

APPLICATION OF THE 2022  
REMUNERATION POLICIES

2023 REMUNERATION  
POLICIES

EXECUTIVE SUMMARY

**BANCA**  
S I S T E M A



# Letter from the Chairperson of the Remuneration Committee

**Dear Shareholders,**

*In my capacity as Chairperson of the Remuneration Committee and on behalf of the Committee itself, I am pleased to present to you the Executive Summary on the Application of the Remuneration Policies for the 2022 financial year of the Banca Sistema Group.*

*This Executive Summary describes the Group's main results for 2022, introduces the principles, purposes, bodies involved and structure of the Remuneration Policies for 2023 (ex-ante disclosure) and summarises the application of the Remuneration Policies for 2022 (ex-post disclosure).*

*When updating the 2023 Remuneration Policies, the Remuneration Committee assisted the Board of Directors in its review and consolidation of the Document, which was updated to reflect changes in the regulatory framework, market practices and the evolution of the remuneration instruments adopted to pursue the sustainable achievement of business objectives over time.*

*During 2022, the variable incentive system was strengthened with the introduction of criteria for determining the bonus pool and assignable individual bonuses that are directly linked to business performance and that consider best market practices. The annual variable remuneration system adopted adjusts the entity of the assigned bonus pool based on the results achieved, guarantees there is a correlation between the individual performance and the economic rewards that each individual material risk taker can obtain, making the variable component of remuneration foreseeable ex ante and pegged to objective risk-adjusted performance criteria.*

*The recommendations of the Corporate Governance Committee on the transparency of remuneration policies in terms of the weighting of variable components, long-term horizons in remuneration policies and the setting of ESG parameters for directors' remuneration have been considered.*

*Regarding the application of the 2022 policies, the Committee assessed the achievement of the objectives and "gates" envisaged, and monitored the correct application of the criteria underlying the allocation of bonuses to the Group's key personnel.*

