



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Pursuant to Article 123-bis of the Consolidated Law on Finance

Banca Sistema Group
“Traditional” management and control model

www.bancasistema.it

2022

10 March 2023

GLOSSARY.....	5
1. ISSUER'S PROFILE.....	6
2. INFORMATION ON OWNERSHIP STRUCTURE (art. 123-bis, paragraph 1, of the Consolidated Law on Finance) AS AT 10/03/2023.....	8
a) Share capital structure (art. 123-bis, paragraph 1, letter a) of the Consolidated Law on Finance).....	8
b) Restrictions on the transfer of securities (art. 123-bis, paragraph 1, letter b) of the Consolidated Law on Finance).....	8
c) Major equity investments (art. 123-bis, paragraph 1, letter c) of the Consolidated Law on Finance).....	8
d) Securities granting special rights (art. 123-bis, paragraph 1, letter d) of the Consolidated Law on Finance).....	8
e) Employee share ownership: mechanism for exercising voting rights (art. 123-bis, paragraph 1, letter e) of the Consolidated Law on Finance).....	9
f) Restrictions on voting rights (art. 123-bis, paragraph 1, letter f) of the Consolidated Law on Finance).....	9
g) Shareholders' agreements (art. 123-bis, paragraph 1, letter g) of the Consolidated Law on Finance).....	9
h) Change of control clauses (art. 123-bis, paragraph 1, letter h) of the Consolidated Law on Finance) and provisions of the Articles of Association concerning IPOs (art. 104, paragraph 1-ter and art. 104-bis, paragraph 1).....	9
i) Powers to increase the share capital and authorisations to purchase treasury shares (art. 123-bis, paragraph 1, letter m) of Consolidated Law on Finance).....	9
j) Management and coordination activity (art. 2497 et seq. of the Civil Code).....	10
3. COMPLIANCE (art. 123-bis, paragraph 2, letter a), part one, of the Consolidated Law on Finance).....	11
4. BOARD OF DIRECTORS.....	12
4.1 ROLE OF THE BOARD OF DIRECTORS.....	12
4.2 APPOINTMENT AND REPLACEMENT (art. 123-bis, paragraph 1, letter l), part one, of the Consolidated Law on Finance).....	14
4.3 COMPOSITION (art. 123-bis, paragraph 2, letters d) and d-bis), of the Consolidated Law on Finance).....	16
4.4 OPERATION OF THE BOARD OF DIRECTORS (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance).....	20

4.5	ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS.....	21
4.6	EXECUTIVE DIRECTORS	23
4.7	INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR.....	26
5.	MANAGEMENT OF CORPORATE INFORMATION.....	28
6.	BOARD COMMITTEES (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)	29
7.	SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE.....	30
7.1	SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS.....	30
7.2	APPOINTMENTS COMMITTEE	31
8.	DIRECTORS' REMUNERATION – REMUNERATION COMMITTEE	34
8.1	DIRECTORS' REMUNERATION.....	34
8.2	REMUNERATION COMMITTEE	34
9.	INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE	37
9.1	CHIEF EXECUTIVE OFFICER.....	38
9.2	INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE	39
9.3	HEAD OF THE INTERNAL AUDIT DEPARTMENT	46
9.4	ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001	48
9.5	INDEPENDENT AUDITORS	49
9.6	MANAGER IN CHARGE OF FINANCIAL REPORTING AND OTHER COMPANY ROLES AND DEPARTMENTS	49
9.7	COORDINATION AMONG THE ENTITIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	54
10.	DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS.....	55
11.	BOARD OF STATUTORY AUDITORS.....	56
11.1	APPOINTMENT AND REPLACEMENT.....	56
11.2	COMPOSITION AND OPERATION (art. 123-bis, paragraph 2, letters d) and d-bis), of the Consolidated Law on Finance)	58
12.	SHAREHOLDER RELATIONS	62

13.	SHAREHOLDERS' MEETINGS.....	63
14.	ADDITIONAL CORPORATE GOVERNANCE PRACTICES (art. 123-bis, paragraph 2, letter a), part two, of the Consolidated Law on Finance).....	66
15.	CHANGES FOLLOWING THE END OF THE REPORTING YEAR	67
16.	OBSERVATIONS REGARDING THE LETTER OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE	68
	TABLES	69

GLOSSARY

Shareholders' Meeting: the Issuer's Shareholders' Meeting.

Bank: Banca Sistema S.p.A.

Circular 285: Bank of Italy Circular no. 285 of 17 December 2013 containing the Supervisory Provisions for Banks.

Code/CG Code: the Corporate Governance Code for listed companies, approved by the Corporate Governance Committee in January 2020.

Civil Code: the Italian Civil Code.

Committee/CG Committee/Corporate Governance Committee: the Italian Corporate Governance Committee for listed companies, promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Internal Control and Risk Management Committee: Internal Control and Risk Management Committee and Sustainability Committee.

Board of Directors: the Issuer's Board of Directors.

MEF Decree: Decree of the Italian Ministry of the Economy and Finance no. 169 of 23 November 2020.

Issuer: the issuer of securities to which the Report refers.

Financial Year: the financial year to which the Report refers.

ESG: Environmental, Social and Governance.

Group: Banca Sistema banking Group.

Consob Issuers' Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as amended) on issuers.

Consob Market Regulation: the Regulation issued by Consob with resolution no. 20249 of 2017 on markets.

Consob Related Party Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) on related-party transactions.

Report: the report on corporate governance and ownership structure that companies are required to prepare and disclose pursuant to art. 123-bis of the Consolidated Law on Finance.

Remuneration Report: the report on the remuneration policy and remuneration paid, which companies are required to prepare and disclose pursuant to art. 123-ter of the Consolidated Law on Finance and art. 84-quater of the Consob Issuers' Regulation.

Consolidated Law on Finance: Italian Legislative Decree no. 58 of 24 February 1998.

Consolidated Law on Banking: Italian Legislative Decree no. 385 of 1 September 1993.

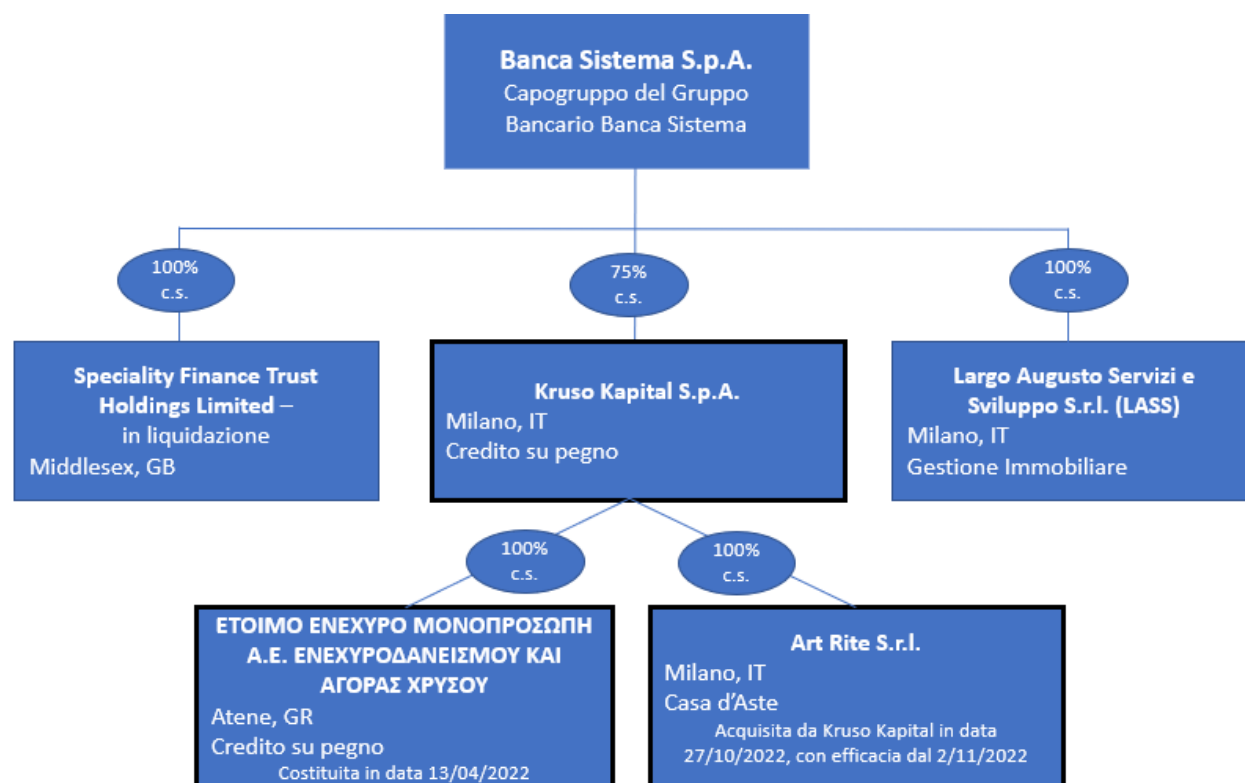
Unless otherwise specified, the definitions set out in the CG Code for the following terms shall be deemed to be referenced herein: directors, executive directors [*see Q. Def. (1) and Q. Def. (2)*], independent directors, significant shareholder, chief executive officer (CEO), Board of Directors, control body, business plan, companies with concentrated ownership, large company, sustainable success, top management.

Banca Sistema adheres to the Code and, on the basis of the guidance contained in the Introduction, any provisions of the Code that are not applied by the issuer are specifically highlighted and described, evidencing the reasons for the non-application.

1. ISSUER'S PROFILE

Banca Sistema is a bank listed on the Milan Stock Exchange, Euronext STAR Milan, parent of the Banca Sistema Banking Group.

The corporate group is structured as follows:



Corporate governance system

As a banking institution, Banca Sistema is required to comply with the corporate governance provisions set out in EU and national laws and regulations and, therefore, any amendments to the corporate governance model and to the Articles of Association are subject to prior review and approval by the Bank of Italy.

The overall framework of Banca Sistema's corporate governance has been defined taking into account current national and EU regulations and the recommendations contained in the Corporate Governance Code, to which the Bank adheres. The Bank's corporate governance structure takes specific account of the relevant provisions contained in Part I, Title IV, Chapter 1 of the Supervisory Provisions for Banks.

The Banca Sistema Group's corporate governance system complies with the relevant supervisory regulations and is also based on the principles recognised by international best practices as fundamental elements of good corporate governance: 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.

Banca Sistema has adopted the traditional management and control model, considering it the most suitable for its own operation, in order to ensure efficient management and effective controls.

In the corporate governance model adopted by Banca Sistema

- the strategic supervision function is performed by the Board of Directors;
- the management function is performed by the CEO, limited to the powers granted by the Board of Directors;
- the control function is performed by the Board of Statutory Auditors;
- the statutory audit is entrusted to independent auditors, in accordance with applicable regulatory provisions.

In the performance of its duties, the Board of Directors is supported by several committees set up within its own function (Board committees: the Internal Control and Risk Management Committee and Sustainability Committee, the Remuneration Committee and the Appointments Committee).

In addition, Banca Sistema has adopted an organisational and management model pursuant to Legislative Decree 231/2001 and has therefore appointed a Supervisory Body (SB).

As of February 2021, Banca Sistema has also adopted and implemented a divisional-type organisational model and has thus created two divisions, Factoring and CQ (salary- and pension-backed loans), appointing their respective heads (Andrea Trupia for the Factoring Division and Marcello Cavazzuti and Nicolò Fiorio as the co-Heads of the CQ Division) and assigning them specific powers and responsibilities. With reference to the collateralised lending business, a separate legal entity has been established, Kruso Kapital S.p.A. (former ProntoPegno S.p.A.)¹, as a financial intermediary entered in the register set out in art. 106 of the Consolidated Law on Banking.

The powers and modes of operation of the corporate bodies are regulated by law, the Articles of Association, company Regulations and the resolutions passed by the Bank's appointed bodies.

For information on the composition and functioning of the management and control bodies and of the SB, reference is made to the specific sections of this Report.

Sustainability Report

Despite not falling under the category of public-interest entities with the size required for the application of Legislative Decree 254/2016, in 2022 the Banca Sistema Group prepared and published, on a voluntary basis, the 2021 Sustainability Report, which represents the second edition of the Group's non-financial reporting. For the purposes of drafting the 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. For more information on sustainability matters, please refer to the paragraph on the "Role of the Board of Directors" in point 4.1 below.

Banca Sistema as an issuer falling within the definition of SME

Banca Sistema is classified as an SME within the meaning of art. 1, paragraph 1, letter w-quater.1) of the Consolidated Law on Finance and art. 2-ter of the Consob Issuers' Regulation. At 30 December 2022, Banca Sistema's capitalisation amounted to € 123.04 million.

In January 2022, Banca Sistema was included in the list of "SME" issuers of listed shares, as published by Consob pursuant to paragraph 2 of art. 2-ter of the Issuers' Regulation.

Banca Sistema as an issuer falling outside the categories "company with concentrated ownership" and "large company"

The Bank cannot be classified as a "company with concentrated ownership" or a "large company", within the definitions set out in the Code.

¹ ProntoPegno S.p.A. changed its company name to Kruso Kapital S.p.A on 28 July 2022.

2. INFORMATION ON OWNERSHIP STRUCTURE (art. 123-bis, paragraph 1, of the Consolidated Law on Finance) AS AT 10/03/2023

a) Share capital structure (art. 123-bis, paragraph 1, letter a) of the Consolidated Law on Finance)

Banca Sistema's share capital, fully subscribed and paid in, is € 9,650,526.24, divided into 80,421,052 shares, each with a nominal amount of € 0.12. As at 31 December 2022, the share capital was composed as follows:

Categories of shares making up the share capital as at 31 December 2022:

SHARE CAPITAL STRUCTURE	Number of shares	% of share capital	Listed (market) / not listed	Rights and obligations
Ordinary shares	80,421,052	100%	Listed (MTA)	Each ordinary share gives the right to cast one vote

As at 31 December 2022 no other financial instruments have been issued such as to give the right to subscribe new shares.

For shares to be allocated by way of variable remuneration to the CEO, who also holds office as the General Manager, and to other "key personnel" corporate officers, employees and collaborators of the Bank and of other parents and subsidiaries, reference should be made to the Report on the remuneration policy and remuneration paid, drawn up pursuant to art. 123-ter of the Consolidated Law on Finance, also with regard to the allocation, if any, of financial instruments pursuant to article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers' Regulation.

Given the new provisions of the Bank of Italy Circular, which allow banks with assets of less than € 5 billion (as an average of the last four years) to neutralise the provisions relating to the disbursement of variable remuneration in financial instruments and to solely apply an "appropriate" deferral period, Banca Sistema decided to make use of this simplification and apply cash payment schemes starting from 2022 (without prejudice to any regulatory updates and/or the achievement of the size thresholds indicated by Circular 285). The foregoing is without prejudice to the allocation of up-front and deferred portions in shares relating to past years in accordance with the rules set out in the remuneration policies applicable at the time.

b) Restrictions on the transfer of securities (art. 123-bis, paragraph 1, letter b) of the Consolidated Law on Finance)

There are no restrictions on the transfer of the Bank's shares, except for (i) the retention periods set forth by the Internal Dealing Regulation, (ii) the limits established by the shareholders participating in the shareholders' agreement in relation to which reference is made to paragraph g) below, and (iii) the restrictions on the retention of shares assigned to persons considered key personnel pursuant to the Banca Sistema Group's remuneration policies.

For the sake of completeness of information, note that pursuant to the new version of the Articles of Association, as approved by the Shareholders' Meeting on 23 April 2020 with the prior approval of the Bank of Italy, a decision has been adopted to introduce shares with increased voting rights (see paragraph d) below).

c) Major equity investments (art. 123-bis, paragraph 1, letter c) of the Consolidated Law on Finance)

As at 31 December 2022, in the light of the communications submitted pursuant to art. 120 of the Consolidated Law on Finance and the communications submitted by relevant parties pursuant to art. 152-octies of the Issuers' Regulation, the parties who own, directly or indirectly, shares with voting rights in excess of 5% of the share capital are shown in Table 1 attached to this Report.

d) Securities granting special rights (art. 123-bis, paragraph 1, letter d) of the Consolidated Law on Finance)

No securities have been issued by the Bank granting special control rights.

Art. 5 of the Articles of Association, as amended by the Extraordinary Shareholders' Meeting on 23 April 2020, regulates "increased voting rights" pursuant to art. 127-quinquies of Legislative Decree no. 58 of 24 February 1998.

In this regard, please refer to the specific section published on the Bank's website www.bancasistema.it, in the Investors/increased voting rights section, which outlines the purposes, effects and characteristics of increased voting rights and the related application procedure. The aforementioned page includes, inter alia, the list of shareholders holding an equity investment greater than 5% who have requested to be included in the list of shares with increased voting rights.

e) Employee share ownership: mechanism for exercising voting rights (art. 123-bis, paragraph 1, letter e) of the Consolidated Law on Finance)

There is no employee share ownership scheme where the voting right is exercised by representatives of the latter.

f) Restrictions on voting rights (art. 123-bis, paragraph 1, letter f) of the Consolidated Law on Finance)

There are no restrictions on voting rights associated with the Bank's shares.

g) Shareholders' agreements (art. 123-bis, paragraph 1, letter g) of the Consolidated Law on Finance)

On 23 May 2022, the shareholders' agreement entered into between Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria (the "Agreement"), signed on 29 June 2020, with effective date from 2 July 2020 and maturity date on 1 July 2022, was terminated by mutual consent.

The Agreement was a significant shareholders' agreement pursuant to and for the purposes of art. 122, paragraphs 1 and 5, letters b) and c) of the Consolidated Law on Finance.

The latest version of the Agreement was filed with the Milan Companies' Register on 2 July 2020 and has been submitted to the Bank of Italy and Consob.

The following table shows the number of the Bank's shares that had been contributed to the Agreement by the above entities (the "Contributed Shares") and the number of voting rights related to them (the "Contributed Voting Rights") as at 22 May 2022, in addition to the percentage represented by such shares in relation to (i) the total number of Contributed Shares and Voting Rights, and (ii) the total number of shares forming Banca Sistema's share capital and their associated voting rights.

Shareholder	Number of Contributed Shares	% of total Contributed Shares	% of Banca Sistema's total shares	Number of Contributed Voting Rights	% of the total of Contributed Voting Rights
SGBS ²	18,578,900	60.14%	23.10%	18,578,900	60.14%
Fondazione Sicilia	5,950,104	19.26%	7.40%	5,950,104	19.26%
Fondazione Cassa di Risparmio di Alessandria	6,361,731	20.60%	7.91%	6,361,731	20.60%
Total	30,890,735	100.00%	38.41%	30,890,735	100.00%

h) Change of control clauses (art. 123-bis, paragraph 1, letter h) of the Consolidated Law on Finance) and provisions of the Articles of Association concerning IPOs (art. 104, paragraph 1-ter and art. 104-bis, paragraph 1)

Banca Sistema and the other companies of the Group (SF Trust Holdings in liquidation, LASS, Kruso Kapital, ETOIMO ENEXYPO ΜΟΝΟΠΡΟΣΩΠΗ Α.Ε. ENEXYPOΔΑΝΕΙΣΜΟΥ ΚΑΙ ΑΓΟΡΑΣ ΧΡΥΣΟΥ e Art-Rite) have not entered into agreements that take effect, are amended or terminate upon a change of control of the contracting company.

Banca Sistema's Articles of Association do not derogate from the passivity rule provisions set forth by art. 104 paragraphs 1 and 2 of the Consolidated Law on Finance, nor do they provide for the application of the neutralisation rules set forth by art. 104-bis, paragraphs 2 and 3, of the Consolidated Law on Finance.

i) Powers to increase the share capital and authorisations to purchase treasury shares (art. 123-bis, paragraph 1, letter m) of Consolidated Law on Finance)

As at the date of publication of this document, Banca Sistema holds 280,919 treasury shares, representing 0.35% of the share capital.

²Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., a company that acquires and manages equity investments, not vis-à-vis the public.

j) Management and coordination activity (art. 2497 et seq. of the Civil Code)

Banca Sistema is not subject to management and coordination activity pursuant to art. 2497 of the Italian Civil Code. In its capacity as parent of the BANCA SISTEMA banking Group, pursuant to art. 61, paragraph 4, of the Consolidated Law on Banking, it issues, in the performance of its management and coordination activity, instructions to the members of the Group to comply with the guidelines set forth by the Bank of Italy in the interest of the Group's stability.

It should be noted that:

- the information required by art. 123-bis, paragraph 1, letter i) of the Consolidated Law on Finance ("agreements between the company and the directors which provide for compensation in case of resignation or dismissal without just cause or if their employment contract is terminated as a result of a takeover bid"), is contained in the Report on the remuneration policy and remuneration paid published pursuant to art. 123-ter of the Consolidated Law on Finance;
- the information required by art. 123-bis, paragraph 1, letter l) of the Consolidated Law on Finance ("the rules governing the appointment and replacement of directors and the amendment of the Articles of Association, if different from the laws and regulations applicable in the alternative"), is illustrated in the section of the Report dedicated to the Board of Directors (section 4.1).

3. COMPLIANCE (art. 123-bis, paragraph 2, letter a), part one, of the Consolidated Law on Finance)

Banca Sistema has adhered to the Code of Conduct issued by the Corporate Governance Committee in June 2011 and also adheres to the new edition of the Corporate Governance Code issued by the Corporate Governance Committee in January 2020, in force since 1 January 2021.

The CG Code is available to the public on the following page of the Corporate Governance Committee's website <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

* * *

Neither Banca Sistema nor any of its subsidiaries of strategic importance are subject to non-Italian provisions of law.

