

# **BANCA**

**S I S T E M A**

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**INFORMATION DOCUMENT ON STOCK GRANT PLAN OF THE BANCA SISTEMA GROUP, DRAWN UP IN ACCORDANCE WITH ART. 114-BIS OF LEG. DECREE 58/98 AND ART. 84-BIS OF REGULATION 11971, AS APPROVED BY CONSOB RESOLUTION DATED 14 MAY 1999, AS SUBSEQUENTLY AMENDED**

**2020 UPDATE**

Milan, 11 March 2020

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**Banca SISTEMA S.p.A.**

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

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Tax Code and VAT number 12870770158

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

Parent of the Banca Sistema banking group – No. 3158 in the Register of Banking Groups

Register of Banks – ABI No. 03158.3 and subject to the supervisory activity of the Bank of Italy

Member of the Interbank Deposit Protection Fund and National Guarantee Fund

[www.bancasistema.it](http://www.bancasistema.it)

### Definitions

In addition to the terms defined in other paragraphs of this information document, the following terms and expressions shall have the meaning shown beside each term:

<b>Shares</b>	The ordinary shares of Banca Sistema, giving regular dividend entitlement and having a nominal amount of € 0.12 each.
<b>Assignment</b>	The entitlement to a hypothetical Bonus amount for 2020, irrespective of when the amount will be awarded. The entitlement is formalised in the letter of assignment.
<b>Award</b>	The actual award - subject to verification of the achievement of the performance targets (company, business line / Department and individual targets) specified in the remuneration policies for each reference Cycle - of the Cash or Shares to be awarded to each Beneficiary as resolved by the Board of Directors at the end of the reference period.
<b>Banca Sistema or Bank</b>	Banca Sistema S.p.A. having registered office in Milan, Largo Augusto 1/A, angolo Via Verziere 13, 20122, registered with the Milan Companies' Register under No. 12870770158.
<b>Beneficiaries</b>	Key Personnel
<b>Bonus Pool</b>	The maximum total amount which the Bank can pay out as variable remuneration to all categories of personnel, as established by the Bank's Board of Directors.
<b>Bonus</b>	The variable component of remuneration for 2020 - as provided in the Policies - consisting of a portion in Cash and a portion in Shares.
<b>Transfer</b>	Any transfer, including but not limited to, the sale, donation, pledge, usufruct, contribution or exchange of the shares, the granting of a beneficial interest on them or the forced sale of the shares, or any other form of disposal (free of charge or at a cost), which directly or indirectly transfers to a third party the ownership of the Banca Sistema ordinary shares or any associated right.
<b>Cycle</b>	Each financial year in which the payment of the variable component of remuneration is deferred, as set out in the 2019 Policies.  - 1st Cycle: 01/01/2021 - 31/12/2021 (the 1st Cycle ends on the date of approval of the 2021 consolidated financial statements);

	<ul style="list-style-type: none"><li>- 2nd Cycle: 01/01/2022 - 31/12/2022 (the 2nd Cycle ends on the date of approval of the 2022 consolidated financial statements);</li><li>- 3rd Cycle: 01/01/2023 - 31/12/2023 (the 3rd Cycle ends on the date of approval of the 2023 consolidated financial statements).</li></ul>
<b>Circular 285</b>	The Supervisory Provisions for Banks, as adopted in Bank of Italy Circular No. 285 of 17 December 2013, as amended.
<b>Code of Conduct</b>	The Code of Conduct for listed companies, as amended, which is promoted by Borsa Italiana S.p.A. and adopted by the Corporate Governance Committee in March 2006.
<b>Remuneration Committee</b>	The Committee set up by Banca Sistema in implementation of the recommendations set out in the Code of Conduct and in Circular 285.
<b>Board of Directors</b>	The Board of Directors of Banca Sistema.
<b>Remuneration Policies Document or Policies</b>	The Remuneration Policies Document of the Banca Sistema Group, as approved by the Board of Directors for the year 2020.
<b>Banca Sistema Group or Group</b>	Banca Sistema and the companies over which it has or may in the future have direct or indirect control pursuant to Article 2359 of the Italian Civil Code and to Section 93 of the Consolidated Law on Finance.
<b>Permanent disability</b>	Any medically certified condition which permanently impairs the Beneficiary's ability to work and that leads to the termination of the employment relationship.
<b>Letter of Assignment</b>	A specific letter notifying the Beneficiary of the hypothetical Bonus amount and the terms and conditions subject to which the Bonus is granted.
<b>Award Letter</b>	A specific letter by means of which Banca Sistema notifies the Beneficiary of: <ul style="list-style-type: none"><li>(i) the actual Bonus amount paid in Cash (by bank transfer to the account registered in the Beneficiary's name);</li><li>(ii) the actual number of Shares awarded (deposited in an open administered time deposit account);</li><li>(iii) the Deferral Period;</li><li>(iv) the Retention Period applicable to the Shares awarded.</li></ul>
<b>Key Personnel</b>	The employees indicated specifically in the Policies.

