

**2019 Remuneration Policies Document of the  
Banca Sistema Group**

**Document approved by the Board of Directors meeting  
of 1 March 2019**

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### 1. INTRODUCTION

This document (the “**Remuneration Policy Document**” or “**Policies**”) was drawn up in accordance with Part One, Section IV, Chapter 2 of the 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 promoted and amended by Borsa Italiana S.p.A. and adopted by the Corporate Governance Committee in March 2006 (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 are further supplemented by the Regulatory Technical Standards issued by the European Commission on proposal of the EBA.

The Provisions also implement the Directive 2013/36/EU (hereinafter “**CRD IV**”), insofar as the prescriptions governing remuneration and incentive policies and practices adopted by banks and banking groups are concerned. The Provisions also take into account the guidelines and criteria agreed at international level, including those issued by the EBA and the Financial Stability Board (hereinafter “**FSB**”).

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;
- 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.

The Provisions require the parent company of each banking group to prepare a remuneration policy 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 policy by all companies within the group.

This document, drawn up by Banca Sistema S.p.A. (hereinafter “**Banca Sistema**” or the “**Parent Company**”, 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 policy, and for the due implementation of the guidelines issued by the Parent Company.

Pursuant to Part I, Title IV, Chapter 2, Section I, Paragraph 7 of Circular 285, in application of the proportional principle, each bank shall implement the remuneration provisions according to the methods that best reflect the bank’s characteristics and size, and the risk levels and complexity of its business activities.

In particular, for the purposes of Circular 285 banks are divided into the following three categories:

- “*larger and more complex banks*”: those that are deemed to be significant under art. 6(4) of the (EU) Regulation no. 1024/2013 (the Single Supervisory Mechanism - hereinafter “**SSM**”) (1);
- “*smaller and less complex banks*”: banks whose balance sheet assets are equal to or below € 3.5 billion, which are not deemed to be significant under art. 6(4) of the SSM;
- “*medium size banks*”: banks whose balance sheet assets are between € 3.5 and 30 billion and banks which belong to a group whose consolidated balance sheet assets are between € 3.5 and 30 billion, which are not deemed to be significant under art. 6(4) of the SSM.

Banca Sistema, having total assets of less than € 3.5 billion at both separate and consolidated levels, could be considered to be a “smaller bank”. However, in view of its status as a listed company and considering also the EBA guidelines, the Bank has opted to apply the rules relating to “medium-sized” banks under Circular 285, Title IV, Chapter 2.

## 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 expertise and capabilities of its resources.

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;
- to ensure sound and prudent management of the Bank and its risk profile;
- to ensure remuneration fairness, rewarding individual employees for their contribution and the responsibilities given;
- 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.

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(1) According to art. 6(4) of the SSM, “a credit institution or financial holding company or mixed financial holding company shall not be considered less significant, unless justified by particular circumstances to be specified in the methodology, if any of the following conditions is met:

- i) the total value of its assets exceeds € 30 billion;
- ii) the ratio of its total assets to the GDP of the participating Member State of establishment exceeds 20%, unless the total value of its assets is below € 5 billion;
- iii) following notification by the appointed national authority stating that such an institution is of significant importance for the domestic economy, the ECB takes a decision confirming such significance following a comprehensive assessment by the ECB, including a balance-sheet assessment, of that credit institution”.

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 propensity. Furthermore, the Group's remuneration strategy takes account of the cost and level of capital and liquidity required to deal with the business operations undertaken, and it is designed to avoid incentives that are in conflict with the Bank's long-term interests.

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). On the basis of specific agreements, the Bank requires its personnel not to avail themselves of personal coverage 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 company control departments or the Human Resources Department 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 each year by the Human Resources 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.).

### 3. PROCESS OF FORMATION OF REMUNERATION POLICIES

The Policies are defined 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. It also 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. The Board of Directors 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 incentives scheme for those persons within the "key personnel" category (see Paragraph 4 below and Annex 1), as well as for all other Group employees; it also ensures that the Bank's Policies are effectively

implemented and that they are consistent with the Bank's management strategy, corporate culture, risk propensity and the associated governance processes.

The Board ensures that the granting, payment and accrual of variable remuneration, including application of the malus and claw-back rules, do not negatively affect the need to maintain a strong capital base in accordance with the Group's remuneration policies.

Furthermore, the Board 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 information document contains at least the information set out in paragraph 5 of the Policies.

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

- the **Human Resources Department**, which coordinates the Policies definition process and contributes to the drawing up the Policies, providing the required information also in relation to the organisational structure, the remuneration levels and the incentive systems. In particular, the Human Resources Department lends its support to the Compliance Department, ensuring, among other things, that the Policies are consistent with the Bank's personnel management procedures and remuneration and incentives systems;
- 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 propensity and with the risk governance 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 their respective remits, the Risk Department and the Compliance Department are of support in deciding the "bonus pool" (as defined below), the result indicators and the remuneration to be granted and highlight 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 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 Department informs the Board of Directors of any findings in a specific report, in order that due account may be taken of such report by the Board when approving and assessing the Policies;
- the **Internal Audit Department**, which when drawing up and implementing the Policies, in compliance with the Provisions and the Guidelines, conducts an independent review of the personnel remuneration and incentive practices to be approved and implemented in order to assess, at least once a year, the effects these may have on the Bank's risk profile; among other things it assesses, at least yearly, whether the remuneration practices are consistent with the approved Policies and with the current provisions of law;

- the **Central Finance Department**, which verifies the compliance of the Policies with the Bank's medium-long term objectives and strategies, so as to ensure financial sustainability over the medium-long term;
- 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 – jointly with the Head of the Risk Department – evaluates and confirms the level of satisfaction of the corporate access conditions and criteria 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 other employees;
- 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 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 company departments concerned, on the achievement of the performance targets to which the incentive plan is 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

Resources, Legal and Finance Departments), whose resources may be asked to attend the Committee's meetings.