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

Pursuant to the provisions of Circular 285 and those of art. 12.2 of the Articles of Association, the following matters, inter alia, are expressly reserved to the Board of Directors:

- the determination of the general guidelines relating to the company's development, the strategic operations, business and financial plans of the company, as well as the assessment of the general management performance;
- the adoption of the Company's development policies which are necessary in order to determine the long-term business plan and the budget for the period;
- the approval of the company structure and corporate governance, thereby guaranteeing a clear separation of tasks and functions as well as the prevention of conflicts of interest;
- the approval of the accounting and reporting systems and the determination of the criteria for the coordination and management of the Group companies;
- the determination and supervision of the Bank's public disclosure and communication process;
- the determination of the risk appetite and the approval of the risk management policies, as well as, after the Board of Statutory Auditors has expressed its opinion, the assessment of the functionality, effectiveness, efficiency of the internal control system and adequacy of the organisational, management and accounting structure (see Section 9 for further details);
- the definition of the risk objectives and the threshold of risk tolerance when drawing up the Risk Appetite Framework (RAF), setting in advance the Bank's risk/return objectives and the associated operational limits;
- the definition of guidelines for the internal control system, ensuring that the system is consistent with the set strategic guidelines and risk appetite and able to identify changes in company risks and any interaction between them;
- the definition of general guidelines for the ICLAAP (Internal Capital and Liquidity Adequacy Assessment Process), ensuring consistency with the RAF and timely adaptation in the event of significant changes in the strategic guidelines, the organisational structure and the business environment;
- the identification of the criteria for identifying the most significant transactions (MST) to be submitted for prior review by the Risk Department;
- the decisions regarding the acquisition and sale of strategic equity investments and the acquisition and sale of treasury shares, in accordance with the resolution of authorisation by the Shareholders' Meeting and following authorisation from the Supervisory Authority;
- the issue of convertible bonds for a maximum overall amount of € 20,000,000 within the maximum period permitted by law.

The Board of Directors also ensures the appropriate management of risks to which the Bank is exposed, identifying in a timely manner the sources of risk, the possible evolution of those risks and the required safeguards. The Board defines the overall governance structure, approving the Bank's organisational structure and monitoring proper implementation.

In particular, this is ensured by setting up a regulatory framework to regulate: i) the rules of operation of the Board of Directors, ii) the exchange of information between the Governance Bodies, the Control Bodies, the Board Committees and the departments within the Bank's organisational structure, through a system of appropriate, complete and timely information flows that maximises the value of the different levels of responsibility within the organisation and achieves the objectives of efficient management and effective controls, and iii) the definition of guidelines for the Group's management and coordination activity.

As the body entrusted with strategic supervision, the Board of Directors approves the business plans of the Bank and the Group. The 2021-2023 Business Plan was approved in 2021 and sets out a development strategy that also focuses on matters that are important in pursuing the sustainable success of the Bank (essentially aiming to create long-term value for shareholders), taking into account the following areas:

- Governance
- People
- Customers
- Communities
- Environment.

The business plan approval process saw the Board of Directors meet several times, also in the form of working group involving external consultants. The Corporate Strategy Department, whose analyses are periodically reviewed by the Board of Directors, monitors the implementation of the business plan.

As a body entrusted with strategic supervision, the Board of Directors provides strategic guidance and oversight of corporate management (e.g. reviewing and deciding the Bank's business or financial plans and its strategic operations) and, on an ongoing basis, supervises the implementation of this guidance and assesses the general operating performance, taking into account, in particular, the information received from the delegated bodies and periodically measuring performance against the objectives set. In the performance of its strategic supervision function, the Board of Directors performs other duties which are expressly reserved to the Board pursuant to the laws, regulations and Supervisory Provisions in force.

In particular, when defining corporate strategies, the Board of Directors takes into account the following factors: i) the monitoring and management of non-performing loans and the approval of policies to manage the same; ii) the adoption of new business models, applications, processes or products, including in partnership or outsourced, in connection with the offering of high-tech financial services (Fintech); iii) money laundering and terrorism financing risks, taking also into account the business carried out, customers and the geographical areas of operation; iv) sustainable finance objectives and, in particular, the incorporation of environmental, social and governance (ESG) factors into corporate decision-making processes; v) risks, especially legal and reputational risks, that may arise from any related or instrumental activities carried out; vi) the definition and proper implementation of funding policies, also with due regard to the type of savers/investors involved, including planning and the decisions made to ensure compliance with the provisions governing the Minimum Requirement for own funds and Eligible Liabilities (MREL).

In addition, the limits of the powers granted to the CEO and the heads of the Divisions, in relation to the aforementioned matters falling within the purview of the Board of Directors, define the scope that falls solely with the remit of the Board of Directors.

With reference to the other powers of the Board concerning: composition, operation, appointment and self-assessment, the remuneration policy and the Internal Control and Risk Management System, see the relevant sections of this document.

In the areas mentioned above, in 2022 the Bank's Board of Directors performed, inter alia, the following activities:

- prepared and approved the second sustainability report;
- approved the 2022 Budget and the 2022 RAF;
- approved the 2021 ICLAAP report;
- prepared and approved the personnel remuneration and incentive policies, subsequently submitted to the Shareholders' Meeting on 28 April 2022;
- conducted the required assessments of the implementation of the strategic guidance, also examining and deciding on specific proposals on non-recurring transactions of strategic importance;
- adopted, on 24 June 2022, the new procedure on Product Oversight Governance - Ivass – salary- and pension-backed loans product;
- expanded, on 22 July 2022, the functions of the Internal Control and Risk Management Committee, updating the related regulations on its operation, extending its powers and expressly assigning to the Committee advisory and proposal-making duties, to support the activities of the Board of Directors with reference to environmental, social and governance (ESG) issues, in relation to each initiative with which Banca Sistema pursues sustainable development and for the purpose of integrating ESG issues into the business plan;
- adopted a new version of the Code of Ethics, expressly indicating, among other things, that the rules contained

therein are aimed at i) guiding the management of the Group according to criteria based on integrity, fairness, loyalty, transparency, sustainability, cooperation, efficiency and mutual respect; ii) establishing criteria of conduct that will ensure satisfaction of the needs of stakeholders and the consolidation of a positive corporate reputation; iii) ensuring that the conduct of the recipients of the Code is inspired by values that help to ensure substantive compliance of their conduct with the complex system of rules in which the Group operates and to prevent conduct of the type that could constitute criminal offences and other unlawful acts relevant for the purposes of Legislative Decree 231/01;

- performed ongoing and in-depth assessments of the general operating performance, taking into account, in particular, the information received from the delegated bodies and periodically measuring performance against the objectives set;
- adopted, on 28 October 2022, the new operating procedure on servicing,
- adopted, on 22 December 2022, the new policy on the contingency capital plan,
- examined and approved transactions exceeding the powers of the CEO.

The Board of Directors did not identify any need to revise the corporate governance system in 2022, since the current governance structure was found to be functional to the needs of the Bank and the Group as a whole.

4.2 APPOINTMENT AND REPLACEMENT (art. 123-bis, paragraph 1, letter l), part one, of the Consolidated Law on Finance)

The current Board of Directors is composed of 9 members.

The Board of Directors is appointed by the Shareholders' Meeting on the basis of the lists submitted by shareholders, in which a minimum of three and a maximum of eleven candidates must be listed in sequential order.

The appointment and replacement of directors is governed by art. 10 of the Articles of Association, as published on the website at <https://www.bancasistema.it/corporate-documents>.

Pursuant to art. 10.2 of the Articles of Association, directors are elected using the list system in which a minimum of three and a maximum of eleven candidates must be listed in sequential order. The candidate at sequential number "1" of each list shall also be the candidate appointed as Chairperson of the Board of Directors.

Any shareholder, as well as shareholders belonging to the same group, parties to a shareholders' agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the entity controlling it, the entity by which it is controlled and the entity subject to joint control pursuant to article 93 of Legislative Decree no. 58 dated 24 February 1998, may not present or be involved in the presentation, either by proxy or trust company, of more than one list and may not vote on lists other than the one presented. Participating, either directly or indirectly, in the indication of applicants present in more than one list shall imply that these lists shall be deemed to have not been submitted.

For the purposes of the preceding subsection, entities, even those without a corporate status, which exercise direct or indirect control pursuant to article 93 of Legislative Decree no. 58 of 24 February 1998 over the shareholder in question and all the companies controlled directly or indirectly by those entities are deemed to belong to the same group.

Each candidate may be included in one list, under pain of ineligibility.

The lists may be submitted only by shareholders with voting rights who, separately or together with other shareholders, are holders of shares representing at least the percentage of share capital established by the applicable legislation in force at the time, i.e. 4.5% of the Bank's share capital pursuant to art. 144-quater, paragraph 2, of the Issuers' Regulation³.

³ Without prejudice to any lower percentage provided for in the Articles of Association, the percent interest is equal to 4.5% of the share capital for companies with a market capitalisation of less than or equal to € three hundred and seventy-five million, provided that at the reporting date the following conditions are jointly met: a) the free float is above 25%; b) none of the shareholders adhering to a shareholders' agreement under art. 122 of the Consolidated Law hold the majority of the voting rights exercisable at Shareholders' Meetings on resolutions concerning the appointment of the members of the management bodies.

The percent interest required to submit lists of candidates for the appointment of the Board of Directors is specified in the notice of call of the Shareholders' Meeting called to resolve on the appointment of said body.

The lists must be filed at the company's registered office and at the management company at least 25 (twenty-five) days prior to the date planned for the Shareholders' Meeting called to resolve on the appointment of the management body and be made available to the public at the registered office, at the management company, on the Company's website and with the other means stipulated under applicable legal and regulatory provisions at least 21 (twenty-one) days prior to the date set for the Shareholders' Meeting on single or first call. The lists indicate which directors are in possession of the requirements of independence stipulated by law and these Articles of Association.

Lists containing three or more candidates must include a number of candidates from the least represented gender that ensures respect of the gender balance to the minimum extent required by the legislation and regulations in force at the time.

The election of the Board of Directors shall take place as follows:

- a) without prejudice to the provisions of subparagraph c) below, all directors to be appointed, less one, are drawn from the list that obtains the majority of votes (majority list), in the sequential order in which they are listed on that same list, and in compliance with the minimum number of directors in possession of the independence requirements; the candidate positioned at sequential number "1" is appointed Chairperson of the company's Board;
- b) without prejudice to the provisions of subparagraph c) below, the last member of the Board of Directors is drawn from the minority list that receives the highest number of votes after the list referred to in subparagraph a), which is not connected in any way, even indirectly, with that list and/or with the shareholders who submitted or voted for the majority list, on the basis of the sequential order of that list. That member must be in possession of the independence requirements pursuant to art. 10.3 of the Articles of Association. To this end, however, lists that do not obtain a percentage of votes equal to at least half of that required for the submission of lists, referred to in subsection six of this paragraph, shall not be taken into account.
- c) in cases where the minority list that receives the highest number of votes after the list referred to in subparagraph a), which is not connected in any way, even indirectly, with that list and/or with the shareholders who submitted or voted for the majority list, is submitted by one or more shareholders with voting rights who, separately or together with other shareholders, represent at least twice the percentage of the share capital established by the applicable legislation in force at the time for the submission of lists of candidates for the election of the Board of Directors, two directors shall be drawn from that list in the sequential order in which they are listed on that same list. In this case, the number of directors to be drawn from the majority list will be consequently reduced by one.

The Articles of Association do not provide for the possibility for the outgoing Board to submit a list.

Under the Articles of Association, the directors must meet the requirements of professionalism and integrity and any other requirement under the regulations in force and the Articles of Association. In addition, a number of directors not less than that required by the regulations in force, with rounding up to the nearest whole in the case of a fractional number, must meet the independence requirements established in regulations in force from time to time, as well as any codes of conduct to which the company adheres.

If the candidates elected in the manner described above do not ensure the appointment of a number of directors who meet the independence requirements equal to the minimum number established by law and the Articles of Association in relation to the total number of directors, the non-independent candidate elected last in sequential order in the majority list, will be replaced by the first independent candidate in sequential order not elected from the same list, or, failing that, by the first independent candidate in sequential order not elected from the minority list. This replacement procedure will be followed until the number of independent directors to be appointed is reached. Should this replacement procedure fail to give the result indicated above, replacement will be carried out by a resolution of the Shareholders' Meeting adopted by a relative majority, subject to the submission of candidates in possession of the above-mentioned requirements.

Likewise, without prejudice to compliance with the minimum number of directors in possession of the independence requirements as stipulated above, where the candidates elected in the manner indicated above in the composition of the Board of Directors do not ensure compliance with the provisions of the Articles of Association in relation to gender equality, the candidate of the most represented gender elected last in sequential order in the majority list, shall be replaced by the first candidate of the least represented gender in sequential order not elected from the same list, or, failing this, by the first candidate of the least represented gender in sequential order not elected from the minority list.

This replacement procedure will be carried out until the Board of Directors is compliant with the provisions of the Articles of Association in respect of gender equality.

In the event of there being only one list that is presented and allowed, all the candidates on this list shall be elected, but ensuring the nomination of directors in possession of the independence requirements at least in the overall number required under current laws and the Articles of Association, and also in compliance with the provisions of the Articles of Association on gender equality. Where no list is submitted or allowed, the Shareholders' Meeting shall resolve according to the legal majority without following the procedure referred to above, subject, in any event, to the required minimum number of independent directors and in compliance with the provisions of the Articles of Association in respect of gender equality.

Where during the financial year one or more directors become unavailable, provided that the majority remains composed of directors appointed by the Shareholders' Meeting, the Board of Directors may replace such unavailable directors through a resolution approved by the Board of Statutory Auditors as follows: a) the Board of Directors shall arrange replacement from among candidates in the same list as the one to which the unavailable director belonged, and the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, shall resolve by legal majority voting in compliance with the same criterion; b) where the list does not contain previously non-elected candidates or candidates with the necessary requirements, or else when for any reason it is not possible to comply with the provisions under letter a), the Board of Directors shall proceed with replacement as subsequently approved by the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, with legal majority voting without list voting. In any case, the Board of Directors and the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, shall appoint the directors so as to ensure the presence of directors in possession of the prescribed independence requirements, at least in the overall minimum number required by current laws and the Articles of Association, and to ensure compliance with the provisions of the Articles of Association in respect of gender equality. Pursuant to article 2386, paragraph 1 of the Italian Civil Code, directors appointed as above shall remain in office until the next Shareholders' Meeting and those appointed by the Shareholders' Meeting shall remain in office for the term in which the directors they replaced would have remained in office.

Lastly, the Bank is subject to the provisions of the Consolidated Law on Banking, the MEF Decree and Circular 285, as referenced in the Articles of Association and internal policies, with regard to:

- the integrity, professionalism and independence requirements in addition to those set out for statutory auditors pursuant to article 148 of the Consolidated Law on Finance;
- the criteria of fairness, professional competence, independent judgment and availability of time;
- the limit to the number of offices;
- the appropriate overall composition of the Board of Directors;

and compliance with Article 36 of Law-Decree No. 211 of 6 December 2011 on "interlocking" directorates.

4.3 COMPOSITION (art. 123-bis, paragraph 2, letters d) and d-bis), of the Consolidated Law on Finance)

In accordance with the Articles of Association in force at the time of appointment of the current Board of Directors, the Board is composed of 9 members. Directors remain in office for a period of no more than three years, as established by the deed of appointment, and will end their term of office on the date of the Shareholders' Meeting called to approve the financial statements for the final financial year of their term of office.

The Board in office, renewed by the Shareholders' Meeting of 30 April 2021, will expire on the date of the Shareholders' Meeting called to approve the financial statements as at 31.12.2023.

On 26 April 2022, independent Director Marco Giovannini resigned from office with immediate effect. On 20 May 2022, the Board of Directors, having consulted the Appointments Committee, co-opted Mr. Pier Angelo Taverna whose appointment became effective on 5 August 2022, following completion of the assessments carried out by the Bank of Italy on the candidate's eligibility for the office of director.

Therefore, Table no. 2 attached to this Report lists the directors in office until 31 December 2022.

Hereunder, the list of directors in office at the date of this Report.

NAME AND SURNAME	POSITION	QUALIFICATION
Luitgard Spögler	Chairperson	Independent
Giovanni Puglisi	Deputy Chairperson	Non executive
Gianluca Garbi	Chief Executive Officer	Executive
Pier Angelo Taverna	Director	Independent
Carlotta De Franceschi	Director	Independent
Daniele Pittatore	Director	Independent
Daniele Bonvicini	Director	Independent
Maria Leddi	Director	Independent
Francesca Granata	Director	Independent

The Board is composed of 1 executive director and 8 non-executive directors, all meeting the professionalism and competence requirements necessary to carry out the duties of their office. The number of non-executive directors and their competence ensure that they have significant influence in respect of the Board's resolutions and guarantee the effective monitoring of operations. 7 out of 8 of the non-executive directors are independent.

Compliance with sector-based legal requirements has been assessed by the Board of Directors and by the Bank of Italy, in accordance with the provisions of the MEF Decree and Circular 285.

Banca Sistema's Articles of Association and its Board of Directors' Regulations stipulate that the Directors must meet the professionalism and integrity requirements and any other requirements set forth by the regulations in force and the Articles of Association, meet the competence and fairness criteria, and devote the time necessary for their task to be carried out efficiently, so as to ensure the Bank's sound and prudent management.

Loss of the requirements prescribed for the office will result in termination of office. However, loss of the aforesaid independence requirements will not automatically result in termination of office if the independence requirements continue to be met by the minimum number of directors.

In accordance with the sector's regulations, the Board of Directors, with the support of the Appointments Committee, shall carry out a thorough check to verify whether the requirements of professionalism, integrity and independence and the criteria of fairness, professional competence, independent judgment and availability of time have been met, and shall draft a detailed report in this regard. To this end, the Directors may issue a personal sworn declaration, with signature authenticated by a public official, and in any event have an obligation to promptly inform the Bank of any changes in the information given in the context of the statements made.

As provided in Table 2 attached, below are listed the positions of directors in other listed companies or large companies:

Chief Executive Officer Gianluca Garbi holds the office of Deputy Chairperson of the Board of Directors of Borsa Italiana S.p.A.

Chairperson Luitgard Spögler holds another position at Alperia S.p.A.

Independent Director Maria Leddi holds another position at Atlantia S.p.A.

The following relevant offices are noted, for the sake of completeness of information:

Independent Director Daniele Pittatore holds two additional positions at Twinset S.p.A. and Raselli Franco S.p.A.

Independent Director Carlotta De Franceschi holds an additional position at Arca SGR S.p.A.

Independent Director Maria Leddi holds two additional positions at SCM SIM S.p.A. and Nextalia SGR S.p.A.

Diversity policies and criteria applicable to the composition of the Board of Directors and the organisation as a whole

Art. 10.1-bis of the Articles of Association provides that, when shareholders prepare the lists for the appointment of directors, with due regard to the need to ensure an adequate degree of diversification in the composition of the Board, in terms of skills, experience, age, international profile and gender, at least two fifths of the members of the Board of Directors must be of the least represented gender, with rounding up to the nearest whole number in the case of a fractional number.

In order to appoint or co-opt directors, the Board of Directors initially identifies the qualitative and quantitative composition deemed optimal in relation to the aims to be pursued, by identifying and justifying the theoretical profile of the candidates considered appropriate to these ends, within the framework of the law and the provisions of the Articles of Association.

In October 2022 the Board of Directors approved a new version of the document “Optimal Qualitative and Quantitative Composition of the Board of Directors” (“Fit & Proper document”), taking into account:

- the “Supervisory Provisions for Banks” under Circular no. 285 of 17 December 2013;
- the provisions of Ministerial Decree no. 169 of 23 November 2020 (“MEF Decree”);
- the outcome of the self-assessment regarding the size, composition and operation of the Board of Directors in 2021, conducted with the help of a leading law firm;
- the provisions set out in the Corporate Governance Code for Listed Companies, approved by the Corporate Governance Committee, to which the Bank adheres.

The document “Optimal Qualitative and Quantitative Composition of the Board of Directors” provides a separate indication of the characteristics of the Chief Executive Officer, of the Chairperson of the Board of Directors and those of the non-executive Directors. More specifically, the latter, pursuant to the provisions set out in the afore-mentioned document, are required to:

- i. possess a managerial, professional, academic and/or institutional profile, who contribute a series of different, complementary skills and experience in such a way that this contributes to the overall adequacy of the Board, also bearing in mind the benefits that may arise as a result of the presence on the Board of people of different genders, ages and seniority;
- ii. possess suitable seniority, meaning proven working experience in organisations of a significant size within the corporate, professional, academic and/or institutional field(s);
- iii. have been members of the Board of Directors of companies, preferably listed ones, of an adequate size and complexity;
- iv. possess the expertise required to effectively participate in the work of the Board of Directors and of the various Committees established within that Board;
- v. possess, or be capable of acquiring through appropriate induction courses, the technical knowledge required to understand the workings of an institution like Banca Sistema and the risks to which it is exposed, in order to adequately perform the promotional and monitoring duties associated with the job;
- vi. display social awareness and relational capacities at all levels;
- vii. possess an appropriate international culture together with knowledge of foreign languages, in particular English.

Furthermore, again pursuant to the provisions set out in the afore-mentioned document:

- managerial candidates must:
 - i. have experience in positions with significant managerial responsibility held with financial institutions or industrial groups of an appropriate size and complexity;
 - ii. possess business judgement capacities and a marked strategic orientation;
- professional candidates must:
 - i. have experience working for major professional firms or consultancy companies;
 - ii. have performed their professional duties with specific regard to the banking and financial sectors;

- academic or institutional candidates must: possess expertise that is directly related to the financial and banking sectors, or to the problems pertaining to such.

More in detail, the Fit & Proper document provides that the management body must be composed of members:

- i) of different ages, gender, seniority and, exclusively in the case of banks operating significantly in international markets, geographical origin;
- ii) whose expertise and skills, considered collectively, are capable of helping achieve those aims listed in art. 11 of the Ministerial Decree;
- iii) of a suitable, non-excessive number of members, capable of ensuring the proper functioning of the body in question.