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

### Introduction

This information document ("**Information Document**") was drawn up in accordance with the combined provisions of art. 114-bis of the Consolidated Law on Finance (TUF) and art 84-bis of the Issuers' Regulation, and in line with Schedule 7 of Annex 3A of the aforesaid Regulation, which sets out the information to be disclosed to the market concerning stock grant plan.

The 2020 Remuneration Policies Document (the "**Policy**") provides for a reward system based on the award of ordinary shares of the Company to "key personnel". More specifically, the Policy provides that:

- for amounts equal to or lower than € 30,000, variable remuneration shall be paid entirely up-front and in cash, subject to the necessary approval of the Board of Directors and of the Shareholders' Meeting provided for in the Policies;
- for amounts from € 30,000 to € 425,000, 70% of the variable remuneration shall be paid up-front (50% in cash ("**Cash**") and 50% in Shares of the Bank ("**Shares**")) and the remaining 30% (50% in Cash and 50% in Shares of the Bank) shall be deferred and paid at the end of the three-year deferral period;
- for amounts greater than € 425,000, 60% of the variable remuneration shall be paid up-front (50% in Cash and 50% in Shares of the Bank) and the remaining 40% (24% in Cash and 76% in Shares of the Bank) shall be deferred and paid at the end of the three-year deferral period.

The procedures by which the variable component of remuneration is assigned and awarded, specifically regarding the portion in Shares, is governed by a specific regulation ("**Regulation**"), which is annexed to the Policies and forms an integral part thereof.

On 11 March 2020, the Board of Directors resolved to submit the 2020 Policy for approval by the ordinary Shareholders' Meeting, scheduled for 23 April 2020 on single call.

This Information Document therefore aims to provide the shareholders with the information necessary to exercise their voting rights in an informed manner.

This Information Document is made available to the public at the registered office and in the "Governance" section/Shareholders' Meeting of the Bank's website [www.bancasistema.it](http://www.bancasistema.it), in accordance with laws in force.

The Regulation is to be deemed "of particular importance" pursuant to article 114-bis, paragraph 3 of the Consolidated Law on Finance and pursuant to article 84-bis, paragraph 2, letters a) and b) of the Issuers' Regulation.

### 1. Persons to whom the Regulation applies

The Regulation accompanying the Policy applies to all Group employees and/or Directors who are identified as “key personnel” (in accordance with the criteria established in the applicable provisions and approved by the Board of Directors) and who therefore, pursuant to Circular 285 and the Policy, may be entitled to a variable component of remuneration, with a portion awarded in shares.

#### 1.1 Indication of the names of recipients who are members of the Boards of Directors of the Bank, its Parent and its Subsidiaries

The addressees of the Regulation accompanying the Policy, and hence, the potential Beneficiaries of the Shares, include the following Group Directors:

- Gianluca Garbi (Chief Executive Officer).

The names of the Beneficiaries and the other information required under paragraph 1 of Schedule 7 of Annex 3A to the Issuers’ Regulation will be notified in accordance with the terms and procedures set out in article 84-bis, paragraph 5, letter a) of the Issuers’ Regulation.

#### 1.2 Indication of the categories of employees or collaborators of the Bank, its Controlling companies or its subsidiaries

The Regulation accompanying the Policy applies to Group employees falling under the category of “key personnel”, who have been identified in accordance with Circular 285 and the Policy and in compliance with the Delegated Regulation (EU) No. 604/2014 (“**Regulatory Technical Standards**” or “**RTS**”).