The **Shareholders' Meeting** approves:

- the Policies applicable to Group employees and "key personnel";
- the 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>(2)</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>(3)</sup>.

The Group companies are also given the opportunity 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. 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.

In this regard, 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).

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 significant material impact on the Group's risk profile) takes into account the provisions of Delegated Regulation (EU) no. 604/2014 ("**Regulatory Technical Standards**" or "**RTS**"), 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

<sup>2</sup> Banca Sistema has not entered into any agreement providing for the assignment of amounts in the event of early termination of employment or early exit from office.

<sup>3</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.



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).

## 5. DISCLOSURE REQUIREMENTS

In regard to remuneration policies and practices, the Bank shall meet its disclosure requirements under the Provisions, vis-à-vis both the public and the Bank's corporate bodies and personnel.

In compliance with art. 450 of Regulation (EU) no. 575/2013 (hereinafter "CRR") and in accordance with the Guidelines, the following information regarding "key personnel" is published on the Bank's website:

- information regarding the decision-making process followed to define the Policies;
- information on the link between remuneration and performance;
- the key features of the remuneration system, including the criteria used to assess performance and make risk adjustments, the deferral rules and the assignment criteria;
- the ratios between the fixed and variable components of remuneration;
- the performance assessment criteria underlying the assignment of options, shares and other variable remuneration components;
- information on the total remuneration paid to the Chairperson of the Board of Directors and to the CEO.

The Bank's website also includes information on the method of implementation of the Provisions and on the subject of corporate governance, as per Title IV, Section VII, Chapter I, paragraph 1 of Circular 285.

Information on the Remuneration Policies will be provided in Section I of the Remuneration Report in accordance with Section 123-ter of the Consolidated Law on Finance. The Report will be published in accordance with the methods and timeframes set out in the applicable provisions of law.

## 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:

- 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. 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 Policy 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).

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

### **6.2 Fixed component**

The fixed component of remuneration:

- is paid to all personnel;
- is based on an 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 compared to the rest of the sector, taking also into account any assessments conducted by external consultants appointed by the Parent Company; the Bank adopts two collective bargaining agreements (CCNL): (i) one applicable to Middle Managers and Personnel of Banks, Financial Companies and Associated Companies, and (ii) the other applicable to Senior Managers of Banks, Financial Companies and Associated 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, policy 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 a gross annual profit at consolidated level. The nature of such benefits shall depend on the employee's role and seniority within the company, and they mainly consist in medical insurance, company cars and the Flexible Benefits Plan.

The benefits expected to be granted in 2019 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;
- Flexible Benefits Plan for all Personnel.

Banca Sistema has adopted a Flexible Benefits Plan to support employees and their families in connection with social and cultural activities, public transport and education/schooling costs for their children, and with the purchase of homes, in accordance with the limits and conditions set out in the specific applicable Regulation, and in application of the applicable provisions of tax law.

### 6.4 Variable component

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 Remuneration Policies Document);
- 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 bank and personal level, as per Annex 2 to this Remuneration Policies Document;
- is composed as follows:
  - as regards "key personnel", by a part in cash ("**Cash**") and a part in the Bank's shares ("**Shares**") (see paragraph 6.4.2 below and Annex 3);
  - as regards personnel not classifiable as "key personnel", by cash only (see paragraph 6.4.3 below).

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 subject, on the basis of specific agreements, to ex-post adjustment mechanisms (malus as per point 6.4.2.3 and claw-back as per point 6.4.2.4 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.

#### 6.4.1 The Bonus Pool

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. The Bonus Pool, both the granted one and the one actually paid, is sustainable in terms of the Bank's financial situation, and does not limit the Bank's ability to maintain or reach a level of capitalisation in keeping with the risks taken. If it is necessary to increase the level of capital, the Bonus Pool may be reduced and/or ex-post adjustment mechanisms may be applied.

Specifically, the "bonus pool" can only be distributed if the Bank's gross earnings are positive. The "gross earnings" considered in this respect are the consolidated gross earnings of the Group for the year (if necessary adjusted to ensure their comparability with previous years' figures) as represented in the Directors' Report submitted to the Bank's Board of Directors ("**Gross Earnings**").

Furthermore, 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** - distribution of the Bonus shall be subject to the achievement of positive Consolidated Gross Earnings, which is a requirement for distribution of the Bonus Pool.
- **CONDITION FOR ACCESS** - satisfying the Key Risk Indicators ("KRIs"), which are equally weighted and envisaged in the RAF for the reference year, in the three-year period 2017/2019: **Common Equity Tier 1 - CET1 and Liquidity Coverage Ratio - LCR**.