Moreover, the "Fit & Proper document" establishes that the composition of the management and control bodies must be adequately diversified so as to increase discussion and dialogue within the bodies themselves, encourage the emergence of a plurality of approaches and perspectives when analysing matters and making decisions, effectively sustain the corporate processes of strategy formulation, operational and risk management, and monitoring of senior management's performance, and take account of the many interests that contribute towards the Bank's sound and prudent management. In view of the upcoming renewal, the Board of Directors therefore asked the shareholders to have due regard, when presenting the lists of candidates for the office of Director, to the possible benefits of appointing to the Board people of different genders, ages, seniority and professional and academic backgrounds.

During the session, held on 20 May 2022, dedicated to verifying compliance with the requirements under the MEF Decree for the new Director, Mr Pier Angelo Taverna, the Board of Directors confirmed the positive opinion on the collective suitability of the same Board of Directors, in the light of the provisions laid down by Article 11 of Ministerial Decree 169.

With regard to the organisation of the Bank, Banca Sistema applies the National Collective Bargaining Agreement for the Banking sector and has adopted, for some time now, a Code of Ethics, updated by the Board of Directors during the session held on 13 March 2022, setting out precise guidelines to be followed in the selection and appraisal processes and in recognising contributions and professional skills in accordance with the principle of equal opportunities and without discrimination of any kind, also promoting the best possible work/life balance. In this regard, see, in particular, the section of the Code of Ethics (on the following page of the Bank's website https://bancasistema.it/pdf/governance/en/Ethics_Code_2022.pdf dedicated to personnel management and the work environment.

Maximum number of positions held in other companies

Without prejudice to the causes of ineligibility and disqualification as well as the maximum limit of concurrent positions provided for by the law and regulatory provisions in force at the time, the acceptance of the office involves a preliminary evaluation of the possibility of devoting the necessary time to the diligent performance of the duties of Director, also taking into account the commitments of one's own work and professional activities, and the number of Director or Statutory Auditor positions held in other companies, paying particular attention to those tasks that require greater involvement in ordinary company activities.

In accordance with art. 26 of the Consolidated Law on Banking, in order to ensure that the Directors devote the time necessary to the effective performance of their duties, so as to ensure the sound and prudent management of the Bank, the Regulations on the operation of Banca Sistema's Board of Directors approved in February 2016, and most recently updated on 17 December 2021, established the maximum number of management and control offices that can be held by the members of the Bank's Board of Directors in companies outside the Group, as well as the procedure to be followed in the event that these limits are exceeded, as set out below:

1. without prejudice to the causes of ineligibility and disqualification as well as the maximum limit of concurrent positions provided for by the law and regulatory provisions, the acceptance of the office involves a preliminary evaluation of the possibility of devoting the necessary time to the diligent performance of the duties of Director, also taking into account the commitments of one's own work and professional activities, and the number of Director or Statutory Auditor positions held in other companies, paying particular attention to those tasks that require greater involvement in ordinary company activities. Prior to the appointment, the Bank ensures that the candidate for the office of Director is aware of the time that the Bank has estimated to be needed for the job to be performed effectively;

2. in particular, each Director shall not hold a total number of positions in banks or other commercial companies greater than the limit provided for by the law and regulatory provisions in force;
3. candidates to the position of Director of the Bank must promptly provide the Board with an updated list of the management and control positions held by each of them in other companies or entities of any kind, including any other jobs or professional activities carried out, and any other situations or circumstances pertaining to the professional sphere. After their appointment, Directors must promptly inform the Board of any change in the positions held, to allow the Board to ascertain whether the limits established in the laws and regulations in force have been exceeded;
4. the Board of Directors, based on the information received from each Board member, assesses whether the amount of time that each Director is able to dedicate to their office is sufficient for the effective performance of the related duties and verifies, on an annual basis, the director or statutory auditor positions which the Directors hold in other companies or entities.

The Directors must also take into account the provisions of art. 36 of Law no. 214/2011, which introduced the prohibition for holders of offices in the management, supervisory or control bodies and top executives of companies or groups of companies operating in the credit, insurance and financial markets to take on or exercise similar posts in competing companies or groups of companies, as well as the provisions of art. 27-quater of Law Decree no. 1 of 24 January 2012.

4.4 OPERATION OF THE BOARD OF DIRECTORS (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

In 2022, 22 meetings of the Board of Directors were held with an average duration of approximately four hours. The number of meetings attended is shown in Table 2 attached to this Report.

For 2023, 16 meetings have been planned so far, of which 5 have already been held as of 10 March 2023.

In compliance with the obligations imposed on listed issuers by art. 2.6.2 of Consob Market Regulation, the Board of Directors approves the calendar of corporate events on an annual basis, to be communicated to Borsa Italiana, for public disclosure, within thirty days from the end of the previous financial year.

In particular, the calendar specifies, within the framework of the Board of Directors' meetings established for the new financial year, the dates set for the approval of the draft financial statements, the interim report and the quarterly reports, as well as the date scheduled for the Shareholders' Meeting held to approve the financial statements.

The Regulations on the operation of the Board of Directors provide that the documentation supporting the discussion of the items on the agenda is made available to Directors and Statutory Auditors sufficiently in advance of the Board meeting and require the Chairperson to ensure compliance with the above. If the items up for discussion are related to ordinary activities or initiatives, the relevant documents, where available, are possibly sent on the date of submission of the notice of call, and, in any event, no later than the second business day prior to the date set for the Board meeting, unless this is not possible due to special confidentiality reasons, having particular regard to "price sensitive" data or information. As regards activities and initiatives of an extraordinary nature, conversely, the assessment regarding the timing for submission is referred, on a case by case basis, to the Chairperson, upon consultation with the CEO, without prejudice, in any event, to the need to ensure that Directors and Statutory Auditors are provided with accurate and complete information regarding the item up for discussion. As regards agenda items of a strategic or extraordinary nature or of special technical complexity, the Chairperson of the Board of Directors, upon consultation with the CEO, may request that the documentation be made available to Directors in advance and/or that, before the Board of Directors' meeting, technical meetings be arranged with the heads of the Bank's competent internal departments and/or, if applicable, with external consultants.

During 2022, the documentation supporting the discussion of the agenda items of the Board of Directors was made available via a special web platform with restricted access, through credentials, to each director and statutory auditor. The deadlines described above for sending the documentation were for the most part met during said financial year 2022.

Based on the strategic guidelines, the size objectives and the further qualitative and quantitative elements of the Business Plan, the ICAAP and the RAF Report with the attention and warning thresholds for the key risk indicators identified are prepared and approved annually by the Board of Directors.

The Board evaluates the overall performance at least quarterly, in particular during the examination of the financial reports provided for by art. 154-ter of the Consolidated Law on Finance and upon receipt of a quarterly report (tableau de bord) prepared by the Risk Department, which summarises, from time to time, the Bank's overall performance in terms of the risks undertaken.

The same quarterly report, containing a summary of the checks carried out in the period according to the Audit Plan, the findings emerged with indication of the critical level, the planned corrective measures, the implementation times, the project managers, the follow-up activities and the other activities completed in the period is prepared by the Internal Audit Department.

The Compliance and Anti-Money Laundering Department also reports to the Board of Directors on matters within its purview, according to similar procedures to those of the other control departments.

The aforesaid documents, after being submitted to the Board, are transmitted to the Bank of Italy pursuant to the provisions laid down by the applicable regulations.

The Board regularly monitors the achievement of the targets defined in the Business Plan.

The Board also evaluates, on an ongoing basis, as part of the discussion of the matters within its purview, the adequacy of the Bank's overall organisational, management and accounting structure. The adequacy of the subsidiaries' overall organisational, management and accounting structure is evaluated by the Board through a number of governance tools, including by maintaining relations with the legal representative of the subsidiaries.

The description of the characteristics of the organisational model of the internal control system is contained in the Regulations for the coordination of the control departments, in the General Bank Rules and in the regulations of the respective control departments, including the regulations of the Manager in charge of financial reporting.

The Board of Directors, with reference to the supervisory provisions concerning the identification of the most significant transactions (MST) and the "Risk Management Policy" in place, determined that, based on the type of the various transactions, in addition to the ordinary risk governance system, the Risk Department must provide its preliminary opinion on the consistency with the RAF, thereby acquiring, depending on the nature of the transactions and where necessary, the opinions of the other departments involved in the risk analysis and management process. The body responsible for deciding on the nature of the transaction from time to time thus acknowledges said opinion.

Minutes are drawn up of each Board meeting, taken by the secretary of the Board without the aid of recording systems, supported by the personnel of the Corporate Affairs Department. The minutes provide an accurate account of what has been discussed at the meeting by the participants.

4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Ms. Luitgard Spögl was elected as Chairperson of the Board of Directors by the Shareholders' Meeting held on 30 April 2021, in continuity with the previous mandates.

At the meeting held on 7 May 2021, the Board also appointed a Deputy Chairperson, Mr. Giovanni Puglisi, in continuity with the previous mandates, who has the power, in the case of the absence or incapacity of the Chairperson, to chair the Shareholders' Meeting and the Board meetings.

The Chairperson does not have an executive role and may not perform management duties, even de facto (except in cases whereby the Chairperson is assigned the power to implement the resolutions passed by the Board).

The Chairperson encourages dialogue between the members of the Board. In accordance with the responsibilities attributed pursuant to art. 2381, paragraph 1 of the Civil Code, the Chairperson promotes the effective functioning of the corporate governance system, ensuring a balance with respect to the powers of the CEO and acting as an interlocutor with the Board of Statutory Auditors and the internal committees.

In preparing the agenda and conducting the discussions, the Chairperson ensures that priority is afforded to issues of strategic importance and that the discussion of these is allowed as much time as is necessary.

The Chairperson ensures that: i) the process of self-assessment is carried out effectively, according to methods appropriate to the degree of complexity of the Board's work, and that the planned corrective measures are adopted to deal with any shortcomings found; ii) the Bank draws up and implements induction programmes and training plans for the Board members and appropriate succession plans with respect to the entire organisational structure of the Bank.

In particular, the Chairperson, with the help of the Corporate Affairs Department, has ensured that the documentation relating to items on the agenda was made known to the Directors and Statutory Auditors with adequate notice prior to the date of the Board meeting, ensuring the completeness of the pre-meeting information, adding specific notes illustrating the items on the agenda, and adopting the necessary measures to preserve the confidentiality of the data and

information provided. This also took place through periodical meetings scheduled, prior to the Board meetings, with the secretary of the Board of Directors, who is responsible for coordinating the drafting of the information notes to be submitted to the Board of Directors by the company departments. Likewise, the Chairperson remains in frequent contact with all members of the Board of Directors to ensure that information flows to the Board are complete and exhaustive.

The Chairperson coordinates the activities of the Board committees, attending their meetings either as a member, if it is the case, or as a guest without voting rights. Furthermore, the internal Regulation governing information flows, most recently updated by the Board of Directors at the meeting of 22 July 2022, provides that the Board of Directors must receive timely information from each Board committee, and periodical reporting from the Internal Control and Risk Management Committee.

The Chairperson, with the help of the secretary of the Board of Directors, also ensures that the Bank's managers attend Board meetings to provide clarifications on any items on the agenda that fall under their responsibility.

In 2022, in addition to the secretary of the Board, all Board meetings were attended by other managers and employees of Banca Sistema, as well as by other external individuals or consultants invited by the Chairperson - in accordance with the Board of Directors' Regulations - on the basis of the matters to be discussed.

In particular, the following persons attended the meetings of the Board of Directors on a regular basis:

- the Chief Financial Officer and the Manager in charge of financial reporting, for the presentation of the draft financial statements, the interim report and the quarterly reports, as well as the financial performance of the Banca Sistema banking Group;
- the heads of the control departments not only to present their own reports and policies, but also to participate in discussions on specific issues assessed by those departments;
- the Chief of Staff in support of the organisation and minute-taking activities of Board meetings;
- the Head of the Human Capital Department, with regard to all issues related to human resources management and remuneration;
- the Heads of the Factoring and CQ Divisions, with regard to issues within their respective remits;
- the General Manager of Kruso Kapital S.p.A., to provide periodic updates on the performance of the business conducted by the subsidiary and its group;
- the Head of Corporate Strategy to provide periodic updates on the implementation status of the initiatives planned in the 2021-2023 business plan.

With regard to training and induction, at the meeting held on 8 February 2018, the Board approved a specific procedure concerning "Induction and training programmes for Directors and Statutory Auditors".

The Chairperson of the Board of Directors shall ensure that Directors may participate in appropriate training initiatives to ensure that the wealth of technical expertise of the members of the Board of Directors, as well as that of the heads of the main corporate departments, necessary to carry out their duties with awareness, is preserved over time.

Moreover, the members of the Board of Directors and of the Board of Statutory Auditors are provided access to an online archive containing a regular update of the most recent laws and relevant doctrinal and case-law guidelines (legal alert). As part of the periodic process aimed at the verification of cases of incompatibility and mapping of situations giving rise to potential conflicts of interest, the directors and statutory auditors were provided with specific information material regarding related parties and conflicts of interest. The newly appointed directors are also provided, by the Bank's management as well as by the other members of the Board, with all the necessary support and documentation in order to facilitate the timely fulfilment of their duties.

During 2022 the Chairperson promoted the organisation of induction and training sessions on specific topics with the aim of providing adequate knowledge with regard to the sectors in which the Bank operates, the dynamics of the business and their evolution, also with a view to sustainable success, the principles of effective risk management and the applicable regulatory and self-regulatory framework.

In particular, the Bank's Directors and Statutory Auditors were invited to and took part in a number of meetings and seminars (some also held outside the meetings of their respective bodies) including leading outside experts and consultancy companies among the speakers.

More specifically, the training courses dealt with the main regulatory and supervisory issues of the banking and financial

sector, including:

- guidelines and strategic planning, RAF, ICAAP, ILAAP;
- risk management (identification, assessment, monitoring, control and mitigation of a bank's main types of risk, including responsibilities in these processes), with particular regard to credit risk, the new regulations relating to the Definition of Default and the EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06);
- internal control system;
- main regulatory and supervisory issues relating to remuneration and incentive systems in the banking and financial sector;
- calculation model for the recognition of accrued default interest in the income statement;
- related party transactions.

These activities have achieved the aim, among others, of providing the directors with adequate knowledge of the business sectors in which the Bank operates.

In accordance with the provisions of the document "*Regulation governing the policy for the management of dialogue with shareholders and investors*", approved by the Board of Directors at the meeting held on 17 December 2021, the Chairperson has ensured that the management body is at all times kept informed, within the next meeting, of the development and significant content of the dialogue with all shareholders.

In 2022, as reported quarterly to the Board of Directors, during the meetings with Banca Sistema's investors and shareholders, the following topics were mainly covered:

- the company's quarterly performance, both in terms of results and commercially;
- the Group's strategy;
- macroeconomic and capital market scenario.

Secretary of the Board of Directors

Pursuant to article 10.9 of the Articles of Association, the Board of Directors appoints a secretary in the person of a director, senior manager or middle manager of the company, or an external consultant.

That said, in order to ensure that the coordination of activities and the functional link between the Chairperson, the Board and the CEO remain streamlined and effective, on 7 May 2021 the Board of Directors confirmed the Head of the Bank's Corporate Affairs Department to the office of secretary of the Board, in continuity with the previous mandate.

The office is for the same term as that of the members of the Board of Directors currently in office, whose term of office will end on the date of approval of the financial statements as at 31 December 2023.

Art. 13 of the Regulations on the operation of the Board of Directors sets out the duties of and the requirements to be met by the secretary.

The secretary of the Board of Directors must have a level of professionalism appropriate to the operational complexity and size of the Bank and have at least three years' experience in the same or a similar role.

The secretary has supported the Chairperson in the organisation of the Board meetings and in the entire Board's relationship with the Bank's departments and functions. The secretary, supported by the competent company departments, has provided assistance and advice to the Board, with impartiality, on all aspects concerned with the efficient functioning of the corporate governance system.

4.6 EXECUTIVE DIRECTORS

Chief Executive Officers

Gianluca Garbi was appointed Chief Executive Officer and General Manager by the Board of Directors in the meeting held on 30 April 2021 and is qualified as the person primarily responsible for managing the company.

The Chief Executive Officer typically performs his duties within the scope of the various corporate committees such as, but not limited to:

- (i) the Group Committee, wherein he monitors, coordinates and gives instructions to the heads of the Bank's departments, (ii) the Risk Management Committee, wherein he takes decisions regarding risk activities having previously evaluated the investigation conducted by the relevant departments, (iii) the Technical-Organisational Committee, wherein he identifies, coordinates and defines the priorities of the main projects and initiatives launched by the Bank as well as (iv) the working groups of business areas such as the Banking Committee and the Factoring Working Group, also exercising the powers granted to him to appoint special attorneys to represent the company in specific functions - within the limit of the powers granted, taking into account their role within the company and setting the associated limits and value thresholds - and to revoke powers of attorney given to employees following dismissal or where no longer necessary following a change of role or function.

With reference to external representation powers and the Bank's commitment towards third parties, the powers and limits from time to time conferred by the Board of Directors upon the Chief Executive Officer remain unprejudiced.

In particular, below are the banking and finance powers of greatest relevance assigned to the CEO by resolution of 30 April 2021, as subsequently updated by resolution of 22 October 2021 and 17 December 2021 and, most recently, by resolution of 11 November 2022.

Funding activities

Credit facilities and loans for the Bank, for an amount not in excess of € 50,000,000 (this limit not being applicable to transactions with central banks, the ECB/Eurosystem or other national or supranational institutions).

Issue of bonds (non-convertible bonds or other similar instruments, not for the retail market), for a nominal amount below € 50,000,000 for each issue.

Lending activities

Funding in any form, within the limit of € 20,000,000 for each transaction.

Granting sureties or other guarantees and assignment of receivables, for an amount not in excess of € 20,000,000.

Factoring, management and assignment of receivables, with a nominal amount of up to € 20,000,000 (with reference to receivables claimed by the assignor against a single assigned debtor) and in any event within the overall limit for each transaction of the nominal amount of € 40,000,000.

Other banking and financial activities

Intercompany loans.

Derivatives (transactions for non-speculative purposes), for an overall principal amount not in excess of € 30,000,000 (for those traded on regulated markets), and € 15,000,000 (for those not traded on regulated markets) and, in any event, with a maximum duration of the transaction of 36 months.

Adjustment and reclassification of credit positions

a) authorise the reclassification of the credit position (performing, unlikely to pay, bad exposures), up to a maximum amount of:

✓ € 5,000,000 in total for each credit position.

Adjustments exceeding the above limit are assessed and authorised by the Board.

b) authorise the adjustment of the value of individual credit positions, up to a maximum amount of:

✓ € 1,000,000 for each credit position, in each quarter of the financial year;

✓ € 3,000,000 in total for each credit position.

Adjustments exceeding one or both of the above limits are assessed and authorised by the Board.

The CEO is qualified as the person primarily responsible for managing the company. There are no other executive directors aside from the Chief Executive Officer.

Chairperson of the Board of Directors

The Chairperson of the Board of Directors:

- is not the person primarily responsible for managing the Bank;
- has not received delegated powers;
- is not the controlling shareholder of the Bank.

Executive Committee (only if set up) (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

No Executive Committee was set up, as also provided for by Article 13 of the Articles of Association.

Reporting to the Board by directors/delegated bodies

As regards the exercise of management powers, in accordance with articles 12 and 16 of the Articles of Association, the Board of Directors has received reports from the CEO, with different frequencies depending on the subject of the power and in compliance with the periodic reporting requirements of the delegated bodies to the Board of Directors and the Board of Statutory Auditors.

In particular, a special web platform was set up with restricted access, via credentials, for each Director and Statutory Auditor, containing a specific section where Directors and Statutory Auditors are periodically provided with reports on performance during the reference period.

The adoption of such information flows is in addition to the usual analytical reports provided periodically to the Board of Directors on business performance and, in accordance with article 2381, paragraph 5, of the Civil Code and articles 12 and 16 of the Articles of Association, at least quarterly and in any case for meetings of the Board of Directors, on the activities carried out and on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries.

Pursuant to the new art. 5.1.1 (Report of the CEO) of the Information Flows Regulations, most recently updated on 22 October 2022, the CEO provides the periodic reporting set out in the table below, in addition to the information provided at each Board meeting on specific topics.

CONTENT	FREQUENCY
Reporting of the CEO pursuant to art. 2381, paragraph 5, of the Civil Code	QUARTERLY
Report on the execution of transactions and initiatives approved by the Board	QUARTERLY
Report on the performance of subsidiaries	QUARTERLY
Report on the performance of investees	QUARTERLY
Report on dialogue with shareholders	QUARTERLY

The CEO keeps the Board constantly updated on the manner and terms of implementation of the resolutions adopted by the Board and entrusted to said body.

If the need arises to perform an action or execute a transaction at conditions that differ from those already approved by the Board, the CEO shall immediately inform the Chairperson in advance and provide details of the new aspects on which the Board is being asked to resolve.

It is noted that quarterly reports are also provided to the Board of Directors by the Heads of the Divisions and by the General Manager of Kruso Kapital on the performance of the business and on the sale and resale transactions carried out, among other things.

Other Executive Directors

There are no other executive directors aside from the Chief Executive Officer.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

Independent Directors

At the date of this report, it is confirmed that the 7 directors (out of 9) who had indicated their eligibility to qualify as independent members at the time of their appointment, continue to meet the independence requirement.

On 28 October 2022, the Bank's Board updated the document entitled "Optimal Qualitative and Quantitative Composition of the Board of Directors" (published on the following web page <https://www.bancasistema.it/corporate-documents>), which, among other things, contains the quantitative and qualitative criteria to be applied in verifying the significance of circumstances that are relevant under the Code when assessing the independence of directors.

With regard to the current Board members appointed on 30 April 2021, at the meeting held on 24 May 2021, the Board confirmed the eligibility of Luitgard Spögler, Daniele Pittatore, Carlotta De Franceschi, Marco Giovannini, Daniele Bonvicini, Maria Leddi and Francesca Granata to qualify as independent directors pursuant to the Articles of Association and the applicable laws and regulations and, in particular, the MEF Decree implementing art. 26 of the Consolidated Law on Banking, articles 147-ter, paragraph 4, and 148, paragraph 3 of the Consolidated Law on Finance and art. 2, recommendation no. 7, of the Corporate Governance Code.

