2021 SUSTAINABILITY REPORT

BANCA SISTEMA GROUP



BANCA SISTEMA

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Letter from the Chairperson

The following Sustainability Report of the Banca Sistema Group, drawn up on a voluntary basis in its second edition, stems from and develops in continuity with the various opportunities for discussion and the path we have conducted within the Bank in recent months on ESG issues, which are now the focus of attention of policy makers, among others, and have been incorporated into regulatory, EU and national initiatives that are constantly and swiftly developing.

The Banca Sistema Group is therefore pleased to publish its second Sustainability *Report* expressing its full awareness and sharing of the meaning that "sustainability" has for the Group.

The concept of "sustainability" is an essential component of a modern interpretation of "sound and prudent management", a principle evoked in banking regulation. With this conviction, and not just to follow a trend or in a spirit of emulation, we have continued the path started last year, following the regulatory changes in terms of ESG issues that apply to all banks and completing this second edition.

Pending the definition of uniform *reporting* schemes for all banks in the European Union and to facilitate comparison with the first Sustainability Report, this document maintained the structure of last year's *Report*, grouping non-financial information into the five categories: governance, customers, people, communities, environment.

This *Report* takes into account the initiatives taken by Banca Sistema in the face of certain regulatory changes that came into force during 2021: those on *governance* (35th update of Circular 285 of the Bank of Italy) and those relating to remuneration policies (37th update of Circular 285 of the Bank of Italy). In particular, Banca Sistema has extended the competences of the Internal Controls and Risk Management Committee to include ESG matters, and has revised the Remuneration Policies to also take into account sustainability objectives.

In the current financial year, the Banca Sistema Group will continue its process of refining tools to manage the new risks, including climate and environmental risks, also in view of the changed external context due to the outbreak of the war in Ukraine, the surge in the prices of primary raw materials and the expected increase in rates.

I hope you enjoy the read,

Luitgard Spögler
Chairperson of the Board of Directors
Banca Sistema S.p.A.

Introduction on methodology

Legislative Decree 254/2016 (which transposed Directive 2014/95/EU) introduced into the Italian legal system the obligation, for large companies or groups and for public-interest entities, to report on environmental, social and employee matters, respect for human rights and the fight against active and passive corruption, as deemed material for each company, in the light of its business and characteristics.

Despite not falling under the category of public-interest entities with the size required for the application of Legislative Decree 254/2016, Banca Sistema Group (hereinafter also, the "Group", or the "Bank") prepared this **2021 Sustainability Report** on a voluntary basis, which represents the first edition of the Group's non-financial reporting.

The qualitative disclosures and quantitative data contained in this document refer to the policies implemented and to the management of **environmental, social and governance ("ESG") issues**, which are useful to ensure an understanding of the initiatives carried out by the Group in these areas, their performance, the results achieved and the resulting impacts.

For the purposes of drafting this Report, account was taken of the provisions of Legislative Decree 254/2016, regarding the relevance of the issues to be reported and the related risks, as well as the principles and methodologies provided for by the most recent standards published by the Global Reporting Initiative (GRI), a national and international reference framework for defining non-financial reporting models.

1 Banca Sistema Group

Today Banca Sistema Group is a leading operator specialised in the following three sectors of financial services: **factoring**, with the purchase, management and recovery of trade receivables, mainly from the Public Administration, as well as tax receivables and receivables from the football sector; **salary and pension-backed personal loans**, through direct origination and the purchase of loans and receivables portfolios; **collateralised lending**, a business carried out by the subsidiary Pronto Pegno S.p.A., the largest Italian operator in this market.

Banca Sistema also provides factoring services, mainly for receivables in the public health sector, in Spain, via EBNSISTEMA Finance, a Spanish financial company which it owns together with the partner EBN Banco.

Banca Sistema also works, in Italy and abroad, in funding via **time deposit accounts**. It offers its customers traditional banking services in Italy (**current accounts** and **securities accounts**), while retaining its distinctiveness as a specialised banking institution that does not provide finance in the classical form.



__Factoring__ accounts for approximately __70%__ of the Group's business; __Salary- and Pension-Backed Loans 19%; Collateralised Lending, 11%__ with __interesting growth prospects__.

Banca Sistema, founded in 2011 with the support and involvement of the banking foundations Cassa di Risparmio di Alessandria, Fondazione Pisa and Fondazione Sicilia, has been **listed** on the Star segment of **Borsa Italiana** since 2015.



It has held a banking licence since 2011 and __in 2015 it was listed on the STAR segment__ of Borsa Italiana, reserved for companies that undertake to meet requirements of excellence in terms of communication and __transparency__, __liquidity__ and __governance__.

It stands out from traditional banks as a __specialised institution, which operates in the financing services segment through transactions with limited risk exposure.__

The Group has headquarters in Milan and Rome and offices and branches in Bologna, Naples, Palermo, Asti, Brescia, Civitavecchia, Florence, Mestre, Parma, Rimini and Turin.

This **nationwide presence** guarantees the provision of an efficient service, as well as close proximity to the end customer, the focus of the Group's attention, and the constant search for operational excellence.

For ten years, Banca Sistema has been committed to promoting emerging talent in the artistic field with the non-profit **Banca SISTEMA ARTE** project, launched in conjunction with the foundation of the Bank with the aim of encouraging its entry into the art market through the organisation of visibility initiatives and networking opportunities. The scouting and selection of young Italian artists are the backbone of the development of this project, which offers the possibility of setting up and exhibiting works during the exhibitions that the Bank organises at its offices on a regular basis. Since 2011, the project has supported the work of 35 artists, with 22 exhibitions being held and 80 works being purchased, which are now part of Banca Sistema's private collection. In recent years the project has represented a springboard for various artists, who have acquired notoriety both nationally and internationally, thus achieving the original purpose of the project.

Shareholder Composition

Shareholders	Share
SGBS S.r.l.	23.10%
Garbifin S.r.l.	0.54%
Gianluca Garbi	0.91%
Fondazione Cassa di Risparmio di Alessandria	7.82%
Chandler	7.48%
Fondazione Sicilia	7.40%
Moneta Micro Entreprises	5.12%
Fondazione Cassa di Risparmio di Cuneo	5.01%
Treasury Shares	*0.35%*
MARKET	42.27%
Total shares outstading	**80,421,052**

Figures at 30.05.2022

280
EMPLOYEES
network of agents and brokers

18
BRANCHES
of which 14 for collateralised lending and a multichannel structure

100,000
CUSTOMERS
(companies and private individuals) long-term relations

11.6%
CET1 RATIO

13.1%
ROTE

€ 23.5 MILLION
NET PROFIT

€ 108.0 MILLION
TOTAL INCOME

€ 3,064.2 MILLION
TOTAL FUNDING

€ 2,736.7 MILLION
LOANS AND RECEIVABLES WITH CUSTOMERS

€ 169.3 MLN
CAPITALISATION

DIVIDEND POLICY
Distribution of profits in the form of dividends (25% of profit)

Figures at 31.12.2021

The Group's history

Banca Sistema **was founded** in **2011** at a **particularly difficult historical moment for Italy**, with the aim of supporting Public Administration suppliers, providing them with the necessary liquidity through the assignment of trade receivables.

Banca Sistema was therefore a **pioneer** in the **factoring of receivables from the Public Administration**, when few believed in this business, initially by purchasing receivables from suppliers of entities in the public health sector, subsequently gradually expanding the business to other sectors of this niche, to include **tax receivables** and receivables from the football sector, arising from television rights and the sale of players. Since the project started, also thanks to the acquisition of Beta Stepstone in 2016, the Bank was able to grow in the original factoring business with a prudent risk management, and to **support businesses** (large multinationals and small and medium-sized enterprises) through the provision of financial services and collection, servicing and funding services, thus contributing to the businesses' growth and consolidation.

Since December 2020, Banca Sistema has also been operating in Spain - through the company EBNSISTEMA Finance, which it owns together with the Spanish banking partner EBN Banco - mainly in the factoring segment for receivables from the Spanish Public Administration, specialising in the purchase of receivables from entities in the public health sector.

With the outbreak of the pandemic crisis due to the spread of Covid-19, the Bank has also taken steps to act as an intermediary for the public resources made available in the emergency situation to support businesses, through **SACE-guaranteed loans**:



Working alongside our customers, particularly Public Administration suppliers, with determination and willingness is part and parcel of our history and of our genetic make-up and it is what we have continued to do even in the current emergency situation, guaranteeing the necessary liquidity to bring forward key services for citizens as well.

Growing rapidly, since its inception the Bank has expanded its activities with **online funding products** (current accounts, deposit accounts and securities accounts), also launching **international funding** in Germany and Europe in 2014, through deposit accounts provided on online platforms.

With a view to **diversification** in low-risk and highly specialised business sectors, in 2014 Banca Sistema began operating in **salary – and pension-backed loans**, through the purchase of loan portfolios and, following the acquisition of Atlantide in 2019, also with the direct origination of the QuintoPuoi product, distributed directly by the Bank and through a network of over 60 OAM intermediaries operating across the country.

During 2021, in line with the Bank's digitalization strategy, the Salary- and Pension-Backed Loans introduced SPID and CIE in the customer recognition flow, giving the possibility to remotely manage the entire process of access to financing: from the online request for a quotation to the subscription, in complete safety and with reduced times (from days, for customer recognition with a physical process in minutes thanks to SPID / CIE).

A further step towards the Group's diversification, with the launch of operations in the **collateralised lending** sector, was taken with the opening of the first branch in Milan in 2017 and with the subsequent set up of the dedicated company Pronto Pegno S.p.A., financial intermediary 106, operational from 1 August 2019, to better capture the growth prospects in this sector, which has a strong **social value** component. The business continued to grow organically, with small acquisitions and the integration of Intesa Sanpaolo's collateralised lending business unit in July 2020. 75% of Pronto Pegno is now owned by Banca Sistema S.p.A. and 25% by three banking foundations (Cassa di Risparmio di Cuneo, Cassa di Risparmio di Alessandria and Fondazione Pisa).

With 13 branches across the country, collateralised lending is now one of the Group's three core businesses.

A project has been kicked off to provide the pledge credit service in Greece, through a company specifically set up and controlled by ProntoPegno.



*In just ten years, the Banca Sistema Group, in addition to growing and consolidating in its original **factoring** business, has pursued and implemented its **diversification strategy focused on low-risk and highly specialised businesses**, expanding its activities in **salary- and pension- backed loans** and **collateralised lending**, sectors in which it has completed two major acquisitions in recent years.*

Innovation and digitalization are important levers to offer Banca Sistema Group customers a range of services increasingly in line with the habits and needs of modern life, to further enable access to credit services by creating multi-channel and to actively contribute to reducing the impact on the environment.

Since its inception, Banca Sistema Group has recorded very positive performances, with an average compound annual growth rate (CAGR) of 42% - for both net profit and equity - and with asset growth of 28%. The Group went from € 700 thousand in profits to around € 23 million, from assets of € 12 million to almost € 260 million, from 50 to around 280 employees, from € 212 million in loans and receivables with customers to € 2.7 billion, from total income of € 3.7 million to over € 100 million.

42%
compound annual growth rate (**CAGR**) for both **net profit** and **equity**

from **50** to **280** **employees**

28%
asset growth

from **assets** of
€ 12 MILLION
to almost
€ 260 MILLION

from **€ 700 THOUSAND**
a **€ 23 MILLION** of **profits**

from **€ 212 MILLION**
to **€ 2.7 BILLION**
in **loans and receivables with customers**

from **€ 3.7 MILLION**
to over **€ 100 MILLION**
of **total income**

Figures 2011-2021

The Group's structure

At 31 December 2020, Banca Sistema Group comprised the Parent, Banca Sistema S.p.A., based in Milan, the subsidiaries Pronto Pegno S.p.A., Largo Augusto Servizi e Sviluppo S.r.l., and Specialty Finance Trust Holdings Limited (a company incorporated under UK Law which went into liquidation in December 2021) and the Spanish joint venture EBNSISTEMA Finance S.L.

The scope of consolidation also includes the following special purpose securitisation vehicles of the Bank's receivables: Quinto Sistema Sec. 2019 S.r.l., Quinto Sistema Sec. 2017 S.r.l. and BS IVA SPV S.r.l.

The organisational chart in force since 31 December 2021 is as follows:



Business model

Banca Sistema is an independent financial entity with a specialised and diversified business model focused on market niches, which expose the Group to a limited extent to the risks associated with the various economic sectors, allowing it to meet the liquidity requirements of individual customers and the financial demands of businesses, thereby promoting their efficiency and acting as a link between the public and private sectors.

This business model allows the Bank to maintain its uniqueness with respect to traditional banks, despite operating with a banking licence, and is the basis for the pursuit of a strategy aimed at constant growth and expansion in new areas with careful management of the capital reserves and risks, leveraging the development of the expertise and capabilities of its resources and respect for and protection of customer relations over the long term, given that customer satisfaction is a primary objective.

Today, the core business of Banca Sistema Group is represented by three areas:

Factoring	Salary-and Pension-Backed Loans	Collateralised Loans
Through factoring transactions, the Bank provides support to suppliers (assignors) of the Public Administration (assigned debtor). The exposure is linked to the claw-back risk, in the event of bankruptcy of the assignor, and to the possible default of the assigned debtor.	This particular form of personal loan, repaid by the debtor through their salary or pension, exposes to the limited risk of a possible insolvency of the debtor (e.g. in the event of job loss). Insurance policies are in place to cover this risk.	These are loans, including of small amounts, backed by collateral on a valuable asset (mainly gold, but also diamonds and designer watches). The risk exposure is almost nil since the amount of the loan disbursed corresponds at most to 4/5 of the value of the asset granted as collateral (which is insured for custody).

