

APPLICATION OF THE 2023 REMUNERATION POLICIES

2024 REMUNERATION POLICIES

EXECUTIVE SUMMARY

BANCA
S I S T E M A



Letter from the Chairperson of the Remuneration Committee

Dear Shareholders,

In my capacity as Chairperson of the Remuneration Committee and on behalf of the Committee itself, I am pleased to present to you the Executive Summary on the Application of the Remuneration Policies for the 2023 financial year of the Banca Sistema Group.

This Executive Summary describes the Group's main results for 2023, summarises the application of the Remuneration Policies for 2023 (ex-post disclosure), and introduces the principles, purposes, bodies involved and structure of the Remuneration Policies for 2024 (ex-ante disclosure).

Regarding the application of the 2023 policies, the Committee assessed the achievement of the objectives and "gates" envisaged, and monitored the correct application of the criteria underlying the allocation of bonuses to the Group's key personnel.

When updating the 2024 Remuneration Policies, the Remuneration Committee assisted the Board of Directors in its review and consolidation of the Document, which was updated to reflect changes in the framework and the remuneration instruments adopted to pursue the sustainable achievement of business objectives over time.

The ESG aspect of the annual performance management process has also been strengthened in relation to the Three-Year Climate and Environmental Risk Management Plan, the implementation of which, for the part relating to the last financial year, has been set as an objective for all risk-takers involved.

The "Guidelines on certain aspects of the MIFID II remuneration requirements" introduced by the ESMA update on the remuneration of intermediaries providing investment activities or services to retail or professional customers was also taken into account.

Through this Executive Summary, I hope to provide you with more straightforward and usable information. On behalf of the Remuneration Committee, I would like to thank you for the time you dedicate to reading this document.

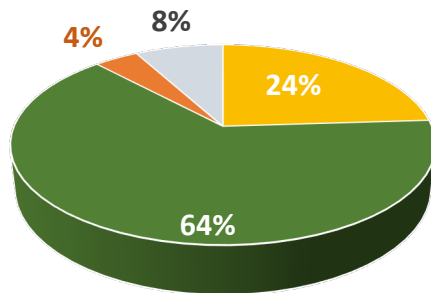
Best regards,

Ms. Francesca Granata
Chairperson of the Remuneration Committee

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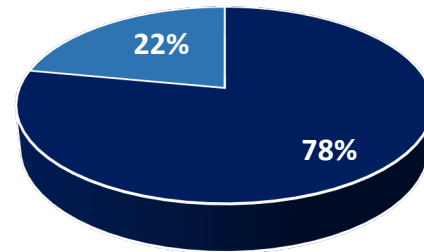
WHAT WE DO

