

BANCA SISTEMA S.P.A.

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

Tax code and Milan Companies' Register No. 12870770158 – ABI code
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www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL
AT THE REGISTERED OFFICE OF THE COMPANY AT LARGO AUGUSTO 1/A ANGOLO VIA
VERZIERE 13, MILAN ON 30 APRIL 2021, 10:00 A.M.**

**BOARD OF DIRECTORS' EXPLANATORY REPORT ON ITEM 4) ON
THE AGENDA**

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

- 4. APPOINTMENT OF THE BOARD OF DIRECTORS AFTER DETERMINING THE
NUMBER OF MEMBERS. RELATING AND RESULTING RESOLUTIONS:**
- 4.1 DETERMINATION OF THE NUMBER OF DIRECTORS.**
 - 4.2 APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS.**
 - 4.3 DETERMINATION OF THE TERM OF OFFICE.**
 - 4.4 APPOINTMENT OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS.**

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The term of office of the Board of Directors of Banca Sistema S.p.A. (the "Company") ends on the date of the Shareholders' Meeting called to approve the 2020 financial statements; the Board of Directors was appointed by the Shareholders' Meeting on 23 April 2018 and later integrated, pursuant to Art. 2386 of the Italian Civil Code, at the Shareholders' Meeting of 18 April 2019.

We therefore invite you to pass resolution, in compliance with applicable laws and provisions of the Articles of Association, to determine the number of Directors, appoint the members of the Board of Directors, determine the term of office of the Board of Directors and appoint the Chairperson of the Board of Directors.

4.1 Determination of the number of members of the Board of Directors

It should be noted that pursuant to the provisions of article 10.1 of the Articles of Association, the Company is managed by a Board of Directors appointed by the Shareholders' Meeting, with at least 7 but no more than 11 members.

After completing the Self-Assessment Process, in the document on the Optimal qualitative and quantitative composition of the Board of Directors, published on Banca SISTEMA's website on 23 February 2021, the Board of Directors deemed that the current 9 (nine) members of the Board of Directors that is about to go out of office, is sufficient to ensure a correct balance of the expertise and experience necessary given the complex nature of the Bank's business, also making it possible to appoint Committees without excessive overlapping of the members' duties.

Given the above, the following proposed resolution is hereby submitted for your approval: *The Shareholders' Meeting of Banca Sistema S.p.A.:*

- i) having examined the Board of Director's report;*
- ii) taking into account the provisions of article 10.1. of the Articles of Association regarding the number of members of the Board of Directors;*
- iii) given the instructions provided by the document on the Optimal qualitative and quantitative Composition of the Board of Directors;*

resolves

that the Board of Directors shall have 9 (nine) members".

4.2 Appointment of the members of the Board of Directors

It should be noted that, pursuant to the provisions of articles 10.2 and 10.3 of the Articles of Association, the members of the Board of Directors will be appointed on the basis of lists presented by the shareholders.

The Articles of Association provides that the members of the Board of Directors are elected using the list system in which at least three but no more than eleven candidates should be listed, with a consecutive number. The candidate at sequential number "1" of each list shall also be the candidate appointed as Chairperson of the Board of Directors.

To assist the presentation of “minority lists” for the appointment of the Board of Directors, lists with less than the minimum of three directors provided by article 10.2, paragraph 2 of Banca SISTEMA’s Articles of Association will be accepted, above all in order to apply in a consistent manner the provisions of points a), b) and c) of article 10.2 of the Articles of Association, that allocate less than three Directors to the so-called “Minority list”.

Any shareholder, as well as shareholders belonging to the same group, parties to a shareholders’ agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the entity controlling it, the entity by which it is controlled and the entity subject to joint control pursuant to article 93 of Legislative Decree no. 58 dated 24 February 1998, may not present or be involved in the presentation, either by proxy or trust company, of more than one list and may not vote on lists other than the one presented. Participating, either directly or indirectly, in the indication of applicants present in more than one list shall imply that these lists shall be deemed to have not been submitted.