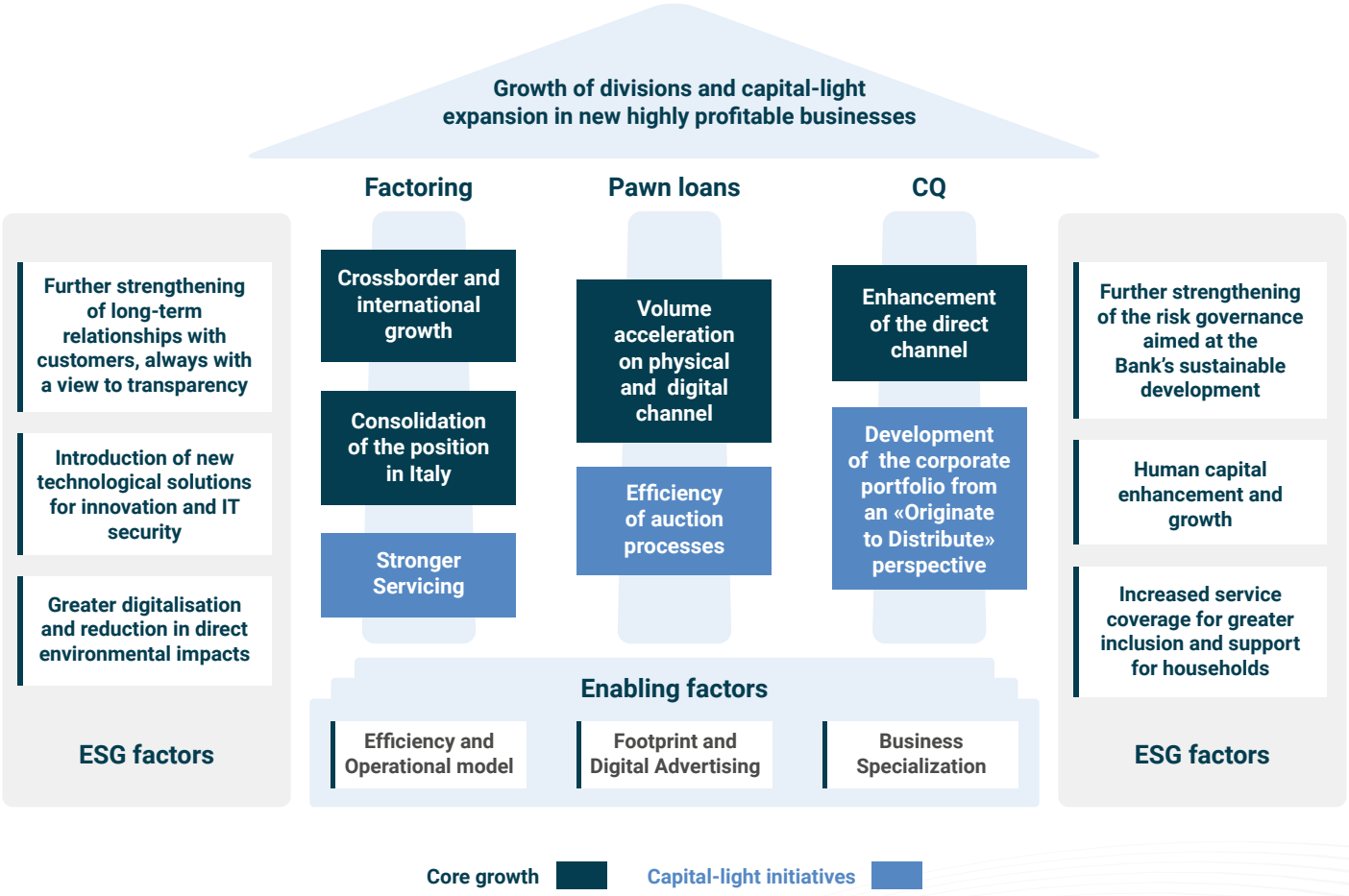
In managing the core operations of each business line, with a view to disseminating a model of conduct geared towards sustainability, intended to guide the interactions of each and every person in the various work situations and promote a unitary approach in the dialogue with the various stakeholders, the Bank has adopted its own **Code of Ethics**, which identifies the core values on which the Bank's business is based, including loyalty, professionalism and transparency. The self-governance rules set forth by the Code aim to reduce the risk that the people within the Bank's organisation may not recognise the intrinsic negative value of any conduct that does not comply with the Code and the possible negative impacts on the Bank's reputation.

Reconciling its values with financial performance targets is a key objective of the Group's work

and must be translated into the establishment of long-term customer relations, geared towards the satisfaction of evolving needs and able to cope with sudden changes, leveraging specialisation, innovation and leadership.

The 2021-2023 Strategic Plan

The Banca Sistema Group's three-year strategic plan, responding to the macro-trends of household liquidity requirements and acceleration in public spending, is based on the Group's ability to consolidate and further grow the market position it has achieved in the ten years since its establishment in the three business segments in which it operates.



The initiatives for the development of the business lines and the enabling factors envisaged by the Strategic Plan will have implications not only of an economic-financial nature, but also from a sustainability point of view:

- more effective and streamlined **accessibility to the services** provided by the Bank, thanks to the strengthening of the distribution network (branches and agents) and the acceleration of the digital channel development;
- greater **data security**, thanks to the technological initiatives provided for in the Plan;
- **reduced use of paper documents**: thanks to the digitalisation of internal processes and customer services, paper consumption will be significantly reduced over the course of the Plan;

The Group's stakeholders

In the conduct of its operations, Banca Sistema Group interacts with various categories of internal and external stakeholders, subject to specific involvement and engagement lines.

Dialogue with stakeholders is a central theme for the Group; in general, stakeholders are those entities or individuals that can be significantly influenced by the activities of an organisation or whose actions can influence the activities of the organisation. Appropriately engaging the various categories of stakeholders and understanding their needs is a key step in the sustainability process pursued by Banca Sistema.

A map of the main stakeholders of Banca Sistema Group is provided below:



Category of stakeholders	Engagement method
CUSTOMERS *Legal and natural persons to whom the Bank provides its factoring, banking, salary- and pension-backed loans and collateralised lending services*	The highest level of attention and commitment is given to customers, including assigned debtors in the factoring business, with a specialised service that aims to fulfil their ever changing needs, which go hand in hand with the evolving needs of the external context under various aspects (regulatory changes, technological and digital developments, continuous developments due to the Covid-19 emergency situation, emergence of new needs and sensitivities). In this context and from this perspective, the primary objectives are customer loyalty and expansion. The involvement and engagement methods are varied and adapted from time to time to changing needs, from on-site or virtual one-to-one meetings to the organisation of regulatory debate and insight events, from meeting customers at the branch to digital interaction through the Group's websites, apps or social channels.
SHAREHOLDERS AND OTHER INVESTORS *Investors, including shareholders, with whom the Bank establishes a continuous dialogue to create value in the medium to long term*	Banca Sistema constantly engages with investors, shareholders and equity analysts through constant updating, dialogue and sharing of business performance, results achieved, organic and non-organic growth initiatives and on the main issues and trends of relevance for the Group, including the unexpected scenario and impact generated by Covid-19. During 2021, the Bank, in addition to the information communicated via press releases and conference calls regarding quarterly results, updated the market (investment companies, financial analysis firms and individual investors/shareholders) almost exclusively via conference calls or video calls. During 2021, a number of investors were met "virtually" in line with the previous year, also thanks to the participation in 12 events, of which 11 "virtual", in an effort of further diversify the shareholder base. At the end of 2021 compared to last year, there was one more shareholder among the shareholders with a stake of over 5% of the share capital. On 17 December 2021, the Board of Directors approved the "Regulation governing the policy for the management of dialogue with shareholders and investors" with reference to the multiple forms of engagement that the Bank itself puts in place in this matter.
TRADE ASSOCIATIONS *Advocacy associations and groups that carry out representation activities*	Banca Sistema actively participates in the initiatives of sector associations and think tanks that carry out representation activities and are committed to ensuring that the interests of the people in the Bank's relevant sector are protected. Likewise, it participates in round tables on topical issues related to politics and the business world, and in workshops dedicated to specific subjects of interest in the banking sector.
EMPLOYEES *The Human Capital employed by the Banca Sistema Group*	Personnel is one of the key assets for the Bank. Their development also stems from the desire to put employees at the centre of the Bank's strategies. Banca Sistema has developed a series of tools and initiatives to dialogue with and constantly engage its employees: from target setting and performance evaluation processes to internal communication activities with the so-called Town Hall meetings for all personnel and small group meetings with the CEO or management, from sharing information through dedicated communications, corporate intranet, sharepoints, to involvement in internal events and sports activities, if allowed by the external context, or in climate analyses. Divisions Directors and the Heads of the various Functions report regularly to the Board of Directors and are called upon to attend the meetings of the intra-board committees.

2 The importance of non-financial reporting for the Banca Sistema Group

Environmental, social and governance ("ESG") aspects influence the performance of operators across the entire business and over time, allowing the business to align itself with the broader interests deriving from the social context. Incorporating ESG aspects into a business model implies the adoption of a strategy over the medium-long term which also considers sustainability factors, in addition to economic and financial factors.

Therefore, undertaking a process to incorporate ESG criteria into its strategies represents for Banca Sistema a further step forward with respect to what has already been adopted by the Group in compliance with the regulatory provisions and internal initiatives implemented.

In this regard, in recent years Banca Sistema has implemented a number of initiatives that already take into consideration sustainability aspects envisaged by Legislative Decree 254/2016, since growth based on solid foundations cannot be separated from responsible business management, in compliance with the principles of integrity and with a focus on the fight against active and passive corruption, money laundering and the financing of terrorism.

More specifically, in addition to having adopted the policies and processes laid down by the regulations in force applicable to banks, Banca Sistema has also adopted a framework of self-governance rules that strengthens the system of mandatory regulations applicable to it, through the adoption of a Code of Ethics and an Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 and acceptance of the Corporate Governance Code of Borsa Italiana.

Furthermore, every year Banca Sistema conducts a thorough self-assessment process for the Board of Directors (BoD) and the Board of Statutory Auditors, typically by retaining external consultants, aimed at identifying, in particular, the areas for improvement of technical expertise as well as new or innovative issues with reference to which training should be planned for top management. In this context, training initiatives dedicated to ESG issues/ESG risks are planned.

Finally, in application of the supervisory regulations, the Bank has adopted a comprehensive internal control system aimed at ensuring full compliance with the obligations regarding the management of the various types of risks in the relevant scenarios; transparency and rules of conduct in customer relations; personal data protection; anti-money laundering and countering the financing of terrorism; whistleblowing.

Banca Sistema Group has decided to draw up a sustainability report on a voluntary basis, in order to provide its stakeholders with additional information on its way of "being" and doing business, being aware that its performance does not depend solely on economic factors but also on other

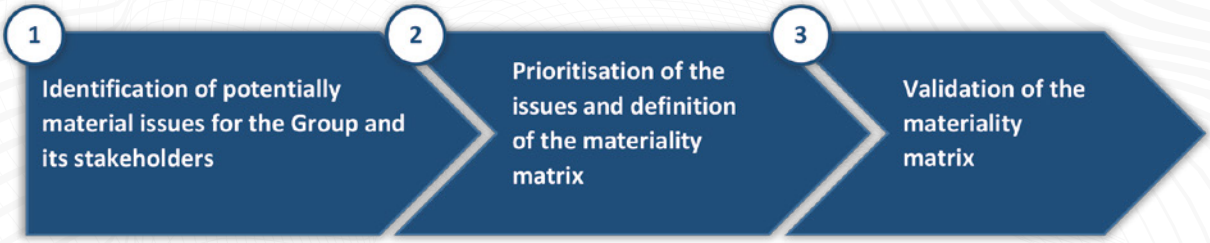
factors, including the soundness of governance and work processes, the central role of human capital, the protection of the Bank's data assets, the quality of services and customer relations, guaranteeing access to credit to all customers and environmental protection.

Banca Sistema also closely monitors the evolution of the European regulatory framework for banks, in particular, EBA's initiatives on ESG risks and the planned introduction of disclosure obligations under Pillar 3.

Materiality analysis

In 2020, Banca Sistema Group has conducted its first **materiality analysis**, aimed at identifying material sustainability issues, which remained in its focus also for 2021.

