed remuneration is envisaged. Therefore, for the remaining personnel the general limit of 1:1 is envisaged, without prejudice to what is specified below with reference to certain specific categories of personnel.

The Group companies are also given the opportunity to cap the ratio between the variable and fixed remuneration paid to individual employees 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.

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.

Banca Sistema's control departments, together with those of the Group companies, cooperate and exchange all relevant information.

***b.2) Information on the criteria used for performance measurement and ex-ante and ex-post risk adjustment.***

In order to align the incentive systems with prudent risk management policies and ensure long-term business solidity and continuity, the annual Incentive Systems take into account the Group's Risk Appetite and Risk Tolerance as expressed in the RAF. The payable Bonus Pool is linked to the verification of the achievement of some indicators referred to as "gates", without which no bonus can be paid. Profitability, risk and capital requirements targets are also identified and assigned in the sheets of the main management roles.

***b.3) Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.***

The 2022 Group Policies have been drawn up in accordance with Part One, Title IV, Chapter 2 of 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 IV"), 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.

In light of the developments in the regulatory framework, the context in which the Group operates and the objectives for sustainable growth over the long term, this document provides for the following main changes with respect to the previous version of 2021:

- adoption of new payout schemes for the variable component of remuneration, connected to the concept of principle of proportionality arising from the regulatory changes introduced by the 37th update of Bank of Italy Circular no. 285/2013 (paragraph 6.4.2);
- identification of "Key Personnel" through the adoption of the criteria laid down in the update of the EBA RTS of June 2020 and the consequent Delegated Regulation (EU) 2021/923 of 25/03/21;
- review of the Policy regarding the remuneration agreed in view of or on the occasion of the early termination of employment or early exit from office;
- introduction of specific gender neutrality provisions in the Bank's Remuneration Policies;
- strengthening of ESG factors as part of the annual performance management process;
- as regards the non-financial objectives, already included in the previous versions, the Bank: (i) opted for the preparation of voluntary non-financial reporting, thus preparing the Sustainability Report also for the year 2022, drafted in line with the GRI standards; (ii) will, at the same time, cover the areas of reporting under Italian Legislative Decree 254/2016, which will therefore add value to the base of the parameters, including the identification of additional non-financial objectives in particular to ensure a long-term approach and the convergence of the interests of all the stakeholders;
- the update to the amount of particularly high variable remuneration of Italian high earners, as indicated in the latest EBA report published in January 2023 with reference to remuneration for the year 2021.

***b.4) Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.***

In the case of personnel employed in the Bank's Control Departments and Human Capital 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 Capital 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. "Department allowances", as defined by the Board of Directors during the approval of the Remuneration Policy Document of the relevant year, are granted on an annual basis to the Parent Company's Heads of the Control Departments (Internal Audit Department, Risk and Sustainability Department, and Compliance and Anti-Money Laundering Department). This allowance is paid to each employee assigned by the Bank to the role of Head of one of the afore-mentioned Parent departments in relation to the implicit responsibilities associated with the role and therefore, insofar as being closely linked to this role assignment, it shall cease to be paid in the event of assignment to another role also on the Bank's initiative.

The variable component of the remuneration payable to key 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 and Sustainability Department, and the Compliance and Anti-Money Laundering Department.

***b.5) Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.***

Details regarding the golden parachutes in place for the year 2022 and also valid for 2023 are provided in chapter 6.6 "Severance Policy", paragraph 6.6.1 Golden Parachutes of the Remuneration Policies.

**c. Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.**

The total amount of the variable component to be paid to the Bank's personnel ("Bonus Pool") is based on actual, long-term results and also takes into account financial and non-financial qualitative and quantitative targets, including those established by the business plan approved by the Board of Directors and indicated by the annual budgets, and the RAF.

Banca Sistema has defined a structured funding process for the variable component of remuneration, as defined in paragraph 6.4 of the Remuneration Policies Document, in order to ensure its sustainability on a capital and financial level.