FY 2023
Net loans and receivables
3,323 million



■ CQ ■ FACTORING
■ PEGNO ■ ALTRO

FY 2023
Total Funding
4,042 million



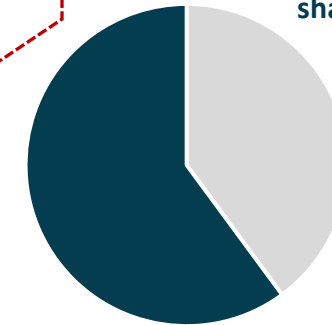
■ Retail ■ Wholesale

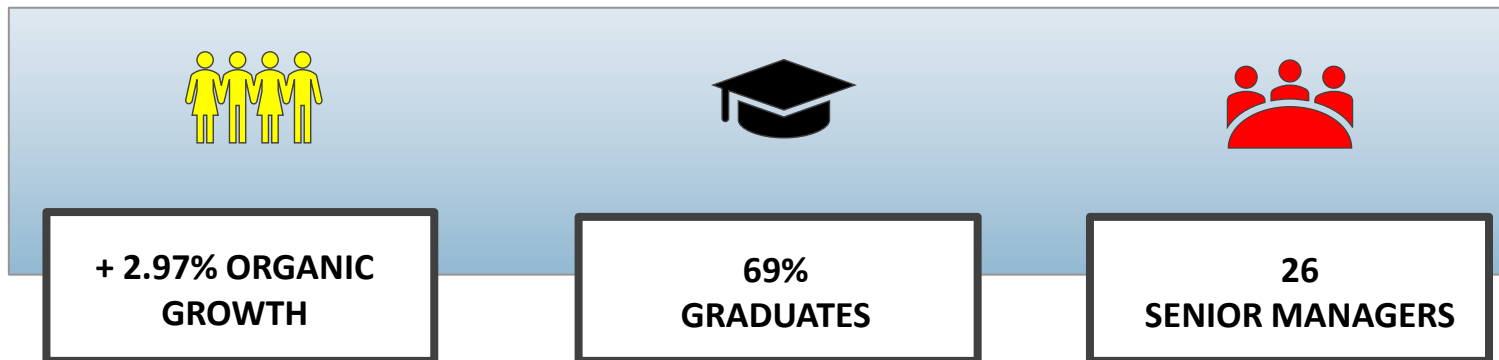
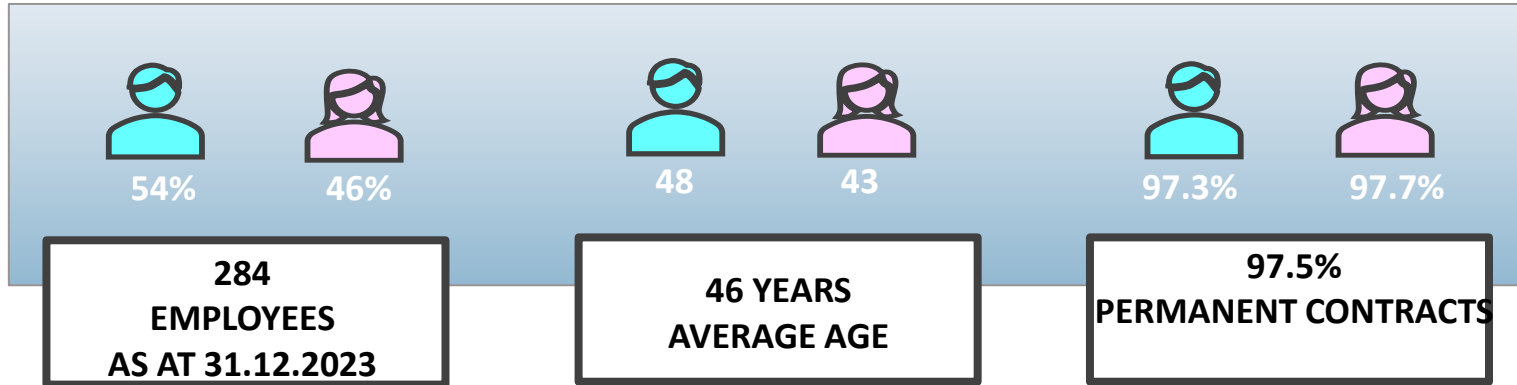
SHAREHOLDERS