Failure to reach the first-level threshold, as indicated in the RAF, for even just one of the aforementioned 2 KRIs shall result in the Bank not distributing any Bonus.

The achievement of company-level performance targets is assessed by the Board of Directors, with input from the Remuneration Committee, in accordance with the procedures described in the Policies.

The Bonus Pool is calculated as a set percentage (not exceeding 10% of Gross Earnings), when the Bank's annual budget is defined, and is approved each year by the Bank's Board of Directors, together with approval of the budget for the year, upon the proposal of the CEO, following consultation with the CFO, the Manager in charge of financial reporting, the Head of the Risk Department and the Head of the Compliance Department. The CEO's proposal shall be assessed by the Remuneration Committee, which in turn shall submit its opinion to the Board of Directors.

Calculation of the Bonus Pool is also subject to adjustment mechanisms that may result in a reduction, even of a substantial nature, or in the zeroing of the variable remuneration, particularly in the event of much worse results than those established, or of negative results, or if the Bank is not capable of maintaining or recovering a sound capital base. In particular, the Bonus Pool is subject to ex-post adjustment according to the value of the Return on Risk Adjusted Capital ("RORAC") given in the preceding year's RAF, as detailed below:

- should the RORAC achieved the previous year exceed the target as set out in the RAF, the Bonus Pool shall be distributable in the amount of 150% (the RORAC, CET1 and LCR may not fall below this target, as a result of said greater amount);
- if the RORAC value for the period exceeds the first level threshold specified in the RAF, 100% of the Bonus Pool is distributed;
- if the RORAC value for the period is between the first and second level threshold, 80% of the Bonus Pool is distributed;
- if the RORAC value is below the second level threshold specified in the RAF, the Bank's Board of Directors shall decide not to pay the Bonuses.

If the Bonus Pool is reduced in accordance with the foregoing criteria, the individual Bonuses, calculated on the basis of individual performance as set out in Annex 2 - Performance Indicators, shall be reduced proportionately for all beneficiaries.

### **6.4.2 Rules governing the Bonus payable to “key personnel”**

As indicated in the Introduction, Banca Sistema, having total assets of less than € 3.5 billion at both separate and consolidated levels, could be considered to be a “smaller bank”. However, in virtue of its status as a listed company, and of the EBA guidelines, the Bank has opted to apply the rules relating to “medium-sized” banks under Circular 285, Title IV, Chapter 2.

As a medium-sized bank, therefore, and in accordance with the principle of proportionality, it shall apply the provisions relating to key personnel subject to percentages and to deferral and retention periods that may be reduced to less than half of those set out in the applicable legislation, but in doing so it shall weigh up a prudential 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, that are thus extended to all Key Personnel.

The Bank also indicates 25% of average total remuneration of Italian high earners, as indicated in the latest EBA report published for 2019, as being a particularly high level of variable remuneration <sup>(4)</sup>.

In 2019, 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 € 30,000, 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;
- for amounts greater than € 30,000 and up to € 435,000, 70% of the variable remuneration shall be paid up-front (50% in cash and 50% in shares of the Bank), and the remaining 30% (50% in cash and 50% in shares of the Bank) shall be deferred and paid at the end of the three-year deferral period;
- for amounts greater than € 435,000, 60% of the variable remuneration shall be paid up-front (50% in cash and 50% in shares of the Bank) and the remaining 40% (24% in cash and 76% in shares of the Bank) shall be deferred and paid at the end of the three-year deferral period.

The aforesaid limits and parameters are established by the Bank, even though, in accordance with the principles of proportionality set out in Paragraph 7 of Circular 285, Title IV, Chapter 2 - General provisions, governing medium-sized banks, more flexible, less complex terms and proportions may be established in regard to the deferral and balancing of shares and cash.

Please see Annex 3 “Bonus Payment Regulation”, and insofar as it applies, the Information Document published in the ‘Governance’ section of the website [www.bancasistema.it](http://www.bancasistema.it), regarding the calculation of the Bank shares to be assigned and the applicable provisions.

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<sup>4</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 2016 shows that the amount referred to in point i) above is € 435,000.

### 6.4.2.1 Deferral

The overall timeline of deferral is 3 (three) years, in that a deferred portion of the Bonuses will be paid in the three-year period 2020/2022 in accordance with Annex 3 of the Policies, and it is established by adopting a prudential alignment principle also in relation to the provisions of the Corporate Governance Code regarding longer deferral for members of the Board of Directors and for key management personnel.

### 6.4.2.2 Retention

The retention period (holding period during which shares cannot be transferred) for the assigned shares is set - prudentially and adopting the more stringent criteria previously referred to in relation to the provisions of the Corporate Governance Code, for members of the Board of Directors and key management personnel - at 12 months, both for shares assigned up-front and for shares assigned subject to deferral.

### 6.4.2.3 Malus

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.

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.