For the purposes of the preceding subsection paragraph, entities, even those without a corporate status, which exercise direct or indirect control pursuant to article 93 of Legislative Decree no. 58 of 24 February 1998 over the shareholder in question and all the companies controlled directly or indirectly by those entities are deemed to belong to the same group.

Each candidate may appear in one list, under pain of ineligibility.

Only shareholders with voting rights who, separately or together with other shareholders, hold shares representing at least a percentage of 4.5% of the share capital, shall have the right to present lists.

The lists must be filed at the company’s registered office at least 25 (twenty-five) days prior to the date of the Shareholders’ Meeting called to pass resolution on the appointment of the management body and made available to the public at the registered office, the management company, on the Company’s website and in any other manner provided by applicable legal and regulatory provisions at least 21 (twenty-one) days prior to the date set for the Shareholders’ Meeting on single or first call. The lists indicate which directors are in possession of the requirements of independence stipulated by law and these Articles of Association. Lists containing three or more candidates must include a number of candidates from the least represented gender that ensures respect of the gender balance to the minimum extent required by the legislation and regulations in force at the time.

The holding of the minimum share necessary to submit lists under this paragraph is determined having regard to the shares which are registered to the shareholder on the day in which these lists are filed at the company’s registered office. In order to prove ownership of the number of shares required to submit lists, shareholders putting forward lists have to submit or send to the registered office a copy of the appropriate certificate issued by a legally authorised intermediary proving ownership of the number of shares required for the submission of the list issued at least twenty-one days before the Shareholders’ Meeting called to approve the appointment of the members of the Board of Directors.

Each list submitted must include: a) information regarding the identity of the shareholders who present the list and the percentage of shares held by each of these; b) the declarations in which each candidate accepts the nomination (candidates positioned at consecutive number “1” on each list also accept the nomination for the position of Chairperson of the Board of Directors) and declare, under their own responsibility that there is no cause which makes them ineligible or incompatible for the position, and that the requirements of professionalism and integrity and any other requirement stipulated under current laws and these Articles of Association for the position are met; c) the declarations of independence issued pursuant to the applicable laws, regulations and these Articles of

Association; and d) the CV of each candidate, containing detailed information of the individual's personal and professional characteristics, indicating the management and control positions covered.

Any list that does not meet the above requirements shall be deemed not to have been filed.

Each shareholder has the right to vote for one list. Where a vote is made for several lists, the vote shall be deemed as not having been cast for any of them.

The election of the Board of Directors shall take place as follows:

- a) without prejudice to the provisions of subparagraph c) hereunder, all the directors to appoint, less one, shall be taken from the list that obtains the majority of votes (majority list), in the consecutive order they are listed on that same list, and pursuant to article 10.3 of the Articles of Association on the minimum number of directors who meet the independence requirements; the candidate at consecutive number "1" is appointed Chairperson of the company's Board of Directors;
- b) without prejudice to the provisions of subparagraph c), the last member of the Board of Directors is drawn from the minority list that receives the highest number of votes after the list referred to in subparagraph a), which is not connected in any way, even indirectly, with that list and/or with the shareholders who submitted or voted for the majority list, on the basis of the sequential order of that list. Such member shall however meet the independence requirements pursuant to article 10.3 of the Articles of Association. For this purpose, however, lists that do not obtain a percentage of votes equal to at least half of that required for the submission of lists shall not be taken into account;
- c) in cases where the minority list that receives the highest number of votes after the list referred to in subparagraph a) above, which is not connected in any way, even indirectly, with that list and/or with the shareholders who submitted or voted for the majority list, is submitted by one or more shareholders with voting rights who, separately or together with other shareholders, represent at least twice the percentage of the share capital established by the applicable legislation in force at the time for the submission of lists of candidates for the election of the Board of Directors, two directors shall be drawn from that list in the sequential order in which they are listed on that same list. In this case, the number of directors to be drawn from the majority list will be consequently reduced by one.