The independent directors appointed by the Shareholders' Meeting on 30 April 2021 have undertaken to promptly notify the Bank:

- of any act or fact that may determine the variation of the foregoing and the loss of the suitability requirements widely understood; as well as
- of the assumption of offices incompatible with that of director at the Bank pursuant to current legislation or of the exceeding of the limit of concurrent positions;
- to provide, at the Bank's request, suitable documentation proving the truthfulness of the information declared.

At the meetings held on 24 May 2021 and 22 October 2021, the Board found that the number of Directors and their competence were adequate for the needs of the Bank and the operation of the Board of Directors, and for the relevant committees to be set up.

The number of independent directors on the Board (7 out of 9) wholly complies with the provisions of the Articles of Association, the regulations in force and the Corporate Governance Code.

The Board of Statutory Auditors ascertained the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members.

As specified in the document on the Optimal Qualitative and Quantitative Composition of the Board of Directors, the independence of a Director shall not be compromised by any commercial relationship, as referred to in Section 13, paragraph 1, letter h), of the MEF Decree, that complies with the following two parameters:

- I. continuity: duration of no more than one year; and
- II. economic relevance: the remuneration from the professional, economic or financial relationship must not exceed 5% of the turnover of the company or professional firm to which the Director belongs, or 15% of the Director's individual income.

Furthermore, for the purposes of the assessment of a Director's independence, the Board of Directors also takes account - even if the Director has received from the Bank or from a subsidiary or parent company thereof, in the previous three financial years, significant additional remuneration (on top of the "fixed" fee paid to the Bank's non-executive directors and of any remuneration for attendance of Committee meetings), including that of participation in incentive schemes tied to the company's performance, also in the form of share distribution, or as provided for by law. The additional remuneration shall be considered significant should it exceed the upper threshold of 15% of the Director's income as an individual, where such income excludes those payments received in his/her capacity as member of the governing bodies of the parent company and/or the subsidiaries.

In 2022, the independent directors did not meet on any specific occasion, in the absence of the other directors, taking into account that the Internal Control and Risk Management Committee is made up of 4 independent directors, to the meetings of which the Chairperson of the Board of Directors (independent Director) is invited on a permanent basis; it should also be noted that, starting from November 2022, independent Director Pier Angelo Taverna also participated, as a guest, in the meetings of the Internal Control and Risk Management Committee.

Lead Independent Director

In the absence of the conditions required by the Corporate Governance Code for the appointment of the lead independent director, the Board of Directors has not appointed any independent Director in this role.

5. MANAGEMENT OF CORPORATE INFORMATION

Banca Sistema - aware that the flow of price sensitive information (pursuant to art. 114, paragraph 1, of the Consolidated Law on Finance) must be regulated, in accordance with current regulations, according to principles of fairness, clarity and equal access to information - adopted, pursuant to art. 1, Recommendation 1, f) of the Corporate Governance Code, a "Procedure for the management and disclosure of inside information and market surveys", which was updated by the Board on 14 December 2018 to take into account the contents of the "Guidelines" issued by Consob in October 2017, and most recently in March 2020. The CEO and/or Chairperson of the Board are responsible for the disclosure of corporate information, thereby ensuring, through compliance with the aforesaid procedure, the correct disclosure to the market with specific reference to inside information.

The Bank relies on the Investor Relations Department, which reports to the CFO, for managing relations with institutional investors and financial analysts, in order to ensure the disclosure of consistent information and news about Banca Sistema's activities, as well as the publication of price sensitive press releases.

The Board of Directors approved specific provisions aimed at governing the procedures for the treatment of confidential and inside information and for keeping a register of persons with access to inside information.

For the storage of regulated information, Banca Sistema makes use of the centralised storage mechanism, called "1Info", available at www.1info.it, managed by Computershare S.p.A.

The procedures relating to the management and public disclosure of corporate and inside information and to the keeping of the Insider Register are published on the Bank's website at the following address www.bancasistema.it/market-abuse-procedure.

6. BOARD COMMITTEES (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

In accordance with the Corporate Governance Code and with the Supervisory Provisions for Banks, in order to promote an efficient system of information and consultation, which enables the Board to conduct a better assessment of certain topics within its purview, the Board has set up internal committees (the "**Committees**") in charge of advising and issuing recommendations to the Board on matters within their purview, without prejudice to decision-making powers that cannot be delegated and the responsibilities of the Board. In the performance of their duties, the Committees have the right to access the information and corporate departments required to perform their respective tasks.

The Board has adopted regulations on its operation and specific regulations on the operation of each committee.

By means of the abovementioned regulations, the Board defines, inter alia, the rules of operation, including the minute-taking methods and the procedures for managing information to be given to its members, specifying the deadlines for sending the information in advance and the procedures for protecting the confidentiality of the information, in order to ensure the timeliness and completeness of the information flows.

At 31 December 2022 and at the date of this Report, the following Committees had been established:

- Appointments Committee, comprising three independent, non-executive directors, as described in further detail in section 7;
- Internal Control and Risk Management Committee and Sustainability Committee, comprising four independent, non-executive directors, to which the functions of Related Parties Committee have also been attributed, as described in further detail in section 7;
- Remuneration Committee, comprising three non-executive directors, two of whom are independent, as described in further detail in section 9;
- Ethics Committee, comprising three non-executive directors, two of whom are independent, as described in further detail in section 10.

In deciding the composition of the Committees, the Board and the Appointments Committee have carefully assessed the specific competence and experience of the individual Directors and their availability in terms of time, also with a view to avoiding excessive concentration of offices.

No duties of one or more committees provided for by the Corporate Governance Code were reserved to the entire Board, under the coordination of the Chairperson.

No committees other than those set out in this section have been set up within the Board.

Additional committees (other than those required by law or recommended by the Code)

No additional committees have been set up.

7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

7.1 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS

Pursuant to art. 3 of the Regulations on the operation of the Board of Directors, with a view to ensuring that the Board members are capable of discharging their duties effectively, the Board, with the advisory support of the Appointments Committee: (i) periodically completes a self-assessment process, defining which professional skills are necessary to achieve the aforesaid purpose, taking into account the diversity criteria, including in terms of gender; (ii) provides, at least prior to every renewal, its own recommendations on the optimal quantitative and qualitative composition of the Board, taking into account the outcomes of the self-assessment. The outcomes of the abovementioned assessments are brought to the attention of the shareholders in good time for them to be taken into account in the candidate selection and appointment process.

The Board conducts an assessment of the effectiveness of its activities on an annual basis.

At its meeting of 24 June 2022, in the light of the provisions and guidelines contained in the Supervisory Provisions for Banks, the Board concluded the annual assessment of the functioning of the Board and its committees, as well as their size and qualitative and quantitative composition in 2021. The Board was supported by a leading external consultant, who coordinated the self-assessment process, analysing the results of the questionnaires and the interviews conducted with Directors.

It is also noted that, following the publication of the Bank of Italy document of 29 November 2022, concerning "Guidelines of the Bank of Italy on the composition and operation of the boards of directors of LSIs", on 16 December 2022, the Board of Directors, in continuity with the afore-mentioned self-assessment conducted with reference to 2021, appointed the aforesaid external consultant to assist the Board of Directors in the performance of the new self-assessment process, relating to the 2022 financial year.

The self-assessment process, the outcomes of which were reviewed by the Board at the meeting of 24 February 2023, did not show any significant shortcomings, with the exception of some areas for improvement identified in relation to the indications of the Bank of Italy set out in the afore-mentioned guidelines. The Board therefore drew up the resulting plan of initiatives, providing, inter alia, the scope of topics of the training plan to be addressed to the Directors and the reports addressed to the Board by the internal Board committees.

The Board of 28 October 2022 defined and approved the document "Optimal Qualitative and Quantitative Composition of the Board of Directors", available on the Bank's website at www.bancasistema.it Investors / Corporate Documents section, taking into account, among other things:

- Circular 285;
- the MEF Decree;
- the outcome of the self-assessment regarding the size, composition and operation of the Board of Directors in 2021;
- the provisions set out in the Corporate Governance Code for Listed Companies, approved by the Corporate Governance Committee, to which the Bank adheres.

The above document was examined in advance by the Appointments Committee, upon completion of the review of the final 2021 Report on the self-assessment of corporate bodies.

Succession plans

Pursuant to the Corporate Governance Code (art. 4 - Appointment of directors and board evaluation), the Supervisory Provisions for Banks and the Articles of Association, the Board of Directors may adopt a succession plan for executive directors and top management.

Pursuant also to the "Regulations on the operation of Banca Sistema S.p.A.'s Board of Directors", most recently updated on 22 October 2021, art. 3 provides that the Board, after obtaining an opinion from the Appointments Committee, shall adopt a plan to ensure the orderly succession in senior executive and top management positions in the event of termination due to expiry of office or for other reasons, in order to ensure business continuity and avoid economic and reputational consequences. The aforesaid succession plan is updated on a regular basis to reflect any changes in the Bank's organisational structure.

7.2 APPOINTMENTS COMMITTEE

The Board has set up an Appointments Committee and approved the associated regulations, which were modified most recently on 25 January 2019, also with a view to improving coordination between the different committees and between the individual committees and the management function.

Composition and operation of the Appointments Committee (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

The Appointments Committee shall be composed of at least 3 members chosen from among non-executive Directors, the majority of whom shall be independent.

On the date of this report, the following members were appointed by the Board of Directors, having assessed the necessary requirements and the adequate time availability:

- Luitgard Spögler, independent, non-executive director,
- Francesca Granata, independent, non-executive director,
- Carlotta De Franceschi, Chairperson, independent, non-executive director.

The Appointments Committee's operations are coordinated by the Chairperson, who shall regularly report on such to the following Board of Directors' meeting, and such report shall be minuted on a regular basis.

The Head of the Bank's Corporate Affairs Department and, where required, the Head of Human Capital also attend the meetings of the Appointments Committee.

During 2022 the Committee met 11 times, as shown in Table 2 attached to this Report, with the average duration of the meetings being about 1 hour.

From the beginning of 2023 until the date of approval of this document, the Committee met 3 times.

In 2023 the Committee is expected to hold a number of meetings no fewer than those held in the previous year.

Summary minutes of each meeting, signed by the Chairperson and by the Secretary, and filed with the secretary office of the Board of Directors, are drawn up.

During 2022, the composition of the Appointments Committee was at all times made up of a majority of independent directors.

The Chairperson normally invites the following persons to the Committee meetings: the Head of Human Capital, if relevant topics are to be discussed and, to act as meeting secretary, the Head of Corporate Affairs, or other employees of that same department.

Participation at committee meetings by representatives of corporate departments concerned is subject to each committee's regulations and their participation has at all times taken place in compliance with the above regulations, on invitation of the Chairperson, forwarded by the Secretary Office of the Board of Directors. The CEO is informed when any representatives of corporate departments attend committee meetings, either directly or through the Chief of Staff.

Members of the Board of Statutory Auditors may attend meetings of the Appointments Committee.

Functions of the Appointments Committee

Within its sphere of influence, the Committee has advisory, selection and proposal-making duties to support the Board on the matter of appointment and co-option of the members of the Board.

The Committee carries out all the tasks assigned to it by the Corporate Governance Code and, in particular, it performs an advisory and proposal-making role in the identification of the optimal composition of the Board of Directors, thereby specifying the professional figures whose presence may be conducive to its correct and effective functioning and possibly contributing to the preparation of the succession plan for the Company's executive directors.

In particular, the Committee:

- submits opinions to the Board regarding the Board's size and composition;
- formulates recommendations regarding the professional figures whose presence within the Board is deemed appropriate, as well as regarding the limits on the number of concurrent positions and any exceptions to the competition prohibition provided for by article 2390 of the Civil Code;
- proposes to the Board of Directors candidates for director offices in case of co-option, should the replacement of independent directors be necessary;
- if there is a succession plan for executive directors, the Committee carries out a preliminary investigation on the preparation of the plan;
- submits opinions to the Board of Directors in the event of the appointment of persons reporting directly to the CEO, even if not qualified as managers.

The Committee provides the Board with support in regard to the following processes:

- appointment or co-option of directors, by expressing its opinion on the suitability of the candidates whom the Board has identified to fill positions through its prior analysis; with regard to the need to ensure an adequate degree of diversification in the composition of the Board, the Committee - without prejudice to the obligations imposed by regulations governing listed banks - sets a target level for the less represented gender and draws up a plan to increase this number to reach that target level;
- self-assessment of corporate bodies;
- verification of the conditions laid down in art. 26 of the Consolidated Law on Banking, Legislative Decree no. 385 of 1 September 1993 as subsequently amended and supplemented;
- definition of succession plans for senior executive positions;
- submits opinions on compliance with the requirements, both specified by supervisory regulations and relevant for the company needs, to the Internal Control and Risk Management Committee for the purposes of identifying the heads of the corporate control departments to be appointed;
- identifies the external consultant or internal personnel to be involved in the activities related to the self-assessment of the Board.

In 2022, the Appointments Committee performed the following activities:

- supported the Board in its self-assessment activity, helping the Chairperson to ensure the adequacy and transparency of the self-assessment process and examining in advance the draft versions of the final report on the self-assessment of corporate bodies and the document on the qualitative and quantitative composition of the Board of Directors;
- took part in the process to appoint the Sole Director of the subsidiary LASS, examining in advance the proposal to renew the mandate of the Director in office;
- verified that the new co-opted Director met the requirements of integrity, professionalism and independence and the criteria of fairness, professional competence, independent judgment and availability of time;
- verified the "interlocking prohibition" documentation of the new co-opted Director;
- verified that the Directors still meet the requirements laid down by the reference applicable regulations;
- conducted the necessary analyses in relation to the composition of the Board of Directors of the investees (EBN Sistema, Art Rite, ΕΤΟΙΜΟ ΕΝΕΧΥΡΟ ΜΟΝΟΠΡΟΣΩΠΗ Α.Ε. ΕΝΕΧΥΡΟΔΑΝΕΙΣΜΟΥ ΚΑΙ ΑΓΟΡΑΣ ΧΡΥΣΟΥ);
- assessed the professional profiles and the areas of expertise of the directors in relation to the composition of the Board Committees and the Supervisory Body;
- took part in the process to determine the topics to be covered in the training and induction programmes for corporate officers.



In the performance of its duties, the Appointments Committee may use all types of resources that it deems appropriate, including external consulting or publicity, such as external experts, in order to obtain thorough information regarding the personal and professional characteristics of the candidates and to select the persons most suited to Banca Sistema's projected operational needs.

The Committee has access to all relevant corporate information for the performance of its duties.

8. DIRECTORS' REMUNERATION – REMUNERATION COMMITTEE

8.1 DIRECTORS' REMUNERATION

The Directors' remuneration is governed by Articles 9, 12 and 16 of the Articles of Association, published on the website www.bancasistema.it in the Investors / Governance/ Corporate documents Section.

As regards other information to be provided in this section, see the relevant parts of the Report on the remuneration policy and remuneration paid published pursuant to art. 123-ter of the Consolidated Law on Finance and art. 84-quater of the CONSOB Issuers' Regulations, which can be consulted in the Governance/Remuneration section of the website www.bancasistema.it.

8.2 REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee and approved the associated regulations, which were modified most recently on 22 October 2021, also with a view to improving coordination between the different committees and between the individual committees and the management function.

Composition and operation of the Remuneration Committee (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

The Remuneration Committee shall be composed of at least 3 members chosen from among non-executive Directors, the majority of whom shall be independent.

On the date of this report, the following members were appointed by the Board of Directors, having assessed the necessary requirements and the adequate time availability:

- Francesca Granata, Chairperson, independent and non-executive director;
- Giovanni Puglisi, non-executive director;
- Daniele Pittatore, independent and non-executive director, since 20 May 2022, replacing Marco Giovannini, former Chairperson of the Committee, independent and non-executive director, who resigned on 26 April 2022.

During 2022 the Committee met 7 times, as shown in Table 3 attached to this Report, while the average duration of the meetings was about 1 hour and 40 minutes.

From the beginning of 2023 until the date of approval of this document, the Committee met 3 times.

In 2023 the Committee is expected to hold a number of meetings no fewer than those held in the previous year.

Pursuant to the Regulations on the operation of the Committee, most recently amended by the Board of Directors on 22 October 2021, the meetings of the Committee are usually attended by the Head of the Compliance Department, to provide an assessment of whether the remuneration and incentive policies comply with the applicable legal framework, and the Head of the Human Capital Department. Notice of the meetings is also given to the Chairperson of the Board of Statutory Auditors, who, on a case-by-case basis, may decide to attend the meeting or designate another member of the Board of Statutory Auditors to take part.

The Chairperson of the Board of Directors is entitled to attend the Committee's meetings without voting powers, and the CEO may also attend the meeting on the invitation of the Chairperson of the Committee.

The Head of Corporate Affairs is also invited to attend the Committee meetings to act as secretary.

From time to time, the Chairperson of the Committee may invite others to attend the meetings, if their attendance is considered appropriate to support the functioning of the Committee.

In detail, the Chairperson requests the presence of the Head of the Risk Management Department when the items to be discussed include specific topics linked to matters within the respective areas of responsibility, as well as to ensure that the structure of the incentives systems, as adopted and updated from time to time, takes into account all the risks undertaken by the Bank, based on methodologies that are consistent with those adopted by the Bank to manage risks.

The CEO is informed when any representatives of corporate departments concerned attend the Committee meetings, either directly or through the Chief of Staff.

Summary minutes of each meeting are drawn up and signed by the Chairperson and the secretary. The Chairperson of the Remuneration Committee informs the Board of the outcome of the discussions and, where requested, expresses an opinion.

In the performance of its duties, the Committee ensures suitable functional and operational links with the competent corporate departments, has access to the necessary Company's information and functions for the performance of its duties and, according to the procedures established by the Board of Directors, can avail itself of external consultants.

Banca Sistema shall provide the Committee with adequate financial resources for the performance of its duties and to ensure operational independence, within the limits of the budget approved by the Board of Directors.

If the Committee intends to make use of the services of expert consultants in order to obtain information on market practices regarding remuneration policies, the Committee verifies in advance that such persons are not in situations that could compromise their independence of judgement, such as in cases where such persons provide simultaneously to the human resources department, Directors or key management personnel services of such significance as to actually impair the independence of judgement of the same consultants. The Committee also verifies that such consultants are not in any situation of conflict of interest pursuant to the regulations in force at the time, including the applicable Company procedures. To this end, the Bank requires consultants to make a specific declaration in advance to confirm that there are no such conflicts of interest.

At the time of appointment of the members of the Remuneration Committee, the Board of Directors had duly assessed the professional competence of the members and considered this to be adequate, also in light of their past experience as members of the same Committee during the Board's previous term of office.

Functions of the Remuneration Committee

In accordance with the provisions of the regulations on the operation of the Remuneration Committee, said Committee evaluates, on an annual basis, the adequacy, overall consistency and actual application of the general policy adopted for the remuneration of directors and key management personnel, also on the basis of the information provided by the CEO, and formulates proposals to the Board of Directors in that regard.

Within its sphere of influence, the Committee has advisory and proposal-making duties and, in some cases, carries out preliminary investigations vis-à-vis the Board.

In accordance with the Corporate Governance Code, the Committee performs a proposal-making and investigation role vis-à-vis the Board of Directors, with regard to the definition of a remuneration policy for Directors and key management personnel.

In particular, the Committee has the following duties:

- periodically evaluate the adequacy, overall consistency and actual application of the general policy adopted for the remuneration of Directors and key management personnel, also on the basis of the information provided by the CEO; formulate proposals to the Board of Directors in that regard;
- submit proposals or issue opinions to the Board of Directors for the remuneration of executive Directors and other Directors who hold specific offices as well as for the identification of performance objectives related to the variable component of that remuneration; monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.

In accordance with the Supervisory Provisions for Banks, the Committee also performs the following functions:

- i) puts forward its own assessments and proposals on the remuneration of personnel whose remuneration and incentive systems are determined by the Board of Directors (in particular, the CEO/General Manager, the senior managers and the heads of the corporate control departments reporting directly to the CEO/General Manager) and concerning the determination of the variable component of the remuneration of the heads of the control departments reporting directly to the CEO/General Manager. To this end, the Committee examines the proposals of the CEO/General Manager, formulated in accordance with the powers granted and in compliance with the provisions of the Bank's remuneration policies and the regulations in force at the time;

- ii) has an advisory role for the determination of the criteria for the remuneration of all key personnel;
- iii) 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;
- iv) prepares the documentation to be submitted to the Board for the related decisions;
- v) cooperates with the other committees within the Board of Directors, in particular with the Internal Control and Risk Management Committee in assessing whether the incentives provided by the remuneration system take into account the risks, capital and liquidity;
- vi) ensures the involvement of all competent corporate departments in the process of preparing and monitoring the remuneration and incentive policies and practices;
- vii) 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;
- viii) provides adequate feedback on its activity to the corporate bodies, including the Shareholders' Meeting;
- ix) reports to the shareholders on the manner in which it performs its duties and, to this end, it is required that the Chairperson of the Committee or another member be in attendance at the Annual Shareholders' Meeting.

In the performance of its functions, the Committee is given access to the necessary Bank's information and functions for the performance of its duties and can avail itself of external consultants.

At the request of the Chairperson of the Committee, the Board of Directors may make adequate financial resources available to the Committee for it to be able to discharge its duties.

In 2022, the Remuneration Committee, in line with its responsibilities, performed the following activities:

- took part in the process to draw up the remuneration policies for 2022;
- took part in the key personnel self-assessment and identification process for 2022;
- took part in the process of applying the 2021 remuneration policies, specifically, in determining the bonus pool to be distributed for 2021 and in verifying the 2021 targets of the CEO;
- took part in the review of the amendments to the Welfare Regulation for 2023;
- took part in the review process of the Flexible Benefit Plan for the 2022 financial year;
- took part in the process of defining the new retention bonus plans;
- took part in the process to review the criteria regarding incentives and the determination and distribution of the 2023 bonus pool and in the drafting of the remuneration policies for 2023.