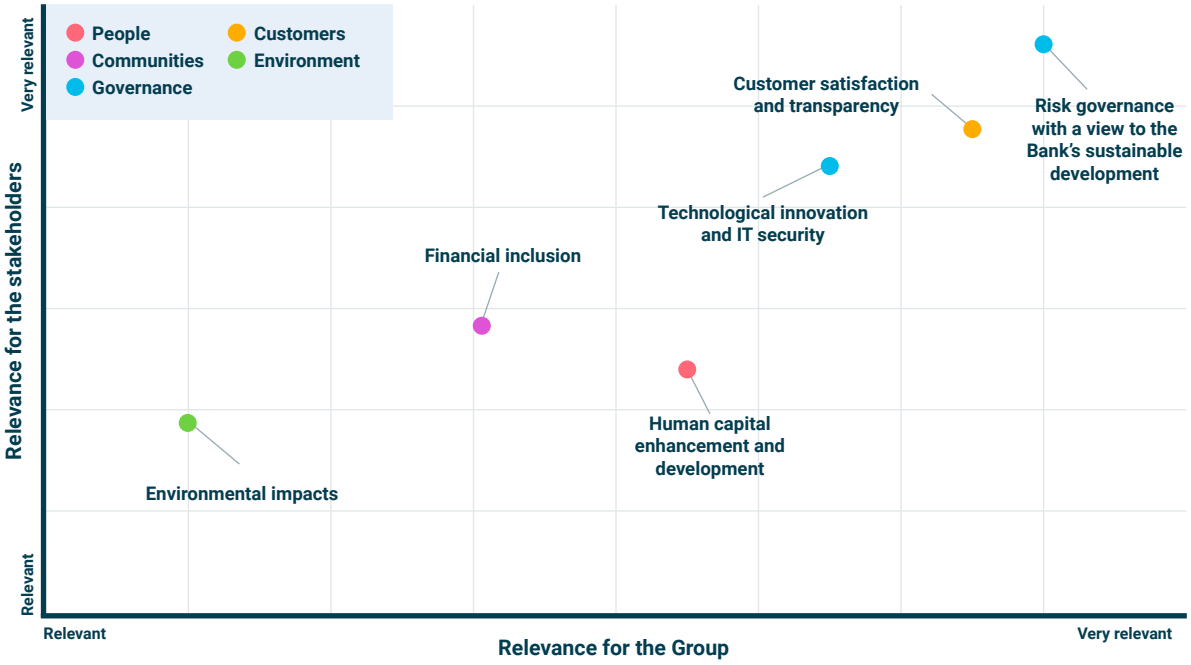
The materiality analysis, as required by the **GRI (Global Reporting Initiative)** Standards, provides for the identification of issues deemed to be material based on the significance of the impacts that they have on the activities of the Bank and other Group companies, both in and out of the reporting scope, i.e. along the entire value creation chain. The materiality analysis process of Banca Sistema Group included the following phases:



Material sustainability issues for the Group

The results of the materiality analysis are graphically represented through a Cartesian diagram referred to as the materiality matrix, which shows internal materiality (of interest to the Group) on the y-axis and external materiality (of interest to the stakeholders of reference) on the x-axis.

The first materiality matrix of Banca Sistema Group is as follows:



The five sustainability issues identified through the materiality analysis are addressed in this document, with an increasing level of detail according to their materiality for the Group and for its stakeholders. For a better understanding of these issues, a description is given in the next page:

GOVERNANCE	
Risk governance with a view to the Bank's sustainable development	Guarantee the monitoring and minimisation of exposure to any risks, with a view to aiding the Bank's sustainable development and ensuring profitability and a strong capital structure, pillars of the sustainability of the business model, including through analytical creditworthiness assessments.
Technological innovation and cybersecurity	Innovate business processes and products and services, seizing emerging opportunities, especially linked to digitalisation, in order to guarantee service accessibility and enhance the IT infrastructure, while protecting the privacy and security of company data, employees, suppliers and customers.
COMMUNITIES	
Financial inclusion	Launch initiatives and offer products and services aimed at facilitating access to banking services for individuals and organisations not yet fully integrated into the ordinary financial system. Furthermore, promote projects and initiatives aimed at increasing information on financial services and awareness in their use, in order to encourage financial inclusion.
CUSTOMERS	
Customer satisfaction and transparency	Interact with customers according to principles of integrity and fairness, ensuring the utmost clarity and transparency in communication (e.g. in marketing campaigns, in contractual clauses, in direct relations). Satisfy customer needs by promoting channels of communication and dialogue and providing quality services in line with market needs and expectations, ensuring service continuity.
PERSONNEL	
Human capital enhancement and development	Promote training and skills development activities in order to guarantee a continuous human capital enhancement and development process. Promote the development of employees, including through the promotion of inclusive and non-discriminatory practices, always taking care to protect health and safety in the workplace and to ensure work/life balance.
ENVIRONMENT	
Direct environmental impacts	Reduce the environmental impacts of the organisation relating to the use of energy, the consumption of resources (in particular, paper and plastic), the production of waste and employees' travelling throughout the territory, encouraging the adoption of more eco-friendly solutions.

The main sustainability risks

Concurrently with the preparation of this Sustainability Report, Banca Sistema Group undertook a process aimed at identifying the main ESG risks associated with the issues found to be material for the Group. The ESG risks were linked to the main areas under Legislative Decree 254/2016, and the related management approaches were specified for each identified risk.

Areas laid down by the Decree	Identified risks	Management approaches/policies
Fight against active and passive corruption	The Group's main risks refer to risks associated with corruption, mainly linked to the likelihood of incidents of active corruption	These risks are mitigated thanks to management tools and policies put in place by the Group, including: • Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 • Code of Ethics • Anti-money laundering (AML) and anti-terrorism policy
Employee matters	The Group's main risks refer to risks associated with employee relations in lawsuits, work-related injuries and cases of occupational disease	The risks associated with lawsuits are mitigated by constant dialogue with employees as well as by a number of actions, including the development of corporate welfare measures, internal job posting and the promotion of internal mobility, and by professional development. Therefore, the main tools put in place are: • Training planning process • Remuneration Policy • Code of Ethics • Flexible benefits welfare plan The Group complies with health and safety regulations
Social matters	The Group's main risks refer to risks associated with customer dissatisfaction, non-compliance with transparency rules, unavailability of new technologies and loss of data	The risks relating to customers are mitigated thanks to management tools and policies put in place by the Group, including: • Complaints Policy • Recovery of Receivables Policy • Transparency Policy • Marketing Policy The risks related to technological innovation are mitigated through R&D investments. The risks relating to cybersecurity are mitigated thanks to management tools and policies put in place by the Group, including: • Code of Ethics • Cybersecurity Policy
Respect for human rights	The Group's main risks refer to the risk of violation of human rights within the scope of personnel management, in terms of potential discrimination	Respect for and inclusion of personnel are promoted through actions aimed at enhancing personnel and monitoring opportunities through internal mobility and job posting, personnel assessment processes according to objective elements, as well as the development of succession plans. The risks of potential discrimination are reduced by the presence of whistleblowing tools as well as by the adoption of the Code of Ethics.
Environmental matters	The Group's current risk assessment systems recognise the risk associated with direct environmental impacts deriving from the offices (e.g. monitoring of emissions, waste management)	The risks associated with direct environmental impacts are mitigated through technological innovation and digitalisation initiatives that allow for a reduction in the use of raw materials, particularly paper, as well as by monitoring consumption and selecting supplies.

3 Group governance

The governance structure

Banca Sistema's corporate governance system is based on the principles recognised by international best practice and is the result of a comprehensive self-assessment process, which takes into account the Bank's operations and size, as well as its ownership structure.

The fundamental elements of good corporate governance are the central role of the **Board of Directors**, the proper management of conflicts of interest, the efficiency of the internal control system and transparency towards the market, with specific reference to the communication of corporate decisions.

The overall framework of Banca Sistema's corporate governance has been defined taking into account, in addition to the regulatory provisions applicable to banks (in particular, EBA supervisory provisions and guidelines), also the recommendations contained in the Code of Conduct adopted by the Corporate Governance Committee of Borsa Italiana for listed companies, to which Banca Sistema adheres.

Banca Sistema has decided to adopt the so-called traditional management and control model, which reserves the strategic supervision function to the Board of Directors, which cannot be delegated to other corporate bodies. The Board of Statutory Auditors, on the other hand, supervises the observance of legal, regulatory, and statutory provisions, proper administration, and the adequacy of the Bank's organisational and accounting structures.

The choice to favour the traditional model over the alternative models - the one-tier and the dual-tier models - stems from the ability of this model to better ensure the soundness of the internal control system, thanks to the clear distinction between the activities attributed to the Board of Directors and those within the remit of the Board of Statutory Auditors, as well as from the fact that the appointment of the members of the two corporate bodies falls under the responsibility of the shareholders' meeting.

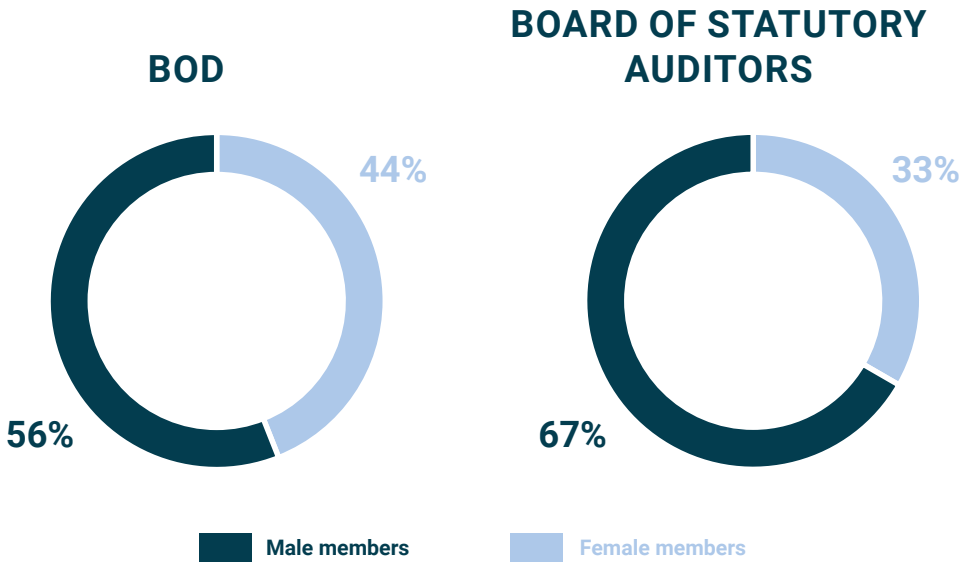
Banca Sistema, as the Parent, exercises **management and coordination** on its subsidiaries. This activity is specifically governed by an internal regulation, which lays down the guidelines for the Group's management and coordination carried out by Banca Sistema, determining the areas in which this activity is implemented.

As regards the composition of the Board of Directors, the Bank's Articles of Association - in compliance with the principles of adequate diversification in the composition of the Board, in terms of skills, experience, age, international profile and gender - require that at least two fifths of the members of the Board of Directors be of the least represented gender, with rounding up to the nearest

whole number in the case of a fractional number. The Board of Directors in office is therefore composed of 5 male and 4 female members.

44% of the BoD is composed of female directors.

Likewise, for the purposes of the **composition** of the Board of Statutory Auditors, the principles of diversity are also observed, including gender (one third of the members must be of the least represented gender). The Board of Statutory Auditors currently in office (standing auditors) is therefore composed of two male members and one female member.



Finally, Banca Sistema adopted, on a voluntary basis, the **Organisational and Management Model pursuant to article 6, paragraph 1, lett. a) of Legislative Decree no. 231 of 8 June 2001 as amended (the "Model")**. Through the adoption of the Model, the Bank set up an additional element of compliance monitoring with regard to crimes falling under the administrative liability of entities pursuant to current legislation (for example: crimes committed in relations with the Public Administration and against property, computer crimes and unlawful data processing, receiving stolen goods, money laundering and use of money, goods or benefits of unlawful origin, etc.).

The Bank publishes the Report on Corporate Governance on an annual basis, which is available on the Bank's website (Report on Corporate Governance – 2021), and to which reference should be made for more detailed information on the Bank's corporate governance system.

Internal Control and Risk Management System

The Internal Control and Risk Management System is a central aspect of Pillar 2 of the prudential banking regulation. Therefore, the adequacy and effectiveness of the Internal Control and Risk Management System represents a key element of the "sound and prudent management" of each bank.

The **internal control system** is understood to be the set of all those necessary or useful tools for addressing, managing and checking business activities with the aim of ensuring compliance with laws and Company procedures, protecting corporate assets, efficiently managing operations and providing accurate and complete accounting and financial data. The responsibility for implementing an effective internal control system is shared at every level of the organisation and all employees, within the scope of their respective functions, are responsible for the definition and proper functioning of the control system.

The **Board of Directors** plays a central role, insofar as it is responsible for determining the risk appetite framework, defining the structure of the Internal Control and Risk Management System and ensuring the related periodic adjustments to take into account developments in the Bank's activities, the reference market, regulatory changes, as well as the appointment and dismissal of the heads of the internal control departments. The Board of Directors also approves - on an annual basis - the ICAAP/ILAAP (Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process) report, with the aim of assessing the current and future capital and liquidity adequacy of the Banca Sistema Group. In this context, the Bank also conducts specific stress tests on operational risk and assesses strategic and reputational risks.

All of Banca Sistema's corporate control departments - Internal Audit, Risk Management, Compliance, Anti-Money Laundering - were set up in-house and are equipped with suitable resources to fulfil their duties.

Banca Sistema also appointed a **Manager in charge of financial reporting**, pursuant to article 154-bis of the Consolidated Law on Finance, who is assigned important tasks regarding the implementation of administrative and accounting procedures for the preparation of the financial statements as well as any other financial communication and who is, among other things, called upon to ascertain that the Bank's documents and communications disclosed to the market in relation to the Bank's accounts and financial position and performance, including interim reports, correspond to the Bank's documents, books and accounting records.

The **Internal Control and Risk Management Committee**, a committee set up within the Board - supports the Board of Directors in the periodic evaluation of the adequacy of the system with respect to the characteristics of the Bank and its risk profile, as well as its effectiveness.

The adequacy and effectiveness of the internal control system is subject to assessment by the

Internal Audit Department and is also assessed by the Board of Statutory Auditors, which is tasked with supervising its overall functioning.

Building a responsible business and managing relations based on fairness

All Group personnel, including members of the Bank's corporate bodies, are required to comply with the Code of Ethics disclosed to the public on the Bank's website.

The Code of Ethics emphasises the following principles: compliance with laws and regulations, respect for the individual, fairness and transparency, innovation and efficiency, customer focus and confidentiality.