The directors must meet the requirements of professionalism and integrity and any other requirement under the regulations in force and these Articles of Association. In addition, a number of directors not less than that required by the regulations in force, with rounding up to the nearest whole in the case of a fractional number, must meet the independence requirements established in regulations in force from time to time, as well as the Code of Conduct to which the company adheres.

The loss of the requirements for the position will entail dismissal. However, the loss of the above independence requirements in relation to a director, notwithstanding the obligation to immediately notify the Board of Directors, shall not lead to dismissal if the requirements are still met by the remaining minimum number of directors pursuant to regulations in force and these Articles of Association.

If the candidates elected in the manner described above do not ensure the appointment of a number of directors who meet the independence requirements provided above equal to the minimum number established by law and these Articles of Association in relation to the total number of directors, the non-independent candidate elected last in sequential order in the majority list, shall be replaced by the first independent candidate in sequential order not elected of the same list, or, failing this, by the first independent candidate in sequential order not elected of the minority list. This replacement procedure will be followed until the number of independent directors to be appointed is reached. Should this replacement procedure fail to give the result indicated above, replacement will be carried out by a

resolution of the Shareholders' Meeting adopted by a relative majority, subject to the submission of candidates in possession of the above-mentioned requirements.

Without prejudice to compliance with the minimum number of directors in possession of the independence requirements as stipulated above, where the candidates elected in the manner indicated above in the composition of the Board of Directors do not ensure compliance with the provisions of the Articles of Association in relation to gender equality, the candidate of the most represented gender elected last in sequential order in the majority list, shall be replaced by the first candidate of the least represented gender in sequential order not elected from the same list, or, failing this, by the first candidate of the least represented gender in sequential order not elected from the minority list. This replacement procedure will be carried out until the Board of Directors is compliant with the provisions of the Articles of Association in respect of gender equality.

In the event of there being only one list that is presented and allowed, all the candidates on this list shall be elected, but ensuring the nomination of directors in possession of the independence requirements at least in the overall number required under current laws and Articles of Association, and also in compliance with the provisions of the Articles of Association on gender equality. Where no list is submitted or allowed, the Shareholders' Meeting shall resolve according to the legal majority without following the procedure referred to above. This is notwithstanding, however, different and other provisions provided under mandatory and statutory laws. In any event, there shall be compliance with the minimum number of independent directors and with the provisions of the Articles of Association on gender equality. For the appointment of directors who for whatever reason are not nominated pursuant to the procedures given above, the Shareholders' Meeting shall resolve by legal majority voting so as to ensure that the composition of the Board of Directors is compliant with the law and these Articles of Association, and also complies with the provisions of the Articles of Association in respect of gender equality.

Finally, it should be noted that in accordance with the Supervisory Provisions for Banks (Circular no. 285 of 17 December 2013) relating to the composition of boards, the Board of Directors has already assessed the qualitative and quantitative composition of the members of the board and considers it to be the optimal composition to attain the objectives specified by the above provisions and the theoretical profile (including characteristics of professionalism and independence if necessary) of the candidates considered to be eligible. For this purpose, please refer to the document issued by Banca Sistema on the question of the optimal qualitative and quantitative composition approved by the Board of Directors on 10 February 2021 published on the company's website (<https://bancasistema.it/documenti-societari>).

4.3 Determination of the term of office

It should be noted that article 10.4 of the Articles of Association provides that the members of the management body shall remain in office for three financial years (with the term of office thereof ending on the date of the Shareholders' Meeting called to approve the financial statements of the last year they are in office) or for any briefer period that may be established by the Shareholders' Meeting when they are appointed. Directors may be re-elected".

Given the above, the Board of Directors proposes that the current term of office of the Directors of 3 (three) financial years be confirmed. This term is considered to be sufficient to justify the initial time and effort the new Directors will need to put into learning about the company and the industry in which the Group works.