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

The Board of Directors plays an important role within the scope of the Bank's Internal Control and Risk Management System.

As regards risk management and the internal control system, the Bank's Board of Directors is supported by the Internal Control and Risk Management Committee and Sustainability Committee (see section 9.2).

The Internal Control and Risk Management System involves each of the following corporate bodies depending on their related responsibilities:

- the Board of Directors;
- the Internal Control and Risk Management Committee and Sustainability Committee and other Board Committees, each within its own purview;
- the control departments (Risk and Compliance & Anti-Money Laundering and internal audit);
- the Board of Statutory Auditors;
- the Supervisory Body pursuant to Italian Legislative Decree no. 231/01.

The Internal Control and Risk Management Committee, in conjunction with the drafting of its half-yearly report, and the Board of Directors, in conjunction with the drafting of the annual Corporate Governance Report, evaluate the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the characteristics of the Bank and its risk profile.

During the meetings held on 22 July 2022 and 24 February 2023, the Board acknowledged the contents of the Reports of the Internal Control and Risk Management Committee relating to the first and second half of 2022, in which the latter, in the context of the assessment of the adequacy of the internal control system with regard to the characteristics of the Bank and its risk profile on the basis of the activities carried out, considered the current organisational structure of the internal control system to be essentially adequate, with due regard to the evolution of the Banking Group.

On 11 March 2022 the Board approved the Corporate Governance Report for 2021, following the review completed by the Internal Control and Risk Management Committee at the meeting held on 10 March 2022, whose assessments focused on the key features of the internal control system and on the evaluation of the overall adequacy of the system described in the document.

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.

Financial reporting process

In relation to the financial reporting process, including on a consolidated basis, in accordance with art. 154-bis of the Consolidated Law on Finance, the Manager in charge of financial reporting certifies, in a written statement, that the documents and communications of Banca Sistema issued to the market and related to the financial reports, including the interim reports, correspond to the documents, books and accounting records (art. 154-bis, paragraph 2, of the Consolidated Law on Finance).

The Board of Directors ensures that the Manager in charge of financial reporting has suitable powers and resources for performing the tasks allocated to him, as well as compliance with the administrative and accounting procedures.

The CEO and the Manager in charge of financial reporting certify, in a specific report attached to the separate financial statements, the interim report and the consolidated financial statements (art. 154-bis, paragraph 5, of the Consolidated Law on Finance) that these documents:

- a) they were drafted in accordance with the applicable international accounting standards endorsed by the European Union, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) they match the accounting books and records;
- c) they are suitable for providing a true and fair view of the financial position, results of operations and cash flows of the issuer and all the companies included in the scope of consolidation.

The CEO and the Manager in charge of financial reporting also certify that the Directors' Report includes a reliable analysis of business performance and results, as well as of the position of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

As part of the financial reporting process, all the main key controls for the relevant administrative and accounting processes were defined and formalised. These controls should ensure the reliability and accuracy of financial reporting, while a series of controls have been planned to certify the adequacy of the procedures and the effectiveness of the operational controls conducted by the Internal Audit Department.

The suitability of the administrative and accounting procedures for the drafting of the consolidated financial statements is assessed based on an internal model defined by Banca Sistema that was designed in a manner consistent with the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for IT and Related Technology (COBIT) framework, which represent the reference standards for the internal control system generally accepted on an international level.

The Board, subject to the approval of the Internal Control and Risk Management Committee and upon consultation with the Board of Statutory Auditors, appoints and dismisses the Head of the Internal Audit Department and ensures that the control departments are equipped with adequate resources to carry out their duties.

The Bank is committed - also through the adoption of a Code of Ethics - to the dissemination at all levels of a culture characterised by the awareness of the existence of controls and the adoption of a control-oriented mindset. Internal controls are understood to be 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 independent auditors have free access to the data, documents and information necessary for the performance of their activity.

9.1 CHIEF EXECUTIVE OFFICER

In application of the internal regulations approved by the Board of Directors, the Chief Executive Officer is responsible for implementing the Risk Appetite Framework (RAF) and the risk governance policies defined by the Board of Directors, and is responsible for taking all necessary steps to ensure that the organisation and the internal control system conform to the principles and requirements set out in Sections I and III of Circular 285, and monitors compliance with these principles and requirements on an ongoing basis.

The internal control system is a key building block in the overall governance system of any credit institution, since the system ensures that its banking activities are in line with the Bank's strategies and policies and executed in accordance with the principles of sound and prudent management.

The control system of Banca Sistema is defined in accordance with the Bank's internal policies, as approved by the Board of Directors in compliance with the provisions of Circular 285.

The governance of Banca Sistema with regard to controls is based on appropriately balancing the powers of the body entrusted with strategic supervision (the Board of Directors) and the body entrusted with the management of the Bank (the CEO): the former decides the Bank's strategies and monitors their implementation on an ongoing basis, and the latter is responsible for implementing those strategies and managing the Bank. In addition, in line with the legal and regulatory provisions in force, the Bank has adopted a three-level internal control system:

- First level: direct line controls to ensure the correct execution of the transactions, performed by the operational, business and support departments dedicated to control duties (for example, hierarchical, systematic and test-checked controls), entered by the same operational structures and – as far as possible – incorporated in IT procedures.
- Second level: risk and compliance controls. Their purpose includes ensuring:
 - proper implementation of the risk management process;
 - observance of the operational limits assigned to the various functions;
 - the statutory and regulatory compliance of business operations, including self-regulation.

Second level controls (risk management, compliance, and anti-money laundering) are assigned to the Risk and Compliance and Anti-Money Laundering Departments.

- Third level: controls focused on identifying the breaches of procedures and regulations, as well as on evaluating the completeness, adequacy, functionality, in terms of efficiency and effectiveness, as well as reliability of the organisational structure of the other internal control system components and of the IT system, at regular intervals in relation to the nature and intensity of the risks. The third level controls are performed by the Internal Audit Department.

The Risk Management Department, which reports hierarchically and functionally to the CEO, prepares (and submits to the Bank's Board of Directors for review) the RAF, which, consistent with the maximum risk that can be assumed and based on the Bank's business model, sets out the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies and the reference processes necessary to define and implement them.

The Risk Department is also tasked with the identification, management and monitoring of all risks to which the Bank is, or may be, exposed. It has the duty to cooperate in the formulation and implementation of the RAF and the related risk governance policies, the various stages that make up the risk management process, as well as in setting operational limits for the assumption of various types of risk.

The Compliance and Anti-Money Laundering Department reports hierarchically to the Board of Directors and functionally to the CEO, and is responsible for managing compliance risk with regard to all the business activities, verifying that the internal procedures are suitable to prevent said risk. The Department collaborates with other departments of the Bank for the definition of methods for the assessment of compliance risks.

The activities of the Internal Audit Department, which reports hierarchically to the Board of Directors and functionally to the CEO, focus on monitoring the proper performance of the business operations in relation to the nature and intensity of the risks concerning all organisational structures of the Bank. The planning of the audit activities prioritises audits on the identified business processes - and their cyclicity - based on their residual risks (risk-based approach). The Internal Audit Department acts according to a mandate provided by a specific regulation approved by the Board of Directors.

The action plans of the abovementioned control departments are approved annually by Banca Sistema's Board of Directors.

The heads of the control departments promptly report to the Internal Control and Risk Management Committee and to the Board of Statutory Auditors any problems and critical issues brought to light in the conduct of their activity or of which they otherwise become aware, so that the aforesaid bodies may take the appropriate initiatives.

In any event, on a quarterly basis, the heads of the control departments submit the "tableau de bord", which describes the outcomes of their respective activities in the period, to the Risk Committee, the Internal Control and Risk Management Committee and the Board of Directors, for their review.

9.2 INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

The Board set up an Internal Control and Risk Management Committee and Sustainability Committee, which is also responsible for matters concerning related party transactions and ESG matters.

Composition and operation of the Internal Control and Risk Management Committee (art. 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

The Internal Control and Risk Management Committee is made up of 4 of the 9 members of the Board, chosen from among the non-executive and independent directors.

On the date of this report, the following members were appointed by the Board of Directors, having assessed the necessary requirements and the adequate time availability

- Daniele Bonvicini, Chairperson, independent and non-executive director;
- Daniele Pittatore, non-executive director;
- Maria Leddi, non-executive director;

- Francesca Granata, independent and non-executive director, since 20 May 2022, replacing Marco Giovannini, independent and non-executive director.

Luitgard Spögler, Chairperson of the Board, retains the right to attend meetings without voting rights, in accordance with the regulations on the operation of the Committee.

Committee members possess such expertise, skills and experience as to be able to fully understand and monitor the Bank's risk strategies and guidelines.

During 2022 the Committee met 16 times, as shown in Table 3 attached to this Report, with the average duration of the meetings being about 3 hours and 15 minutes. On all occasions at least the majority of the Board of Statutory Auditors was in attendance.

From the beginning of 2023 until the date of publication of this document, the Committee met 4 times. On all occasions at least the majority of the Board of Statutory Auditors was in attendance. In 2023 the Committee is expected to hold a number of meetings no fewer than those held in the previous year.

During its meetings, the Committee, on the proposal of the Chairperson, regularly interfaces with the heads of the control departments and the main corporate departments. The Independent Auditors are invited to attend Committee meetings for the issues within their remit.

As a rule, the Head of Corporate Affairs and other personnel working at that department are also invited to attend the Committee meetings, as secretary of the meeting. Minutes of each meeting are drawn up and signed by the Chairperson and the Secretary.

The Head of the Risk Department, the Head of the Compliance and Anti-Money Laundering Department, the Head of Internal Audit, the Head of Finance and the Manager in charge of financial reporting regularly take part in the meetings of the Internal Control and Risk Management Committee.

The Chairperson of the Internal Control and Risk Management Committee keeps the Board of Directors informed of the Committee's decisions at the next Board meeting.

In performing its functions, the Committee has access to the information and Company functions necessary to the performance of the related tasks and may draw on the assistance of internal employees and, at the expense of Banca Sistema and within the budget limits approved by the Board of Directors, of external professionals, provided that they are suitably bound to the required confidentiality.

The Committee may – where necessary – liaise directly with the internal audit, risk control and compliance departments.

The Appointments Committee and the Board of Directors confirm that all members of the Committee meet the requirements of the office, having verified that all members have adequate knowledge and experience in the accounting and financial field and/or in risk management.

Participation at Committee meetings by representatives of corporate departments concerned is subject to the Committee's regulations and their participation has at all times taken place in compliance with the above regulations, on invitation of the Chairperson, forwarded by the Secretary Office of the Board of Directors. The CEO is informed when any representatives of corporate departments attend Committee meetings, either directly or through the Chief of Staff.

The Board of Directors, at its meeting of 29 April 2016, having considered that the primary and secondary banking regulations applicable to the Bank set out appropriate and detailed rules of operation of the internal control system by dividing roles and responsibilities among the different bodies, committees and departments, decided to eliminate the role of Director responsible for the internal control system.

Functions of the Internal Control and Risk Management Committee

The Committee, within its purview, has the task of assisting the Board of Directors in making inquiries, putting forward proposals and issuing advice in the assessments and decisions relating to Banca Sistema's Internal Control and Risk Management System (the "**Internal Control and Risk Management System**").

Pursuant to the regulations on its operation, most recently updated on 22 July 2022, the Committee has the following tasks:

- ensure to the Board of Directors an adequate preliminary review in evaluations and decisions relating to the Internal Control and Risk Management System;
- express its opinion to the Board regarding the setting of guidelines for the Internal Control and Risk Management System, so that the main risks to which the Bank and its subsidiaries are exposed are properly identified and adequately measured, managed and monitored, determining the extent to which such risks are compatible with management of the Company in a manner consistent with the identified strategic objectives;
- express opinions concerning specific aspects of identifying the main company risks and provide support in the Board of Directors' assessments and decisions concerning the management of risks arising from detrimental circumstances which the Board of Directors may become aware of;
- formulate assessments and issue opinions to the Board of Directors on compliance i) with the principles that must be based on the Internal Control and Risk Management System and the corporate organisation and ii) with the requirements that must be met by the Company control departments, bringing to the attention of the Board any weaknesses and the resulting corrective actions to be implemented; to this end, it assesses the proposals of the CEO;
- assess and report to the Board of Directors, at least in conjunction with the approval of the Annual Financial Report and the interim report, on the adequacy of the Internal Control and Risk Management System in relation to the characteristics of the Company and the risk profile assumed, and its effectiveness;
- support the Board of Directors in the decision to attribute the supervisory functions set out in art. 6, paragraph 1, letter b) of Legislative Decree no. 231/2001 to a Supervisory Body (SB), assessing the possibility of appointing at least one non-executive director and/or a member of the control body and/or the head of the Bank's legal or control department to said Supervisory Body;
- describe, in the report on corporate governance, the main characteristics of the Internal Control and Risk Management System and the procedures for ensuring coordination among the parties involved, indicating the benchmark models and best practices used at national and international level, providing its overall assessment of the suitability of the system and explaining the choices made in respect of the composition of the Supervisory Body;
- perform advisory and proposal-making duties, to support the activities of the Board of Directors with reference to environmental, social and governance (ESG) issues, in relation to each initiative with which Banca Sistema pursues sustainable development and for the purpose of integrating ESG issues into the business plan.

1) Periodic financial and non-financial reporting

- support the Board of Directors in its assessments and decisions relating to the approval of the periodic financial and non-financial reports;
- assess the results presented by the Independent Auditors in the letter of suggestions, where appropriate, in the report on the fundamental issues identified during the statutory audit and in the additional report addressed to the control body, after hearing the opinion of the Board of Statutory Auditors;
- review and evaluate the correct application of the accounting standards by the Bank and their consistency for the preparation of the main financial documents (such as, for example, separate and consolidated financial statements, interim financial reports, interim Directors' reports, etc.), and, to that end, interface with the Manager in charge of financial reporting, the Board of Statutory Auditors and the Independent Auditors;
- examine any content of the periodic non-financial reporting that is relevant to the Internal Control and Risk Management System;
- assess the suitability of the periodic financial and non-financial reporting in terms of fairly representing the business model, the Bank's strategies, the impacts of its activity and its performance.

2) Company control functions

- identify and submit to the Board of Directors, with the support of the Appointments Committee, the candidates to the positions of heads of the Internal Audit, Risk, and Compliance & AML Departments (“Control Departments”), and the Manager in charge of financial reporting (“Manager in charge of financial reporting”), verifying that they have adequate professional competence;
- carry out a preliminary review of the activity plans and the periodic reports prepared by the Control Departments for the Board of Directors, and those prepared by the Internal Audit Department concerning key issues;
- provide opinions on the working plan drawn up by the Head of the Internal Audit Department, after consulting the Board of Statutory Auditors and the CEO;
- assess any finding contained in the reports of the Control Departments or of the Board of Statutory Auditors, or in studies and/or reviews by third parties;
- monitor the autonomy, adequacy, effectiveness, efficiency and impartiality of the Control Departments;
- verify that the Control Departments have the resources necessary to discharge their duties;
- verify that the remuneration of the Head of the Internal Audit Department is defined consistently with the Company's policies;
- check that the internal control departments comply in full with the guidelines of the Board of Directors and assist the latter in the preparation of the coordination document required by Title IV, Chapter 3 of the Circular;
- may ask the Internal Audit Department, where it deems it necessary or appropriate to do so, to conduct audits of specific areas of operations, while concurrently informing the Chairperson of the Board of Statutory Auditors thereof.

3) Risk Appetite Framework (RAF)

- As part of the RAF, the Committee provides support to the Board of Directors:
 - i. in the definition and approval of strategic guidelines and risk governance policies, in particular with reference to the risk objectives (“risk appetite”) and the tolerance threshold (“risk tolerance”);
 - ii. in checking the correct implementation of the strategies, risk governance policies and the RAF;
 - iii. in the definition of the policies and processes for evaluating Company activities, including the verification that the price and conditions of the transactions with customers are consistent with the business model and the risk strategies;
 - iv. ascertaining that the incentives underlying the Company's remuneration and incentive system are consistent with the RAF, notwithstanding the powers of the Remuneration Committee.

4) Most significant corporate transactions

- assess the most significant corporate transactions approved by the Board of Directors, in terms of impacts on the Internal Control and Risk Management System.

5) Outsourcing

- contribute, through evaluations and opinions, to the definition of the Company's policy on the subject of outsourcing corporate control departments.

6) Related Parties and conflicts of interest

The Committee also undertakes the functions of Committee for transactions with parties in conflict of interest and related parties, governed by the CONSOB Regulation containing provisions concerning related party transactions, adopted by resolution no. 17221 of 12 March 2010, as amended, and by Bank of Italy Circular no. 263 of 27 December 2006, “New prudential supervisory provisions for banks”, concerning risk activities and conflicts of interest vis-à-vis associated persons, set forth by Title V, Chapter 5, and subsequent updates. To this purpose, the Committee meets as such in the presence of its independent members alone.

Furthermore, the Committee will

- perform any additional tasks assigned by the Board;
- report to the Board of Directors, at least in conjunction with the approval of the annual and interim financial reports, on the activities performed;
- exchange with the Board of Statutory Auditors any information of mutual interest and, where appropriate, they will coordinate for the performance of their respective tasks.

In the performance of its functions, the Committee:

- a) identifies all additional risk-related information flows that must be submitted to the Committee (subject, format, frequency, etc.) and must be able to access significant corporate information;
- b) may make use, at the Bank's expense and within the annual budget limits approved by the Board of Directors, of the support of external professionals, provided these are suitably bound to required confidentiality;
- c) if necessary, may interact directly with the Control Departments.

In detail, in 2022 the Internal Control and Risk Management Committee completed the activities listed below, focusing on aspects linked to risks in the following areas and on the impacts on the control system.

1. With regard to the Internal Control and Risk Management System, the Internal Control and Risk Management Committee also examined the following documents and analysed in detail the following issues:

- composition of the Bank's securities portfolio and review of the treasury powers of the Chief Executive Officer;
- 2022 budget and 2022 RAF proposal;
- servicing of securitisation vehicles and outsourcing of sub-servicing activities (EIF);
- annual appointment of the statutory auditor for the preparation of the annual report on the deposit and sub-deposit of client assets.
- possible impacts on the Bank's business in relation to the "Lexitor" Ruling and the Constitutional Court Ruling;
- the Bank's securities and liquidity portfolio;
- powers regarding the purchase of securities;
- assignments of receivables pursuant to the operating procedures for the assignment of factoring and CQ receivables;
- adjustments and write-downs of the Bank's receivables;
- progress of the tests relating to the incorporation of the new DoD into the Bank's IT systems;
- implementation status of the 2021-2023 strategic Plan;
- implementation status of CSE's (outsourcer) remedy plan following the inspections conducted by the Bank of Italy;
- time value estimations and update of the default interest accrual rates in accordance with the current policy;
- report relating to bad exposures, the football sector and municipalities in financial difficulty;
- classification into "clusters" of the Factoring Division customers;
- subscription of a new insurance policy as relevant credit protection pursuant to articles 194 et seq. of Regulation (EU) No. 575/2013.

2. With regard to periodic financial and non-financial Reports, the Internal Control and Risk Management Committee also examined the following documents and analysed in detail the following issues:

- separate and consolidated financial statements at 31 December 2021;
- draft financial statements and consolidated financial statements at 31 December 2021;

- report on corporate governance and ownership structure for 2021;
 - quarterly consolidated financial report and separate financial statements at 31 March 2022;
 - interim consolidated financial report and separate financial statements of Banca Sistema at 30 June 2022;
 - draft Sustainability Report at 31 December 2021;
 - default interest pursuant to Legislative Decree 231/2002: time value estimations and update of the default interest accrual rates in accordance with the current policy;
 - quarterly consolidated financial report and separate financial statements at 30 September 2022;
 - forecast for the last quarter of 2022;
 - key assumptions relating to the 2023 draft budget;
 - disclosure on: i) adjustments to financial statements, with focus on measurements and impairment losses for customers subject to insolvency proceedings; ii) main bad loans; iii) receivables in the football sector; iv) municipalities in financial difficulty.
3. *With regard to the activities of the control departments, the Internal Control and Risk Management Committee also examined the following documents and analysed in detail the following issues:*
- report from the Risk Management Department for the year 2021;
 - report from the Internal Audit Department for the year 2021;
 - report from the Anti-Money Laundering Department for the year 2021;
 - report from the Compliance Department for the year 2021;
 - self-assessment of the Anti-Money Laundering Department for the year 2021;
 - Internal audit plan of activities for 2022/2023;
 - Risk management plan of activities for 2022;
 - Compliance and Anti-Money Laundering plan of activities for 2022;
 - plan of activities of the Manager in charge of financial reporting for 2022;
 - annual report of the Internal Audit Department pursuant to the "Instructions for consortium members" of the Interbank Deposit Protection Fund - Single Customer View;
 - annual report of the Head of internal whistleblowing systems for 2021;
 - report from the Internal Audit Department for the year 2021 relating to the controls carried out on the important outsourced functions and considerations of the Board of Statutory Auditors;
 - annual report of the Data Protection Officer for 2021;
 - annual report of the Compliance and Anti-Money Laundering Department on the complaints received by the Bank in 2021;
 - annual report on the procedures for providing investment services and activities, ancillary services and activities related to the distribution of financial products issued by insurance companies and banks as per CONSOB decision no. 17297 for 2021;
 - ICLAAP report for 2021 and report of the Internal Audit Department;
 - restructuring plan 2022;
 - public disclosure as at 31 December 2021 (Pillar 3);
 - reference documents on operational risk of the information system;
 - summary report of the person responsible for safeguarding customer assets and descriptive document of the Compliance and Anti-Money Laundering Department;

- business impact analysis and business continuity plan;
 - Quarterly report on the activities of the control departments in the first, second and third quarter of 2022;
 - Quarterly report on the activities of the control departments in the fourth quarter of 2021;
 - overall audit of the internal audit department on salary- and pension-backed loans as required by the Bank of Italy with communication of 20 April 2022;
 - half-yearly report of the Supervisory Body on the application of the “Organisational, Management and Control Model pursuant to Legislative Decree 231/2001”;
 - annual report of the head of outsourcing;
 - annual review of the POG (Product Oversight and Governance) Policy;
4. *With regard to the activities concerning Related Parties and associated persons, the Committee also examined:*
- the loan in favour of the Greek company owned by Kruso Kapital and in the process of being incorporated;
 - the allocation of the Bank's shares in execution of previous remuneration policies;
 - the quarterly disclosure on transactions with related parties and associated persons within the scope of the Master Resolutions;
 - the examination of the Master Resolution relating to transactions involving products or services supplied by Banca Sistema S.p.A. in the normal course of its business;
 - the contractual relations with financial agents;
 - the government-backed loan transaction with EGEA Ambiente S.r.l.;
 - the retention bonus system proposal;
 - the renegotiation proposal of the credit line with Kruso Kapital S.p.A.
5. *With regard to the activity of reviewing internal regulations, the Internal Control and Risk Management Committee examined the update to the following documents:*
- Compliance Department regulations;
 - Internal Audit Department regulations;
 - Group policy for incident management;
 - liquidity and Contingency Funding Plan policy;
 - remuneration policies of the Banca Sistema Group;
 - guidelines on dividend payment;
 - product oversight governance procedure – Salary- and Pension-Backed Loans product;
 - single credit manual (new issue);
 - manual on the validation of the default interest estimation model (new issue);
 - operating procedure on servicing (new issue);
 - contingency capital plan policy (new issue);
 - operating procedure on anti-money laundering;
 - business travels policy;
 - asset quality and impairment policy;
 - regulations on the coordination of the control functions;
 - Risk Department regulations;

- administration and accounting policy;
 - internal regulation management policy;
 - personal data processing policy.
6. *The Internal Control and Risk Management Committee examined the main communications from or to the Supervisory Bodies, and in particular:*
- Bank of Italy's communication of 24 February 2022 relating to the launch of the 2022 SREP process;
 - new definition of default - effects of mitigation measures;
 - communication from the Bank of Italy dated 26 November 2021 – plan for the integration of the pawnbroking company to be incorporated in Greece into the Banca Sistema Group;
 - progress of the remedial plan drawn up by CSE following the inspection conducted by the Bank of Italy in 2021.
 - clarification note issued by the Bank of Italy on 23 September 2022 in relation to the new DoD.