Includes 8% of the
Fondazione Cassa di
Risparmio di Cuneo

Market
60.1%

**Historical
shareholders**
39.9%





€104 M
Total income

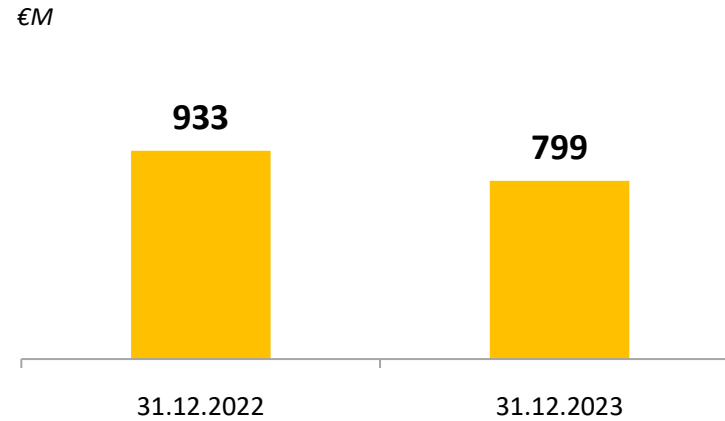
€16.5 M
Profit for the year

8.9%
RoTE

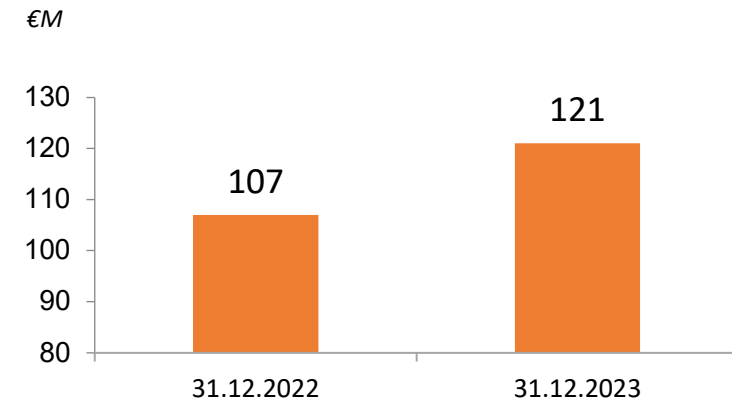
19.9%
RORAC

13.0%
CET1 ratio

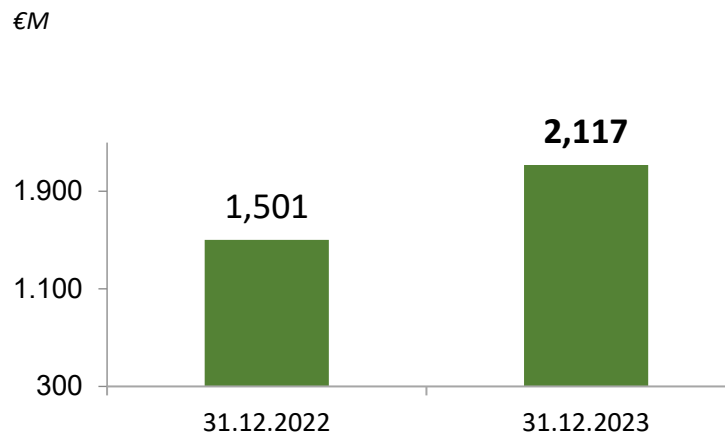
CQ loans outstanding



Outstanding collateralised loans



Factoring outstanding



+26% (y/y)
Factoring Turnover
[€ 5,565 m]

PRINCIPLES

COMPETITIVENESS

Ensure appropriate and motivating remuneration for employees, in line with the relevant labour market.

MERIT

Guarantee remuneration linked to results, which rewards merit, recognises career development and skills and preserves pay equity.

COMPLIANCE

Establish remuneration policies that fully comply with laws and regulations.

REMUNERATION POLICY GUIDELINES

SHORT-TERM VARIABLE

Guide behaviour towards value creation, identifying clear KPIs, defined ex ante and referring to each financial year.

LONG-TERM VARIABLE

Support the alignment of interests between shareholders and management and the achievement of long-term objectives.

DEFERRED VARIABLE REMUNERATION

Encourage the retention of key figures and the alignment of their KPIs with the Bank's Strategic Plan and sustainability goals.

RISK MANAGEMENT

Establish the conditions for distribution and access linked to the benchmarks set out in the reference RAF, which also serve as malus conditions.

The remuneration policy is designed to ensure **alignment between total compensation** paid, from various sources, and the **creation of value** for our shareholders, with a long-term sustainability perspective.

The Remuneration Policy is established by the Board of Directors, assisted by the Remuneration Committee, with the involvement of the Control and other Corporate Departments, each within their respective responsibilities.

The Bank is committed to **continuously updating the Policies** to reflect the regulatory framework and market best practices, including with the support of qualified external consultants.