4.4. Appointment of the Chairperson of the Board of Directors

It should be noted that pursuant to article 10.6 of the Articles of Association, the Chairperson of the Board of Directors is appointed by the Shareholders' Meeting as established by article 10.2 paragraph 11, subparagraph a).

Where no lists are presented and allowed, the Chairperson of the Board of Directors is appointed by the Shareholders' Meeting pursuant to the legal majority and procedures.

For this purpose, expressly referring to the personal and professional requirements and characteristics of the Chairperson of the Board of Directors, as specified by the document describing the optimal qualitative and quantitative composition of the Board of Directors, published on Banca Sistema's website on 23 February 2021, it should be noted that pursuant to Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020, the Chairperson of the Board of Directors shall be selected from candidates who have covered the following positions, for at least five years, even alternatively:

- a) administrative, control or management positions in the credit, financial, securities or insurance sector;
- b) administrative, control or management positions or responsibilities in listed companies or in companies of a similar or larger size and complexity (in terms of turnover, nature and organisational/business complexity) to/than that of the Bank,

or

- c) professional activities in fields relating to the credit, financial, securities or insurance sector, or in other fields pertaining to the Bank's business; The professional activities must be of an appropriately complex nature also with regard to the recipients of the services provided, and must be carried out on a continuous, significant basis in the aforementioned sectors;
- d) university lecturing as a first or second-level academic, in the field of law, economics or other subject area pertaining to the activities of the credit, financial, securities or insurance sector;
- e) management, executive or senior management functions, at public entities or public administrations, pertaining to the credit, financial, securities or insurance sector, provided that the entity or authority for whom the person in question worked is of a comparable size and complexity to that of the Bank.

For the purposes of compliance with the previously-mentioned requirements, account shall be taken of experience gained in the twenty years prior to the appointment.

Experience gained in several functions during the same period shall only be counted for the period in question, and shall not be calculated on a cumulative basis.

The 2020 Self-Assessment Process carried out by the Board of Directors, whose objectives included that of establishing the optimal qualitative and quantitative composition of the Board of Directors, moreover confirmed that the Chairperson of the Board should:

- I. be a person with the personal authority and prestige required to ensure that during the course of his/her term of office, the Board of Directors functions in a correct and transparent manner, and to represent a guarantee for Shareholders;
- II. possess the personal characteristics required to create a strong team spirit and sense of cohesion among the members of the Board;

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- III. be suitably knowledgeable about corporate governance, having previously gained significant experience in the field - and preferably at the head - of boards of directors of suitably complex and large companies, and having displayed a strong awareness of questions of governance in the performance of said offices;
- IV. possess experience in managing matters of strategic importance, and also specific questions of business, within the context of the Board of Directors; (v) possess expertise in the economic-financial and legal fields, and if possible also basic technical knowledge of the banking sector;
- V. possess an appropriate international culture together with knowledge of foreign languages, in particular English.

Decree of the Ministry of Economy and Finance no. 169 of 23 November 2020 moreover requires that even any experience accrued in the coordination or management of human resources should be taken into account, in order to ensure that the Chairperson efficiently performs its duty of coordinating and managing the Board of Directors and ensuring the proper functioning thereof, above all in terms of the disclosure of information, the effectiveness of discussions and encouraging dialogue, and the suitable composition of the Board as a whole. This assessment may be omitted if the candidate meets the professional requirements described above, when such expertise comes from experience spanning a period of at least 10 years (accrued in the last 13).

* * *

Dear Shareholders,

in consideration of the foregoing, we invite you to proceed with the determination of the number of Directors, the appointment of the number of Directors, the appointment of the members of the Board of Directors, the determination of the term of office and the appointment of the Chairperson of the Board of Directors, in accordance with the above provisions of the Articles of Association, taking into account the provisions of the document issued by Banca Sistema on the optimal qualitative and quantitative composition of the Board of Directors of February 2021.

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Milan, 19 March 2021

For the Board of Directors Mr.
Luitgard Spögler, Lawyer
Chairperson of the Board of Directors