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

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

The names of the Beneficiaries and the other information required under paragraph 1 of Schedule 7 of Annex 3A to the Issuers’ Regulation will be notified in accordance with the terms and procedures set out in article 84-bis, paragraph 5, letter a) of the Issuers’ Regulation.

#### 1.3 Indication of the names of the persons in the categories set out in point 1.3, letter a), b) and c) of Schedule 7 of Annex 3A to the Issuers’ Regulation who are identified as Beneficiaries under the Regulation accompanying the Policy

##### a) *general managers of the issuer of financial instruments*

The potential Beneficiaries under the Regulation accompanying the Policy include Gianluca Garbi, the Chief Executive Officer and General Manager.

##### b) *other key management personnel of the issuer of financial instruments, where not of “smaller size” pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12 March 2010, if, in the course of the year, the total remuneration awarded to them (the sum of cash remuneration and remuneration based on financial instruments) is greater than the highest total remuneration*

*awarded to the members of the board of directors, or the members of the management body, and to the general managers of the issuer of financial instruments*

- None
- c) *natural persons controlling the issuer of shares, if employees or collaborators of the issuer of shares*
- None

The names of the Beneficiaries and the other information required under paragraph 1 of Schedule 7 of Annex 3A to the Issuers' Regulation will be notified in accordance with the terms and procedures set out in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

#### **1.4 Description and indication of the number of beneficiaries, broken down by the categories set out in point 1.4, letters a), b), c) and d) of Schedule 7 of Annex 3A to the Issuers' Regulation**

- a) *key management personnel other than those indicated in letters a) and b) of paragraph 1.3;*

At the date of this document, no Beneficiaries had been identified in the category of beneficiaries set out in this Paragraph.

- b) *in the case of "smaller companies", as set out in article 3, paragraph 1, letter f) of Regulation No. 17221 of 12 March 2010, indication, in aggregate form, of all key management personnel of the issuer of financial instruments*

Not applicable as Banca Sistema is not a "smaller company" pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12 March 2010.

- c) *other categories of employees or collaborators in relation to whom differentiated provisions are envisaged in the plan (e.g. senior managers, middle managers, employees, etc.)*

Not applicable since there are no categories of employees for whom differentiated provisions are envisaged in the Regulation.

The description and number of Beneficiaries and the other information required under paragraph 1.4 of Schedule 7 of Annex 3A to the Issuers' Regulation will be notified in accordance with the terms and procedures set out in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

## **2. Reasons for the adoption of the Regulation**

### **2.1 Aims which the Bank expects to achieve by making the awards under the plans**

The aim of the incentive system is to enable the Bank to comply with the provisions of Circular 285, whereby the variable component of remuneration granted to Key Personnel is to be awarded in part in financial instruments and be subject to meeting specific performance targets, at both company and individual level.

By implementing the Regulation, Banca Sistema intends to promote and pursue the following objectives:

- to link the remuneration awarded to Beneficiaries to the actual performance of the Company and to the creation of new value for the Banca Sistema Group, in line also with the objectives pursued in the Code of Conduct for Listed Companies;
- to direct the efforts of Key Personnel toward the creation of value and the adoption of strategies oriented towards medium-long term results;

- to align the interests of Beneficiaries with those of shareholders and investors;
- to adopt retention policies aimed at increasing the loyalty of the Beneficiaries and incentivising them to stay with the Bank or within the Banca Sistema Group;
- to motivate and increase the loyalty of the Bank's existing management and develop the Bank's ability to attract potential new managers, in accordance with practices in use in the banking sector.

## 2.2 Key variables and performance indicators

The Policy provides that:

- for amounts equal to or lower than € 30,000, variable remuneration shall be paid entirely up-front and in cash, subject to the necessary approval of the Board of Directors and of the Shareholders' Meeting provided for in the Policies;
- for amounts from € 30,000 to € 425,000, 70% of the variable remuneration shall be paid up-front (50% in Cash and 50% in Shares of the Bank) and the remaining 30% (50% in Cash and 50% in Shares of the Bank) shall be deferred and paid at the end of the three-year deferral period;
- for amounts greater than € 425,000, 60% of the variable remuneration shall be paid up-front (50% in Cash and 50% in Shares of the Bank) and the remaining 40% (24% in Cash and 76% in Shares of the Bank) shall be deferred and paid at the end of the three-year deferral period.

