

BANCA SISTEMA S.P.A.

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

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

Largo Augusto 1/A, angolo Via Verziere 13, 20122 Milan

www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL
AT THE REGISTERED OFFICE AT LARGO AUGUSTO 1/A, ANGOLO VIA VERZIERE 13, MILAN
24 APRIL 2024, 10.00 A.M.**

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

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

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"3. APPOINTMENT OF THE BOARD OF DIRECTORS AFTER DETERMINING THE NUMBER OF MEMBERS. RELATED AND CONSEQUENT RESOLUTIONS:

- 1. RESOLUTION TO DETERMINE THE NUMBER OF DIRECTORS.**
- 2. APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS.**
- 3. RESOLUTION TO DETERMINE THEIR TERM OF OFFICE.**
- 4. APPOINTMENT OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS."**

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

with the Shareholders' Meeting called to approve the financial statements for the 2023 financial year, the term of office of the Board of Directors of Banca Sistema S.p.A. (the "Company"), appointed by the Shareholders' Meeting on 30 April 2021 for the three-year period 2021-2023, expires.

You are therefore called upon to resolve, pursuant to Article 10 of the Articles of Association, on the appointment of a new Board of Directors, after determining the number of members, the term of office of the Board of Directors and the appointment of the Chairperson of the Board of Directors.

3.1 Determination of the number of Directors

It should be recalled that, pursuant to Article 10.1 of the Articles of Association, the Company is managed by a Board of Directors appointed by the Shareholders' Meeting and composed of a minimum of 7 (seven) and a maximum of 11 (eleven) members.

It is noted that the Board of Directors, upon completion of the Self-Assessment Process, in the document on the Optimum qualitative and quantitative composition of the Board of Directors, found that the current number, equal to 9 (nine), of the expiring members of the Board of Directors is appropriate to ensuring the due balance of expertise and experience required by the complex nature of the Company's business, and to permitting the constitution of Committees without any excessive overlapping of the corresponding members.

To this end, please refer to the document on the Optimum qualitative and quantitative composition of the Board of Directors, approved by the Board of Directors on 22 November 2023, published on the company's website (www.bancasistema.it, in the Investors/ Governance/ Shareholders' Meeting/ 2024/ 24 April 2024 section).

In light of the above, the shareholders are invited to put forward a proposal on the determination of the number of members of the Board of Directors.

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3.2 Appointment of the members of the Board of Directors.

It should be recalled that, in accordance with the requirements of Articles 10.2 and 10.3 of the Articles of Association, the appointment of the members of the Board of Directors will be on the basis of lists submitted by shareholders.

It should be noted that the Articles of Association provide that the members of the Board of Directors are elected using the list system in which a minimum of 3 (three) and a maximum of 11 (eleven) candidates must be slated in sequential order. The candidate at sequential number "1" of each list shall also be the candidate appointed as Chairperson of the Board of Directors.

However, in order to facilitate submission of "minority lists" for the appointment of the Board of Directors, it should be noted that slates of candidates with fewer Directors than the minimum of 3 (three), as envisaged under Article 10.2, paragraph 2, of the Articles of Association of the Company, will also be allowed, including in order to consistently apply letters a), b) and c) of Article 10.2 of the Articles of Association, which in any case earmark fewer than 3 (three) directors for the so-called "minority list".

Every Shareholder, or the Shareholders belonging to the same group, parties to the same shareholders' agreement pursuant to Article 122 of Legislative Decree no. 58 of 24 February 1998 (the Consolidated Law on Finance), the entity controlling it, the entity by which it is controlled and the entity subject to joint control pursuant to Article 93 of the Consolidated Law on Finance, may not submit or be involved in the submission, either through a third party or a trust company, of more than one list and may not vote for different lists to the one submitted. 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 applying the preceding paragraph, entities, even those without a corporate status, which exercise direct or indirect control pursuant to Article 93 of the Consolidated Law on Finance over the shareholder in question and all the companies directly or indirectly controlled by such entities are deemed to belong to the same group.