The so-called "Bonus Pool" represents part of the consolidated personnel expense, which is approved by the Bank's competent management bodies at the end of the budgeting process for the relevant year. This component, planned by cost centre (Division/Corporate Centre/Group), is measured by means of the so-called "funding curve" against the achievement of the income results set in the budget, and it can decrease or increase, within the limit of predefined thresholds, according to the actual degree of achievement of those results and with a minimum level achieved equal to 75% of the Group's gross profit (excluding the bonus pool).

Furthermore, consistently with the principle of financial sustainability, the Bonus Pool budgeted for each Division is then adjusted, as final balance, according to the actual result achieved by the same Division against the budget, in addition to a specific weighting linked to the actual achievement of the result attained by the Group.

The actual availability of the Bonus Pool is in any case conditional, in the calculation of the final balance, upon prior compliance with the capital and liquidity requirements consistent with the RAF ("gates"), in particular, joint compliance - at the end of the relevant year - with the first-level threshold, as defined in the RAF, for the TCR and LCR.

Failure to meet even one of the aforementioned parameters will result in the Bonus Pool not being activated and consequently no bonus will be allocated.

Verification of compliance with the gates and the amount of the Bonus Pool actually available falls under the responsibility of the Board of Directors, upon consultation with the competent departments (Finance Department, Risk Department, Manager in charge of financial reporting, Human Capital Department), subject to the opinion of the Remuneration Committee.

**d. The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.**

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.

In detail, the Board of Directors' proposal to the Shareholders' Meeting will indicate at least the following information: (i) the departments to which those persons affected by the decision belong and their number, for

each department; (ii) the reasons underlying the proposed increase; (iii) the implications, even in a forward-looking perspective, for the Company's ability to continue to comply with all applicable prudential rules.

**e. Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:**

**e.1) An overview of main performance criteria and metrics for institution, business lines and individuals**

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 "Bonus Pool" is measured by means of the so-called "funding curve" against the achievement of the income results set in the budget, and it can decrease or increase, within the limit of predefined thresholds, according to the actual degree of achievement of those results and with a minimum level achieved equal to 75% of the Group's gross profit (excluding the bonus pool). Furthermore, consistently with the principle of financial sustainability, the Bonus Pool budgeted for each Division is then adjusted, as final balance, according to the actual result achieved by the same Division against the budget, in addition to a specific weighting linked to the actual achievement of the result attained by the Group;

- **CONDITION FOR ACCESS** - satisfying the Key Risk Indicators ("KRI"), which are envisaged in the RAF for the reference year, defined as first-level threshold of the TCR and LCR.

Failure to meet even one of the aforementioned parameters will prevent access to the Bonus Pool and consequently no bonus will be allocated.

The fulfilment of the aforesaid Conditions for access is assessed by the Board of Directors, with input from the Remuneration Committee, in accordance with the procedure described in the Policies.

**e.2) An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.**

After verifying the satisfaction of the conditions for access, the bonuses will be calculated on the basis of the results actually achieved relative to each target set in the bonus sheet defined for each member of key personnel in the year considered.

In fact, at the beginning of the year, all beneficiaries of the incentive system are assigned specific quantitative and qualitative "Business" targets linked to their Department and/or Business Line/Division.

The performance appraisal process is carried out yearly as follows: the Bank's employees log onto their personal account on the Banca Sistema HR portal and share the quantitative and qualitative targets for the year with their direct heads.

Each quantitative and qualitative target is assigned a percentage weight, indicating its importance, and includes a precise description of the performance standards in terms of methods, timeframes and content so as to enable the accurate appraisal of the results achieved.

**e.3) Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments.**

Pursuant to Part One, Title IV, Chapter 2, Section I, paragraph 7, of Circular 285, as most recently updated on 24 November 2022 (37th update), in application of the principle of proportionality, Banca Sistema qualifies as

a "smaller and less complex bank" as it recognised, in its separate financial statements, assets of less than € 5 billion (calculated as the average of the four years immediately preceding the current financial year) and does not belong to a group with consolidated assets equal to or greater than € 30 billion.