The variable component of remuneration is subject to meeting individual and company-level targets, which the Bank uses to measure performance and subsequently to calculate individual Bonuses. The indicators are also used as ex-post adjustment mechanisms (malus) for the evaluation of performance during the deferral period, and in particular to establish whether the beneficiary shall be entitled to the initially granted Bonus, at the end of said period.

### A. *Distribution and Access Criteria*

The indicators of company-level performance - to which the distribution of the variable component under the Bonus Pool is subject - are as follows:

**CONDITION FOR DISTRIBUTION** - distribution of the Bonus Pool is subject to the achievement of positive Consolidated Gross Earnings.

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

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

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

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

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

### **B. Assignable targets**

#### **i. Targets linked to the Bank's performance**

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

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

#### **ii. Targets linked to the performance of the Beneficiary's Department and/or Business Line/Division/ Subsidiary:**

The business targets linked to the performance of the Beneficiary's Department and/or Business Line/Division are:

- *Meeting the budget targets set for the Department/Business Line/Division, Subsidiary:* these targets can mostly be measured in quantitative terms, primarily linked to sales volumes, credit facilities granted, containment/reduction of costs, profitability and overall capital, risk assessment on individual business dealings, etc., especially where a measurable quantitative or qualitative indicator exists or in relation to which precise performance standards can be described (e.g. sales volumes vs. budget, annual savings on cost funding vs. budget, containment of consultancy costs, reducing overtime, reducing maintenance and management costs, etc.).



- *Managing and reducing risks:* capital and liquidity indicators at Division/Business Line level, loss rate, Risk profile/RWA Density, again at Division/Business Line and Subsidiary level, projects and actions implemented to reduce risks, NPE ratio, etc.
- *Value creation:* these targets measure the value added of a new product or new service, the correct performance of a company process or its redesign, the growth and enhancement of the Group's technical and human resources (e.g. the contribution of marketing activities to the achievement of the factoring target, revenue from new products, the timely management of complaints, the professional growth of collaborators).
- *Management of operations:* these targets are linked to increasing customer satisfaction, internal and external, and to actions that improve the effectiveness of internal management of operations (e.g. timeliness of reporting adjustments to the budget, number of applications priced/headcount, timeliness in closing Open Issues reported by the control departments, correct and timely performance of management processes linked to the human resources allocated).
- *Increased efficiency:* these targets are based on a comparison with the same activities performed in the previous years in connection with increasing the overall performance of the Group (e.g. reducing the percentage of operating errors, increasing the equivalent advertising value, compliance with project completion timelines, reducing the completion time of business processes, etc.).
- *Management of the technical and human resources allocated:* these targets are linked to the improved management of human resources, for example: the creation of a constructive working environment, the growth of talent and the best allocation and development of professional skills, the dissemination and capitalisation of company knowledge, effectiveness and awareness in the use of company tools and processes, also with a view to minimising costs.

### iii. Targets linked to individual managerial and professional activities

Individual qualitative targets linked to the contribution to the financial results, customer relations (internal and external), organisational and managerial skills and personal qualities, also supplemented by the assessment on:

- the observance and respect of the "values" that underpin the Bank's activity, in compliance with the applicable regulations and the Group's Code of Ethics;
- appropriateness of customer retention and customer relationships;
- professional ability and skills;
- constant dedication to work, cooperation with co-workers and teamwork;
- the ability to find effective and possibly innovative solutions, whilst continuing to pursue the objectives of sound and prudent management of the Bank and its value over the long-term;
- the tendency to take responsibility for decisions and the timely achievement of the identified individual targets;
- the ability to use resources efficiently, to involve and motivate collaborators and make sensible use of delegation to promote growth;
- the containment of legal and reputational risks.

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### **Targets set for the Chief Executive Officer/General Manager**

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

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

- **Profitability of the Group** (determined by means of any one of the following alternative indicators: consolidated gross earnings at Group level, ROE/RORAC, Cost/Income, etc.), having an overall weight of at least 30% relative to the overall score of the targets;
- **Growth of the Group** (determined by means of any one of the following alternative indicators: growth vs. budget of total income, market shares, etc.), having an overall weight of at least 30% relative to the overall score of the targets;
- **Increase in the value of the Group** (determined by means of any one of the following alternative indicators: increase in the value of the Bank's shares, indicators connected to sustainable growth and the risk profile, level of accomplishment of the business plan or specific company projects/non-recurring transactions, development of human capital and level of employee satisfaction and engagement, corporate sustainability indicators, etc.).