9.3 HEAD OF THE INTERNAL AUDIT DEPARTMENT

The Board has appointed Mr. Franco Pozzi as the Head of the Internal Audit Department, upon recommendation of the Internal Control and Risk Management Committee and following consultation with the Board of Statutory Auditors, and has established the remuneration of the role.

To conduct its activities, in 2022 the Internal Audit Department was allocated a budget of € 50,000 for consultancy services (approximately € 25,000 used) and € 5,000 for employee reimbursements (€ 1,000 used).

The Head of the Internal Audit Department is not in charge of any operational area and reports directly to the Board so as to ensure the necessary level of independence for the effective performance of the associated duties.

Audit activities are planned annually, based on a structured risk-based approach, setting the priority of the controls to be carried out according to the assessment of the degrees of risk of the Bank's activities notwithstanding the controls envisaged (known as "residual risk"). In order to identify the steps to plan and determine their priorities, the following aspects are considered:

- the progress of the Bank's activities, through the analysis of the 2021-2023 Business Plan and the 2022 budget;
- the assessment of the risk of corporate processes;
- the changes occurred in the governance and business processes;
- on-going organisational changes and projects;
- the results of the audits carried out in previous years;
- the "mandatory" audit activities, which are required by reference rules and regulations (e.g. ICT audit, ICLAAP report, alignment of practices to remuneration policies, Interbank Deposit Protection Fund, cash management, etc.).

The 2021-2023 Audit Plan was submitted to a preliminary examination by the Risk Committee chaired by the CEO, the Board of Statutory Auditors and the Internal Control and Risk Management Committee. It was then approved by the Bank's Board of Directors at the meeting held on 20 May 2022. The corporate bodies, the Supervisory Authorities and the Head of the Internal Audit Department may request amendments and/or additions to the plan following particularly risky events or situations they have detected, thereby promptly informing the Board of Directors.

The Internal Audit Department is an integral part of the Internal Control System (ICS). It is engaged in assurance and advisory activities designed to identify, with a view to third-level controls, the regular performance of the Bank's operations, as well as any violations of procedures and regulations. Furthermore, it periodically assesses the completeness, adequacy, reliability and overall operation of the ICS and the risk and process management system,

reporting any errors and irregularities. Lastly, it helps the organisation achieve its objectives through a systematic professional approach aimed at evaluating and improving control, risk management and corporate governance processes.

The Internal Audit Department performs an advisory role vis-à-vis the Board and the top management with regard to those actions aimed at improving the ICS and disseminating a "control-based culture" within the Company.

Within the framework of its duties of cooperation and exchange of information, for the matters within its remit, it reports on a regular basis to the Board of Statutory Auditors, the Internal Control and Risk Management Committee, the Supervisory Body and the Independent Auditors.

The Internal Audit Department acts according to a mandate provided by a specific regulation approved by the Board of Directors. To ensure proper interaction between all the departments and bodies charged with control tasks, thereby avoiding any overlaps, the Bank has adopted "Regulations for the coordination of the control departments" (latest version dated 16 December 2022) which establish the duties and responsibilities of the control bodies and departments, as well as the information flows and the procedures for coordination and cooperation between the parties involved.

In order to duly perform their duties, the personnel in the Internal Audit Department have access to all documents and information systems of the Bank. They have appropriate technological resources and specific access (solely for consultation and query purposes) to the applications used by the Bank to allow data to be extracted and to be subjected to testing procedures.

The results of audit operations are formalised in special audit reports that are sent to the members of the Group Committee and the departments involved in the audit procedures. These reports contain the details of the findings, any areas for improvement of the control system that have emerged, and the actions planned to implement such improvements, with an indication of the person in charge of the remedial actions and the deadlines for their implementation. At the agreed deadlines, the Internal Audit Department monitors the completion of the identified remedial actions.

The Head of the Internal Audit Department submits to the attention of the corporate bodies (Risk Committee, Board of Statutory Auditors, Internal Control and Risk Management Committee, Board of Directors), on a quarterly basis, a tableau de bord which summarises the following information:

- performance of the controls set out in the Audit Plan;
- findings that emerged during the above audits, with an indication of the critical level, the planned corrective actions, the implementation timing and the project managers;
- follow-up of the findings;
- other activities carried out in the period.

During 2022, the follow-up activity also concerned the corrective measures to address the findings highlighted in the Bank of Italy inspection report, delivered to the BoD on 1 September 2021, following the investigations carried out by the aforementioned Supervisory Authority between March and June 2021.

As part of the audit plan, the Head of the Department verified, among other things, the reliability of the information systems, including the accounting systems.

By way of an example, the main activities performed in 2022 by the Internal Audit Department are listed below:

- audit of the "Factoring process";
- audit of the "Salary- and Pension-Backed Loans process";
- inspections on the CQ network;
- assessment of the activities of the second level control departments (Risk and Compliance);
- IT General Controls;
- audit of outsourced functions (CSE, Caricese, Arcares);
- supervisory reports;

- assignments of receivables;
- audit of the “Cash management” process;
- application of the 2021 remuneration policies.

In addition, the Head of the Internal Audit Department reviews internal policies, supervises the activities of the subsidiary Kruso Kapital S.p.A., and attends meetings of the Bank’s committees and bodies.

9.4 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001

Banca Sistema, aware of the need to ensure transparency and fairness in the conduct of business, in order to protect its institutional role and image, the expectations of shareholders and of those who work for and with the Bank, has adopted, from its very beginning, the Organisational, Management and Control Model laid down by Legislative Decree 231/2001 (hereinafter “Model”, published on the Bank’s website at [https://bancasistema.it/pdf/governance/en/20210617 Organizational Model 231.pdf](https://bancasistema.it/pdf/governance/en/20210617_Organizational_Model_231.pdf)).

This measure was also taken in the belief that the adoption of the Model may be a valid awareness-raising instrument for those who work for the Bank, so that they adopt, in the performance and in the conduct of their activities, correct and consistent behaviour, such as to prevent the risk of committing the offences specified in Legislative Decree 231/2001.

The adoption of the Model has become mandatory for the Bank, as a necessary requirement to retain the status of issuer on the STAR market of Borsa Italiana.

In general, the Bank condemns any conduct contrary to the applicable legal provisions and the principles established in its Code of Ethics. In this context, it is believed that the adoption and effective implementation of the Model improves the Bank’s corporate governance, thereby limiting the risk of committing offences.

Implementing the provisions of Decree 231/2001, the Board of Directors of the Bank has adopted the Model and established a Supervisory Body (below also “SB”) with control body functions, to monitor the operation, effectiveness and application of the Model and to ensure its review. The SB of the Bank consists of the following parties:

- (i) Massimo Conigliaro, Chairperson of the SB, in his capacity of Chairperson of the Board of Statutory Auditors who, in representation thereof, shall assess the adequacy of all the departments involved in the control system, the proper fulfilment of the duties and the proper coordination thereof, as well as promote actions aimed at remedying any gaps and irregularities found;
- (ii) Daniele Pittatore, an independent non-executive director, to ensure the autonomy of the body and constant liaising with the Board;
- (iii) Franco Pozzi, Head of the Internal Audit Department, so as to ensure proper coordination of the audit activities, thereby avoiding any duplication and exploiting possible synergies of the internal controls.

The presence of these parties guarantees the actual independence of the SB with respect to the corporate hierarchy, guaranteeing at the same time constant liaising with the Board of Directors, which is ultimately in charge of ensuring the effective implementation of the Model. The detailed description of the tasks and the operation of the SB is provided in the Model approved by the Board of Directors.

The SB is vested with autonomous initiative and control powers, including the power to request and obtain information from all levels and operating departments of the Bank, and every six months reports to the Board of Directors on its work.

Each year the SB determines the financial resources necessary for the fulfilment of its institutional duties.

Please note that the Special Section of the Model includes the following predicate offences that Banca Sistema intends to prevent:

- a) offences against the Public Administration (art. 24 and art. 25);
- b) corporate crimes (art. 25-ter);
- c) market abuse (art. 25-sexies);

- d) money laundering and terrorism financing (art. 25-octies);
- e) computer crimes and unlawful data processing (art. 24-bis);
- f) manslaughter and serious or very serious injuries resulting from violations of the rules on health and safety in the workplace (art. 25-septies).

During 2022, although the catalogue of predicate offences under Decree 231/01 was further expanded following the incorporation of the offences covered by Law No. 22 of 9 March 2022 ("Provisions on crimes against cultural heritage"), the SB did not deem it necessary to update the Model following the afore-mentioned regulatory provision.

During 2022, the COVID-19 health emergency eased up, allowing the majority of employees to return to the various Bank offices.

The SB is the recipient of the reports established by the Model, particularly with regard to the reporting of news relating to the commission, or attempted commission, of offences in the interest or to the advantage of the Bank, specified in Italian Legislative Decree 231/2001, and of any breach of the rules of conduct laid down by the Model. In order to protect its full independence and confidentiality, the reports may be addressed directly to the SB, by using the appropriate electronic mailbox.

No whistleblowing reports were received in 2022 and no training sessions were held on the issues addressed in Legislative Decree 231/2001.

9.5 INDEPENDENT AUDITORS

By resolution of 18 April 2019, the Issuer's Shareholders' Meeting, pursuant to articles 14 and 16 of Legislative Decree no. 39/2010 and articles 2409-bis et. seq. of the Civil Code, appointed the Independent Auditors BDO Italia S.p.A., based on a reasoned proposal put forward by the Board of Statutory Auditors, with the mandate (i) for the statutory audit of the financial statements of the Issuer and the consolidated financial statements of the Group, including the oversight of corporate accounting and the correct reporting of operations in the accounts for the years 2019/2027, as well as (ii) for the review of the interim reports from 30 June 2019 to 30 June 2027.

The Independent Auditors' report also contains their opinion in accordance with art. 123-bis of the Consolidated Law on Finance.

The audit of the separate financial statements and consolidated financial statements also involves the audit of the financial statements of subsidiaries or associates under Italian law.

In conjunction with the approval of the interim consolidated financial report at 30 June and the Annual Financial Report at 31 December, the Internal Control and Risk Management Committee asks the Independent Auditors to report any significant findings that emerged during specific audit activities, with any such findings to be included in the letter of suggestions and in the additional report addressed to the Board of Statutory Auditors, as well as reported at the next Board meeting.

9.6 MANAGER IN CHARGE OF FINANCIAL REPORTING AND OTHER COMPANY ROLES AND DEPARTMENTS

In accordance with Article 23 of the Articles of Association, the Board of Directors, after hearing the mandatory but not binding opinion of the Board of Statutory Auditors, appoints the Manager in charge of financial reporting pursuant to art. 154-bis of the Consolidated Law on Finance, and possibly establishes a given period for the task to be completed, selecting him/her from among the Company's managers with proven experience in accounting and financial matters, granting adequate powers and means to perform the tasks assigned pursuant to law. This same Board of Directors shall also have the power to revoke the Manager in charge of financial reporting. The remuneration of the Manager in charge of financial reporting is set by the Board of Directors.

Mr. Alexander Muz, the Head of "Administration, Planning and Supervision", has been appointed as the "Manager in charge of financial reporting".

The Board has attributed the following powers and means to the Manager in charge of financial reporting:

- he is vested with all the powers and means necessary to perform the tasks attributed to him as required by law;
- he holds an adequate executive position, reporting directly to the Chief Financial Officer;
- he has adequate access to all information deemed relevant for the performance of his duties;
- he is endowed with the powers to carry out the supervision of existing business processes and authorise new ones when they have an impact on the separate financial statements, the consolidated financial statements and the documents subject to certification;
- he must be able to rely on the Company's information systems in order to have a suitable accounting system to ensure the adequacy of procedures and controls;
- he may rely, where necessary and/or appropriate, on the cooperation of other business organisational units, other than those arranged by the latter as Company manager, for the performance of his duties in accordance with procedures to be agreed with them;
- for the purposes of traceability and transparency, he arranges the most appropriate record keeping methods for the documents with an impact on the accounting information of Banca Sistema S.p.A.

The Manager in charge of financial reporting shall have adequate powers and means to carry out his functions, as stated in the last paragraph of this section. Specifically, the Manager in charge of financial reporting, who is responsible for the activity and its coordination, relies on the support of both internal personnel and of independent auditors other than the entity in charge of the audit, who were entrusted with the task of assisting the Manager in charge of financial reporting in the evaluation activity described above.

With regard to relations with the Bank's departments/bodies, in addition to the information flows required by law with the various control departments and the Governance and Control Bodies, the Manager in charge of financial reporting receives from all organisational units the maximum support necessary for the performance of his activities, by ensuring free access to all areas, information, accounting records and documentation and the timely, complete, accurate and reliable provision of all the required data. In the event that some of the activities managed by an organisational unit have been outsourced to third parties, the head of the organisational unit undertakes to ensure that the Manager in charge of financial reporting can also access the information available to such persons. The Manager in charge of financial reporting agrees the procedures for the implementation of appropriate information flows with each organisational unit.

The authorised persons provide the Manager in charge of financial reporting with the information and any certifications deemed necessary to allow the latter to comply with the formalities required under articles 123-bis and 154-bis, paragraph 5, of the Consolidated Law on Finance and with the formalities required by Bank of Italy Circulars nos. 272 and 115 concerning the Accounts Matrix and the submission of supervisory reports on a consolidated basis.

Risk Department

The Risk Department is tasked with the identification, management and monitoring of all risks to which the Bank is, or may be, exposed. The Risk Department has the duty to cooperate in the formulation and implementation of the Risk Appetite Framework (RAF) and the related risk governance policies, the various stages that make up the risk management process, as well as in setting operational limits for the assumption of various types of risk.

The Risk Department:

- is responsible for measuring and controlling, in both a timely and forward-looking manner, the Bank's exposure to the different types of risk (e.g. credit, market, operational, interest rate, liquidity, strategic and reputational); defines and proposes to the competent Body the threshold of risk tolerance for each identified risk category (Risk Tolerance) and continuously monitors its adequacy. Risk measurement takes into account the uncertainty inherent in the assessment of certain types of financial instruments;
- develops and maintains risk measurement, management and control systems compliant with current regulations and aligned with international best practices, cooperating to this end with the departments responsible for the relevant company processes; verifies the adequacy of the RAF and the risk and operational limit management process;

- identifies the measures able to improve/optimize the Risk Appetite, taking into consideration the direct impacts on the budget/plan;
- defines common operational risk assessment metrics in line with the RAF, coordinating with the Compliance Department and the Internal Audit Department;
- provides the Board of Directors with information about the Bank's Risk Appetite, i.e. the maximum total capital that the Bank is willing to allocate to cover risks.

Compliance and Anti-Money Laundering Department

The Compliance and Anti-Money Laundering Department carries out an articulated set of activities aimed at monitoring compliance risk, including personal data protection and money laundering and terrorism financing risk control in regard to all corporate activities; in particular, according to a risk-based approach, it verifies that the internal procedures and processes are in line with the following objectives:

- prevent the violation of external rules (laws and regulations) and internal rules (codes of conduct, codes of ethics) applicable to the Bank in order to avoid incurring legal or administrative sanctions, significant financial losses or damage to reputation;
- prevent and combat money-laundering operations and the financing of terrorism, in order to mitigate the risk of violation of internal and external rules on the matter.

The Department, for the purposes of monitoring compliance risk, makes use of specific specialist controls defined within the organisational structure for the management and monitoring of specific provisions, defined every year in the plan of the activities.

The Department collaborates with other departments of the Bank for the definition of methods for the assessment of compliance risks.

Concerning the monitoring of compliance risk, the Department has adopted a compliance model which provides for regulations with a direct scope, i.e. supervised directly by the Department, and with an indirect scope, for which a specialist department is in place with primary responsibility for the management and monitoring of the relevant compliance risk. Some regulatory areas, covered by the regulations with an indirect scope, are considered of higher risk and are subject to enhanced monitoring.

Specifically, the Department:

- supports the corporate departments for the definition of methods for the assessment of compliance risks and money laundering and terrorism financing risks; cooperates to identify the internal control system and the procedures for the prevention of the risk observed, including the risk of money laundering and terrorism financing; verifies their appropriateness and correct application;
- identifies, on an ongoing basis, the rules applicable to the Bank and the measurement/assessment of their impact on business processes and procedures;
- proposes organisational and procedural changes aimed at adequately controlling the compliance risks identified, including those related to money laundering and terrorism financing risks;
- prepares periodic information flows to the corporate bodies and other company departments involved regarding the identification and assessment of compliance risks, the description of the activities carried out, any critical issues found and the remedies identified;
- checks the effectiveness and progress of the organisational changes (structures and processes, as well as operational and commercial procedures) suggested for the prevention of compliance risk and money laundering and terrorism financing risks;
- provides ex ante assessments of compliance with applicable regulations of all innovative projects (including operations in new products or services), as well as in the prevention and management of conflicts of interest;

- assists and advises the Bank's corporate bodies in all matters in which there is a significant compliance risk and money laundering and terrorism financing risk, and cooperates in personnel training on the provisions applicable to their activities, in order to promote a corporate culture based on the principles of honesty, fairness and respect for the letter and spirit of the rules;
- verifies the reliability of the information system feeding the Standardised Archive (former Centralised Computer Archive);
- sends to the Financial Information Unit monthly aggregate data and objective communications on the entries in the Standardised Archive (former Centralised Computer Archive);
- assesses the reports of transactions at risk of money laundering and terrorism financing received;
- assists and advises the data controller (Banca Sistema) in all matters relating to privacy;
- verifies the correctness of the contractual clauses regarding regulations and privacy, in conjunction with the Legal Department;
- carries out control activities in all matters within its direct purview as well as in matters within its indirect purview in cooperation with the Specialised Departments that are directly responsible for them;
- manages relations with the Bank of Italy and other Supervisory Authorities for the matters within its remit;
- validates the product oversight governance process for new products or in the event of significant changes to existing products;
- validates the assessment of incidents if they constitute major incidents;
- prepares the reports to the Supervisory Authorities envisaged by the reference rules and regulations for the matters within its purview;
- manages requests received from external authorities (Judicial Authorities, Revenue Agency and other Public Authorities) regarding audits or judicial measures against customers and coordinates any required actions on part of the other departments of the Bank.

Head of internal whistleblowing systems

The adoption of adequate internal whistleblowing systems by the Bank was made necessary following the changes introduced by Legislative Decree no. 72 of 12 May 2015, which amended the Consolidated Law on Banking and the Consolidated Law on Finance. In turn, the Bank of Italy updated the "Supervisory Provisions for Banks" (Circular no. 285 of 17 December 2013 - XI update) introducing into the Italian banking system, as of 31 December 2015, the regulations on internal whistleblowing systems. Law No. 179 ("Whistleblowing Law"), in force since 30 November 2017, represents a significant step forward towards the introduction of such an instrument into the Italian legal system, safeguarding those employees who report illegal activities of which they have become aware in the performance of their working activities. In particular, in regard to the private sector, this Law amended art. 6 of Legislative Decree No. 231/2001, which protects those reporting unlawful conduct pursuant to this Decree or violations of the Organisational Model under Decree 231, and provides specific channels to report unlawful conduct, of which at least one must be electronic and such to guarantee the confidentiality of the whistleblower's identity.

The EU legislator sought to integrate the whistleblowing system present in our legal system through Directive (EU) 2019/1937 of 23 October 2019, on the protection of persons who report breaches of Union law and containing provisions concerning the protection of persons who report breaches of national regulatory provisions. With Law No. 53/2021 containing "Government delegation for the transposition of European directives and the implementation of other acts of the European Union - European delegation law 2019-2020", the Italian Government was delegated to transpose the aforementioned European Directive by 17 December 2021, a deadline that was not met.