OBJECTIVES

- **To direct the efforts** of executive directors, managers, and employees towards the priorities and objectives established at the Bank level, supporting the creation of value over the medium and long term.
- **Attract and retain highly qualified and committed staff** by ensuring the competitiveness of the Bank's remuneration.
- **To motivate personnel**, by recognising merit and encouraging the development of professional skills;
- **To develop and improve the quality of the services** provided to customers;
- **To ensure sound and prudent management of the Bank** and its risk profile;
- **To ensure remuneration fairness** – also with respect to gender neutrality – rewarding individual employees for their contribution, the responsibilities given and their specific working conditions;
- **To ensure conduct that is consistent with the Code of Ethics** of the Group, the Group's internal regulations and the legislative and regulatory provisions applicable to Banca Sistema and the Group.

The **Remuneration Committee** assists the Board of Directors in reviewing the Policies to be submitted to the Shareholders' Meeting, and has the following responsibilities:

- to make proposals on the remuneration paid to "key personnel";
- to propose the criteria for the remuneration of "key personnel" and provides opinions on the outcome of the process of identifying "key personnel";
- 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 cooperate with the other committees within the Board of Directors, in particular, with the Internal Control and Risk Management Committee and ensure that all appointed departments are involved in the process;
- to provide input, based also on the information received from the corporate departments concerned, on the achievement of the performance targets to which the incentive plans are subject and to verify the other requirements for payment of the remuneration;
- to assess the need to make ex-post adjustments to the variable remuneration (malus and claw-back) and to submit proposals in this respect to the Board of Directors;
- to make proposals to the Board of Directors concerning the use of external experts specialised in Remuneration and Incentive Policies and to check that the existing remuneration policy is up-to-date, and to propose any required amendments;
- to monitor, with the support of the Human Capital and Organisation Department, the application of the Policy with reference to gender neutrality in remuneration practices, by running checks on any gender pay gaps.

The **Board of Directors** drafts, approves and submits to the Shareholders' Meeting the Bank's Policies and reviews them, at least annually, and is responsible for their proper implementation. It also ensures that the Bank's Policies are properly implemented and aligned with the overall corporate governance framework, corporate culture, risk appetite and related governance processes.

The Board ensures that the granting, payment and accrual of variable remuneration do not negatively affect the need to maintain a strong capital base.

The **Shareholders' Meeting** approves:

- The Policies applicable to Group employees and "key personnel";
- 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);
- The ratio between the variable and fixed remuneration paid to individual employees at more than 1:1, but not in excess of the maximum limit of 2:1.

The **Board of Statutory Auditors** monitors the proper application of the remuneration policies based on the provisions and regulations in force at the time.

The **Internal Control and Risk and Sustainability Management Committee** verifies compliance between the incentive plan and the Group's Risk Appetite Framework.

The **Manager in charge of financial reporting** confirms the level of satisfaction of the corporate access conditions and criteria and the level of achievement of the targets assigned.

The **Central Finance Department**, which verifies the compliance of the Policies with the Bank's medium-long term objectives and strategies.

The **Compliance Department** carries out the ex-ante verification of compliance with the Policies.

The **Internal Audit Department** assesses whether the remuneration practices are consistent with the approved policies.

The **Human Capital and Organisation Department** coordinates the Policies definition process and contributes to the drawing up of the Policies.

The **Risk and Sustainability Department** contributes to ensuring consistency with the framework for determining the risk appetite defined within the RAF.