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

Only those shareholders with voting rights who, separately or together with other shareholders, are holders of shares representing at least a percentage equal to 4.5% of the share capital are entitled to submit slates of candidates.

The slates must be filed, at the company's registered office, at least 25 (twenty-five) days prior to the date planned for the Shareholders' Meeting called to resolve on the appointment of the management body and be made available to the public at the registered office, at the stock exchange operator, on the Company's website and with the other methods laid down by the applicable statutory and regulatory provisions at least 21 (twenty-one) days before 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 3 (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.

The following must be filed with each slate:

- a) information regarding the identity of the shareholders who submitted the slate and the total percentage interest held by those shareholders;
- b) the declarations in which each candidate accepts the nomination (candidates positioned at sequential 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 for ineligibility or incompatibility, and that the requirements of professionalism and integrity and any other requirement stipulated under current laws and these Articles of Association for undertaking the position are met;
- c) declarations of independence issued pursuant to the applicable legal and regulatory provisions and the Articles of Association; as well as
- d) the curriculum vitae of each candidate, containing extensive information on the candidate's personal and professional characteristics, indicating the management and control positions held;

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

A slate containing a number of candidates over and above one half of the members to be elected, must provide due information, in the documents submitted for filing purposes, on the list's correspondence to the orientation expressed by the management body, also in terms of the principles of diversity.

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) below, all directors to be appointed, less 1 (one), are drawn from the slate that obtains the majority of votes (majority list), in the sequential order in which they are listed on that same slate, and in accordance with the provisions of Article 10.3 of the Articles of Association on the minimum number of directors in possession of the independence requirements; the candidate positioned at sequential number "1" is appointed Chairperson of the company's Board of Directors;

b) without prejudice to the provisions of subparagraph c) below, the last member of the Board of Directors is drawn from the list that obtains the highest number of votes after the slate referred to in subparagraph a) (minority list), 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, according to the order foreseen therein. That candidate must be in possession of the independence requirements pursuant to Article 10.3 of the Articles of Association. To this end, however, slates that did 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 is submitted by one or more shareholders with voting rights who, separately or together with other shareholders, represent at least twice the percentage of share capital established by applicable legislation in force at the time for the submission of slates of candidates for the election of the Board of Directors, 2 (two) directors shall be drawn from such list in the sequential order in which they are slated on that list. In this case, the number of directors drawn from the majority list will consequently be reduced by 1 (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 number in case of a fractional number, must meet the independence requirements established in regulations in force from time to time, as well as the Corporate Governance Code for listed companies 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 for 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, will be replaced by the first independent candidate in sequential order not elected from the same list, or, failing that, by the first independent candidate in sequential order not elected from 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 that there is only one list submitted and allowed, all the candidates on such 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 law and the Articles of Association, and also in compliance with the provisions of the Articles of Association on gender equality.

If no list is submitted or allowed, the Shareholders' Meeting shall pass resolutions with the majorities prescribed by law 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 requirements of the Supervisory Provisions for banks (Circular no. 285 of 17 December 2013) on the composition of corporate bodies, the Board of Directors has already stated its assessments on its own qualitative and quantitative composition as deemed optimal in relation to the objectives indicated in the above provisions and the theoretical profile (including the professionalism and possible independence) of the candidates considered opportune for this purpose.

To this end, please refer to the document on the Optimal qualitative and quantitative composition of the Board of Directors, approved by the Board of Directors on 22 November 2023, published on the company's website (www.bancasistema.it, in the Investors/ Governance/ Shareholders' Meeting/ 2024/ 24 April 2024 section).

Shareholders, in light of the above, you are kindly invited to put forward a proposal on the appointment of the members of the Board of Directors, in line with the indications provided by the outgoing Board and set out in the document on the Optimal qualitative and quantitative composition of the Board of Directors, expressing your preference for one of the lists submitted by the authorised parties in compliance with the above indications given in the Articles of Association.