\* \* \* \* \*

### **Targets set for other "key personnel"**

The targets set for other "key personnel" are:

- Targets linked to the Group's performance, to an extent not less than 30% of the overall targets sheet,
- "Business" targets linked to the performance of the Beneficiary's Department, Business Line/Division, Subsidiary, not less than two targets and having an overall approximate weight of at least 30% relative to the overall targets sheet,
- Individual targets linked to the Beneficiary's managerial and professional activities, not less than two targets and having an overall approximate weight of at least 20% relative to the overall targets sheet.

\* \* \* \* \*

### **Targets set for other employees**

For the remaining employees - pursuant to the relevant National Collective Bargaining Agreement and in line with the principles and instruments described in the Policies - the Bank may assign "Business" targets linked to the performance of each employee's Department and/or Business Line/Division (not less than one and with an approximate weight of 30%), as well as individual targets linked to their managerial and professional activity (not less than two) - to be assigned and documented through the "targets" sheet of the tool - and individual performance targets ("performance" sheet of the tool).

### 2.3 Criteria for determining the number of shares to be assigned

Subsequent to verification that the performance targets envisaged by the Policy have been met, the Board of Directors determines the number of Shares to be awarded to each Beneficiary at the end of the reference financial year, based on the Price of the Shares.

### 2.4 Reasons that led to any decision to implement remuneration plans based on financial instruments not issued by the issuer, including financial instruments issued by subsidiaries or controlling companies or entities outside the group; where such instruments are not traded on regulated markets, provide information on the criteria used to determine the value assigned to them

Not applicable since the Policy only provides for the award of Shares of the Bank.

### 2.5 Considerations on significant tax and accounting implications that influenced the definition of the plans

The definition of the Regulation accompanying the Policy was not affected by the applicable tax provisions or accounting-type implications.

### 2.6 Possible support for the plan from the special Fund for incentivizing the participation of workers in enterprises, as per article 4, paragraph 112 of Italian Law No. 350 of 24 December 2003

No support is envisaged from the special Fund for incentivizing the participation of workers in enterprises, as per art. 4, paragraph 112 of Italian Law No. 350 of 24 December 2003.

## 3. Approval process and share assignment timing

### 3.1 Powers and functions which the Shareholders' Meeting delegated to the Board of Directors to implement the plan

At the meeting held on 11 March 2020, the Board of Directors resolved to submit the following draft proposal to the ordinary session of the Shareholders' Meeting:

*"The ordinary Shareholders' Meeting of Banca Sistema S.p.A.,*

- *having examined the 2020 Remuneration Policies of the Banca Sistema Group and its annexes, made available to the public pursuant to the applicable regulatory provisions;*
- *having also examined the Information Document of the Regulation relevant to the 2020 Policies prepared in accordance with article 84-bis of Consob Regulation no. 11971/99, implementing the provisions of article 114-bis of the Consolidated Law on Finance;*
- *having heard and approved the proposal of the Board of Directors concerning the 2020 Remuneration Policies of the Banca Sistema Group;*

*resolves*

- 1) *to approve the 2020 Remuneration Policies of the Banca Sistema Group;*
- 2) *to grant the Board of Directors, in the persons of the Chairperson of the Board of Directors and the CEO, the powers necessary to fully implement the aforesaid 2020 Remuneration Policies of the Banca Sistema Group, severally and with the authority to sub-delegate such powers - to be exercised in accordance with the application criteria described above, making any necessary amendment or addition for the subject matter resolved on to be implemented.*

Information on the criteria adopted by the Board of Directors to take the decisions by means of which the Incentive System will be implemented, as well as the content of such decisions, will be notified in accordance with the procedures set out in art. 84-bis, paragraph 5, letter a) of the Issuers' Regulation and, in event, in accordance with the applicable laws and regulations.

### **3.2 Persons appointed to manage the plan and their functions and responsibilities**

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

The Bank's Board of Directors is responsible for the implementation of the Regulation. The Board has all-encompassing operating powers for the management of the Regulation, that may be delegated.