10 September 2022 saw the entry into force of Law No. 127 of 4 August 2022 called "Government delegation for the transposition of European directives and the implementation of other regulatory acts of the European Union - European delegation law 2021" which, in Article 13, illustrates the general measures that the Government will be required to implement to enforce the transposition of the Directive into the Italian legal system, including amending, adapting and

harmonising the current regulations on the protection of persons who report breaches of EU law, with the aim of ensuring the highest level of protection for whistleblowers. On 9 December 2022, the Council of Ministers approved the legislative decree for the transposition of Directive (EU) 2019/1937 on whistleblowing. During 2023, the Bank will assess the need to identify any additions to be made to the current model for the management of the Bank's reports, in order to align it with the new regulatory provisions on the matter.

The Bank's Board of Directors, at its meeting of 16 December 2015, appointed the Head of the Internal Audit Department as Head of the internal whistleblowing systems, and approved its Regulations.

In order to facilitate whistleblowing by the Bank's employees, and to guarantee their confidentiality, the Bank has established the following channels:

- a) an email address (whistleblowingadmin@bancasistema.it) that has as sole recipient the Head of the internal whistleblowing systems of the Bank;
- b) a special section of the corporate intranet, from which Bank personnel may send a report to the Head of the internal whistleblowing systems;
- c) with registered mail sent to the Bank's office, to the attention of the Chairperson of the Internal Control and Risk Management Committee, if the report concerns the Head of the internal whistleblowing systems;
- d) a declaration provided to one of the parties entitled to receive it, to be formalised in a special report.

No whistleblowing reports were received in 2022 and two training sessions were held on this subject.

Ethics Committee

The members appointed by the Board, participating on a permanent basis in the Ethics Committee, include Giovanni Puglisi (Deputy Chairperson of the Board), who takes on the office of Chairperson, Maria Leddi and Carlotta De Franceschi, non-executive directors. The Head of the Internal Audit Department carries out the functions of secretary of the Committee. The Committee meets at least once a year.

In 2022, the Committee met twice, as shown in Table 3 attached to this Report; the duration of the meetings was about 40 minutes. From the beginning of 2023 until the date of approval of this document, the Committee has yet to meet.

In 2023 the Committee is expected to hold a number of meetings similar to those held in the previous year.

The Ethics Committee is responsible for analysing the system of principles of ethics and conduct adopted by the Bank, and submitting proposals to the Board of Directors designed to update and improve said system.

In particular, the Ethics Committee has been given the power to submit to the Board of Directors proposals to amend the Bank's Code of Ethics and code of conduct, if any, and to provide, upon request, the recipients of the Code of Ethics with explanations and opinions in relation to the content of the provisions of the Code and their correct interpretation and application. The Committee receives those reports provided for by the Code of Ethics. In addition, the Ethics Committee, as part of the procedures relating to or leading to the identification of breaches of the provisions of the Code, without prejudice to the powers provided for therein to the competent body or department (e.g. the Supervisory Body, the Board of Directors, the Board of Statutory Auditors, the CEO, the Head of Human Resources), is called upon to provide support of a preliminary nature, formulating opinions and recommendations and possibly hearing the parties involved in the procedure.

The Ethics Committee has also been tasked with the supervision of the process of drawing up the Sustainability Plan and the Sustainability Report, so as to define its own social, environmental and financial objectives and report transparently on its own performance.

The Internal Control and Risk Management Committee and the Board of Statutory Auditors periodically assess the adequacy of the personnel and tools allocated to the control departments, to ensure the effectiveness of their activities, and report to the Board of Directors at the next meeting, in accordance with Circular 285.

9.7 COORDINATION AMONG THE ENTITIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

With a view to strengthening the coordination and information exchange mechanisms between the departments and the corporate bodies in charge of risk management and the internal control system, and in order to capture, while respecting mutual independence, economies of scope, as well as to develop control methods consistent with corporate operations, appropriate organisational measures and information flows have been defined.

Although contacts and correlations already exist between the departments, in particular on the occasion of bilateral discussions, attendance at their meetings by other corporate bodies and heads of operational departments allows effective coordination between the various parties involved in the Internal Control and Risk Management System.

In particular, the Internal Control and Risk Management Committee allows the coordination between the activities of the internal control departments, whose heads, including the Manager in charge of financial reporting, are invited to participate; Committee meetings are always attended by at least one member of the Board of Statutory Auditors so as to allow the exchange of information flows.

The corporate control departments also collaborate by using some common parameters for integration within the scope of risk management and the internal control system, such as the use and adoption of methods and means of detection and evaluation based on the same reference parameters, the identification of formalised coordination initiatives for the planning of activities and the shared identification of any remedial actions.

The Board of Directors, upon consultation with the Internal Control and Risk Management Committee, adopted Regulations for the coordination of the control departments in order to: (i) comply with the principles established by the Corporate Governance Code, prepared by the Corporate Governance Committee of listed companies promoted by Borsa Italiana, which the Bank adheres to on a voluntary basis; (ii) take into account the provisions regarding organisational structure and corporate governance contained in Legislative Decree no. 385/1993 and in the Supervisory Provisions for Banks referred to in Bank of Italy Circular no. 285 of 17 December 2013; and (iii) ensure the correct interaction among all the departments and the bodies charged with control tasks, thereby avoiding any overlapping and taking into account possible synergies.

The Board has also adopted Information Flows Regulations, most recently updated at the meeting held on 22 October 2022, for the purpose of ensuring the exchange of information between the Governance Bodies, the Control Bodies, the Board Committees and the departments within the Bank's organisational structure, through a system of appropriate, complete and timely information flows that maximises the value of the different levels of responsibility within the organisation and achieves the objectives of efficient management and effective controls.

10. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The "Regulations for the management of transactions with parties in conflict of interest", issued by the Board of Directors' meeting of 17 June 2021, intend to define, in the context of the transactions carried out by the Bank and, more generally, by the Group, the principles and rules to be followed for monitoring risks arising from situations of possible conflict of interest determined by the proximity of certain people to the decision-making bodies of the Bank and the Group.

The Regulations - which read as an organic compendium with the aim of dealing in a consistent manner with the governance aspects and areas of application, as well as with the procedural and organisational profiles - contain the provisions to be observed in the management:

- of related party transactions pursuant to the "Regulations containing provisions relating to transactions with related parties", adopted by Consob with Resolution no. 17221 of 12 March 2010, as amended;
- of transactions with associated persons pursuant to the regulations on "Risk activities and conflicts of interest vis-à-vis associated persons" established by Part III, Chapter 11 of Bank of Italy Circular no. 285 of 17 December 2013 "Supervisory Provisions for Banks";
- of bank officers' obligations pursuant to art. 136 of Legislative Decree no. 385 of 1 September 1993, the "Consolidated Law on Banking and Credit".

The Regulations, among other things, define the scope of parties in conflict of interest, the process and the obligations related to the completion of a transaction with such parties, any cases of exemptions and the information flows to the corporate bodies.

The Regulations for the management of transactions with parties in conflict of interest are available on the website www.bancasistema.it (in the section Investors / Governance / Related Parties and Associated Persons).

The functions of the Related Parties Committee are attributed to the Internal Control and Risk Management Committee. See paragraph 9 for more details on the Committee's composition and duties and the main activities carried out during the year.

11. BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT

The appointment of the Board of Statutory Auditors is regulated under art. 17 of the Articles of Association.

In order to ensure that non-controlling shareholders may elect a standing auditor and an alternate auditor, the appointment of the Board of Statutory Auditors is based on lists presented by shareholders in which the candidates are listed in sequential order. The list is comprised of two sections: one for candidates for the position of standing auditor, the other for candidates for the post of alternate auditor.

Lists which have a number of candidates equal to or greater than three must also include candidates of a different gender, as specified in the Shareholders' Meeting notice of call, so as to allow the Board of Statutory Auditors to be set up in accordance with the provisions of the Articles of Association regarding gender equality.

The lists may be submitted only by shareholders with voting rights who, separately or together with other shareholders, are holders of shares representing at least the percentage of share capital established by Consob (the National Regulatory Body for Italian Companies and the Stock Exchange), i.e. 4.5% of the Bank's share capital pursuant to art. 144-quater, paragraph 2, of the Issuers' Regulation⁴, as referenced in art. 147-ter and art. 148 of the Consolidated Law on Finance.

The percent interest required to submit lists of candidates for the appointment of the Board of Statutory Auditors is specified in the notice of call of the Shareholders' Meeting called to resolve on the appointment of said body. The holding of this minimum share necessary to submit lists is determined having regard to the shares which are registered to the shareholder on the day in which these lists are filed at the company's registered office. In order to prove the ownership of the number of shares required to submit lists, the shareholders who present or are involved in submitting lists, must submit or deliver to the registered office a copy of the appropriate certificate issued by an authorised intermediary pursuant to law, issued within the period laid down for the publication of the lists. Each shareholder, including shareholders belonging to the same group, parties to a shareholders' agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the entity controlling it, subsidiaries and companies subject to joint control pursuant to article 93 of Legislative Decree no. 58 dated 24 February 1998, may not submit or be involved in the submission of, either by proxy or trust company, more than one list and may not vote for different lists, and each candidate can only appear in one list under penalty of being declared ineligible.

In the event of any breach of these provisions, no regard shall be had of the position of the shareholder in question in relation to none of the lists.

Without prejudice to the incompatibilities provided by law, candidates acting as statutory auditors in another 5 issuers, or in violation of any limits on concurrent positions established by applicable provisions of laws or regulations, and persons who do not meet the personal integrity and professionalism requirements established by applicable provisions of laws or regulations, cannot be included in the lists. Outgoing statutory auditors may be re-elected. The lists must be filed at the company's registered office at least 25 days prior to the date for the Shareholders' Meeting called to resolve on the appointment of the control body and made available to the public at the registered office, on the company's website and with the other means stipulated under applicable legal and regulatory provisions at least 21 days prior to the Shareholders' Meeting. This shall be mentioned in the notice of call. In case only one list has been submitted within this period of 25 days, or in case there are only lists presented by related shareholders pursuant to current laws and regulations, lists may be submitted up to the third day subsequent to this date, unless a different term is stipulated under the applicable laws and regulations. In this case, the shareholders who - individually or jointly - are owners of shares representing half of the capital threshold previously identified shall be entitled to submit lists.

The following must be filed, along with each list, by the deadlines indicated above: i) information concerning the identity of the shareholders who presented the list and the total percent interest held by those shareholders; ii) declarations whereby individual candidates accept their candidacy and attest, under their own responsibility, that there are no grounds

⁴ Without prejudice to any lower percentage provided for in the Articles of Association, the percent interest is equal to 4.5% of the share capital for companies with a market capitalisation of less than or equal to € three hundred and seventy-five million, provided that at the reporting date the following conditions are jointly met: a) the free float is above 25%; b) none of the shareholders adhering to a shareholders' agreement under art. 122 of the Consolidated Law hold the majority of the voting rights exercisable at Shareholders' Meetings on resolutions concerning the appointment of the members of the management bodies.

for them to be considered ineligible or disqualified, including with reference to the limit on concurrent positions, and the satisfaction of the requirements established by laws, regulations and the Articles of Association for the respective positions; iii) a declaration by shareholders other than the shareholders who, individually or jointly, hold a controlling or relative majority interest, attesting to the absence of relationships of association, as defined in applicable laws and regulations, with such shareholders; and iv) the CV of each candidate, containing thorough information about each candidate's personal and professional characteristics, as well as an indication of management and control positions filled at other companies.

Any list that does not meet the above requirements shall be deemed not to have been filed.

Statutory Auditors are elected as follows:

- a) two standing Statutory Auditors and one alternate Statutory Auditor are drawn from the list that obtained the greatest number of votes at the Shareholders' Meeting, on the basis of the sequential numbering with which they are listed in the sections of the list;
- b) the remaining standing Statutory Auditor and the other alternate Statutory Auditor are drawn from the second list that obtained the greatest number of votes at the Shareholders' Meeting and is not associated, directly or indirectly, with the list indicated in point a) above and/or with the shareholders who submitted or voted for the majority list, according to the sequential numbering with which they are listed in the sections of the list;
- c) in the case of a tie between two or more lists that have received the same number of votes, runoff voting will be conducted between said lists by all shareholders entitled to vote and attending the Shareholders' Meeting. The candidates from the list which obtains the relative majority of the share capital represented at the Shareholders' Meeting will then be elected. If this runoff voting also results in a tie, the list submitted by the shareholders with the greatest equity interest, or, subordinately, by the greatest number of shareholders, will prevail;
- d) where the Board of Statutory Auditors thus constituted does not ensure compliance with the provisions of the Articles of Association in respect of gender equality, the last candidate elected from the majority list shall be replaced by the first candidate not elected from the same list belonging to the least represented gender or, failing this, by the first candidate not elected from the successive lists. Where this is not possible, the standing member of the least represented gender is appointed by the Shareholders' Meeting with legal majority, to replace the last candidate from the majority list;
- e) where a single list or no list is presented and admitted, all the candidates for the positions indicated in the list or, respectively, those voted by the Shareholders' Meeting shall be elected standing and alternate Statutory Auditors, provided that these achieve the relative majority of votes expressed at the Meeting. All this is subject to compliance with the provisions of the Articles of Association in respect of gender equality.

The chair of the Board of Statutory Auditors is assumed by the first candidate on the second list (where submitted and admitted) that obtained the greatest number of votes.

Banca Sistema is subject to special provisions governing Banks, specifically, the Consolidated Law on Banking, Circular 285 and the MEF Decree.

Where a Statutory Auditor is replaced, the alternate Statutory Auditor belonging to the same list shall take over. If the replacement does not allow compliance with the provisions of the Articles of Association on gender equality, the Shareholders' Meeting shall be convened as soon as possible in order to ensure compliance with these provisions. When the Shareholders' Meeting is to appoint the standing and/or alternate Statutory Auditors needed to make up the Board of Statutory Auditors, it shall proceed as follows: when it is to replace the Statutory Auditors elected in the majority list, the appointment comes about on the basis of legal majority voting without any constraints connected with the lists; when, on the other hand, Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting replaces them by legal majority voting, choosing from the candidates indicated in the list to which the Statutory Auditor to be replaced belonged, or in the minority list which won the second highest number of votes. Where the application of these procedures does not, for any reason, allow the replacement of the Statutory Auditors designated by non-controlling shareholders, the Shareholders' Meeting shall proceed on the basis of legal majority voting. However, when ascertaining the results of this latter vote, the votes from shareholders who, according to the communication given pursuant to current provisions, hold, including indirectly or even jointly with other shareholders parties to a relevant shareholders' agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the majority of votes to be exercised at the Shareholders' Meeting, as well as shareholders who control, are controlled or are subject to joint control by the latter, shall not be calculated. The newly-appointed Statutory Auditors will cease together with those in post. All this is subject to compliance with the provisions of the Articles of Association in respect of gender equality.

11.2 COMPOSITION AND OPERATION (art. 123-bis, paragraph 2, letters d) and d-bis), of the Consolidated Law on Finance)

In accordance with Article 18 of the Articles of Association, the Board of Statutory Auditors is composed of three standing members and two alternate members. The Statutory Auditors remain in office for three financial years, may be re-elected and end their term of office on the date of the Shareholders' Meeting called to approve the financial statements for the third financial year of their term of office. The Statutory Auditors cease to hold office upon expiry of their term when a new Board of Statutory Auditors is established.

At the date of this Report, the Bank's Board of Statutory Auditors is composed of five members - three standing auditors and two alternate auditors - appointed by Banca Sistema's ordinary Shareholders' Meeting of 24 April 2020 on the basis of the criteria laid down by the Articles of Association.

More specifically, the aforementioned Shareholders' Meeting of 24 April 2020 appointed Mr. Massimo Conigliaro to the position of Chairperson of the Board of Statutory Auditors and Ms. Lucia Abati and Mr. Marziano Viozzi as standing auditors. The same Shareholders' Meeting then appointed Mr. Marco Armarolli and Ms. Daniela D'Ignazio as alternate auditors.

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called to approve the financial statements at 31 December 2022.

List no. 1, submitted on 27 March 2020 by the shareholders Società di gestione delle partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria, holders of approximately 38.41% (thirty-eight point forty-one percent) of the share capital at the time the list was submitted, made up and ordered as follows.

Section I - Standing Auditors:

1. Lucia Abati;
2. Massimo Conigliaro;
3. Marziano Viozzi.

Section II - Alternate Auditors:

1. Daniela D'Ignazio;
2. Marco Armarolli.

Pursuant to art. 18 of the Bank's Articles of Association, the Board of Statutory Auditors was appointed in accordance with the following:

- a) all of the candidates were taken from the only list submitted to the Shareholders' Meeting (list no. 1) in the sequential order stated on the list;
- b) the Chairperson of the Board of Statutory Auditors was voted on by legal majority, on the proposal of the shareholders Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria, holding 15.31% (fifteen point thirty-one percent) of the share capital.

Regarding the outcome of the vote, the proposal to appoint the candidates of list no. 1 as members of the Board of Statutory Auditors was approved by majority as follows:

- present: 75 shareholders, equivalent to 55.8% of the shares forming the fully subscribed and paid in share capital;
- in favour: 37,550,527 ordinary shares, equivalent to 83.69% of the share capital represented at the Shareholders' Meeting.

The members of the Board of Statutory Auditors, appointed as above, are listed below:

Section I - Standing Auditors:

1. Lucia Abati, chartered accountant and independent auditor and member of the Accounting Standards Commission of the Milan Association of Chartered Accountants. Chartered accountant at Studio Rock with solid experience in providing tax advice to companies and groups in the industrial, commercial, banking and financial sectors. Member of boards of statutory auditors in various companies. Graduated in Economics and Business Law from the Bocconi University in Milan.

2. Massimo Conigliaro, chartered accountant and independent auditor with significant experience in the corporate sector, as both director and statutory auditor of companies and public entities. Self-employed professional specialised in tax audits, tax defence, judicial activity and business distress. Former member of the Public Investments Committee at the Presidency of the Council of Ministers and of the AIA - IPPC Commission of the Ministry of the Environment. Commissioner of the Chamber of Commerce of Ragusa, Syracuse, Caltanissetta, Agrigento and Trapani, by appointment of the Minister of Economic Development. Former professor of tax law at the Link Campus University and has lectured at the Ezio Vanoni School of Economics and Finance, the Luiss Business School and the Challenge School of the Cà Foscari University of Venice. Currently professor of tax law at the National School of Administration established at the Presidency of the Council of Ministers and honorary fellow in tax law at the Law Department of the University of Palermo. Publicist, scientific director of the journal *Crisi e Risanamento* and member of the Scientific Committee of the journal *il fisco*; author of numerous texts and articles published in specialist newspapers and journals. Speaker at conferences and seminars throughout Italy. Involved in the activities of sector associations for several years. Former President of the Association of Chartered Accountants and Accounting Experts of Syracuse and former Vice president of the National Association of Chartered Accountants.
3. Marziano Viozzi, chartered accountant and independent auditor. In practice since 1978 and has solid experience in providing business and tax advice. Has held offices as Chairperson/Member of Boards of Statutory Auditors, including those of national interest. Graduated in Political Sciences from the University of Pavia.

Section II - Alternate Auditors:

1. Daniela D'Ignazio, chartered accountant and independent auditor. Partner at Bracchetti Calori e Associati in Milan and provides tax and business advice to medium and large-sized companies. Main specialist areas include restructuring and M&A, international taxation, transfer pricing, and taxation in financial statements. Member of the Public Utility, Social and Non-Profit Commission of the Milan Association of Chartered Accountants and Accounting Experts and provides assistance to non-profit organisations, with a particular focus on cultural and scientific research organisations.
2. Marco Armarolli, Salary Partner at Studio Rock since January 2006. Chartered accountant and independent auditor. His professional activity mainly focuses on providing tax advice on direct and indirect taxes to leading Italian and foreign groups. On the Boards of Statutory Auditors of more than thirty companies in diverse sectors. Member of Supervisory Bodies pursuant to Legislative Decree 231/2001. Has held statutory auditor positions in companies with shares traded on regulated markets. Editor of customer circulars and author of articles published in the journal "Azienda e Fisco" and in the "Ask the Expert" section of the Sole 24 Ore newspaper.

Refer to Table 4 for the structure of the Board of Statutory Auditors at the end of the year, in office at the date of drafting the Report.

All members of the Board of Statutory Auditors have their address for service at Banca Sistema's registered office. The requirements for members of the Board of Statutory Auditors are as follows:

- i. the requirements set forth in art. 148, paragraph 3, of the Consolidated Law on Finance;
- ii. the professionalism and integrity requirements set forth in Decree of the Ministry of Justice no. 162 of 30 March 2000;
- iii. the limits on concurrent positions established by Consob regulations;
- iv. compliance with Article 36 of Law-Decree No. 211 of 6 December 2011 on "interlocking" directorates.

The new requirements laid down by the MEF Decree will be applicable to the statutory auditors appointed on the occasion of the renewal of the Board of Statutory Auditors, whose mandate will expire with the Shareholders' Meeting called to approve the financial statements as at 31.12.2022.

During 2022, the Board of Statutory Auditors met a total of 16 times and liaised with the Supervisory Body pursuant to Legislative Decree no. 231/2001, the Independent Auditors, the Heads of the control departments, and a number of managers and employees of the Bank. The meetings and/or audits lasted an average of about three hours.

The Board of Statutory Auditors periodically checks the suitability of its members to perform the functions of the control body in terms of professionalism, availability of time and independence, as well as its adequacy in terms of powers, operation, composition and diversity, taking into account the size, complexity and the activities carried out by Banca Sistema. As part of this verification, the continued satisfaction of the independence requirements of the members of the Board of Statutory Auditors has been confirmed, according to all the criteria provided for by the Corporate Governance Code for the independence of Directors.