The Code of Ethics serves as an appropriate reminder of the rules and codes of conduct that must be upheld in the daily action of each operator, but it is also an important deterrent with a view to possible sanctions imposed as a result of unlawful actions.

The Bank undertakes to encourage the adoption of the Code by associates and investees and its compliance by its business partners, customers, consultants and collaborators, considering compliance with the Code as one of the primary elements for assessing existing and future relations. The violation of the principles of the Code of Ethics by the Bank's personnel is punished with disciplinary measures, regardless of any sanctions imposed by the Supervisory Authorities and/or by the competent judicial bodies.

The Bank has also set up an **Ethics Committee**, which provides support of an investigative nature, formulating opinions and recommendations and dialoguing with the persons against whom proceedings have been initiated in the context of any violations of the provisions laid down by the Code.

The **selection of suppliers** and the procurement of goods, products and services also take place according to the methods and principles set out in the Code of Ethics. Although the Banca Sistema Group's business model does not provide for the activation of a supply chain comparable to that in organisations operating in production and/or manufacturing sectors, the Bank considers the careful management of the procurement process to be material and, therefore, it has adopted an ***Operational Procedure for the Procurement of Goods and Services***.

Selection of suppliers

Rigorous assessment of the levels of quality and cost-effectiveness of the services

Technical-professional suitability

Adequacy of goods and/or services to current regulations

The Bank undertakes to identify suppliers and external collaborators who share the principles enshrined in the Code of Ethics. For this reason, the Code is brought to the attention of all suppliers and external collaborators, who are asked to abide by the principles established therein in the fulfilment of their duties. The Group's supply chain comprises the supply of goods and services, liaising with suppliers who provide business support through professional advice and services, suppliers who provide support to physical infrastructure (all services dedicated to cleaning, maintenance and security) and suppliers of utilities and office materials.



In 2021, 96% of supplier spending was concentrated on local suppliers.

IThe Group is committed to managing relations with the main stakeholders in compliance with the principles of ethics, loyalty and fairness. There is an "Institutional Relations" department that sets up and manages the Bank's relations with the main stakeholders, including some sectors of the Central Administration (with the exception of the Supervisory Authorities), Public Administration entities, trade associations, as well as private entities and associations as part of the strategies and guidelines defined by the Board of Directors, in order to contribute to the achievement of the corporate results through a better positioning of the Bank in the financial community and among institutions.

The Group actively participates in the work carried out by ABI Lab, Assifact, Aspen, Assonime, Assopegno, Pri.banks and The European House - Ambrosetti.

Anti-corruption and anti-money laundering

The issues of anti-corruption, anti-money laundering and countering the financing of terrorism are of particular importance, including for the purposes of compliance with the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 (the "231 Model"), and are supervised by the Compliance and Anti-Money Laundering Department, with the support of the other control departments.

Banca Sistema has therefore adopted a specific ***Policy for combating money laundering and the financing of terrorism*** and an ***Operational procedure for combating money laundering and the financing of terrorism***, as well as appropriate investigation tools (Gianos, World Check). Anti-corruption monitoring is governed by the 231 Model, published on the Bank's website.



During 2021, the Bank did not record any incidents of corruption or cases of violation of anti-money laundering regulations.

The Group periodically organises specific training activities on issues related to anti-corruption and anti-money laundering, which are part of the "Compulsory Technical" training within the Banca Sistema Group.

Newly hired employees, employees who were unable to attend previous sessions, and all employees, Directors and Statutory Auditors, in the event of a regulatory update on the subject, participate in the training initiatives.



In 2021, 144 hours of training were provided on anti-corruption issues, involving approximately 30% of employees (81 employees involved).

There were no legal actions for anti-competitive behaviour and violation of antitrust practices in 2021. It should also be noted that in 2021 there were no cases of non-compliance with environmental and socio-economic laws and regulations.

Banca Sistema provided, through a specific whistleblowing channel, the option for all employees to report conduct within the Group that is deemed to be unlawful, while ensuring the confidentiality of the whistleblower's identity in the management of the report.



During 2021, no reports of violations of the Code of Ethics were received through the whistleblowing channel.

Risk governance with a view to the Bank's sustainable development

In 2021, the confirmation of the double-digit return on capital and the consolidation of the capital ratios highlighted the resilience of the Bank's business model.

RoTE	CET1 ratio	Total Capital ratio	TIER1 ratio
13.1%	11.6%	14.6%	14.6%

Figures at 31.12.2021

Ensuring profitability and a strong capital structure through analytical creditworthiness assessments is one of the pillars of the sustainability of Banca Sistema's business. Indeed, credit quality affects the strength of the capital structure, which is a key element for the sustainability of the Group's business model.

Over the years, the Bank has adopted significant corporate policies on the subject:

- ***Credit Policy***, which pursues the aim of describing and defining the roles, responsibilities and decision-making powers of the various organisational units involved in the credit process;
- ***Asset Quality and Impairment Policy***, which governs the methods used to classify the positions in the Group's portfolio, the impairment models, the hedging policies and the exchange of the information flows required to manage the afore-mentioned processes;
- ***Collection Policies***, which govern the process of recovering receivables in the portfolio as well as the related default interest.

As regards the **Factoring Division**, the assessment of the creditworthiness of assigned debtors and assignors (in the case of factoring transactions with recourse) is carried out by the Factoring Credit Department. A system of internal delegations is envisaged and the competent Credit Committees meet on a weekly/fortnightly basis.

The Credit Monitoring and Reporting Function operates within the Factoring Credit Department, and is responsible for monitoring the Bank's factoring portfolio.

During 2021, the Bank continued to adopt a creditworthiness assessment strengthened and tailored according to the actual impact of the pandemic on the various economic sectors and a counterparties' creditworthiness assessment model strengthened, integrating into the process the schedule envisaged by the new Business Crisis and Insolvency Code (Legislative Decree no. 14/2019), based on some alert indices that represent additional elements for assessing companies' solvency and business continuity. The new Code and LOM Guidelines entered in force respectively in Sep-

tember 2021 and in June 2021. The Bank has also started preliminary activities to implement in its credit processes some criteria and elements for ESG evaluation of customers. The implementation is expected end of 2022.

As regards the **CQ Division**, the creditworthiness assessment is carried out by the CQ Credit Department on the basis of a defined set of qualifying criteria and parameters. All salary- and pension-backed loans are backed by an insurance policy to cover life risk and the risk of termination of the employment relationship. A system of authorisation powers is envisaged according to the amount subject to approval, and Credit Committee meetings are scheduled on a weekly basis.

The Credit Policies, Analysis and Monitoring Department, set up within the CQ Division, is responsible for monitoring the Bank's CQ portfolio.

The collateralised lending business, carried out by the subsidiary **Pronto Pegno S.p.A.**, is a form of financing to individuals, entirely guaranteed by gold assets or other valuable assets. The risk exposure generated by these transactions is very low, considering the characteristics of the collateral and the loan-to-value ratio, which cannot exceed 50%.

Moreover, in line with legal provisions (articles 12 and 15 of Law no. 745 of 10 May 1938), the experts are personally responsible for guaranteeing the fairness of the estimate made.

The customer can redeem the asset granted as collateral within 30 days from the loan maturity date, after which collection activities are commenced through the sale of the asset by auction. If the asset is not sold at auction (after three auction attempts) or in the presence of any negative premiums, Pronto Pegno claims the reimbursement of the amount due (principal, interest and fees) against the expert. Failure to sell the asset at auction therefore represents the only time in which an impairment of the loan may occur, which is in any case guaranteed by the expert pursuant to a legal provision.

To ensure a uniform, consistent credit management process within the Group, an ad hoc Committee was set up, which on a monthly basis analyses the activities carried out by the Credit Departments of each Division/Subsidiary.

Safeguarding the information assets and data of the Banca Sistema Group

Banca Sistema has defined specific procedures for safeguarding the Group's information assets and data, including in compliance with the regulatory requirements regarding personal data protection.

For this purpose, the Bank has adopted a comprehensive set of company regulations: a ***Privacy Policy on Personal Data Processing***, a ***Privacy by Design Management Regulation***, a ***Privacy Impact Assessment (PIA) Process Procedure***, a ***Data Protection Officer (DPO) Regulation***, a ***Personal Data Breach Management Regulation***, a ***Cybersecurity Policy*** and a ***Data Governance Policy***.

Banca Sistema also appointed a **Data Protection Officer** who, with the support of the Head of Cybersecurity, monitors compliance with data protection regulations and the Data Controller's policies and procedures, including the assignment of responsibilities, awareness-raising and training of the personnel participating in the processing operations and the related control activities.



The Bank's suppliers who manage and process sensitive data or personal data must be certified in accordance with ISO 27001 standard and are subject to checks by the Internal Audit Department.

Personal data processing and cybersecurity are topics covered by specific training and awareness-raising initiatives.

Similar training and awareness-raising initiatives have increased in recent years in order to prevent cyber incidents and attacks and manage **reports of anomalies** and **cyber incidents** effectively.

During 2021 with the aim to enhance the culture of Cyber risk, the Bank organized users training to illustrate the main risks and behaviours to be adopted to mitigate the Cyber risk.

With a view to enhancing the efficiency of processes related to cybersecurity, in line with actions implemented in 2020, the Bank further strenght perimeter security, resilience of the applicative infrastructure, security monitoring and blocks for the email channel. Furthermore, taking into account the increase in remote connections as a result of remote working, some geolocalization mechanisms, with double authertication to connect to the bank systems from abroad, have been introduced.

Specifically, in 2021 **2% of the total budget** allocated to the ICT and Organisation Department was used for cybersecurity projects, up compared to the previous three years.

For further details, reference is made to the tables attached to this document.



Over the last few years, the Group has developed a number of initiatives dedicated to strengthening cybersecurity through technological innovation.

In 2021, 68 hours of training were provided on technological innovation issues, involving approximately **10% of employees**.

≈ 68 HOURS

of training on technological innovation

Given the ongoing developments in the reference market, technological and digital innovation is a focal point for the Banca Sistema Group, also in order to meet the needs of its customers.



Due to the importance of issues related to the increasing digitalisation, the Group participates in working groups and trade associations with Regulators on the subject of innovation, with specific reference to the issue of traceability.

In particular, during 2021 the following innovations were introduced: **digital signature** and remote recognition were introduced for the opening of current accounts, deposit accounts and securities accounts in completely online and paperless mode; the salary and pension backed loans Division has introduced **SPID** and **CIE in the customer recognition flow**, giving the possibility to remotely

manage the entire process of access to financing; ProntoPegno continued the process of digitizing the product with the introduction in August 2021 of the **DigitalPegno App**, through which the company is the first and only one to offer the online policy renewal service as well as the possibility of participating in auctions by making online offers.



*With the introduction of **SPID** and **CIE** in the flow of remote recognition of customers, it is possible to remotely manage the entire process of access to the financing of the salary and pension backed loans, in complete safety and with **reduced times from days to a few minutes.***

*The **DigitalPegno App** has been implemented, which allows the renewal of pledge completely online, a unique and innovative service much appreciated by customers and **constantly growing in terms of registered users, pledge renewed online and auction offers performed digitally.***

4 Customers

Customer satisfaction and transparency

The Banca Sistema Group's proximity to its customers is evidenced by its commitment to continuously pursue operational excellence and by the initiatives aimed at building loyalty and developing customer relations, which place customer satisfaction as a constant objective of the Bank's operations at all levels.

The Bank pays the utmost attention to customers through a **specialised service** that aims to **fulfil their** ever changing **needs**, which go hand in hand with the evolving needs of the external context, due to regulatory changes, technological and digital developments, continuous developments due to the Covid-19 emergency situation and ever-new needs.

The customer involvement and engagement methods are varied and adapted from time to time to the changing needs of both Factoring corporate customers and retail customers, including depositors and customers financed through salary- and pension-backed loans or collateralised lending: from on-site or virtual one-to-one meetings to the organisation of regulatory debate and insight events; from meeting customers at the branch to digital interaction through the Group's websites, apps or social channels.

100,000 customers (companies and private individuals) and long-term relations



Working alongside companies, particularly Public Administration suppliers, with determination and willingness, offering customers a specialised and customised service is the primary objective of the Factoring Department.

Our services also focus on households, as we are available to provide them with loans also through innovative methods and services, with a view to customer satisfaction and full transparency.

With a view to the central role of customer relations, the Group handles complaints from its customers as a means of listening, dialogue and constructive complaint management in order to gain insights into how to improve the Bank's business and products, in compliance with the applicable regulations. To this end, the Group has defined a ***Complaints Policy*** supported by operational procedures that guarantee action and prompt response by the Complaints Office. For further details on the number of complaints recorded by the Bank, reference is made to the tables attached to this document.

Furthermore, on an annual basis, the **Internal Audit** Department and the **Compliance & Anti-Money Laundering Department** verify the complaint management process and compliance with the transparency rules, which the Group adopts pursuant to the law and in the awareness of the importance of managing relations and communications with its customers according to the principles of fairness and transparency laid down by the ***Transparency Policy***. Since the beginning of the pandemic, Banca Sistema has expanded its control activities through interviews and has also extended controls to the network of agents in order to check compliance with contractual procedures.



With reference to commercial communication, in 2021 there were no cases of non-compliance with regard to the disclosure and marketing of products and services.

The guidelines on communications with customers are defined in a ***Marketing Procedure***.