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

*Best regards,*

**Ms. Francesca Granata**  
**Chairperson of the Remuneration Committee**



**4 2022 Group Profile**

**6 2022 Group Performance**

**7 Remuneration principles and guidelines**

**8 Purpose and Governance**

**9 Involved bodies**

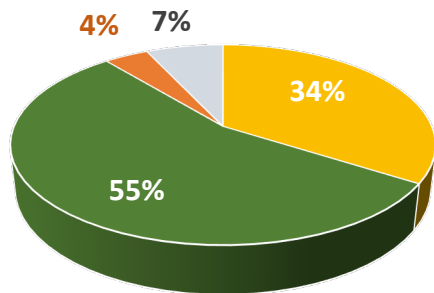
**10 Remuneration Committee**

**11 2023 Remuneration Policies – main updates**

**13 2023 Remuneration Policies – highlights**

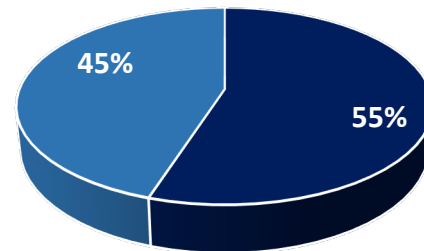
## WHAT WE DO

FY 2022  
Net loans and receivables  
2,738 million



■ CQ      ■ FACTORING  
■ PEGNO   ■ ALTRO

FY 2022  
Total Funding  
3,917 million



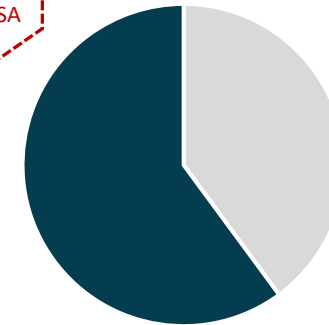
■ Retail   ■ Wholesale

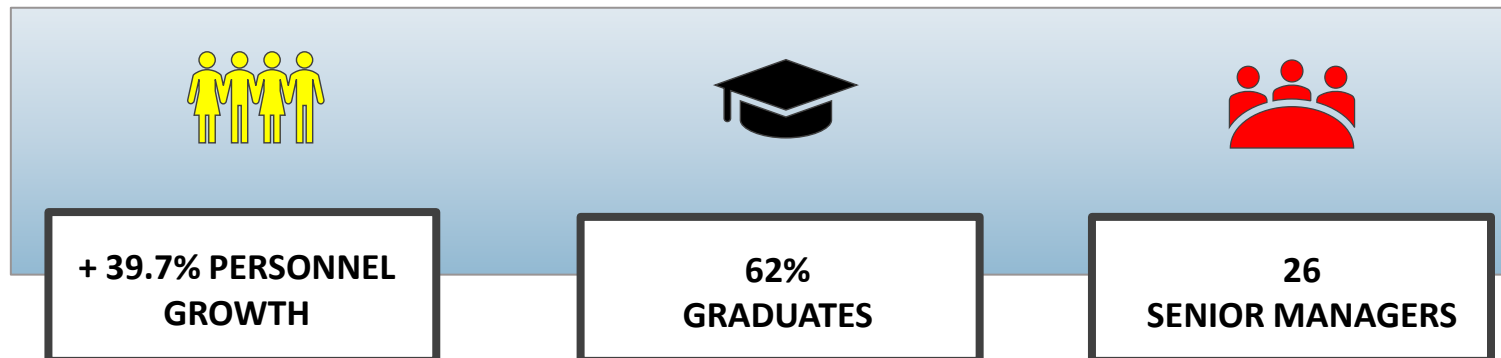
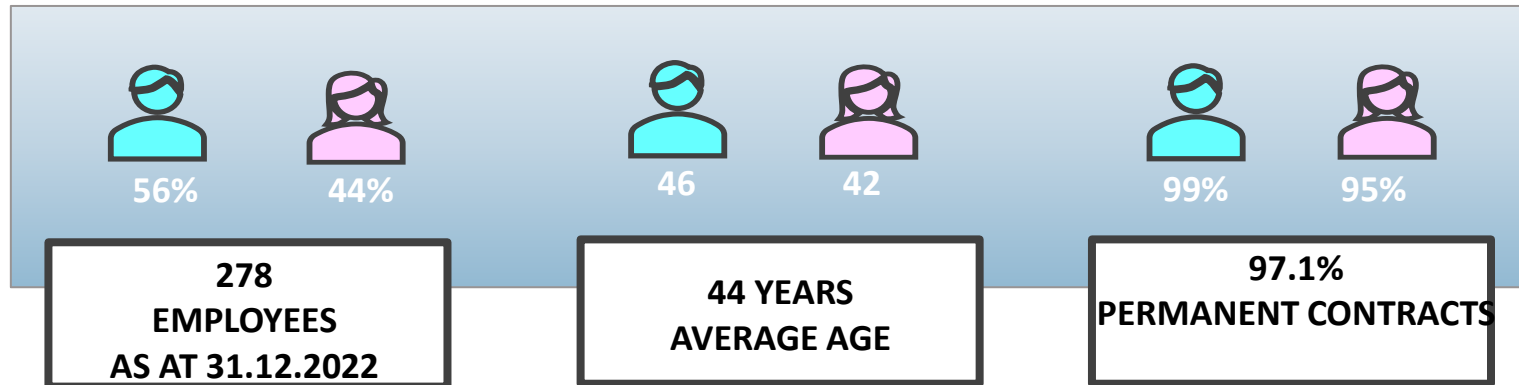
## SHAREHOLDERS