COMPOSITION and MAIN ACTIVITIES CARRIED OUT IN THE PAST 12

**Chairperson of the
Committee Independent
Director**

Francesca Granata

Independent Director

Carlotta De Franceschi

Director

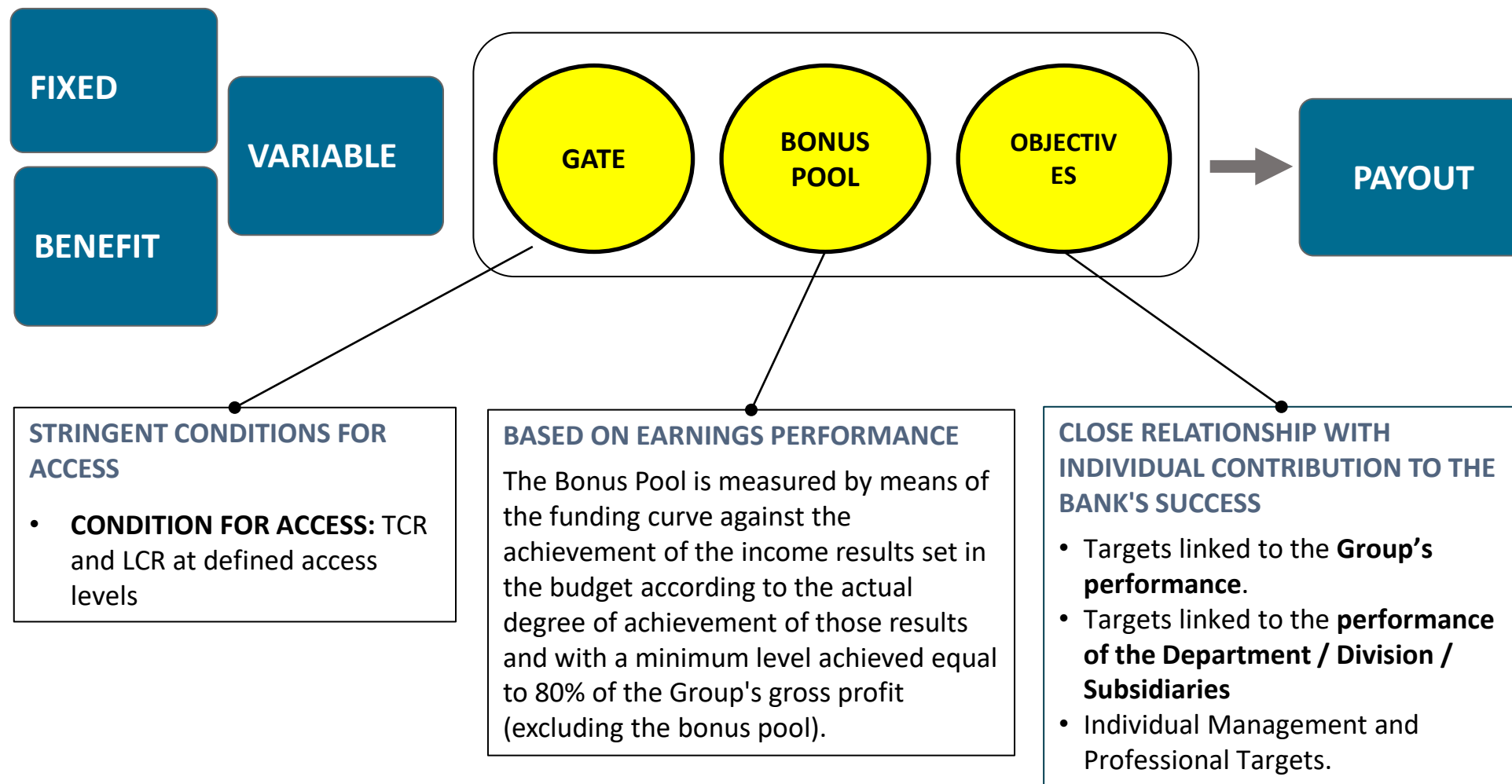
Giovanni Puglisi

- Drafting of the 2023 and 2024 Remuneration Policy Documents; conducting the self-discovery process and identifying key personnel.
- New “2024/2025 Welfare Plan” which expands the Group's support for employees and their families through a larger allocation of welfare credit for employees with children.
- Reference to the update to the Operational Procedure regarding flexible bonuses assignable to the Bank Group’s employees.
- Evaluation of the access / gate criteria and determination of the funding curve for defining the bonus pool for 2024 and variable bonus proposals for key personnel.
- Evaluation of the set of remuneration interventions for senior managers and key personnel for 2023 and 2024.
- Evaluation of the *termsheet* and the Operating Procedure of Kruso Kapital's three-year bonus plan.
- Expansion of ESG factors and the management of climate and environmental risks.
- Analysis of remuneration data and monitoring of the gender pay gap.