Factoring

Banca Sistema was founded in 2011 in the midst of the credit crunch at a particularly difficult moment for Italy, with the very aim of supporting Public Administration suppliers, guaranteeing them liquidity through the assignment of trade receivables. Since then, with factoring, the Bank has continued to support companies and the country's real economy through financial instruments and a specialised service across the territory, offering customers certainty in collections, servicing and funding to grow and consolidate and, on several occasions, helping to guarantee the necessary liquidity to bring forward key services for citizens. This is what Banca Sistema's Factoring Division has continued to do by supporting customers and companies even in the current emergency situation, where funding public spending remains a necessity.

In this context, the Bank has stood out thanks to its ability to build **solid relations based on trust** with its customers and to its professionalism and determination in **listening to customers in order to address critical issues and find** - often tailored - financial **solutions**, aimed at customers of all sizes, from small-sized businesses to large companies and multinationals. Particularly appreciated is the role of facilitator undertaken by the Bank in relations between suppliers and the Public Administration as is its supporting role in the dialogue between companies, including foreign companies, and the revenue agency.

The customer focus is also a prerogative of assigned debtors, with an ever proactive and never confrontational attitude. In this perspective, Banca Sistema has defined a ***Recovery of Receivables*** Policy, which sets out the Bank's distinctive approach in dealing with procedures out of court and with a moderate approach, for example with the Public Administration.

Salary-and Pension-Backed Loans

In the salary- and pension-backed loans business, in relation to the ambitious growth objectives on direct channel, organizational efforts have focused on further facilitating the process of disbursement of QuintoPuoi financing for retail customers through continuous optimization of internal processes and the strengthening of the authentication system and digital signature for the activation of loans through the introduction of the recognition process with SPID and Electronic Identity Card. Also thanks to this tool it has been possible to significantly increase the number of onboarding managed with remote recognition and signature, favoring the dematerialization of contractual documentation and improving accessibility to financing, bringing the duration of the recognition and signing phase from a few days to a few minutes.

Optimisation of the preliminary assessment/approval process

The **degree of customer satisfaction** is measured by the CQ Division through a **questionnaire** containing questions on the conduct, clarity, availability and professionalism of the credit intermediary. The number of customers to contact is set at 5% of the applications completed in the previous month, for each credit intermediary.

As regards the stakeholders of the distribution chain, particularly **agents and brokers**, the aim is to develop common goals between the Bank and its networks. Therefore, the relation is managed on a regular basis through structured contacts with the Commercial Department and the Division's management, from periodic in-depth technical meetings and training sessions, to opportunities for strategic alignment with the introduction - in 2020 - of Division Town Hall meetings aimed at dialogue and feedback collection.

With a view to building relations based on trust, transparency and the elimination of information asymmetries, in 2019, at the start of Banca Sistema's operations on the direct channel, a **review of the entire contractual documentation** was carried out, taking care of transparency aspects in particular.



The guidelines, which the network of agents must follow in their promotional activities, are clearly set out and summarised in a dedicated "Manual", with a clear indication of the reference compliance regulations.

Collateralised Lending

The collateralised loan is an immediate loan with a long tradition dating back to the *Monti di Pietà* (pawnshops) and with an important social value, which today is more relevant than ever, meeting the liquidity need of a varied social group of customers, including foreigners who work permanently in Italy but who often do not possess the bankability requirements to be able to access traditional financing.

It is a secure form of financing, governed by Law no. 745 of 1938 and Royal Decree no. 1279 of 1939, in which Banca Sistema Group operates through a group of highly qualified experts, who pay attention to customer relations from the point of view of confidentiality, fairness, transparency and fulfilment of a temporary liquidity need with the ultimate goal being that customers will regain possession of their assets upon maturity of the loan (in Pronto Pegno this occurs in 98% of cases).

In this context, the strategy implemented by Pronto Pegno, a dynamic company that is always ready to capture the changes and new needs of customers, is to continue to grow and develop and improve the current collateralised lending processes by digitalising them, in order to provide an **innovative and technologically advanced service that is increasingly up with the times** and with the ever changing needs of customers.

With this in mind, in July 2020 Pronto Pegno finalised the acquisition of Intesa Sanpaolo's collateralised lending business unit and undertook a **training, information and integration** process for the personnel acquired, in order to guarantee an increasingly efficient and widespread service through the branches distributed across the territory. ProntoPegno's growth path has continued over the last year, in particular, in June 2021 the purchase of the loan portfolio of Banca Cassa di Risparmio di Asti S.p.A. and its subsidiary Biver Banca - Cassa di Risparmio di Biella e Vercelli S.p.A. was completed with the simultaneous opening of a branch in Asti. In June 2021, an additional branch was opened in Brescia. The company has also strengthened its back office structure thanks to the creation of a call center dedicated to processing requests for information in the shortest possible time and has continued to develop digital tools, such as the activation of the "*DigitalPegno*" app for the renewal of the online pledge and the presentation of online offers for goods sold at auctions. The **DigitalPegno** app has had a great response and today has 6,500 registered users, 7,000 auction bids executed digitally and over 3,000 online policy renewals (+45% month on month).

5 Communities

Financial inclusion

Banca Sistema cares about the issue of financial inclusion, understood as the set of activities developed to facilitate access to banking services for individuals and organisations not yet fully integrated into the ordinary financial system. An inclusive financial system can bring significant benefits, both in terms of stimulating growth, reducing poverty and inequality, and contributing to the stability and greater confidence in the banking and financial systems.

The Bank will assess participation in financial education initiatives promoted by institutions in the future.

Factoring

The factoring business adopts an approach aimed at supporting small-sized businesses as well, such as, for example, cooperatives providing essential services in the territory (e.g. waste, canteens, utilities), by meeting their liquidity needs arising from late payments by the Public Administration and to ensure that, once they have won a tender, they have the strength to start and complete the contract, thus aiding the production cycle as a whole.

Furthermore, the service is guaranteed throughout the national territory, thereby also helping companies located in the most disadvantaged areas and far from large industrial centres.

Salary-and Pension-Backed Loans

In the last two years, the Bank has made salary and pension backed-loans financing more accessible by appropriate remote signing methodologies for loan contracts, including qualified electronic signature and recognition through SPID and CIE.

The Bank, deeming the issue of over-indebtedness to be of fundamental importance, especially with regard to services linked to salary- and pension-backed loans, along with the implications that this issue may have from a forward-looking perspective, has adopted a preliminary assessment process which includes a questionnaire, transmitted to agents, used to evaluate customer over-indebtedness.



In line with the Bank of Italy's best practices regarding financial education and sustainability, the Division has adopted a number of tools to regulate access to refinancing in order to protect the customer.

The Collateralised Lending business

Collateralised lending represents by its nature an accessible form of financing since customers are not subject to a creditworthiness analysis but just need to possess an asset ("valuable asset") to be granted as collateral. The absence of a minimum amount for the loans, as well as the absence of a wealth investigation, allow all groups of the population to access this credit instrument without constraints and extremely quickly. On average, 98% of customers repay the loan, thus regaining possession of their asset.

6 Human capital

Human capital enhancement and development

Promote training and skills development activities in order to guarantee a continuous human capital enhancement and development process. Promote the development of employees, including through the promotion of inclusive and non-discriminatory practices, taking care to protect health and safety in the workplace and to ensure work/life balance.

The Bank's personnel represent the driving force behind its development and success. The dedication and professionalism of its management and employees are key values and pre-conditions for the achievement of the set corporate objectives. For this reason, the Bank uses, in a profitable and constructive manner, all suitable management tools for the enhancement of its human resources.

280 EMPLOYEES

+4% on 2020

At the end of 2021, Banca Sistema had **280 employees**, an increase by approximately **4%** compared to 269 in the previous year. Of these, around 44% are women. As evidence of the stability of the Group's structure, **97%** of the total number of employees were hired with a **permanent contract**.

Around **95%** of employees have **full-time** contracts while the remaining **5%** of contracts are **part-time**. The latter form of contract is mainly used by female employees (77% of employees taking part-time work are women).

As regards professional categories, in 2021 around 9% of employees were senior managers and 40% were middle managers. This reflects the Bank's commitment to endow the structures with qualified professionals.



The breakdown of employees by age group reveals a balance between growth prospects, the presence of consolidated expertise and generational turnover prospects.

The majority of employees (**63%**) are in the **30 to 50-year-old** age group, 6% of employees are under 30 years of age and 31% are over 50 years of age.

In 2021, hires of new employees from outside the Group stood at around 8%, down compared to 2020 (4%), also as a result of the health emergency.



With respect to the overall gender composition recorded among new hires at the end of 2021, 52% of new employees are women.

Being aware of the importance of professional development as the foundation for its own growth as well as that of its people, Banca Sistema has adopted a specific ***Training Procedure***, as well as an **annual planning of training requirements**, which ensures that personnel are provided with the necessary skills and professionalism for the fulfilment of the duties assigned to them. In addition to compulsory training, the Group organises training initiatives to enable the acquisition of specific skills according to the job performed, as well as coaching activities for leadership development.

Technical and business training is also be provided by internal trainers, identified by profile, function and role.

A total of 1,398 hours of training were provided in 2021 (in 2020 they amounted to 2,441). The change is mainly due to the previous completion of the technical – mandatory training refresher cycle, the impact that remote work and the attention to business continuity have had on working times, on the ability to organize and use the planned training.

≈ 1,398 HOURS
of training provided

As a testament to the importance that Banca Sistema attributes to its employees, the Group has implemented a **performance assessment system**, in order to assess the performance of the skills possessed and developed and the achievement of the set targets, and gather constant ideas for improvement, while identifying training needs for future development. The performance assessment processes are developed through different sets of professional and managerial skills that were updated during 2021 with the aim of supporting more precise self-assessments and assessments of the abilities shown by the employee in relation to the year's performance.

During 2021, 100% of employees used this process. The purpose of the assessment programme is precisely to involve resources in a formal annual process to encourage an open and transparent dialogue between direct managers and employees. Depending on the targets met, according to the annual guidelines and the rules of the Remu-

Performance review on
100% OF EMPLOYEES

neration Policies, monetary incentives are recognised, in the form of a portion of variable remuneration linked to qualitative and quantitative individual performances.



The Bank has also designed a remuneration system, defined in such a way as to attract, motivate and develop the people who possess the professional skills required by the business.

To this end, it has adopted a ***Remuneration Policy***, precisely with the aim of achieving - in the interest of all stakeholders - a remuneration system in line with long-term corporate values, strategies and objectives.

In light of the evolution of the regulatory framework, the context in which the Group operates and the long-term sustainable growth objectives, the 2022 Remuneration Policies, approved by the Shareholders' Meeting of April 2022, provide for the following main changes compared to the previous version of 2021:

- adoption of new pay-out schemes for the variable remuneration component, linked to the declination of the proportionality criterion deriving from the regulatory changes introduced by the 37th update of Bank of Italy Circular no. 285/2013 (Par. 6.4.2);
- adoption of new pay-out schemes for the variable remuneration component, linked to the declination of the proportionality criterion deriving from the regulatory changes introduced by the 37th update of Bank of Italy Circular no. 285/2013 (Par. 6.4.2);
- identification of the "most relevant personnel" through the adoption of the criteria set out in the update of the EBA RTS of June 2020 and the consequent EU Delegated Regulation 2021/923 of 25/03/21;
- revision of the Policy on agreed compensation in view of or on the occasion of the early termination of the employment relationship or early termination of office;
- introduction in the Policies of specific provisions on the neutrality with respect to the gender of the Bank's Remuneration Policies;
- strengthening the ESG dimension in the annual performance management process;
- with regard to the non-financial objectives, already included in previous versions, the Bank: (i) opted for the preparation of voluntary non-financial reporting, thus preparing the Sustainability Report also for 2021, prepared according to GRI standards; (ii) simultaneously cover the reporting areas provided for by Legislative Decree 254/2016, which will therefore enrich the basis of the parameters, including the identification of additional non-financial objectives, in particular to ensure long-term orientation and convergence of the interests of all stakeholders;

- update of the amount of variable remuneration of a particularly high amount in relation to Italian "high earners", as resulting from the most recent report published by the EBA in August 2021 with reference to 2019 remuneration.

Health and safety

The Group considers the promotion of health and safety to be a priority in its way of doing business, and it is committed to achieving, maintaining and fulfilling the requirements defined by the reference regulations, with an approach geared towards constant improvement.

As set forth in the Code of Ethics, the Bank guarantees the creation of an adequate work environment from the point of view of health and safety and mental and physical well-being, promoting the adoption of all suitable technical and organisational measures for the protection of workers, while fully respecting their individual dignity.

To this end, it has adopted a health and safety management system implemented according to the UNI-INAIL guidelines as indicated by article 30 of Legislative Decree 81/08, which covers all Group employees.

In order to **identify and eliminate the risks** and hazards associated with the workplace, the Group has launched a number of **initiatives** in recent years, including: periodic inspections with the consequent assessment of existing risks, periodic meetings within the departments and meetings with the Health and Safety Officer to investigate and manage critical issues and, every two years, the submission of a sample questionnaire to representative employees (supervisors and representatives from among branches/commercial personnel and senior managers) to measure work-related stress. Furthermore, Banca Sistema's top management is kept constantly up to date on the status of health and safety management within the Bank in accordance with regulatory requirements.



During 2021 there were no work-related incidents or injuries. The figure is in line with the previous two years.

As regards training, the Group keeps its employees constantly updated, providing courses on issues relating to health and safety, which include general and specific training (article 37 of Legislative Decree 81/08 - State/Regions Agreement of December 2011), and training for Safety Manager/Supervisors/Employee Health and Safety Representative/Fire Fighting and First Aid Officers. Furthermore, it uses the corporate Intranet to communicate any information or new provisions on the subject to all employees.