The Bank indicates 25% of average total remuneration of Italian high earners, as shown in the latest EBA report (published in January 2023) and relating to data processed at the end of 2021, as being a particularly high level of variable remuneration (1).

In 2022, the variable component of remuneration for "key personnel" will be paid as follows upon approval of the financial statements:

- for amounts equal to or lower than € 50,000, 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 these Policies;
- amounts greater than € 50,000 and up to € 435,000 or where the condition referred to in the previous point is not met: or 70% up-front and in cash; or for the remaining 30% deferred in the first and second subsequent year with payment according to the pro-rata criterion equal to 15%;
- for amounts greater than € 435,000: or 60% up-front and in cash; or for the remaining 40% deferred in the first and second subsequent year with payment according to the pro-rata criterion equal to 20%.

(1) Pursuant to Title IV, Chapter 2, Section III, Paragraph 2, no. 4: "Particularly high variable remuneration means the lower of: i) 25 per cent of the average total remuneration of Italian high earners, as indicated in the latest EBA report; and ii) 10 times the average total remuneration of the Bank's employees. The banks' remuneration policies shall indicate the level of variable remuneration that they consider to be particularly high, and they shall update this figure at least once every three years". An examination of the EBA Report on figures for the end of 2021 shows that the amount referred to in point i) above is € 424,260.

***e.4) Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.***

Failure to meet even one of the aforementioned parameters and access criteria ("gates") referred to in point e.1 above will prevent access to the Bonus Pool and consequently no bonus will be allocated.

The fulfilment of the aforesaid Conditions for access is assessed by the Board of Directors, with input from the Remuneration Committee, in accordance with the procedure described in the Policies.

***f. Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance.***

***f.1) An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.***

In 2022, the variable component of remuneration for “key personnel” will be paid as follows upon approval of the financial statements:

- for amounts equal to or lower than € 50,000, 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 these Policies;
- amounts greater than € 50,000 and up to € 435,000 or where the condition referred to in the previous point is not met: or 70% up-front and in cash; or for the remaining 30% deferred in the first and second subsequent year with payment according to the pro-rata criterion equal to 15%;
- for amounts greater than € 435,000: or 60% up-front and in cash; or for the remaining 40% deferred in the first and second subsequent year with payment according to the pro-rata criterion equal to 20%.

***f.2) Information of the institution’s criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).***

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. For the purposes of applying the malus mechanisms, the Bank also considers any conduct by the Bank’s personnel or credit intermediaries that has caused or contributed to causing significant damage to customers or a violation of the provisions contained in Title VI of the Consolidated Law on Banking or the related implementing provisions. In this sense, the deferred portions will be effectively paid subject to verification of compliance with the gates defined by the Remuneration Policy for the year of accrual thereof. In the event of failure to meet the gates, the Board of Directors, subject to the opinion of the Remuneration Committee and the Internal Control and Risk Management Committee, will decide to reduce those portions or cancel them altogether.

Any disciplinary measures applied by the Bank to employees during the deferral period shall be taken into consideration for evaluation purposes, in regard to individual conduct as per this paragraph, 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 the Bank’s Code of Ethics or other codes of 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 Consolidated Law on Banking or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank.

For the purposes of applying the malus mechanisms, the Bank also considers any conduct by the Bank’s personnel or credit intermediaries that has caused or contributed to causing significant damage to customers or a violation of the provisions contained in Title VI of the Consolidated Law on Banking or the related implementing provisions.



Incentives that have already been granted and/or paid to employees are 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 by the Bank or other codes of conduct applicable to the Bank, 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 Consolidated Law on Banking or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank.
- conduct that caused or contributed to causing significant damage to customers.

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

Upon the occurrence of the aforementioned events, following the adoption of a disciplinary measure, the Bank activates the decision-making process aimed at assessing the reductions to be applied, involving the bodies and departments in charge of defining the remuneration for the individual personnel categories.

***f.3) Where applicable, shareholding requirements that may be imposed on key personnel.***

With the 2022 Policies, the deferral will take place only through monetary quotas.