5.8% Fondazione  
Cassa di Risparmio  
di Cuneo  
7.5% Chandler SA

Market  
60.1%

Historical shareholders 39.9%





**€106 M**  
Total income

**€22 M**  
Profit for the year

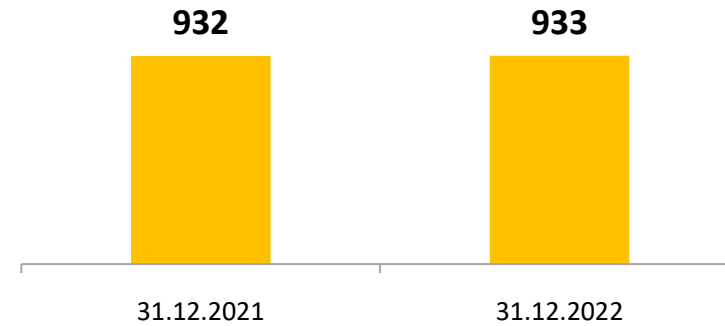
**13.3%**  
RoTE

**19.9%**  
RORAC

**12.6%**  
CET1 ratio

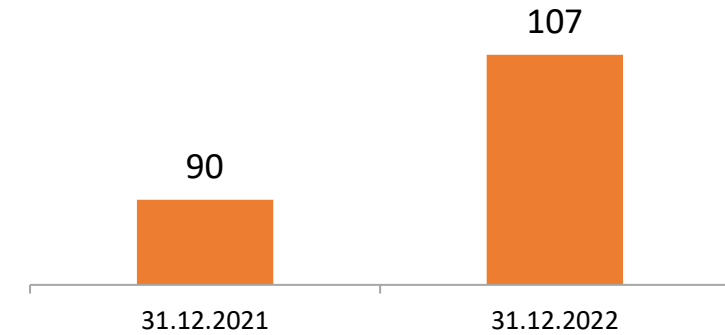
## CQ loans outstanding

€M



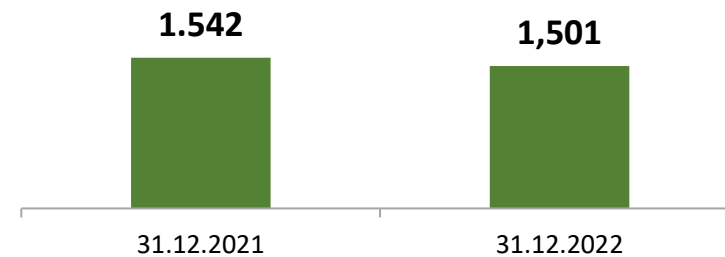
## Outstanding collateralised loans

€M



## Factoring outstanding

€M



**+22% (y/y)**  
Factoring Turnover  
[€ 4,417 M]

<b>PRINCIPLES</b>	<b>COMPETITIVENESS</b>	Ensure appropriate and motivating remuneration for employees, in line with the relevant labour market.
	<b>MERIT</b>	Guarantee remuneration linked to results, which rewards merit, recognises career development and skills and preserves pay equity.
	<b>COMPLIANCE</b>	Establish remuneration policies that fully comply with laws and regulations.
<b>REMUNERATION POLICY GUIDELINES</b>	<b>SHORT-TERM VARIABLE REMUNERATION</b>	Guide behaviour towards value creation, identifying clear KPIs, defined ex ante and referring to each financial year.
	<b>DEFERRED VARIABLE REMUNERATION</b>	Encourage the retention of key figures and the alignment of their KPIs with the Bank's Strategic Plan and sustainability goals.
	<b>RISK MANAGEMENT</b>	Establish the conditions for distribution and access linked to the benchmarks set out in the reference RAF, which also serve as malus conditions.

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

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

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

## OBJECTIVES

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



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

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

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

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

The **Shareholders' Meeting** approves:

- The Policies applicable to Group employees and “key personnel”;
- The criteria for determining any compensation to be paid in the event of early termination of employment or early exit from office, including the limits upon such compensation in terms of the number of years of fixed remuneration and the maximum amount resulting from application of such criteria (so-called golden parachute);
- The ratio between the variable and fixed remuneration paid to individual employees at more than 1:1, but not in excess of the maximum limit of 2:1.