The malus mechanism is specifically applied if during the three-year deferral period, the Bank has not satisfied, for each year of said period, the conditions set out in Annex 2 "Performance Indicators" of these Policies, under point 1 "Distribution and Access Criteria", and in particular the **Condition for Distribution** (distribution of the Bonus shall be conditional upon the achievement of positive Consolidated Gross Earnings by the Group) and the **Condition for Access** (satisfaction of the access criteria at least to the first level threshold indicated in the RAF of the year concerned by the Key Risk Indicators, which are equally weighted: Common Equity Tier 1 - CET1 and Liquidity Coverage Ratio – LCR, as well as exceeding the second level threshold of the RORAC).

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 point 6.4.2.4 below.

Any disciplinary measures adopted during the deferral period shall be taken into consideration for evaluation purposes, in regard to individual conduct as per the first paragraph of this section, 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 any codes of ethics or 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 TUB (Consolidated Law on Banking) or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank.

### 6.4.2.4 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 Remuneration Policies, 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, which result in a significant loss for the Bank or for customers;
- other conduct that does not comply with the Remuneration Policies, 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 (including but not limited to the breach of the prohibition to use personal hedging strategies or insurance on remuneration or other elements that could undermine or affect the risk alignment effects embedded in remuneration arrangements);
- 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 TUB (Consolidated Law on Banking) or of the requirements associated with remuneration and incentives;
- fraudulent conduct or gross negligence to the detriment of the Bank.

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

### 6.4.2.5 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 the 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 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”, which must be established and granted subject to the limits of the Bonus Pool 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, sends a letter 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 6.4.2.4. 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;
- 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.

### **6.6 Golden Parachute payments**

The amount of the payments agreed on in anticipation of, or as a result of, early termination of employment or early exit from office ("golden parachute" payments), is established taking account of the length of service, in accordance with applicable law, and the following principles:

- the safeguarding of the Bank's level of capitalisation;
- no reward for failure;
- the blamelessness of individual conduct;
- consistency with national and international best practices;
- the connection with the role of, and the risks taken by, the person they concern, in keeping with the principles of the Policies.

The golden parachute payments are considered to constitute variable remuneration, and are taken into account for the purposes of the calculation of the 2:1 limit applicable to the ratio between the fixed component and the variable component of remuneration referred to in paragraph 6.5 above, with the exception of:

- (i) amounts 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;
- (ii) amounts 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, if calculated on the basis of a predetermined formula: for such purposes, the Bank shall indicate, as the basis for the calculation of these amounts, the sum of the cost of the notice period and the maximum number of monthly salaries established by the applicable National Collective Bargaining Agreement, in relation to the unfair termination of employment, increased by up to 15%;
- (iii) voluntary redundancy benefits, including those connected to non-recurring transactions (e.g. mergers) or company reorganisation processes, granted to personnel other than key personnel, provided they meet all of the following requirements: i) they are aimed exclusively at containing company costs and rationalising personnel; ii) they favour compliance with supporting measures provided for by law or by national collective bargaining agreements, for all employees; iii) they do not produce ex-ante distortive effects on the conduct of personnel; iv) they provide for claw-back mechanisms that at the least cover cases of fraudulent conduct or gross negligence to the detriment of the Bank.

The golden parachute payments are subject to ex-post adjustment mechanisms (malus and claw-back), and if made to “key personnel”, are subject to the balancing of cash and shares, and are governed by the deferral and retention conditions. It should be noted that Banca Sistema has not entered into any agreement providing for the assignment of amounts in the event of early termination of employment or early exit from office.

### **6.6 Personal data protection**

The Beneficiary 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 EU Regulation 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 paragraph 6.4.

Any variable component of the remuneration paid to the CEO is subject to the provisions of paragraph 6.4 and of Annexes 2 and 3, 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 Non-compete agreement 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. The amount related to such agreement is calculated for the purposes of the limitation on the ratio of fixed to variable components of remuneration (see paragraph 6.5). 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 CEO 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.

The foregoing amount will be calculated from the date the relationship is terminated, and the settlement of the sum shall be deferred to the end of the month preceding the last month of the non-compete undertaking (that is, at the end of the three-year non-compete period). In the event of breach of the foregoing non-compete undertaking, the CEO shall immediately repay a sum amounting to overall cost incurred by Banca Sistema in payment of the non-compete undertaking and shall also immediately pay, as a contractual penalty pursuant to articles 1382 ff. of the Italian Civil Code, a net amount equal to 35% of the gross annual salary received in the last year of office, inclusive of flexible benefits. Furthermore, should any of the additional undertakings of the agreement be breached (e.g. information, confidentiality, staff poaching), the CEO shall be required to pay a net penalty for each breach, pursuant to articles 1382 ff. of the Italian Civil Code, equal to 20% of the gross annual salary received in the last year of office, inclusive of flexible benefits.

### **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 entity of such remuneration is established by the Shareholders' Meeting at the time of appointment, and is valid for the entire term of office.

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

In the case of personnel employed in the Bank's Control Departments and Human Resources 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 Resources 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.

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

## 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 Resources 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’s internal Committees, as identified by paragraph 3 of the Policies.

More specifically, the Human Resources 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.