***g. The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR.***

***g.1) Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non-cash instruments, options and other instruments.***

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. 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 Group, Business Division/Department/Subsidiary and personal level.

***h. Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management, in accordance with point (j) of Article 450(1) CRR.***

Reference is made to the tables at the foot of Section II of the Remuneration Report.

***i. Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.***

The Banca Sistema Group does not benefit from the application of the derogation referred to in Article 94(3) of the CRD.

Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			Management Body - supervisory function	Management Body - management function	Other senior management	Other key personnel
1	Fixed Remuneration	Number of key personnel members	11	1	12	18
2		Total fixed remuneration	655.411	919.000	2.010.101	2.137.690
3		Of which: cash-based	655.411	874.000	1.885.001	1.999.090
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	45.000	125.100	138.600
8		(Not applicable in the EU)				
9	Variable remuneration	Number of key personnel members	8	1	12	18
10		Total variable remuneration	98.500	675.078	435.264	254.773
11		Of which: cash-based	98.500	675.078	435.264	254.773
12		Of which: deferred	-	270.031	81.893	0
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		753.911	1.594.078	2.445.365	2.392.463

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Annex XXXIII

Template EU REM2: special payments to staff whose professional activities have a material impact on institutions' risk profile (key personnel)

		a	b	c	d
		Management Body - supervisory function	Management Body - management function	Other senior management	Other key personnel
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of key personnel members	0	0	0	0
2	Guaranteed variable remuneration awards - Total amount	0	0	0	0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of key personnel members	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of key personnel	0	0	0	0
7	Severance payments awarded during the financial year - Total amount	0	0	0	0
8	of which paid during the financial year				
9	of which deferred				
10	of which severance payments paid during the financial year, that are not taken into				
11	of which highest payment that has been awarded to a single person				

Template EU REM3 - deferred remuneration								
	a	b	c	d	e	f	EU - g	EU - h
Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Management Body - supervisory function								
Cash-based								
Shares or equivalent ownership interests								
Share-linked instruments or equivalent non-cash instruments								
Other instruments								
Other forms								
Management Body - management function	981.251	376.400	604.851	-	-	-	231.776	286.064
Cash-based	235.501	90.336	145.165	-	-	-	90.336	-
Shares or equivalent ownership interests	745.750	286.064	459.686	-	-	-	141.440	286.064
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other senior management	366.300	124.500	241.800	-	-	-	77.250	62.250
Cash-based	183.150	62.250	120.900	-	-	-	62.250	-
Shares or equivalent ownership interests	183.150	62.250	120.900	-	-	-	15.000	62.250,00
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other key personnel	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total Amount	1.347.551	500.900	846.651	-	-	-	-	-

#### Template EU REM4 - Remuneration of 1 million EUR or more per year

		a
€		Key personnel that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	1
2	1,500,000 to below 2,000,000	
3	2,000,000 to below 2,500,000	
4	2,500,000 to below 3,000,000	
5	3,000,000 to below 3,500,000	
6	3,500,000 to below 4,000,000	
7	4,000,000 to below 4,500,000	
8	4,500,000 to below 5,000,000	
9	5,000,000 to below 6,000,000	
10	6,000,000 to below 7,000,000	
11	7,000,000 to below 8,000,000	
x	To be extended as appropriate, if further payment bands are needed	

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		Management body - strategic supervision function	Management body - management function	Total - management body	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
											Total
1	Total number of key personnel members	11	1	12				12	7	11	42
2	Of which: members of the management body	11		11							11
3	Of which: other senior management		1	1				12	-	-	13
4	Of which other key personnel members	-	-	-					7	11	18
5	Total remuneration of key personnel	753.911	1.594.078	2.347.989				2.445.365	978.234	1.414.229	7.185.817
6	Of which variable remuneration	98.500	675.078	773.578				435.264	97.594	157.178	1.463.614
7	Of which: fixed remuneration	655.411	919.000	1.574.411				2.010.101	880.640	1.257.051	5.722.203