In order to counter the effects of Covid-19 and to comply with the regulations issued by the Government, the Bank convened a **Crisis Committee** to manage the relevant activities, and adopted the

measures described in the Memorandums of Understanding on workplace safety detailed below ("Shared Memorandum regulating measures to counter and contain the spread of the Covid-19 virus in the workplace", signed on 14 March between the social partners, and the "Shared Memorandum for measures to prevent, counter and contain the spread of the Covid-19 virus in the banking sector" signed on 16 March 2020 between ABI and the trade unions of the sector, as amended).

Crisis Committee convened to counter the effects of Covid-19

Employee welfare

Being aware that corporate welfare contributes to the implementation of corporate social responsibility, the Bank, with the contribution of the Human Capital Department, adopts tools aimed at producing positive externalities, bringing benefits not only to employees, but also to their families and, more generally, to the territory. Banca Sistema has a **welfare plan** in place with **flexible benefits** defined according to a regulation and specific operational procedures, which have been extended to all employees. These rules and tools allow employees to incur expenses for individual and family welfare in compliance with the provisions of the law, including tax provisions.

Over the last few years, the health cases covered by **insurance for the reimbursement of medical expenses** for employees and cohabiting family members have also been reviewed, expanding them to ensure greater health protection. Moreover, with reference to the fight against Covid-19, Banca Sistema has continued to make available to its personnel an app for remote medical counselling, which was introduced during the health emergency and which allows the whole family of the employee to make contact with a doctor, avoiding physically going to hospitals.

Medical counselling app
"DOC 24"

In addition, with the **Banca SISTEMA SPORT** project, the Bank promotes employee engagement by organising events throughout the year such as ski competitions, sports days with families including through practice support for groups of golf, futsal, tennis and cycling experts and newbies, Christmas parties, and developing broader initiatives aimed at promoting social well-being.

It should be noted that, in 2021, 7 employees were entitled to and benefited from parental leave.

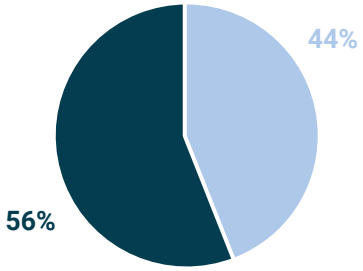
Diversity and inclusion

The Bank is committed to enhancing the diversity of all its employees and promoting inclusion as essential components for the Group's growth. In the choice and selection of its employees, the Bank follows criteria of fairness, transparency and good faith, basing personnel selection on the match between the candidates' profiles and current and future business needs, in compliance with equal opportunities practices and without discrimination of any kind. The principle of diversity is also taken into consideration and applied to the composition of the Board of Directors, as stated in the ***Regulations on the Operation of Banca Sistema's Board of Directors***.

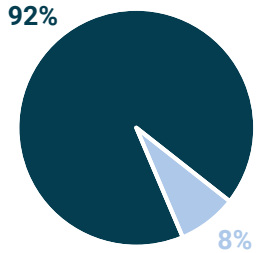
44% of employees are women; the breakdown by category and by gender shows that the category where a substantial balance is achieved in the number of employees is that of white-collar workers, where women account for approximately 53% of the total.

44% WOMEN
over the total of employees

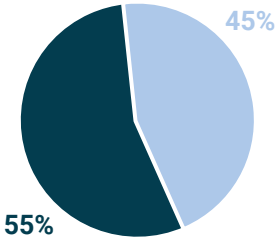
EMPLOYEE DIVERSITY



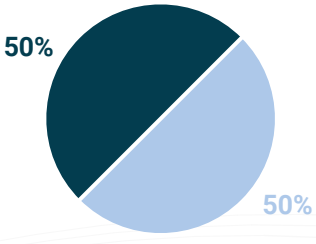
SENIOR MANAGERS



MIDDLE MANAGERS



WHITE-COLLAR EMPLOYEES



Men Women

BANCA SISTEMA

For reports relating to cases of discrimination, the Bank has made a whistleblowing mechanism available to its employees and collaborators, which ensures the confidentiality of the whistleblower's identity in the management of the report.



It should be noted that, in 2021, no cases of discrimination among the Bank's personnel were reported.

The Board of Directors periodically updates, also to take into account the evolution of the Bank's organisational structure, the plan aimed at ensuring the orderly succession in senior executive positions (executive directors, general manager) and top management positions, in order to guarantee business continuity and avoid economic and reputational repercussions.

For further information on the data relating to personnel composition, health and safety, and employee welfare, reference is made to the Annexes section of this document.

7 Environmental protection

Direct environmental impacts

Reduce the environmental impacts of the organisation relating to the use of energy, the consumption of resources (in particular, paper and plastic), the production of waste and employees' travelling.

The Bank is aware of the swift changes that are impacting the climate and the environment as a whole. In the context of the increasing urgency of managing environmental impacts, it therefore recognises the importance of protecting the environment as a primary resource for the well-being of current and future generations, and is committed to minimising and optimising the impact that its activities have on the environment - directly and indirectly - in the short and long term, constantly monitoring the related risk factors.

Being aware that the environmental impacts generated are not comparable to those potentially generated by a production and/or manufacturing business, but recognising that the aforementioned impacts resulting from its business are related to the operations of its offices and branches, Banca Sistema Group has put in place a number of environmental initiatives, including:

Environmental initiatives		
Energy audit of the offices and car fleet every 4 years	Initiatives to reduce plastic consumption in offices (e.g. drinking water dispensers)	Purchase of recycled paper
Separate waste collection	Special agreements for public transport and car sharing companies	Incentive to choose hybrid or electric cars for personnel with company cars as a fringe benefit

The Banking Services Division launched the digitalisation of some processes related to the opening of online current accounts which will lead to a reduction in the use of paper and emissions related to customers' movements.

Energy consumption and emissions[1]

The data on energy consumption monitored mainly refer to the consumption of natural gas, fossil fuels relating to the car fleet and electricity, which is deemed to be the most significant given the sector to which the Group belongs. Banca Sistema Group consumed approximately **2,081 GJ of energy** in 2020 compared to 2,670 GJ of energy in 2020; the calculation includes the energy generated by the photovoltaic panels positioned on top of the Largo Augusto building and the fossil fuels relating to the Group's car fleet.

With reference to emissions[2], during 2021 Banca Sistema Group generated a total of **GHG emissions** equal to **164.50 tCO_2**, while in 2020 the Group generated total emissions of 213 tCO_2. More specifically, the Group calculated Scope 2 indirect emissions according to the location-based method.



As regards energy-related initiatives, the Group uses LED lights and timers to manage the switching on and off of lights, in order to optimise energy consumption.

In addition, since January 2022, the Group has adopted a Car Policy which, in addition to encouraging, as in the past, the choice of electric or hybrid company cars, does not allow the choice of different types of cars.

Details on the energy consumption and emissions produced by the Group can be found in the tables included in the Annexes to this document.

1. For the calculation of emissions, the document "Guidelines on the application of GRI environmental standards to banks" of the Italian Banking Association (ABI) (version issued on 14/12/2020) was used.
2. For the calculation of location-based emissions, the formulas provided by the ABI guidelines ("Guidelines on the application of GRI environmental standards to banks") were used.

Consumption of materials

The consumption of materials of Banca Sistema Group is mostly attributable to the operations carried out by the offices and branches. With regard to the activities intended to reduce the aforementioned environmental impacts, it should be noted that, with reference to the initiatives aimed at reducing plastic consumption in the offices, this was implemented through the provision of drinking water dispensers in the workplace, which resulted in the gradual replacement of plastic bottles. In addition, the plastic cups of water dispensers and hot drink dispensers were replaced with biodegradable products. In addition, a thermal flask was provided to all Group employees.

During 2021, 2.5 tons of paper and 0.03 tons of toner cartridges were used, and 0.4 tons of plastic were produced. Details on the Group's consumption of materials can be found in the tables included in the Annexes to this document.

Waste production

With regard to Banca Sistema Group's waste production, this is mainly attributable to the operations carried out by the offices and branches. Within these contexts, recycling habits are encouraged through the promotion of separate waste collection, also thanks to the display of illustrative material in common areas and the distribution of baskets in operational areas to facilitate collection. It should also be noted that the Bank enters into contracts with companies dedicated to the disposal of used toner cartridges and special waste.

Water withdrawal

With reference to the management of water resources, at the Largo Augusto office the Bank equipped water taps with a specific push-button panel, in order to optimise water consumption. The Group also provided the offices with municipal drinking water dispensers connected to the water network.

Banca Sistema Group consumed a quantity of water equal to 5,050 m^3/day in 2021. Details on the Group's water withdrawal can be found in the tables included in the Annexes to this document.

Annexes

GRI indicators tables

Members of the governance bodies by age group as at 31/12/2021 (GRI 405-1a)			
	Men	**Women**	**Total**
30 - 50 years	0	1	**1**
≥ 51 years	5	3	**8**
Total	**5**	**4**	**9**
Total %	**56%**	**44%**	**100%**

Board of Directors as at 31/12/2021			
Members	**Executive**	**Independent**	**Gender**
Luitgard Spögler *(Chairperson)*	no	yes	Woman
Giovanni Puglisi *(Deputy Chairperson)*	no	no	Man
Gianluca Garbi *(CEO)*	yes	no	Man
Daniele Pittatore *(Director)*	no	yes	Man
Carlotta De Franceschi *(Director)*	no	yes	Woman
Marco Giovannini* *(Director)*	no	yes	Man
Francesca Granata *(Director)*	no	yes	Woman
Maria Leddi *(Director)*	no	yes	Woman
Daniele Bonvicini *(Director)*	no	yes	Man

**Marco Giovannini in May 2022 renounced his position as Director*

Internal Control and Risk Management Committee				
Members	**Executive**	**Indipendent**	**Mandate of the Governance Body**	**Genere**
Bonvicini Daniele	no	yes	Shareholders' Meeting	Man
Pittatore Daniele	no	yes	Shareholders' Meeting	Man
Leddi Maria	no	yes	Shareholders' Meeting	Woman
Giovannini Marco	no	yes	Shareholders' Meeting	Man

Remuneration Committee				
Members	**Executive**	**Indipendent**	**Mandate of the Governance Body**	**Genere**
Puglisi Giovanni	no	no	Shareholders' Meeting	Man
Giovannini Marco	no	yes	Shareholders' Meeting	Man
Granata Francesca	no	yes	Shareholders' Meeting	Woman

Ethics Committee				
Members	**Executive**	**Indipendent**	**Mandate of the Governance Body**	**Genere**
Puglisi Giovanni	no	no	Shareholders' Meeting	Man
De Franceschi Carlotta	no	yes	Shareholders' Meeting	Woman
Leddi Maria	no	yes	Shareholders' Meeting	Woman

Appointments Committee				
Members	**Executive**	**Indipendent**	**Mandate of the Governance Body**	**Genere**
De Franceschi Carlotta	no	yes	Shareholders' Meeting	Woman
Luitgard Spögler	no	yes	Shareholders' Meeting	Woman
Granata Francesca	no	yes	Shareholders' Meeting	Woman

Employees by gender (GRI 102-8)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total	157	123	**280**	152	117	**269**	112	103	**215**

Employees by employment type and gender (GRI 102-8)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	154	113	**267**	149	107	**256**	111	97	**208**
Part-time	3	10	**13**	3	10	**13**	1	6	**7**
Total	**157**	**123**	**280**	**152**	**117**	**269**	**112**	**103**	**215**

Employees by employment contract and gender (GRI 102-8)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent	152	116	**268**	147	114	**261**	105	100	**205**
Temporary	5	7	**12**	5	3	**8**	7	3	**10**
Total	**157**	**123**	**280**	**152**	**117**	**269**	**112**	**103**	**215**
% Permanent	97%	94%	**96%**	97%	97%	**97%**	94%	97%	**95%**
% Temporary	3%	6%	**4%**	3%	3%	**3%**	6%	3%	**5%**

Workers who are not employees by professional category and gender (GRI 102-8d)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Interns	1	1	**2**	0	1	**1**	0	1	**1**
Other roles (collaborators hired on a project basis)	2	0	**2**	2	0	**2**	0	0	**0**
Total	**3**	**1**	**4**	**2**	**1**	**3**	**0**	**1**	**1**
% between employees and workers who are not employees	2%	1%	**1%**	1%	1%	**1%**	0%	1%	**0%**

Percentage of employees covered by collective bargaining agreements (GRI 102-41)			
	2021	2020	2019
Covered employees	280	269	215
Total employees	280	269	215
% of employees covered	**100%**	**100%**	**100%**

New employee hires and employee turnover rate, by age and gender (GRI 401-1)															
	2021					2020					2019				
	<30	30-50	>50	Total	Rate	<30	30-50	>50	Total	Rate	<30	30-50	>50	Total	Rate
Men	2	8	1	**11**	7%	1	5	0	**6**	4%	3	7	6	**16**	14%
Women	5	5	2	**12**	10%	1	4	1	**6**	5%	6	9	1	**16**	16%
Total	**7**	**13**	**3**	**23**	**8%**	**2**	**9**	**1**	**12**	**4%**	**9**	**16**	**7**	**32**	**15%**
Rate	**41%**	**7%**	**3%**	**8%**		**11%**	**5%**	**1%**	**4%**		**41%**	**10%**	**21%**	**15%**	