The Human Resources 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 Resources 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 businesses activities, a total of 32 positions have been identified for 2019, falling into the following categories:

**A. Directors who hold executive offices**

- Directors who hold executive offices in the Parent Company (one position)<sup>(5)</sup>;

**B. Non-executive Directors**

- Directors who do not hold executive offices in the Parent Company (8 positions);

**C. Managers of key company departments (9 positions)**

- Central Commercial Department
- Central Commercial Factoring Department
- Central Commercial Collateralised Lending Department
- Central Credit Department
- Central Finance Department
- Central Operations Department
- Legal Department
- Corporate Strategy Department
- Institutional Relations Department

**D. Managers and other high ranking staff members of the Control Departments and the Human Resources Department, and the Manager in charge of financial reporting (5 positions);**

- Internal Audit Department
- Risk Department
- Compliance and Anti-Money Laundering Department
- Manager in charge of financial reporting
- Human Resources Department

**E. Other “risk takers” (9 positions)**

- Treasury Department
- Operations Department
- Investor Relations Department
- Preliminary Credit Assessment and Disbursement Department
- Out-of-Court Collection Department
- Legal Collection Department
- ICT Department
- Pricing & Structuring Department
- Chief of Staff

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

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

Following the procedure illustrated above, which is conducted bearing in mind the quantitative criteria set out in the RTS <sup>(6)</sup>, the Board of Directors, on the proposal of the Remuneration Committee, may decide that certain identified persons are not to be considered “key personnel”.

In such event, following the decision of the Board of Directors taken also on the basis of analyses conducted by the Human Resources Department, with the support of the Risk Department, the Compliance Department, the Internal Audit Department and the Remuneration Committee, the Bank of Italy shall be sent the authorisation notification or request promptly, and in any event no later than six months after the end of the previous financial year, pursuant to and for the purposes of Circular 285, paragraph 6.1 “Key Personnel exclusion procedure”.

With regard to the financial year 2019, 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.

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<sup>6</sup> Paragraph 1 of Article 4 of the RTS establishes that: “*Subject to paragraphs 2 to 5, staff shall be deemed to have a material impact on an institution’s risk profile where any of the following quantitative criteria are met: (a) the staff member has been awarded total remuneration of EUR 500 000 or more in the preceding financial year; (b) the staff member is within the 0.3 % of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year; (c) the staff member was in the preceding financial year awarded total remuneration that is equal to or greater than the lowest total remuneration awarded in that financial year to a member of senior management or meets any of the criteria in points (1), (3), (5), (6), (8), (11), (12), (13) or (14) of Article 3.*”

### 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 regard to “key personnel”, the indicators are also used as ex-post adjustment mechanisms (malus) for the evaluation of performance during the deferral period, and in particular to establish whether the beneficiary shall be entitled to the initially granted Bonus, at the end of said period. 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.

Total variable remuneration resulting from individual incentives may not exceed the amount of the Bonus Pool in any case. If this value is exceeded, the individual incentives are reduced pro-quota to eliminate any amount in excess of the Bonus Pool.

#### 1. Distribution and 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 DISTRIBUTION** - distribution of the Bonus Pool is subject to the achievement of positive Consolidated Gross Earnings.

**CONDITION FOR ACCESS** - satisfying the Key Risk Indicators (“KRIs”), which are equally weighted and envisaged in the RAF for the reference year, in the three-year period 2017/2019: **Common Equity Tier 1 - CET1 and Liquidity Coverage Ratio - LCR**.

Failure to reach the first-level threshold, as indicated in the RAF, for even just one of the aforementioned 2 KRIs shall result in the Bank not distributing any Bonus.

The achievement of company-level performance targets is assessed by the Board of Directors, with input from the Remuneration Committee, in accordance with the procedures described in the Policies.

#### 2. Assignable targets

After verifying the satisfaction of the distribution and access conditions, the bonuses will be calculated on the basis of the results actually achieved relative to each target set in the bonus sheet defined for the 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 web portal <http://studioripamonti.zucchetti.com/HRPortal/> 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 Bank's performance**

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

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

### **2.2. Targets linked to the performance of the Beneficiary's Department and/or Business Line/Division (the tool's "targets sheet"):**

Meeting the budget targets set for the Department/Business Line/Division: 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, risk assessment** on individual business dealings, etc., 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 consultancy costs, reducing overtime, reducing maintenance and management costs, etc.).

Managing and reducing risks: capital and liquidity indicators at division/business line level, cost of risks, Risk profile/RWA Density, again at division/business line 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 Bank's technical and human resources (e.g. the contribution of marketing activities to the achievement of the factoring target, revenues 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 Bank** (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.

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

The individual qualitative targets assigned through the “performance sheet” of the tool are linked to the beneficiary's contribution to the financial results, customer relations (internal and external), organisational and managerial skills and personal qualities, each divided into 2 specific competencies, which provide a detailed description of the targets and are included in the performance sheet on the aforementioned website.

There are 4 performance levels:

- a) exceeds the requested level;
- b) adequate for the position held;
- c) room for improvement for the position held;
- d) well below expectations for the position held.

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 tool. 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;
- the containment of legal and reputational risks.

\* \* \* \* \*

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

The Bonus awarded to the CEO/General Manager is subject to the Bank meeting the abovementioned performance targets (see the distribution and access criteria).