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

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

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

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

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

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

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

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

## COMPOSITION and MAIN ACTIVITIES CARRIED OUT IN THE PAST 12

**Chairperson of the  
Committee  
Independent Director**

Francesca Granata

**Independent Director**

Daniele Pittatore

**Director**

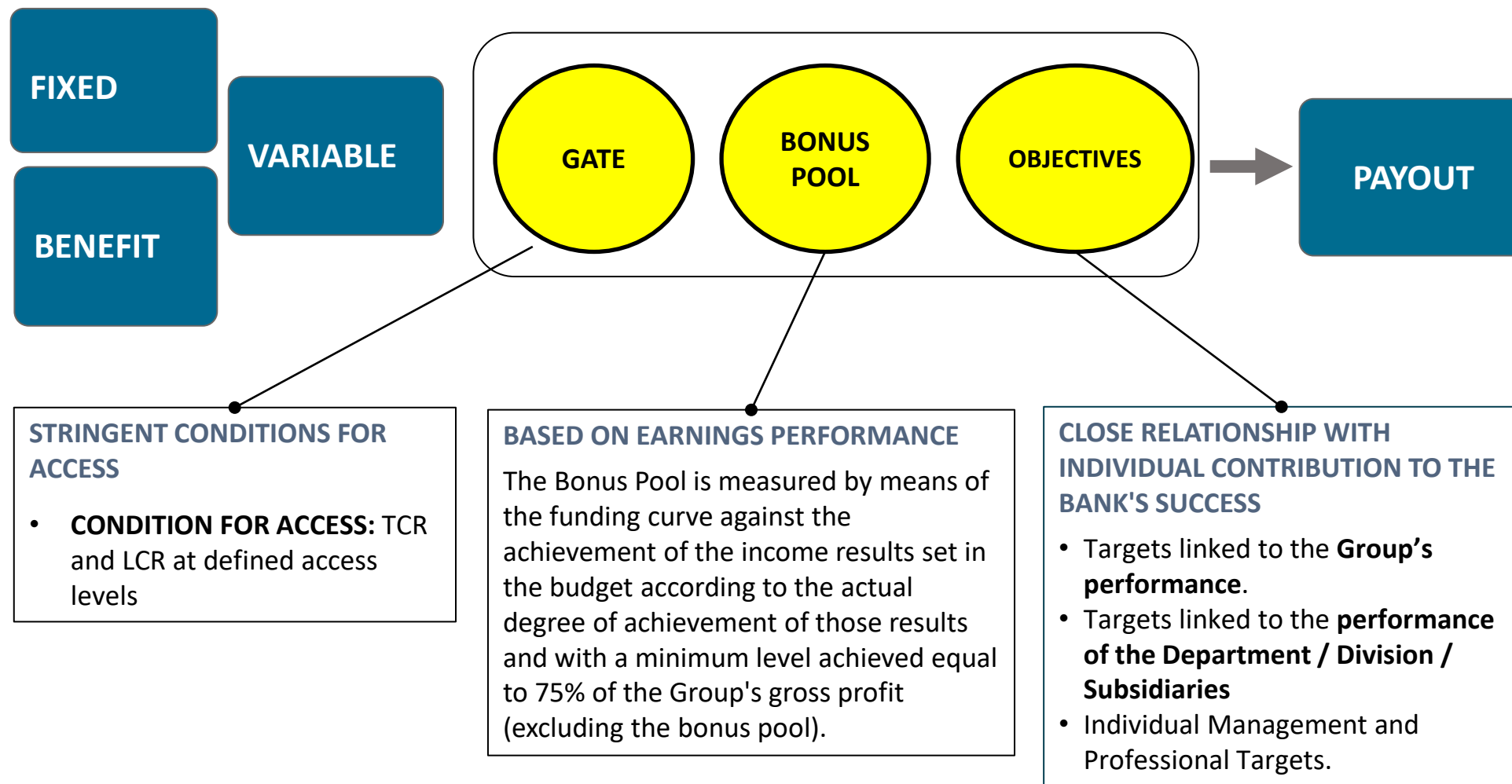
Giovanni Puglisi

- Drafting of the 2022 and 2023 Remuneration Policy Documents; conducting the self-discovery process and identifying key personnel.
- New “2023 / 2024 Welfare Plan”.
- Assessing the review of Non-compete Agreements and adoption of Retention Bonuses.
- Remuneration strategy - implementation of the new variable incentive system for 2022.
- Evaluation of the access / gate criteria and determination of the funding curve for defining the bonus pool for 2022 and variable bonus proposals for key personnel.
- Evaluation of the set of remuneration interventions for senior managers and key personnel for 2022 and 2023.
- Extension of department allowances to the Managers of the Control Functions of the Subsidiaries.
- Expansion of the ESG issues and the role of the Internal Control and Risk Management Committee
- Analysis of remuneration data and monitoring of the gender pay gap.



**no. 7 2022  
MEETINGS**

**no. 4 2023  
MEETINGS**





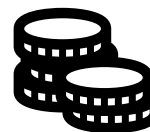
The access and distribution conditions of the 2022 bonus pool were met - the same conditions apply for the recognition of deferred portions of bonuses from previous years



The actual Group Gross Profit below budget resulted in a 20% reduction of the available bonus pool, according to the funding curve.



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



Non-executive Directors are only paid a fixed fee for their office and an attendance fee for Board and Board Committee meetings; the total amount paid to the BoD in 2022 was € 938,319.



Key personnel covered by the incentive scheme for 2022: 31 individuals (excluding non-executive directors).



For bonus amounts exceeding € 50,000 the deferred percentage is 30% (40% for the CEO/GM) and is paid entirely in cash. The total deferred portion for 2022 is 25.78% of the bonus paid to key personnel.



remunerazione complessiva AD /DG	fissa	variabile di breve (2022)	di cui differimento	variabile di lungo (target)	benefit
100	54,52%	42,11%	17%	0	3,37%