Outgoing employees (all reasons for termination) and employee turnover rate, by age and gender (GRI 401-1)															
	2021					2020					2019				
	<30	30-50	>50	Total	Rate	<30	30-50	>50	Total	Rate	<30	30-50	>50	Total	Rate
Men	3	4	2	**9**	6%	3	5	7	**15**	10%	4	12	2	**18**	16%
Women	2	5	2	**12**	7%	1	4	2	**7**	6%	1	4	1	**6**	6%
Total	**5**	**9**	**4**	**18**	**6%**	**4**	**9**	**9**	**22**	**8%**	**5**	**16**	**3**	**24**	**11%**
Rate	**29%**	**5%**	**5%**	**6%**		**21%**	**5%**	**12%**	**8%**		**23%**	**10%**	**9%**	**11%**	

Employees by age and gender (GRI 405-1b)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years	9	8	**17**	11	8	**19**	11	11	**22**
30-50 years	86	90	**176**	85	90	**175**	76	84	**160**
>50 years	62	25	**87**	56	19	**75**	25	8	**33**
Total	**157**	**123**	**280**	**152**	**117**	**269**	**112**	**103**	**215**

Employees by category and gender (GRI 405-1b)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior managers	**24**	**2**	**26**	**23**	**2**	**25**	**22**	**2**	**24**
<30 years	**-**	**-**	**-**	1	0	**1**	0	0	**0**
30-50 years	12	2	**14**	15	2	**17**	14	2	**16**
>50 years	12	**-**	**12**	7	0	**7**	8	0	**8**
Middle managers	**62**	**51**	**113**	**65**	**42**	**107**	**57**	**39**	**96**
<30 years	-	-	**-**	0	0	**0**	1	1	**2**
30-50 years	39	38	**77**	42	32	**74**	43	32	**75**
>50 years	23	13	**36**	23	10	**33**	12	7	**19**
White-Collar Employees	**71**	**70**	**141**	**64**	**73**	**137**	**33**	**62**	**95**
<30 years	9	8	**17**	10	7	**17**	10	10	**20**
30-50 years	35	50	**85**	30	56	**86**	20	51	**71**
>50 years	27	12	**39**	24	10	**34**	3	1	**4**
Total	**157**	**123**	**280**	**152**	**117**	**269**	**112**	**103**	**215**

Employees belonging to minority or vulnerable groups by gender and category (GRI 405-1b)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior managers belonging to minority or vulnerable groups	0	0	**0**	0	0	**0**	0	0	**0**
% of senior managers belonging to minority or vulnerable groups	0%	0%	**0%**	0%	0%	**0%**	0%	0%	**0%**
Middle managers belonging to minority or vulnerable groups	**-**	1	**-**	0	1	**1**	0	0	**0**
% of middle managers belonging to minority or vulnerable groups	0%	2%	**0%**	0%	2%	**1%**	0%	0%	**0%**
White-collar employees belonging to minority or vulnerable groups	10	6	**-**	10	6	**16**	0	0	**0**
% of white-collar employees belonging to minority or vulnerable groups	14%	9%	**0%**	16%	8%	**12%**	0%	0%	**0%**
Total employees belonging to minority or vulnerable groups	**10**	**7**	**-**	**10**	**7**	**17**	**0**	**0**	**0**
% of employees belonging to minority or vulnerable groups	**6%**	**6%**	**0%**	**7%**	**6%**	**6%**	**0%**	**0%**	**0%**

Number of employees that were entitled to parental leave, by gender and category (GRI 401-3)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior managers	0	0	**0**	0	0	**0**	0	0	**0**
Middle managers	0	0	**0**	0	0	**0**	0	0	**0**
White-Collar Employees	0	7	**7**	0	3	**3**	0	5	**5**
Total	**0**	**7**	**7**	**0**	**3**	**3**	**0**	**5**	**5**

Total number of training hours per employee (GRI 404-1)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior managers	108	23	**131**	308	38	**347**	238	22	**259**
Middle managers	269	304	**573**	654	604	**1,257**	616	521	**1,137**
White-Collar Employees	403	292	**694**	442	394	**836**	458	469	**927**
Total training hours per employee	**780**	**618**	**1,398**	**1,405**	**1,036**	**2,441**	**1,311**	**1,012**	**2,322**

Average number of training hours per employee (GRI 404-1)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior managers	4.5	11.5	**5**	13	19	**14**	11	11	**11**
Middle managers	4.5	6	**5**	10	14	**12**	11	13	**12**
White-Collar Employees	4.5	6	**5**	7	5	**6**	14	8	**10**
Total training hours per employee	**4.5**	**6**	**5**	**9**	**9**	**9**	**12**	**10**	**11**

Incidents of discrimination identified and remediation plans implemented (GRI 406-1)			
	2021	2020	2019
Incidents of discrimination	0	0	0

Total employees that have received training on anti-corruption (GRI 205-2)			
	2021	2020	2019
Total employees (N.)	81	232	198
Total employees (%)	29%	86%	92%

Number of hours of training on anti-corruption issues (GRI 205-2)			
	2021	2020	2019
Total hours	144	750	974

Percentage of employees receiving regular performance and career development reviews, by gender and category (GRI 404-3)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior managers	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Middle managers	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
White-Collar Employees	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Total employees	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Total number and rate of injuries (GRI 403-9)									
	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total number of injuries	**0**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**
of which work-related	0	0	**0**	0	0	**0**	0	0	**0**
of which while commuting	0	1	**1**	0	0	**0**	0	0	**0**
High-consequence work-related injuries	0	0	**0**	0	0	**0**	0	0	**0**

Total number of complaints on products and/or services received and ascertained by the Group				
	UM	2021	2020	2019
Total complaints received from third parties and confirmed by the organisation	no.	**0**	**211**	**53**
of which received from third parties	no.	0	211	53

Number of legal actions for anti-competitive behaviour and violation of antitrust practices (GRI 206-1)				
	UM	2021	2020	2019
Pending legal actions	no.	0	0	0
Legal actions completed	no.	0	0	0

Compliance concerning product and service information and labelling (e.g. information sheets) (GRI 417-2)				
	UM	2021	2020	2019
Non-compliance with mandatory regulations resulting in sanctions	no.	0	0	0
Non-compliance with mandatory regulations resulting in a warning	no.	0	0	0
Non-compliance with voluntary codes	no.	0	0	0

Total number of complaints received for privacy breaches (GRI 418-1)				
	UM	2021	2020	2019
Total complaints received from third parties and confirmed by the organisation	**no.**	**0**	**1**	**0**
of which received from third parties	no.	0	1	0
of which from regulatory bodies	no.	0	0	0
Average time indicated for closing	days	-	16	-

Confirmed incidents of corruption and actions taken (GRI 205-3)			
	2021	2020	2019
Total number of confirmed incidents of corruption	0	0	0

Energy consumption (GRI 302-1)				
	UM	2021	2020	2019
Direct consumption (Scope 1) from non-renewable sources	GJ	**249.37**	**288.45**	**3,544.41**
Natural gas[3]	GJ	249.37	288.45	71.15
Fuels used for the car fleet (company fleet)[4]	GJ	0	0	3,473
of which diesel	GJ	0	0	3,018
of which petrol	GJ	0	0	455
Direct consumption (Scope 1) from renewable sources	GJ	**20.65**	**0**	**20.65**
Photovoltaic [5]	GJ	20.65	0	20.65
Indirect consumption (Scope 2) of purchased energy	GJ	**504,813**	**2,380.59**	**1,245.19**
from non-renewable sources	GJ	481,616	2,380.59	1,245.19
from renewable sources	GJ	23,197	0	0

Total GHG emissions (GRI 305-1, 305-2)				
	UM	2021	2020	2019
Scope 1	tCO_2	14.09	16.38	238.46
Scope 2 (location-based) [6]	tCO_2	150.41	197.02	109.81
Total	tCO_2	**164.50**	**213.40**	**348.27**

3. The natural gas data for 2020 and 2021 refer to the consumption of the Banca Sistema Group. The data for 2019 refer solely to the consumption of the offices in Naples and, from September, Bologna.
4. For the purposes of this document, it was not possible to record the consumption relating to the car fleet for 2021 and 2019.
5. For the purposes of this document, it was not possible to record photovoltaic consumption for 2021 and 2019.
6. For the calculation of location-based emissions, the formulas provided by the ABI guidelines ("Guidelines on the application of GRI environmental standards to banks") were used.

Materials used by weight and type (GRI 301-1)			
	UM	2021	2020	2019
Paper [7]	t	2.53	3.53	-
Toner cartridges [8]	t	0.03	0.12	-
Plastic (bottles, cups, packaging of consumables)	t	0.44	0.64	1.00
Total materials used	t	**2.97**	**4.29**	**1.00**

Water withdrawal (GRI 303-3) [9]							
	UM	2021		2020		2019	
		All areas	Areas with water stress	All areas	Areas with water stress	All areas	Areas with water stress
Surface water	m^3/g	5,050	-	5,050	-	-	-
Total water withdrawals	m^3/g	**5,050**	**-**	**5,050**	**-**	**-**	**-**

Waste directed to disposal by type (GRI 306-5)				
	UM	2021	2020	2019
Electronic equipment	t	0	0	0.80
Toner cartridges	t	0.03	0.02	0.04
Paper	t	0	0	0
Wood/metal furniture	t	0	0	5.70
Total waste	t	**0.03**	**0.02**	**6.54**

7. For the purposes of this document, it was not possible to calculate the data relating to paper consumption for 2019
8. For the purposes of this document, it was not possible to calculate the data relating to toner cartridge consumption for 2019.
9. For the purposes of this document, it was not possible to calculate the data relating to water withdrawal for 2019.

Waste directed to disposal by type of disposal (GRI 306-3)							
	UM	2021		2020		2019	
Type of waste		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Landfilling	t	0	0	0	0	0	6.50
Incineration	t	0	0	0	0	0	0
Other type of disposal [10]	t	0.03	0.03	0.02	0	0.04	0
Total waste	t	**0.03**	**0.03**	**0.02**	**0**	**0.04**	**6.50**

Proportion of spending on local suppliers (GRI 204-1)				
	UM	2021	2020	2019
Spending on local suppliers	%	**96%**	**100%**	**100%**

Budget allocated to investments in cybersecurity projects				
	UM	2021	2020	2019
Products	€/000	66	25	15
Services	€/000	44	38	20
Total	€/000	**110**	**63**	**35**
Budget allocated to the ICT Department	€/000	5,611	5,470	4,538
% of budget allocated to cybersecurity projects	€/000	**2.0%**	**1.2%**	**0.8%**

Budget allocated to investments in technological innovation projects				
	UM	2021	2020	2019
Products	€/000	70	50	35
Services	€/000	30	10	0
Total	€/000	**100**	**60**	**35**

10. Other type of disposal refers to the collection of used toner cartridges, while electrical material, paper and miscellaneous packaging are included in landfilling always through an external company designated for the purpose.

Note on methodology

Information on the document

The Sustainability Report of Banca Sistema Group provides information and data related to the policies implemented and to the management of environmental, social and governance issues, which are useful to ensure an understanding of the activities carried out by the Group in these areas, their performance, the results achieved and the resulting impacts.

Although this is a first edition of an entirely voluntary nature, the Bank has decided to draw up this document based on the principles and methodologies laid down by the most recent standards published by the Global Reporting Initiative (GRI Standards - "core" option), a national and international reference body dedicated to the definition of non-financial reporting models[11]. In particular, the Sustainability Report refers to the GRI Standards set out in the table "Summary of GRI Indicators (GRI Content Index)" presented below.

The process of drafting the Report also took into account the provisions of Legislative Decree 254/2016, adopted in Italy in implementation of Directive 2014/95/EU, albeit not mandatory for the Bank.

The breadth and quality of the reporting reflect the principle of materiality, an element envisaged by the reference regulations and characterising the GRI Standards: the issues dealt with in this document are those which, after careful evaluation, were considered to be material insofar as being able to reflect the social and environmental impacts of the Group's activities or influence the decisions of its stakeholders.

The qualitative and quantitative information contained in the Sustainability Report refers to the performance of Banca Sistema Group for the year ended 31 December 2020, understood as the set of companies consisting of the Parent, Banca Sistema S.p.A., and the companies Largo Augusto Servizi e Sviluppo S.r.l. and Pronto Pegno S.p.A.

For a better understanding of the progress of sustainability performance, the quantitative information is presented over a three-year period.

Finally, it should be noted that some issues and indicators may have a different reporting scope than that referred to the Group, if these have been assessed by management as not material for a specific company in consideration of its activities. In this case, the reference scope of the issue/indicator is clearly stated in the text, or alternatively within the notes.

The following table outlines the scope of each material issue, highlighting the entities within the Group and the external entities that are affected by the possible impacts that these entail.

11. The Global Reporting Initiative is a non-profit institution founded in Boston in 1997 with the aim of creating a useful reporting tool for the sustainable performance of organisations of any size, from any sector and any country worldwide. In 2001 it was recognised as an independent body by the United Nations and in 2002 the UNEP (United Nations Environment Program) formally recognised and shared its principles by inviting all UN Member States to identify an official seat as a body recognised by the United Nations.