If the aforesaid targets and requirements are satisfied, the payment of the Bonus is subject to the assessment of the achievement of the targets linked to a number of alternative indicators, as per the examples below, which are weighted accordingly in percentage terms relative to the overall targets:

- **Profitability of the Bank** (determined by means of any one of the following alternative indicators: consolidated gross earnings, ROE/RORAC, Cost/Income, etc.), having an overall weight of at least 30% relative to the overall score of the targets;
- **Growth of the Bank** (determined by means of any one of the following alternative 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;
- **Increase in the value of the Bank** (determined by means of any one of the following alternative indicators: increase in the value of the Bank's shares, sustainability indicators, risk profile, level of accomplishment of the business plan or specific company projects, development of human capital, etc.).

The granting of the CEO's Bonus is also subject to meeting the target threshold of the **adjustment criteria** (Key Risk Indicators, hereinafter **KRIs**) provided for in the RAF of the reference year:

- **Common Equity Tier 1 ratio (CET1)**
- **Liquidity Coverage Ratio (LCR)**

If the target threshold indicated in the RAF approved by the Bank's Board of Directors is not achieved, even in relation to one only of the 2 KRIs specified, and provided that the first level threshold has been met, the overall variable component of remuneration payable to the CEO/General Manager shall not exceed 80% of the fixed component of remuneration payable.

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 targets linked to the Bank's profitability, growth and increase in value;
- **overperformance** means achieving more than 120% of the targets linked to the Bank's profitability, growth and increase in value.

The Bonus is measured, for each of the three targets, as follows:

- threshold = 50% of Gross Annual Salary,
- target = 100% of Gross Annual Salary,
- overperformance = 200% 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 Bank’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 and/or Business Line/Division, 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 40% relative to the overall targets sheet.

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.

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. 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 achievable 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 (not less than one and with an approximate weight of 30%), 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).

## ANNEX 3

### Bonus Payment Regulation

#### Introduction

This document (“Regulation”) sets out in detail the rules governing the assignment and award of the variable component of remuneration (hereinafter, “**Bonus**”) to the Group’s “key personnel”. Pursuant to the rules defined in these Policies, the Bonus is subject to deferral mechanisms and to the assignment of financial instruments/shares of the Bank, in accordance with the relevant provisions herein.

#### 1. Definitions

The following capitalised terms and expressions (and their grammatical inflections) shall have the meaning shown beside each term. The terms and expressions defined in the masculine shall be treated as including any female terms, and those defined in the singular shall be treated as referring also to the plural.

<b>Shares</b>	The ordinary shares of Banca Sistema, giving regular dividend rights and having a nominal value of € 0.12 each.
<b>Assignment</b>	The entitlement to a hypothetical Bonus amount for 2019, irrespective of when the amount will be paid. The entitlement is formalised in the letter of assignment.
<b>Award</b>	The actual award - subject to verification of the achievement of the performance targets (company, business line / Department and individual targets) specified in the Remuneration Policies for each reference Cycle - of the Cash or Shares to be awarded to each Beneficiary for each Cycle, as resolved by the Board of Directors at the end of the reference period.
<b>Banca Sistema or Bank</b>	Banca Sistema S.p.A. having registered office in Milan, Largo Augusto 1/A, at the corner of Via Verziere 13, 20122, registered with the Milan Companies’ Register under No. 12870770158.
<b>Beneficiaries</b>	Key Personnel.
<b>Bonus Pool</b>	The maximum total amount which the Bank can pay out as variable remuneration to all categories of personnel, as established by the Bank’s Board of Directors.
<b>Bonus</b>	The variable component of remuneration for 2019 - as provided in the Policies - consisting of a portion in Cash and a portion in Shares.
<b>Transfer</b>	Any transfer, including but not limited to, the sale, donation, pledge, usufruct, contribution or exchange of the shares, the granting of a beneficial interest on them or the forced sale of the shares, or any other form of disposal (free of charge or at a cost), which directly or indirectly transfers to a third party the ownership of the Banca Sistema ordinary shares or any associated right.
<b>Cycle</b>	Each financial year in which the payment of the variable