**8
MEETINGS IN 2023**

**4
MEETINGS IN 2024
AS OF 20/3/2024**





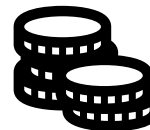
The access and distribution conditions of the 2023 bonus pool were met - the same conditions apply for the recognition of deferred portions of bonuses from previous years



The actual Group Gross Profit below budget resulted in a 21.7% reduction of the available bonus pool, according to the funding curve.



The variable remuneration of the Chief Executive Officer / General Manager was determined based on the achievement of his objectives and the ratio of variable to fixed remuneration did not exceed 1:1.



Non-executive Directors are only paid a fixed fee for their office and an attendance fee for Board and Board Committee meetings; the total amount paid to the BoD in 2023 was € 1238340.



Key personnel covered by the incentive scheme for 2023: 29 individuals (excluding non-executive directors).



For bonus amounts exceeding € 50,000 the deferred percentage is 30% (40% for the CEO/GM) and is paid entirely in cash. The total deferred portion for 2023 is 35.03% of the bonus paid to key personnel.



remunerazione complessiva AD /DG	fissa	variabile di breve (target)	di cui differimento	variabile di lungo (target)	benefit
100	56,85%	37,69%	15%	0	5,46%

- The update of the process of identification of “Key Personnel” through the adoption of the criteria laid down in the update of the EBA RTS of June 2020 and the consequent Delegated Regulation (EU) 2021/923 of 25/03/21;
- Updating of the analyses and assessments conducted by the Remuneration Committee and the Board of Directors regarding the gender pay gap;
- Reference to the Operational Procedure regarding flexible bonuses assignable to the Bank Group’s employees, decided by the Board of Directors on 11 October 2022 and designed to establish the corresponding operations, responsibilities and methods of calculating the bonus pool and bonuses of key personnel, as per the reports on the results achieved by the Bank and by individuals;
- The strengthening of ESG factors and of the management of climate and environmental risks within the context of the annual performance management process, also in relation to the Three-Year Climate and Environmental Risk Management Plan approved in general terms by the Board of Directors on 17 March 2023 and the implementation of which will be the responsibility of the risk-takers involved;
- As regards the non-financial objectives, already included in the previous versions, the Bank: (i) opted for the preparation of voluntary non-financial reporting, thus preparing the Sustainability Report also for the year 2023, drafted in line with the GRI standards; (ii) will, at the same time, cover the areas of reporting under Italian Legislative Decree 254/2016, which will therefore add value to the base of the parameters, including the identification of additional non-financial objectives in particular to ensure a long-term approach and the convergence of the interests of all the stakeholders. Furthermore, during the course of the year, in accordance with the Corporate Sustainability Reporting Directive (CSRD) 2022/2464 and the new European Sustainability Reporting Standards (ESRS), the scope of non-financial data to be reported under the bank's materiality criteria in the 2025 Directors' Report will be expanded;
- Confirmation of the amount of particularly high variable remuneration of Italian high earners, as indicated in the latest EBA report published in January 2023 with reference to remuneration for the year 2022.

- The best description of the possibilities for the future use of medium- and long-term incentive schemes (LTI Long Term Incentive) for the Group's key personnel to support the alignment of interests between shareholders and management and to support the achievement of long-term objectives; during 2023, the Kruso Kapital subsidiary approved a three-year bonus system linked to the corporate objectives which was presented at the listing on the EGM market of the Italian Stock Exchange on 24 January 2024 to support the achievement and alignment of interests between shareholders and management.
- The expansion of the Group's support to Employees and their families through a broader provision of welfare credit for employees with children and in the manner described below in the paragraph on benefits;
- The organisational changes of the Compliance and Anti-Money Laundering Department, which was divided into the "Advisory and Controls" and "Investigations and Reports of Suspicious Transactions" Departments, and the Human Capital Department, which acquired the Organisation Department, changed its name to "Human Capital and Organisation Department".