3.3 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 (their office shall end on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their office) or for any shorter period which may be established by the Shareholders' Meeting at the time of appointment. Directors may be re-elected".

In view of the above, the Board of Directors proposes to confirm the current term of office of the Directors, for no. 3 (three) financial years. This period is considered appropriate in order to ensure the new Directors have a sufficient time frame to justify the initial investment of time and energy required in order to acquire adequate knowledge of the company and the industry in which the Group operates.

Shareholders, in light of the above, you are kindly invited to put forward a proposal on the determination of the term of office of the Board of Directors, in line with the term of office of the outgoing Board of Directors.

3.4 Appointment of the Chairperson of the Board of Directors.

It should be noted that, pursuant to the provisions of Article 10.6 of the Articles of Association, the Chairperson of the Board of Directors is appointed by the Shareholders' Meeting as established in Article 10.2, subsection eleven, letter a).

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

To this end, referring specifically to the indications on the personal and professional requirements and characteristics of the Chairperson of the Board of Directors, as described in the document on the Optimal qualitative and quantitative composition of the Board of Directors, it should be noted that, pursuant to Decree no. 169 of the Italian Ministry of the Economy and Finance of 23 November 2020, (MEF Decree), the Chairperson of the Board of Directors must be chosen from amongst candidates who have held or carried out, for at least five years, including alternatively:

- a) administrative, control or management positions in the credit, financial, securities or insurance sector;
- b) administrative, control or management positions 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 Company, or

c) professional activities in fields relating to the credit, financial, securities or insurance sector, or in other fields pertaining to the Company'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, however they are described, 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 Company.

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.

It should be noted that, as emerges from the document on the Optimal qualitative and quantitative composition of the Board of Directors, the Chairperson of the Board of Directors 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;
- iii. possess organisational and effective management skills of the meetings and agenda of the Board of Directors, such as to allow efficient conduct of the debate and, more generally, of the Board's work;
- iv. 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;
- v. have experience in and be used to managing issues of strategic importance, as well as specific business ones, within the Board of Directors;
- vi. possess skills in the economic, financial and legal fields, and possibly basic technical knowledge in the banking sector;
- vii. possess an appropriate international culture together with knowledge of foreign languages, in particular English.

Moreover, the MEF Decree requires, among other things, that any experience gained in coordinating, directing or managing human resources be assessed, in order to ensure the effective performance of the Chair's role in coordinating and directing the Board of Director's work, and in promoting its proper functioning, including in terms of the disclosure of information, the effectiveness of meetings and the stimulation of internal discussions, together with the suitable composition of the Board. This assessment may be omitted if the candidate is in possession of the requirements of professionalism mentioned above when they have been acquired for a period of at least 10 years (acquired over the last 13).

It should be noted that the relevant text of the resolutions of the Shareholders' meeting will reflect the results of the voting mentioned under point 3.2 (Appointment of the members of the Board of Directors), attributing the Chair to the first candidate on the list that has obtained the largest number of votes.

Dear Shareholders,

the Board of Directors therefore invites you to pass the appropriate resolutions regarding the appointment of the Board of Directors, and in particular:

1. determination of the number of members of the Board of Directors;
2. appointment of the members of the Board of Directors;
3. determination of the term of office of the Board of Directors;
4. appointment of the Chairperson of the Board of Directors;

in compliance with the regulatory provisions and the Articles of Association referred to hereinabove, and taking into account the provisions laid down in the document on the Optimal qualitative and quantitative composition of the Board of Directors, approved by the Board of Directors on 22 November 2023, published on the company's website (www.bancasistema.it, in the Investors/ Governance/ Shareholders' Meeting/ 2024/ 24 April 2024 section).

Milan, 14 March 2024

On behalf of the Board of Directors

Ms. Luitgard Spögler

Chairperson of the Board of Directors