	<p>component of remuneration is deferred, as set out in the 2019 Policies:</p> <ul style="list-style-type: none"> <li>- 1st Cycle: 01/01/2020 - 31/12/2020 (the 1st Cycle ends on the date of approval of the 2020 consolidated financial statements);</li> <li>- 2nd Cycle: 01/01/2021 - 31/12/2021 (the 2nd Cycle ends on the date of approval of the 2021 consolidated financial statements);</li> <li>- 3rd Cycle: 01/01/2022 - 31/12/2022 (the 3rd Cycle ends on the date of approval of the 2022 consolidated financial statements).</li> </ul>
<b>Circular 285</b>	The supervisory provisions for banks, as adopted in Circular No. 285 of 17 December 2013, as amended.
<b>Corporate Governance Code</b>	The Corporate Governance Code of listed companies, as amended, which is promoted by Borsa Italiana S.p.A. and adopted by the Corporate Governance Committee in March 2006.
<b>Remuneration Committee</b>	The Committee set up by Banca Sistema in implementation of the recommendations set out in the Corporate Governance Code and in Circular 285.
<b>Board of Directors</b>	The Board of Directors of Banca Sistema.
<b>Remuneration Policies Document or Policies</b>	The Document containing the remuneration policies of the Banca Sistema Group, which was approved by the Board of Directors for the year 2019.
<b>Banca Sistema Group or Group</b>	Banca Sistema and the companies over which it has or may in the future have direct or indirect control pursuant to Article 2359 of the Italian Civil Code and to Section 93 of the Consolidated Law on Finance (TUF).
<b>Permanent disability</b>	Any medically certified condition which permanently impairs the Beneficiary's ability to work and that leads to the termination of the employment relationship.
<b>Letter of Assignment</b>	A specific letter notifying the Beneficiary of the hypothetical Bonus entity and the terms and conditions subject to which the Bonus is granted.
<b>Award Letter</b>	<p>A specific letter by means of which Banca Sistema notifies the Beneficiary of:</p> <ul style="list-style-type: none"> <li>(i) the actual Bonus amount paid in Cash (by bank transfer to the account registered in the Beneficiary's name);</li> <li>(ii) the actual number of Shares awarded (deposited in an administered time deposit account);</li> <li>(iii) the Deferral Period;</li> <li>(iv) the Retention Period applicable to the Shares awarded.</li> </ul>
<b>Key Personnel</b>	The employees indicated specifically in the Policies.

<b>Retention period</b>	The period during which the Beneficiary undertakes not to Transfer the awarded Shares.
<b>Price of Shares</b>	The price of Shares determined on the basis of the arithmetic average of the official prices achieved by the Banca Sistema shares on the MTA Italian Equities Market - STAR segment in the three months prior to the date on which the Board of Directors resolves on the free Award of the Shares.

## 2. Subject matter and purpose of the Regulation

The Regulation contains detailed rules on the Assignment and subsequent Award of the deferred Bonus to the Beneficiaries (in Cash and in Shares) in accordance with the Policies, subject to meeting the company-level and individual performance targets, as described and measured in the Policies referring to each Cycle.

By implementing the Regulation, Banca Sistema, in addition to the fulfilment of legal obligations, intends to promote and pursue the following objectives:

- to link the remuneration awarded to Beneficiaries to the actual performance of the Company and to the creation of new value for the Banca Sistema Group, in line also with the objectives pursued in the Corporate Governance Code for Listed Companies;
- to direct the efforts of “key personnel” toward the creation of value and the adoption of strategies oriented towards medium-long term results;
- to align the interests of Beneficiaries with those of shareholders and investors;
- to adopt retention policies aimed at increasing the loyalty of the Beneficiaries and incentivising them to stay with the Bank or within Banca Sistema Group;
- to motivate and increase the loyalty of the Bank’s existing management and develop the Bank’s ability to attract potential new managers, in accordance with practices in use in the banking sector.

## 3. Assignment and Award of the Bonus

The Assignment of the Bonus is subject to the satisfaction of the bonus distribution and access conditions described in the Policies and also to meeting the specified performance targets, at both company and individual level, as set out in the Policies referring to each Cycle.

The Beneficiary, at the time of the Assignment and/or Award of the Bonus, must meet the following requirements:

- have a permanent employment contract with the Company and not have taken a period of extended leave;
- not have given notice of resignation;
- not have been given notice of dismissal;
- not have mutually agreed to terminate the employment relationship.

For the purposes of the variable component of remuneration and of determination of the amount of the Bonus to be distributed, please refer to the Policies.

Beneficiaries are informed of the ways in which the Bonus will be assigned in the Letter of Assignment, while the actual payment of the Bonus is communicated in the Award Letter, to be sent out within 60 days of approval of the consolidated financial statements.

The Shares awarded in accordance with these Policies give regular dividend rights, and the Beneficiaries become the holders of all the related administrative and ownership rights on award of the Shares, without prejudice to the provisions specified hereinafter.

At the discretion of the Board of Directors, the Award of Shares may take place using shares purchased and/or held by Banca Sistema.

For the calculation of the number of Shares to be awarded to each Beneficiary, see the Information Document published in the Governance section of the Bank's website ([www.bancasistema.it](http://www.bancasistema.it)).

Subsequent to verification that the performance targets referring to each Cycle have been met, the Board of Directors determines the number of Shares to be assigned to each Beneficiary at the end of each Cycle, taking into account the Price of the Shares.

The part of the Bonus paid in Shares shall be awarded to the Beneficiary via an intermediary authorised by the Bank and shall be held in a securities deposit account (a time deposit during the Retention Period) which the Beneficiary will open at the Bank in accordance with the instructions received from the Bank. The costs associated with the foregoing transactions shall be borne by the Bank. By the last day of the month in which the Bonus is awarded in Shares, the Beneficiary shall pay the Bank an amount sufficient to cover any withholding taxes and/or contributions due from the Beneficiary. If such a sum is not received from the Beneficiary, the Bank may deduct this from other amounts due to the Beneficiary for any reason, including salaries. The costs associated with the transfer or sale of the Shares subsequent to the Award of the Bonus in Shares shall be borne by the Beneficiary.

It is understood that Beneficiaries shall maintain, *mutatis mutandis*, the rights acquired under this Regulation if the individual employment relationship is transferred by the Bank to another company of the Group or terminated to take employment with another company of the Group.