- The review of the process of identification of “Key Personnel” through the adoption of the criteria laid down in the update of the EBA RTS of June 2020 and the consequent Delegated Regulation (EU) 2021/923 of 25/03/21;
- The description of the analyses and assessments conducted by the Remuneration Committee and the Board of Directors regarding the gender pay gap previously introduced in the 2022 Remuneration Policies;
- Reference to the Operational Procedure regarding flexible bonuses assignable to the Banking Group’s employees, decided by the Board of Directors on 11 October 2022 and designed to establish the corresponding operations, responsibilities and methods of calculating the bonus pool and bonuses of key personnel, as per the reports on the results achieved by the Bank and by individuals;
- The strengthening of ESG factors and of the management of climate and environmental risks within the context of the annual performance management process, also in relation to the Three-Year Climate and Environmental Risk Management Plan currently being prepared, implementation of which shall be the responsibility of the risk-takers involved;
- Reference to the remuneration guidelines issued by the Italian Corporate Governance Committee, promoted by ABI, Ania, Assogestioni, Assonime, Borsa Italiana and Confindustria for 2022.
- As regards the non-financial objectives, already included in the previous versions, the Bank: (i) opted for the preparation of voluntary non-financial reporting, thus preparing the Sustainability Report also for the year 2022, drafted in line with the GRI standards; (ii) will, at the same time, cover the areas of reporting under Italian Legislative Decree 254/2016, which will therefore add value to the base of the parameters, including the identification of additional non-financial objectives in particular to ensure a long-term approach and the convergence of the interests of all the stakeholders;
- Update to the amount of particularly high variable remuneration of Italian high earners, as indicated in the latest EBA report published in January 2023 with reference to remuneration for the year 2021;
- Description of application of the retention bonuses in place of the previous non-compete agreements, particularly with regard to the CEO;

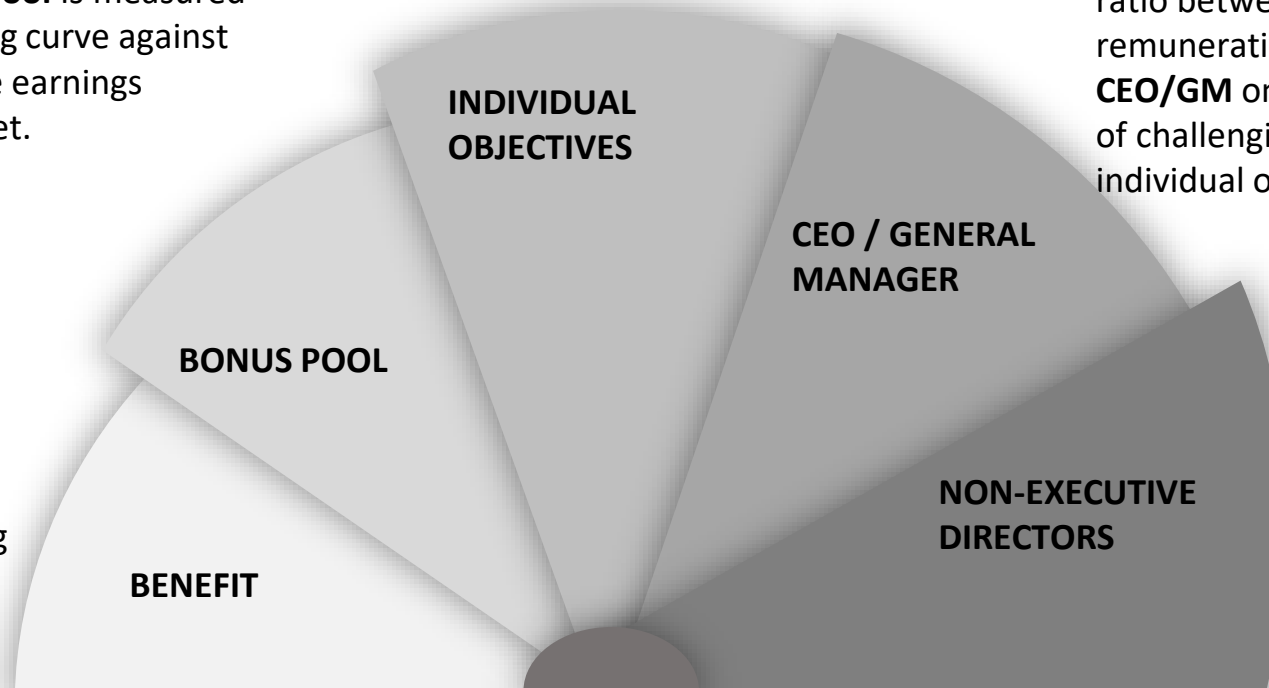
Setting of **individual targets** linked to the contribution to the financial results, customer relations (internal and external), organisational and managerial skills and personal qualities and adherence to the values of the Code of Ethics.

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

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

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

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



**Non-executive Directors** do not receive variable remuneration.