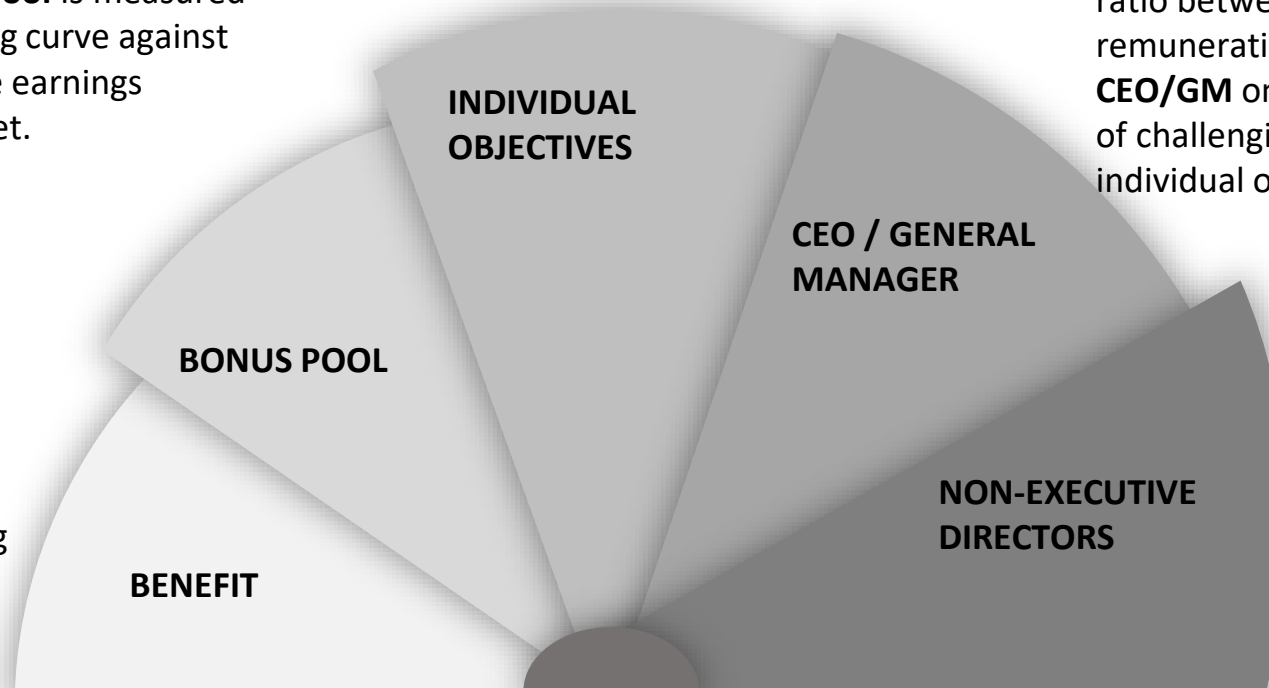
Setting of **individual targets** linked to the contribution to the financial results, customer relations (internal and external), organisational and managerial skills and personal qualities and adherence to the values of the Code of Ethics.

The size of the **bonus pool** is measured by means of the funding curve against the achievement of the earnings targets set in the budget.

The possibility of exceeding the 1:1 ratio between variable and fixed remuneration is allowed for the **CEO/GM** only, upon achievement of challenging corporate and individual objectives.

Establishment of an employee **benefits system** designed to complement the Bank's incentive system.

The purpose of the Flexible Benefit Plan is to support employees and their families in providing care and assistance to family members, for educational development and school expenses.



Non-executive Directors do not receive variable remuneration.