### **3.3 Any existing procedures concerned with the review of the plans, including the amendment of the underlying targets**

the Board of Directors may at any time amend the Regulation as it deems opportune, in order to render it compliant with the applicable laws at the time.

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

### **3.4 Description of procedures for determining the availability and the assignment of financial instruments on which the plans are based**

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

In this regard, the Shareholders' Meeting is called upon to authorise the Board of Directors to purchase and make available treasury shares pursuant to and for the purposes of article 2357 ff. of the Italian Civil Code and article 132 of the Consolidated Law on Finance, subject to the obtainment of the authorization required under the applicable provisions and up to the maximum amount authorised by the Supervisory Authority.

### **3.5 The role of each Director in defining the features of the plans; possible instances of conflict of interest involving the directors concerned**

The Bank's Remuneration Committee, consisting of three non-executive directors, two being independent, was involved in the various phases of the preparation of the Policy and the Regulation.

### **3.6 For the purpose of the requirements set out in art. 84-bis, paragraph 1, the date the decision was taken by the competent management body to propose that the Shareholders' Meeting approve the plans and the date of any proposal made by the remuneration committee**

The Policy and the accompanying Regulation were submitted for approval by the Shareholders' Meeting upon proposal of the Board of Directors approved on 11 March 2020, subsequent to the expression of a favourable opinion by the Remuneration Committee on 10 March 2020.

### **3.7 For the purpose of the requirements set out in art. 84-bis, paragraph 5, letter a), the date**

**the decision was taken by the competent management body concerning the assignment of the instruments and the date of any proposal made by the remuneration committee to said management body**

Once the Board of Directors, with input from the Remuneration Committee, has verified the achievement of the performance targets relating to each Cycle, the Board of Directors then determines the number of Shares to be awarded to each Beneficiary and awards the Shares.

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

The dates of Award of the Shares will be notified in accordance with the terms and procedures set out in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

### **3.8 The market price, recorded on said dates, of the financial instruments underlying the plans, if traded on regulated markets**

The price of the Shares on the Italian Equities Market organised and managed by Borsa Italiana S.p.A., at the end of the trading day on which the proposal was approved by the Board of Directors, was € 1.194.

### **3.9 In the case of plans based on financial instruments traded on regulated markets, in what terms and in which ways has the issuer taken into account - in defining the timing of the assignment of the instruments underlying the plan - of the possible time correlation between: (i) the date of the assignment or the date of any related decisions by the remuneration committee, and (ii) the date of publication of the disclosures required under art. 114, paragraph 1; for example, where such information: (a) has not yet been published and is likely to positively influence the market quotations, or (b) has been published and is likely to negatively influence the market quotations**

The timing of the Award of the Shares is established in the remuneration policies adopted annually, prior to and from a viewpoint of neutrality with respect to any events that could potentially affect the market value of the Shares of the Company. Any disclosures required under the provisions and regulations in force at the time shall be provided to the market during the implementation phase of the Regulation.

## **4. Features of the instruments awarded**

### **4.1 Description of the structure of stock grant plans**

The Regulation accompanying the Policy is based on the award of Shares in accordance with the procedures described in paragraph 2.3 above.

### **4.2 Period of implementation of the plan with reference also to any other cycles envisaged**

The Regulation is annual but the Shares may also be assigned in subsequent financial years in accordance with the deferral mechanism described in paragraph 2.3 above.

### **4.3 End date of the plan**

The end date of the Regulation accompanying the Policy is indicated in point 4.2 above.

### **4.4 Maximum number of financial instruments, including in the form of options, assigned in**

**each financial year to the named beneficiaries or to the categories indicated**

It is currently impossible to indicate the number of Shares that will be assigned under the Regulation accompanying the Policy, since their precise calculation is subject to the performance targets being met.

Said information will be provided in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

**4.5 Implementation procedures and clauses of the plan, specifying whether the actual award of the instruments is subject to meeting certain conditions or achieving specific results, including performance targets; description of said conditions and results**

See paragraph 2.2 and 2.3 above.

**4.6 Any restrictions on the availability of the options or the financial instruments resulting from the exercise of said options, with particular regards to the terms within which their subsequent transfer to the company or third parties is permitted or prohibited**

The Policy provides that a portion of the variable component of remuneration is paid upfront and the remaining portion is deferred and assigned at the end of the three-year deferral period.

