

ASSESSMENT BY THE COMPLIANCE AND ANTI-MONEY LAUNDERING DEPARTMENT OF THE 2022 REMUNERATION POLICIES OF THE BANCA SISTEMA GROUP

The Compliance and Anti-Money Laundering Department (hereinafter, “**Department**”) is called upon to provide an assessment of the remuneration policies of the Banca Sistema Group (“**Group**”) for the year 2022 (hereinafter, “**2022 Policies**”).

In accordance with the provisions governing remuneration and incentive policies and practices, as per Part I, Title IV, Chapter 2, Section II, Paragraph 3, of Bank of Italy Circular no. 285 of 17 December 2013 (hereinafter, “**Circular 285**”), this Department is asked to verify *“that the Bank’s bonus system is consistent with the objective of ensuring compliance with regulations, the Articles of Association and any codes of ethics or other standards of conduct that apply to the Bank, so as to ensure that legal and reputational risks, in particular those linked to customer relationships, are appropriately contained”*.

Note, furthermore, that pursuant to Part One, Title IV, Chapter 2, Section I, paragraph 7, of Circular 285, as most recently updated on 24 November 2021 (37th update) (hereinafter, “**37th update of Circular 285**”), 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.

Having this Department:

- discussed the matter with the Head of Human Capital, who coordinated the process of defining the 2022 Policies with the assistance of consultants specialised in the sector, specifically, Willis Towers Watson (WTW), which supported the Bank in the drafting of the 2022 Policies and the transposition of the 37th update of Circular 285;
- verified that, in line with the 37th update of Circular 285:
 - “key personnel” have been identified 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. With regard to the financial year 2022, the Bank has decided not to apply the exclusion procedure for any member of personnel identified as “key personnel”;

- new payout schemes have been adopted, connected to the concept of principle of proportionality arising from the regulatory changes introduced by the 37th update of Circular 285;
- a specific section has been added with regard to gender neutrality. During 2022 the Bank will develop an analysis and monitoring system based on a granular analysis model of remuneration data in relation to the role held, that takes into account the relevant specific professional skills. Therefore, there is currently no clear and comprehensive information available to the Shareholders' Meeting as to how the remuneration policy ensures gender neutrality;
- a process to strengthen environmental, social and governance (ESG) factors has been provided for in the annual performance management process and sustainable finance objectives have been set for the Chief Executive Officer and other "key personnel";
- verified that the 2022 Policies comply with the Code of Ethics approved by the Board of Directors of Banca Sistema S.p.A (hereinafter, the "**Bank**") on 31 July 2013 and most recently updated on 18 March 2022, as well as with the applicable regulations, in particular, Circular 285, the new Corporate Governance Code approved by the Corporate Governance Committee in January 2020 and the relevant provisions of Legislative Decree no. 58/98 (Consolidated Law on Finance), and subsequent updates and implementing provisions issued by Consob, as well as the provisions of Legislative Decree no. 385/93 (Consolidated Law on Banking), taking also into account the guidelines issued by the European Banking Authority on sound remuneration policies;
- verified that the 2022 Policies comply with the Bank of Italy Provisions on "Transparency of banking and financial transactions and services - Correctness of relations between intermediaries and customers" which establish specific principles with reference to remuneration policies and practices for personnel and third parties in the sales network (hereinafter, "**Transparency Provisions**");
- acknowledged that the annual update of the document implementing the 2022 Policies will be submitted to the Board of Directors and will contain more detailed provisions on the remuneration criteria adopted for personnel who offer products to customers, interacting with the latter, personnel they report to hierarchically, credit intermediaries, personnel in charge of assessing creditworthiness and personnel responsible for handling complaints, in line with the Transparency Provisions;
- verified that 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 Group, in compliance with the applicable law;
- acknowledged that the Bank intends to define an "Internal operational procedure" to cover the following aspects:
 - the adoption, at least for "key personnel", of an individual "target bonus" system that facilitates the process of aggregating the budgeted cost by organisational unit;

- consequently, the adoption of a Bonus pool definition process that combines the current top-down approach with a bottom-up approach, based therefore on the aggregation, at the level of the relevant organisational units, of the potential costs at individual level (target bonus);
 - the adoption of a bonus pool funding curve, which changes the bonus pool according to the degree to which a profitability parameter is actually satisfied at consolidated level;
 - linking the budgeted division-based bonus pools actually available to the performance of the organisational unit concerned;
 - detailed description in the procedure of the decision-making process for defining the bonus pool (budgeting) and for the activation/ex-post adjustment of the bonus pool (final calculation);
- verified that the 2022 Policies take into due account the "Recommendation of the Bank of Italy on dividend distributions and variable remuneration policies of banks" of 27 November 2021 which, despite revoking, effective as of 1 October 2021, the previous recommendation on the matter of 16 December 2020, invites banks to continue to adopt a prudent and far-sighted approach to their remuneration policies.

Now therefore,

this Department considers the 2022 Policies - including the abovementioned documents and activities which the Bank intends to define during the course of the year - to be consistent with the objective of ensuring compliance with regulations and the Bank's Articles of Association and Code of Ethics.

Milan, 17 March 2022

COMPLIANCE AND ANTI-MONEY LAUNDERING DEPARTMENT