#### **4. Deferral and Retention Periods**

In accordance with Circular 285 and the EBA guidelines, the Regulation accompanying the Policies provides for a variable Deferral Period and Retention Period, depending on the value of the Bonus awarded.

Save as provided in the rules governing the Bonus Deferral Period and Retention Period, the payment of the Bonus is subject to the provisions of paragraph 6.4.2 of the Policies - "*Rules governing the Bonus payable to 'key personnel'*".

Dividends and interest accruing in the Deferral Period associated with the Shares awarded cannot be paid to the Beneficiary during said Period or at the end of said Period.

The Retention Period for the Shares awarded is 12 months from the Award date, for both Shares awarded up-front and Shares awarded after the Deferral Period.

Shares shall continue to be subject to the Retention Period even if the employment contract is terminated, except in the case of death or permanent disability of the Beneficiary; in these cases the Retention Period shall not apply.

Shares that are subject to a Retention Period remain in a time deposit at the Bank for the entire Retention Period.

Dividends and interest accruing in the Retention Period are credited to the aforesaid time deposit. The resulting amounts shall be released together with the Shares at the end of the Retention Period.

The Bank reserves the right to use other Share deposit methods in order to improve the contributory, tax or financial effects of the Policies for the Company, in accordance with the applicable provisions of law.

The Shares will become freely tradable at the end of the corresponding Retention Period.

### **5. Restrictions on the transfer of the entitlement to the free assignment of the Shares**

The entitlement to be assigned the Shares is personal, granted to the named person and cannot be transferred or traded (except to heirs in the case of death). Any attempted or completed transfer shall be invalid, and in any case ineffective vis-à-vis the Company.

### **6. General provisions**

#### **6.1 Management and administration of the financial instruments**

The Board of Directors approves this document without prejudice to the rights of the Bank's Shareholders' Meeting with regard to share plans and other similar plans. Resolutions adopted by the Board of Directors on the interpretation and application of the Regulation are final and binding for all parties concerned.

The Bank's Board of Directors is responsible for the management of any financial instruments awarded and assigned under this Regulation and has all-encompassing operating powers in this respect, which may be delegated.

#### **6.2 Costs and tax-contribution system**

Beneficiaries shall bear the cost of any taxes and contributions due in connection with:

- the award of the Shares,
- the ownership of the Shares,
- the transfer of Shares.

Banca Sistema shall act as the withholding agent in all cases envisaged by law, withholding the required taxes and contributions in accordance with the applicable laws. The Beneficiary undertakes to provide Banca Sistema with all the information the Bank requires in order to properly fulfil its duties as withholding agent, including any information that Banca Sistema itself requests, both during the employment relationship and after termination of such.

#### **6.3 Employment relationships**

Access is voluntary and involves no obligation on the Beneficiary's part to maintain the employment relationship, nor shall it give rise to any entitlement or expectation, present or future, including expectations of an "economic" nature which - directly or indirectly - arise out of, or in connection with, any relationship existing between the Beneficiary and the Bank.



All benefits arising out of the Regulation shall be of an extraordinary nature and shall have no effect whatsoever on or in relation to the calculation of direct and indirect components of salary, which are governed by law and by the collective bargaining agreements.

### **6.4 Amendments**

Without prejudice to the responsibilities of the Shareholders' Meeting pursuant to the Provisions and the Policies, the Board of Directors may at any time amend this Regulation as it deems appropriate, also in order to render it compliant with the applicable laws at the time.

The Board of Directors is vested with the necessary and/or appropriate powers to fully implement the rules under this Regulation, subject to the applicable laws and regulations and, in particular, Circular 285.

The Board of Directors will notify the Beneficiaries of any amendment within 10 business days from the date of approval of such amendment.

### **6.5 Communications**

Without prejudice to the specific prescriptions of this annex, all communications between Banca Sistema and the Beneficiary regarding this Regulation must be made in writing and delivered by registered letter with return receipt or by hand and signed for by the recipient, and shall be construed as having been delivered on the date the communication is received by the addressee. Communications are to be addressed to:

- the registered office, for communications sent to Banca Sistema;
- the employee's address, as registered with Banca Sistema, for communications sent to the Beneficiary concerning the employment relationship and the position held.

All documents requiring delivery under this Annex should be forwarded to the foregoing addresses.

### **6.6 Personal data protection**

The Beneficiary expressly authorises the Company, through its own representatives, together with all those persons involved in the management and administration of the Plan, to use his/her personal data in accordance with EU Regulation 679/2016 on personal data protection, and with other related provisions of law, for the purposes of this document.

However, it should be noted that any information relating to this annex 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.

### **6.7 Acceptance**

By signing the document "Acceptance of the Remuneration Policies and the specific Agreements", the Beneficiaries express their full acceptance of the provisions and the terms and conditions provided for and governed therein.

### **6.8 Specific events**

See the Policies for the rules governing dismissal, resignation, consensual termination, retirement, disability and death.

### **6.9**     *Governing law*

The Regulation is governed by Italian law and shall be interpreted accordingly.

### **6.10**    *Jurisdiction*

Any dispute arising out of or relating to this document shall be referred to the exclusive jurisdiction of the Court of Milan.