The Policy also provides that the Shares awarded are subject to a retention period of 12 months (holding period during which shares cannot be transferred), which applies to both Shares awarded upfront and Shares awarded at the end of the deferral period.

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

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

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

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

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

**4.7 Description of any termination conditions affecting the awards made under the plans if the beneficiaries enter into hedging transactions which neutralise any restrictions on the sale of the financial instruments assigned, including those in the form of options, or on the sale of the financial instruments resulting from the exercise of those options**

In line with Circular 285, the Beneficiaries will be asked - on the basis of specific agreements - not to avail themselves of personal hedging strategies or insurance arrangements that could undermine or affect the risk alignment effects embedded in the assignment of the Shares.

**4.8 Description of the effects of termination of the employment relationship**

The following are the terms and conditions of the Policy governing relations between the Bank and the beneficiaries of the Bonuses upon occurrence of certain specific events.

Dismissal, resignation, consensual termination

If a beneficiary is dismissed by the Bank for any reason or leaves the company due to resignation, but excluding retirement or disability, the beneficiary shall lose the entitlement to receive the deferred portion of the Bonus still outstanding at the date of employment termination, unless otherwise decided on justifiable grounds by the Bank's Board of Directors, on proposal of the Remuneration Committee.

The variable part of remuneration cannot be paid during the notice period, whether worked or not.

In the case of consensual termination of the employment relationship, Beneficiaries are entitled to the variable remuneration accrued, calculated on a "pro-rata temporis" basis, subject to the level of achievement of the pre-established individual and company-level performance targets. The payment of the full amount to the beneficiary is approved by the Board of Directors, subject to the opinion of the Remuneration Committee.

### Retirement, disability

The rules governing the consensual termination of the employment relationship shall apply if the Beneficiary gains access to old age pension, contribution-based pension or disability pension rights when this results in the termination of the employment relationship.

### Death

In the event of the death of the Beneficiary, his/her heirs, at the opening of the succession, shall be entitled to request payment of the Bonus (accrued but not distributed) still payable to the Beneficiary in accordance with the applicable terms and conditions.

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

Furthermore, Shares shall continue to be subject to the Retention Period set forth in paragraph 4.6 above even if the employment contract is terminated, except in the case of death or permanent disability of the Beneficiary; in the latter cases, the Retention Period shall not apply.

## **4.9 Any other reasons for the cancellation of the plans**

No cancellation clauses are provided for in the Regulation.

## **4.10 Reasons for any clauses which entitle the Company to redeem the financial instruments underlying the plans pursuant to articles 2357 ff. of the Italian Civil Code and indication, by the beneficiaries of the redemption, of whether this applies only to specific categories of employees, as well as any effects that the termination of the employment relationship may have on the aforementioned redemption**

No right of redemption is envisaged for Banca Sistema in the Regulation accompanying the Policy.

## **4.11 Possible loans or subsidies to be granted to purchase the Shares pursuant to art. 2358 of the Italian Civil Code**

No loans or subsidies will be granted to purchase the Shares pursuant to art. 2358, paragraph 3 of the Italian Civil Code.

## **4.12 Measurement of the expected cost for the Company at the assignment date, based on the previously defined terms and conditions, with indication of the total amount and the amount relating to each instrument of the plan**

It is currently impossible to accurately quantify the cost involved, since the quantification of this amount is subject to the satisfaction of specific conditions and the achievement of performance targets.

The total cost will be notified in accordance with the terms and procedures set out in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

#### **4.13 Possible dilutive effects on capital resulting from the remuneration plans**

Minimum dilutive effects on capital are expected, of a non-significant scale and in any case such as not to significantly change the Bank's current ownership structures.

#### **4.14 Possible restrictions on voting rights and on the right to dividends**

No restrictions are envisaged in relation to dividend rights and voting rights resulting from the Shares, which will be granted in accordance with the Regulation accompanying the Policy.

#### **4.15 Information on the assignment of Shares which are not traded on regulated markets**

Not applicable. The Shares of Banca Sistema are listed on the Italian Equities Market - STAR Segment - organised and managed by Borsa Italiana S.p.A..

#### **4.16 Table**

Table No. 1 referenced in paragraph 4.24 of Schedule 7 of Annex 3A to the Issuers' Regulation will be provided in accordance with the terms and procedures set out in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.