8 Summary of GRI Indicators (GRI Content Index)

GRI CONTENT INDEX				
GRI 102: GENERAL DISCLOSURES				
ORGANISATIONAL PROFILE (2016)				
Disclosure	**Indicator description**	**Section**	**Page**	**Omissions**
102-1	Name of the organisation	Introduction on methodology Note on methodology	2 58	
102-2	Activities, main brands, products and/or services	Banca Sistema Group	3-5	
102-3	Location of headquarters	Largo Augusto 1/A, 20122 Milan (Italy)	-	
102-4	Location of operations	Banca Sistema Group	3-5	
102-5	Ownership and legal form	Banca Sistema Group The Group's structure The business model	3-5 10 11-12	
102-6	Markets served	Banca Sistema Group	3-5	
102-7	Scale of the organisation	Banca Sistema Group The Group's structure The business model Human capital	3-5 10 11-12 37-43	
102-8	Employees by employment contract, gender, origin, age, and membership of minority or vulnerable groups	Human capital Annexes	37-43 49-50	
102-9	Description of the supply chain	Building a responsible business and managing relations based on fairness	22-24	
102-10	Significant changes during the reporting period regarding the Group's size, structure, ownership or supply chain	Note on methodology	58	
102-11	Methods of application of the precautionary principle or approach	The main sustainability risks Internal Control and Risk Management System	19 22-27	
102-12	Adoption of externally-developed economic, social and environmental codes and principles	The importance of non-financial reporting for the Banca Sistema Group Building a responsible business and managing relations based on fairness	15-18 23-25	
102-13	Membership of national or international advocacy associations and organisations	The Group's stakeholders Building a responsible business and managing relations based on fairness	13-14 23-25	

STRATEGY			
102-14	Statement from the Chairperson and the Chief Executive Officer	Letter from the Chairperson	1
102-15	Key impacts, risks, and opportunities	The main sustainability risks	19
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour within the company	Mission and values Building a responsible business and managing relations based on fairness	23-25
102-17	Mechanisms for advice and concerns about ethics	Building a responsible business and managing relations based on fairness	23-25
GOVERNANCE			
102-18	Governance structure	The Group's structure Group governance	10 20-21
102-22	Composition of the highest governance body and its committees	Group governance Annexes	20-21 47-48
102-23	Chair of the highest governance body	Group governance Annexes	20-21 47-48
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	The Group's stakeholders	13-14
102-41	Percentage of employees covered by collective bargaining agreements	Annexes	50
102-42	Process to identify and select the stakeholders to be engaged	The Group's stakeholders	13-14
102-43	Approach to stakeholder engagement	The Group's stakeholders	13-14
102-44	Key topics and concerns raised from stakeholder engagement and related actions (stakeholder engagement)	The Group's stakeholders	13-14

REPORTING PRACTICE			
102-45	List of companies included in the consolidated financial statements and indication of companies not included in the report	Note on methodology	58
102-46	Process of defining the report content and topic boundaries	Materiality analysis Note on methodology Annexes	16-19 58 47
102-47	List of material topics	Materiality analysis Annexes	16-19 47
102-48	Description of the effects of any restatements of information included in previous financial statements and reasons for such restatements	This is the first Sustainability Report	-
102-49	Significant changes compared to the previous reporting period	This is the first Sustainability Report	-
102-50	Reporting period	Note on methodology	58
102-51	Date of publication of the most recent financial statements	This is the first Sustainability Report	-
102-52	Reporting cycle	Annual	-
102-53	Useful contacts and addresses for requesting information on the financial statements and its content	Contacts	67
102-54	Claims of reporting in accordance with the GRI Standards	Note on methodology	58
102-55	GRI Content Index	GRI Content Index	59
102-56	External assurance	The Sustainability Report was not subject to external assurance	-

ECONOMIC PERFORMANCE: TOPIC-SPECIFIC STANDARDS			
GRI 204: PROCUREMENT PRACTICES			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Building a responsible business and managing relations based on fairness	23-25
103-3	Evaluation of the management approach	Building a responsible business and managing relations based on fairness	23-25
204-1	Proportion of spending on local suppliers	Building a responsible business and managing relations based on fairness Annexes	23-25 57

GRI 205: ANTI-CORRUPTION			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 4-7
103-2	Management approach	Building a responsible business and managing relations based on fairness	23-25
103-3	Evaluation of the management approach	Building a responsible business and managing relations based on fairness	23-25
205-3	Confirmed incidents of corruption and actions taken	Building a responsible business and managing relations based on fairness Annexes	23-25 54

GRI 206: ANTI-COMPETITIVE BEHAVIOUR			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Building a responsible business and managing relations based on fairness	23-25
103-3	Evaluation of the management approach	Building a responsible business and managing relations based on fairness	23-25
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Building a responsible business and managing relations based on fairness Annexes	23-25 54

ENVIRONMENTAL PERFORMANCE: TOPIC-SPECIFIC STANDARDS			
GRI 301: MATERIALS (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Direct environmental impacts	44-46
103-3	Evaluation of the management approach	Direct environmental impacts	44-46
301-1	Materials used by weight or volume	Direct environmental impacts Annexes	44-46 56

GRI 302: ENERGY (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Direct environmental impacts	44-46
103-3	Evaluation of the management approach	Direct environmental impacts	44-46
302-1	Energy consumption within the organisation	Direct environmental impacts Annexes	44-46 55

GRI 303: WATER AND EFFLUENTS (2018)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Direct environmental impacts	44-46
103-3	Evaluation of the management approach	Direct environmental impacts	44-46
303-3	Water withdrawal	Direct environmental impacts Annexes	44-46 56

GRI 305: EMISSIONS (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Direct environmental impacts	44-46
103-3	Evaluation of the management approach	Direct environmental impacts	44-46
305-1	Direct (Scope 1) GHG emissions	Direct environmental impacts Annexes	44-46 55
305-2	Energy indirect (Scope 2) GHG emissions	Direct environmental impacts Annexes	44-46 55

GRI 306: WASTE (2020)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Direct environmental impacts	44-46
103-3	Evaluation of the management approach	Direct environmental impacts	44-46
306-3	Waste generated	Direct environmental impacts Annexes	44-46 57
306-5	Waste directed to disposal	Direct environmental impacts Annexes	44-46 56

SOCIAL PERFORMANCE: TOPIC-SPECIFIC STANDARDS			
GRI 401: EMPLOYMENT (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Human capital enhancement and development	37-43
103-3	Evaluation of the management approach	Human capital enhancement and development	37-43
401-1	New employee hires and employee turnover	Human capital enhancement and development Annexes	37-43 50

GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Human capital enhancement and development	37-43
103-3	Evaluation of the management approach	Human capital enhancement and development	37-43
403-1	Occupational health and safety management system	Human capital enhancement and development	37-43
403-2	Hazard identification, risk assessment, and incident investigation	Human capital enhancement and development	37-43
403-3	Occupational health services	Human capital enhancement and development	37-43
403-4	Worker participation, consultation, and communication on occupational health and safety	Human capital enhancement and development	37-43
403-5	Worker training on occupational health and safety	Human capital enhancement and development	37-43
403-6	Promotion of worker health	Human capital enhancement and development	37-43
403-7	Prevention and mitigation of occupational health and safety impacts	Human capital enhancement and development	37-43
403-9	Work-related injuries	Human capital enhancement and development Annexes	37-43 53

GRI 404: TRAINING AND EDUCATION (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Human capital enhancement and development	37-43
103-3	Evaluation of the management approach	Human capital enhancement and development	37-43
404-1	Average hours of training per year per employee, by gender and category	Human capital enhancement and development Annexes	37-43 52
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and category	Human capital enhancement and development Annexes	37-43 53

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Human capital enhancement and development	37-43
103-3	Evaluation of the management approach	Human capital enhancement and development	37-43
405-1	Composition of governance bodies and breakdown of employees by category with respect to gender, age, membership of minority or vulnerable groups and other indicators of diversity	Human capital enhancement and development Group governance Annexes	37-43 20-21 47-52

GRI 406: NON-DISCRIMINATION (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Human capital enhancement and development	37-43
103-3	Evaluation of the management approach	Human capital enhancement and development	37-43
406-1	Incidents of discrimination	Human capital enhancement and development Annexes	37-43 52

GRI 417: MARKETING AND LABELLING (2016)			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Customer satisfaction and transparency	31-34
103-3	Evaluation of the management approach	Customer satisfaction and transparency	31-34
417-2	Incidents of non-compliance concerning product and service information and labelling	Customer satisfaction and transparency	31-34

GRI 418: CUSTOMER PRIVACY			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Safeguarding the information assets and data of the Banca Sistema Group	28-30
103-3	Evaluation of the management approach	Safeguarding the information assets and data of the Banca Sistema Group	28-30
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Safeguarding the information assets and data of Banca Sistema Group Annexes	28-30 54

FINANCIAL INCLUSION			
103-1	Description of the material topic and related scope	Materiality analysis Annexes	16-19 47
103-2	Management approach	Customer satisfaction and transparency	31-34
103-3	Evaluation of the management approach	Customer satisfaction and transparency	31-34

Table reconciling the areas under Decree 245/2016, material issues and GRI indicators

Areas under the Decree	Material issue for the Group	GRI indicators	Scope of impacts	
			Internal	External
Fight against active and passive corruption	Risk governance with a view to the Bank's sustainable development	• GRI 103 • GRI 205 • GRI 206	x	
Employee matters and Respect for human rights	Human capital enhancement and development	• GRI 103 • GRI 401 • GRI 403 • GRI 404 • GRI 405 • GRI 406	x	
Social matters	Customer satisfaction and transparency	• GRI 103 • GRI 417	x	Customers
	Technological innovation and cybersecurity	• GRI 103 • GRI 418	x	Customers
	Financial inclusion	• GRI 103	x	Customers
Environmental matters	Direct environmental impacts	• GRI 103 • GRI 302 • GRI 303 • GRI 305 • GRI 306	x	

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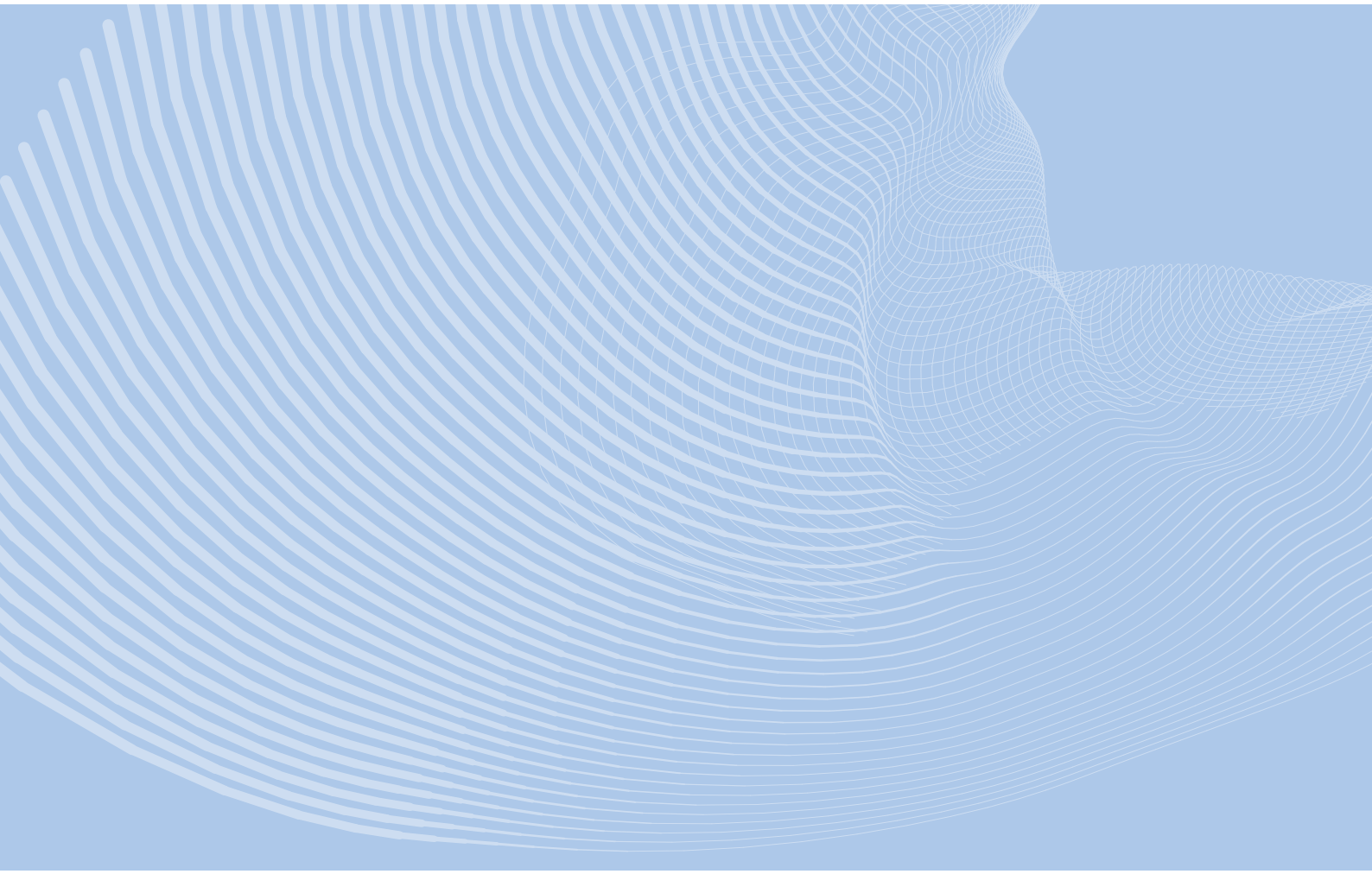
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2021 Sustainability Report of Banca Sistema Group drawn up on a voluntary basis approved by the Board of Directors at the meeting of 29 July 2022.

Banca Sistema S.p.A. - Registered office in Milan - Largo Augusto 1/A, ang. via Verziere 13 - Share capital € 9,650,526.24 (fully paid up) - Entered in the Register of Banks - ABI code: 03158.3 Tax Code and VAT number 12870770158 - Parent of the Banca Sistema Banking Group, entered in the Register of Banking Groups - code 3158; subject to Supervision by the Bank of Italy; Member of the Interbank Deposit Protection Fund and National Guarantee Fund.



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