The Board of Statutory Auditors has confirmed that the independence requirements laid down by the Corporate Governance Code and by art. 148, paragraph 3, of the Consolidated Law on Finance, have been met in regard to each of its members, on the basis of the statements made by the latter. In making these assessments, the Board of Statutory Auditors applied all the criteria laid down by the Code with regard to Directors.

As part of the coordination with the other parties of the Internal Control and Risk Management System, the Board of Statutory Auditors liaised, first of all, as required by the Corporate Governance Code, with the Internal Audit Department, whose Head normally attends the meetings of the Board of Statutory Auditors, and with the Internal Control and Risk Management Committee.

During 2022 the Board of Statutory Auditors attended all 16 meetings of the Internal Control and Risk Management Committee.

The Board of Statutory Auditors, in accordance with the Supervisory Provisions for Banks under Circular 285, also completed the annual self-assessment process; said process was conducted via the distribution of a questionnaire and interviews conducted with the support of an external consultant.

This assessment was conducted taking into account routine items such as professional qualifications, experience (including managerial) and the gender of its members, as well as their length of service, including with a view to the preparation of the guidelines to be expressed to the shareholders regarding the figures whose presence in the Board is deemed appropriate.

The information gathered through the completion of the questionnaire and the individual interviews is evaluated collectively and the overall results help to define the actions to be taken in order to remedy any weaknesses identified.

From the beginning of 2023 until the date of approval of this document, the Board of Statutory Auditors met three times. In the same period, the Board of Statutory Auditors attended all the meetings of the Internal Control and Risk Management Committee. In 2023, the Board of Statutory Auditors is expected to hold a similar number of meetings to those held in the previous year.

At the meeting of 22 December 2021, the Board of Statutory Auditors approved the Regulations on its operation.

Diversity policies and criteria

By means of the Self-Assessment Regulations, most recently updated by the Board of Directors on 17 December 2021, the Bank has identified, within the annual self-assessment of the members of the Board of Statutory Auditors, the most appropriate tool for implementing the diversity criteria in the composition of said body.

The aforesaid process, which is conducted on an annual basis with the support of an external consultant, has confirmed the diversity of the members of the Board of Statutory Auditors in terms of age, gender and educational and professional background.

In appointing the members of the Board of Statutory Auditors, the Bank, as a listed issuer, acts in accordance with the Articles of Association and in compliance with the Consolidated Law on Finance and the Corporate Governance Code.

In particular, the Articles of Association provide that when shareholders appoint Statutory Auditors and prepare the lists, each list must include candidates of different genders to ensure that the composition of the Board of Statutory Auditors is compliant with the provisions of law governing gender equality (one third for the Board of Statutory Auditors in office).

Moreover, *“without prejudice to the incompatibilities provided by law, candidates acting as statutory auditors in another 5 (five) issuers, or in violation of any limits on concurrent positions established by applicable provisions of laws or regulations, and persons who do not meet the personal integrity and professionalism requirements established by applicable provisions of laws or regulations, cannot be included in the lists”* (art. 17.5 of the Articles of Association).

The Board of Statutory Auditors in office is composed of two male members (Chairperson and Standing Auditor) and one female member (Standing Auditor). There are two Alternate Auditors, one of each gender.

Independence

Note that following the appointment of the Board of Statutory Auditors in April 2020, on 8 May 2020 the Board of Directors assessed the integrity, professionalism and independence requirements of the Board of Statutory Auditors and the "interlocking prohibition" documentation. In detail, the Board of Directors was able to confirm that all members of the Board of Statutory Auditors meet the independence requirements set out in the Articles of Association and the applicable provisions of law, specifically, art. 148 of Legislative Decree no. 58/1998 and articles 8 and 3 of the Code of Conduct for listed companies (in force at the time). At the same meeting, the Chairperson of the Board of Statutory Auditors communicated that the same assessment conducted by the Board of Statutory Auditors had had the same outcome. The outcome of the assessments was disclosed in a press release published on the Bank's website at <https://bancasistema.it>, Regulatory Information / Press releases section, and on the website of the authorised storage mechanism www.1info.it.

On 27 January 2023 the Board of Directors acknowledged that the Board of Statutory Auditors had also conducted the annual self-assessment, assisted by an external provider, in accordance with the Supervisory Provisions. The Chairperson of the Board of Statutory Auditors confirmed that there were no particular issues to be reported in this regard. This process came to an end with the issue of the document on the optimal qualitative and quantitative composition of the Board of Statutory Auditors, published on the Bank's website at <https://bancasistema.it>, Governance / Corporate Documents section.

As mentioned above, the Board of Statutory Auditors confirmed, in the context of the periodic assessment conducted to verify the suitability of its members to perform the functions of the control body, that the independence requirements continue to be met by the members of the Board of Statutory Auditors.

Remuneration

The Statutory Auditors' remuneration takes into account the commitment required of each Statutory Auditor, the role played and the Company's size and sector.

Note that in conjunction with the renewal of the Board of Statutory Auditors in April 2020, the Shareholders' Meeting approved the following annual remuneration for the Board of Statutory Auditors, for the entire term of office:

- for the Chairperson: € 50,000;
- for each Standing Auditor: € 35,000;

in addition to the reimbursement of out-of-pocket expenses incurred in relation to their ordinary duties.

It should also be remembered that pursuant to Art. 18.6 of the Articles of Association, Statutory Auditors shall not be paid any fee based on financial instruments and linked to the financial management results.

Management of interests

Consistent with the provisions of the Corporate Governance Code, and also in accordance with the provisions of art. 136, paragraph 1 ("Obligations of bank officers") of the Consolidated Law on Banking, a Statutory Auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the Bank, shall promptly and fully notify the other Statutory Auditors and the Chairperson of the Board of Directors of the nature, the terms, origin and extent of his/her interest. The Statutory Auditors also fall within the scope of the "Procedure for transactions with associated persons" discussed in section 10.

12. SHAREHOLDER RELATIONS

Access to information

The Bank has created a specific “Investors” section on its website www.bancasistema.it, which makes relevant information concerning the Issuer available to its shareholders to enable them to exercise their rights in an informed manner.

Regulated information is also published on the authorised storage mechanism www.1info.it.

On 28 April 2015, the Board of Directors appointed Mr. Carlo Di Pierro as Head of Investor Relations.

In the context of shareholder relations, the Board of Directors promotes initiatives aimed at fostering the broadest possible participation of shareholders in general meetings and at facilitating the exercise of shareholders' rights.

Dialogue with shareholders

Pursuant to Art. 1 (Role of the board of directors), Principle IV and Recommendation 3 of the Corporate Governance Code, the Board of Directors promotes dialogue with shareholders and other stakeholders which are relevant for the Company, in the most appropriate way.

To this end, at the meeting held on 17 December 2021, the Board of Directors approved the policy for the management of dialogue with shareholders, which sets out, in a single document made available to the public, the policy for managing dialogue with shareholders and other stakeholders which are relevant for the Bank, with reference to the multiple forms of engagement that the Bank implements (i) regarding the abovementioned activities, ordinarily managed by the competent corporate departments, and (ii) involving direct dialogue with the Bank's Board of Directors.

Therefore, the Policy essentially aims to achieve stability in shareholders' investments and the sustainable growth and success of the Bank by helping shareholders to better understand the corporate objectives and the Bank to better understand the requests of shareholders, encouraging communication that helps to align their interests with those of the Bank and the Group over the long term.

Moreover, pursuant to the Information Flows Regulations, most recently approved by the Board of Directors on 22 July 2022, the CEO is required to submit a quarterly report to the Board of Directors on dialogue with shareholders.

The Chairperson ensures that the Board of Directors is kept informed, within the next meeting, of the development and significant content of the dialogue with all shareholders, in accordance with art. 4.3 of the abovementioned Policy for the management of dialogue with shareholders.

During 2022, the Bank's management, as reported quarterly to the Board of Directors, met, among the various investors, shareholders of Banca Sistema, with whom it discussed, among other things:

- the company's quarterly performance, both in terms of results and commercially;
- the Group's strategy;
- the macroeconomic and capital market scenario.

Other initiatives conducted vis-à-vis other stakeholders include, by way of example, the participation in Pri.Banks, the participation of some managers in the working groups organised by Assifact, ABI and Pri.Banks; the participation of the Chief Executive Officer in the regular events organised by Ambrosetti, Aspen and The Ruling Companies.

13. SHAREHOLDERS' MEETINGS

The duties of the Shareholders' Meetings are aligned with those applicable to most Italian banks with listed shares. In particular, Banca Sistema's ordinary Shareholders' Meeting approves the following, in addition to establishing the remuneration of the bodies it appoints: (i) the remuneration and incentive policies in favour of the members of the Board of Directors, the Board of Statutory Auditors and the remaining personnel; (ii) any remuneration plans based on financial instruments (for example stock options); (iii) the criteria for determining the fee to be paid in the case of early termination of the employment contract or early termination of office, including the limits set for this fee in terms of annual payments of fixed remuneration and the maximum amount deriving from their application.

Moreover, the ordinary Shareholders' Meeting, at the time of approving remuneration and incentive policies, also resolves on any proposal to set a limit on the ratio between the variable and fixed remuneration of personnel at more than 100% (ratio of 1:1), but not exceeding the maximum limit of 200% (ratio of 2:1).

With regard to voting rights, as mentioned above, art. 5 of the Articles of Association regulates "increased voting rights" pursuant to art. 127-quinquies of Legislative Decree no. 58 of 24 February 1998. In this regard, please refer to the specific section published on the Bank's website (<https://bancasistema.it/increased-voting-rights>), which outlines the purposes, effects and characteristics of increased voting rights and the related application procedure. The aforementioned page includes, inter alia, the list of shareholders holding an equity investment greater than 5% who have requested to be included in the list of shares with increased voting rights.

At 31 December 2022, none of the shareholders were entitled to increased voting rights.

The ordinary Shareholders' Meeting is called pursuant to law at least once a year, within 120 (one hundred and twenty) days from the end of each financial year.

Moreover, the Shareholders' Meeting is called by the management body whenever it deems it necessary and appropriate and in the cases provided by law or, following prior written notification to the Chairperson of the Board of Directors, by the Board of Statutory Auditors or at least two of its members in accordance with current legal provisions. The Shareholders' Meeting is also legally convened by the Board of Directors when a request is made to do so by shareholders representing at least one twentieth of the share capital and where the request indicates the issues to be covered. The Shareholders' Meeting may not be called at the request of shareholders for issues on which the Meeting legally resolves at the proposal of the Directors, or for issues based on a project or report prepared by the Directors.

The Shareholders' Meeting is convened on single call, and is subject to the meeting quorum and the decision quorum established by law in such circumstances, unless the notice of call specifies any dates for subsequent meetings, including a third call.

Pursuant to the provisions of art. 126-bis of the Consolidated Law on Finance, the shareholders who, individually or jointly, represent at least one fortieth of the share capital, or a different smaller percentage of the share capital provided for by the regulations in force at the time, may, within a period of 10 days from the publication of the notice of call of the Shareholders' Meeting, unless a different period is provided under the law, request that the list of items on the agenda be supplemented, thereby indicating any further items, or present proposals for resolutions on items already on the agenda, within the limits and according to the methods provided for by the applicable laws and regulations. Whoever holds voting rights may individually submit resolution proposals to be debated at the Shareholders' Meeting.

After the agenda has been completed or subsequent proposals have been submitted to be discussed on the agenda, following the request for the agenda to be completed or proposals to be submitted as stated in the previous paragraph, notice is given, in the prescribed manner for the publication of the notice of call, at least 15 days prior to the one fixed for the Shareholders' Meeting to be held, unless a different period is stipulated by law. The additional proposed resolutions on matters already on the agenda are made available to the public within the terms and in the manner set forth by the law.

Additional proposals may not be made in regard to issues on which the Shareholders' Meeting legally resolves at the request of Directors or on the basis of a project or report prepared by them, other than in those cases indicated under art. 125-ter, paragraph 1, of the Consolidated Law on Finance.

The right to attend the Shareholders' Meeting and exercise voting rights is certified by a notice to the Company, sent by the intermediary authorised under the provisions of law and regulations, in accordance with its accounting records, in

favour of the party entitled to vote. This notice is formulated on the basis of evidence from the accounts specified in art. 83-quater, paragraph 3, of the Consolidated Law on Finance relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting. To this end, reference is made to the date of the first call of the Shareholders' Meeting, provided that the dates of any subsequent calls are included in the single notice of call of the Meeting; otherwise, reference is made to the date of each call.

The persons entitled to attend and vote at the Shareholders' Meeting may be represented by another person or entity, including a non-shareholder, by means of a written proxy, within the limits and according to the methods stipulated by the law and applicable regulations. The proxy may be notified electronically via certified e-mail or using the special section of the Company website and other methods of notification as may be provided for in the notice of call, in accordance with applicable laws and regulations.

The Shareholders' Meeting is chaired by the Chairperson of the Board of Directors or, in the event of him/her being absent or incapacitated, by the Deputy Chairperson, if appointed, or any other person designated by the Board of Directors; otherwise, the Meeting appoints as Chairperson one of the participants by simple majority of the capital represented.

The Chairperson of the Shareholders' Meeting is assisted by a secretary designated by the Meeting, by simple majority of the capital represented and possibly by one or more tellers, including non-shareholders; where prescribed by law or where deemed appropriate by the management body, the functions of secretary are attributed to a notary designated by the latter.

The Chairperson of the Shareholders' Meeting is responsible for ensuring that the Meeting is properly convened, ascertaining the right of shareholders to take part and vote, noting the legitimacy of the proxies, guiding and managing the discussion and proceedings of the Meeting, establishing the method of voting and also ascertaining and declaring the related results. In this he/she may be assisted by appropriate appointees.

The Meeting sessions are run and governed by law, the Articles of Association and the Rules governing Shareholders' Meetings.

The Bank has the option to appoint a person for each Meeting to whom the shareholders may give a proxy with voting instructions for all or some of the proposals on the agenda in the manner provided by the law and applicable statutory regulations. The proxy is not effective with regard to proposals for which voting instructions have not been given. Postal voting is also allowed.

Postal voting is exercised in the manner specified in the notice of call, in accordance with the applicable statutory provisions, using any means of communication (including fax and e-mail) proving receipt of such.

The Shareholders' Meeting may also be held with participants in multiple locations, either in the vicinity or at a distance, linked by audio and video connection (audio-only connection is allowed solely when the participants are easily recognisable by the Chairperson of the Shareholders' Meeting), provided that the collegial method and the principles of good faith and equal treatment of shareholders are observed. All of the above in accordance with the procedures set out in the Articles of Association.

The Rules governing Shareholders' Meetings, the current version of which was approved by the Shareholders' Meeting of 3 June 2015, govern the orderly and effective conduct of meetings.

The "Rules governing Shareholders' Meetings", which establish the maximum duration of the individual contributions, their order, the voting procedures, the contributions of the Directors and Statutory Auditors and the powers to settle and prevent the occurrence of conflicts within Shareholders' Meetings, are available on the website www.bancasistema.it (in the section Investors / Governance / Corporate Documents).

During 2022, an ordinary Shareholders' Meeting was held on 28 April 2022. Seven directors were in attendance (out of the eight in office at the time of the Shareholders' Meeting), together with the Chairperson of the Board of Statutory Auditors and one standing auditor.

During the Shareholders' Meeting, the CEO, on behalf of the Board of Directors, shall be prepared to report on the activities carried out and planned by the Board, in any event in compliance with the rules on inside information. The Board of Directors, also through the reports made available to the shareholders within the terms provided by the Consolidated Law on Finance and through the gradual updating of corporate communications through the website, endeavours to

ensure that the shareholders receive adequate information on the elements necessary to pass, on an informed basis, the Shareholders' Meeting resolutions.

The methods of performance of the duties of each Committee are set out in detail in the respective sections of the annual corporate governance report, approved by the Board of Directors and made available to the shareholders on the Bank's website (<https://bancasistema.it/reports-corporate-governance>) and made physically available during the Shareholders' Meetings.

14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (art. 123-bis, paragraph 2, letter a), part two, of the Consolidated Law on Finance)

No further Committees were appointed in addition to those described in the previous Sections, nor were any further corporate governance practices adopted, save as to grant the Internal Control and Risk Management Committee also the duties of Sustainability Committee (see paragraph 9.2).

It should be noted that the Bank has:

- adopted an Organisational Model pursuant to Legislative Decree 231/2001, as set out in paragraph 9.4;
- set up an Ethics Committee, as set out in paragraph 9.6;
- adopted a whistleblowing system, as set out in paragraph 9.6;
- introduced the so-called “increased voting rights” as described in paragraph 13.

15. CHANGES FOLLOWING THE END OF THE REPORTING YEAR

On 27 January 2023, the Board of Directors approved the following CCIGR new composition:

1. Daniele Bonvicini, President (independent director, non executive);
2. Maria Leddi (independent director, non executive);
3. Daniele Pittatore (independent director, non executive);
4. Pier Angelo Taverna (independent director, non executive);

16. OBSERVATIONS REGARDING THE LETTER OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

As requested in the letter dated 25 January 2023 from the Chairperson of the Corporate Governance Committee, the Board of Directors examined the Committee's recommendations during its meeting on 10 February 2023, which was attended by the majority of members of the Board of Statutory Auditors.

The Board of Directors, at its meeting of 10 February 2023, acknowledged the content of the letter from the Chairperson of the Corporate Governance Committee dated 25 January 2023 (the "Letter"). Subsequently, at the meeting of 10 March 2023, which was attended by all of the Directors, in the presence of all of the Board of Statutory Auditors, the Board assessed the governance of Banca Sistema as being already essentially compliant with the recommendations set out in the Letter, identifying limited measures that will be implemented during 2023.

TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE AS AT 10.03.2023

SHARE CAPITAL STRUCTURE				
	Number of shares	Number of voting rights	Listed (indicate markets) / unlisted	Rights and obligations
Ordinary shares* (specifying, if applicable, the possibility of increased voting rights)	80,421,052	80,421,052	Listed on Italian equities market, STAR segment	Each ordinary share gives the right to cast one vote

*See chapter 2 (INFORMATION ON OWNERSHIP STRUCTURE (art. 123-bis, paragraph 1, of the Consolidated Law on Finance) AS AT 10/03/2023, Letter d) Securities granting special rights (art. 123-bis, paragraph 1, letter d) of the Consolidated Law on Finance) regarding the introduction of increased voting rights, approved by the Shareholders' Meeting on 23 April 2020.

MAJOR EQUITY INVESTMENTS			
Declaring party	Direct shareholder	% of the ordinary share capital	% of the voting capital
Gianluca Garbi	SGBS S.r.l.	23.10%	23.10%
Gianluca Garbi	Garbifin S.r.l.	0.62%	0.62%
Gianluca Garbi	Gianluca Garbi	0.91%	0.91%
Fondazione Cassa di Risparmio di Alessandria	Fondazione Cassa di Risparmio di Alessandria	7.82%	7.82%
Chandler	Chandler	7.48%	7.48%
Fondazione Sicilia	Fondazione Sicilia	7.40%	7.40%
Moneta Micro Entreprises	Moneta Micro Entreprises	5.12%	5.12%
Fondazione Cassa di Risparmio di Cuneo	Fondazione Cassa di Risparmio di Cuneo	5.01%	5.01%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE END OF THE YEAR (31.12.2022)

Board of Directors												
Position	Members	Date of first appointment (*)	In office since	In office until	List (submitted by) (**)	List (M/m) (***)	Exec.	Non-exec.	Indep. pursuant to the Code	Indep. pursuant to the Cons. Law on Finance	No. of other offices held (****)	Meetings attended (*****)
Chairperson	Luitgard Spögl	2015	2021	2023	Shareholders	M		X	X	X	1	22/22
Chief Executive Officer	Gianluca Garbi	2011	2021	2023	Shareholders	M	X				1	21/22
Deputy Chairperson	Giovanni Puglisi	2011	2021	2023	Shareholders	M		X			1	21/22
Director	Carlotta De Franceschi	2015	2021	2023	Shareholders	M		X	X	X	1	17/22
Director	Daniele Pittatore	2014	2021	2023	Shareholders	M		X	X	X	2	22/22
Director	Daniele Bonvicini	2021	2021	2023	Shareholders	M		X	X	X	-	19/22
Director	Maria Leddi	2021	2021	2023	Shareholders	M		X	X	X	3	22/22
Director	Francesca Granata	2021	2021	2023	Shareholders	M		X	X	X	-	22/22
Director	Pier Angelo Taverna	2022	2022	2022 ⁵	Board of Directors	N.A.		X	X	X		8/8
-----DIRECTORS WHO LEFT OFFICE DURING THE YEAR-----												
Director	Marco Giovannini	2018	2018	2022	Shareholders	M		X	X	X	1	4/6
<p>Indicate the number of meetings held during the year: 22</p> <p>Indicate the quorum required for minority shareholders to submit lists to elect one or more members (art. 147-ter of the Consolidated Law on Finance): 4.5%</p> <p>(*) Date of first appointment of each director shall mean the date on which the director was appointed for the first time (ever) in the Issuer's Board of Directors.</p> <p>(**) This column indicates whether the list from which each director was drawn was submitted by shareholders (indicating "Shareholders") or by the Board of Directors (indicating "BoD"). (***) This column indicates whether the list from which each director was drawn is a majority list (indicating "M") or a minority list (indicating "m").</p> <p>(****) This column indicates the number of positions as director or statutory auditor the party concerned holds in other listed companies or large companies. Offices are written in full in the Corporate Governance Report.</p> <p>(*****) This column indicates the attendance of Directors at meetings of the Board of Directors (indicate the number of meetings attended compared to the total number of meetings which could have been attended, e.g. 6/8, 8/8 etc.).</p>												

⁵ Director co-opted at the Board meeting held on 20 May 2022.

TABLE 3: STRUCTURE OF BOARD COMMITTEES AT THE END OF THE YEAR (31.12.2022)

Board of Directors		Internal Control and Risk Management and Sustainability Committee		Remuneration Committee		Appointments Committee		Ethics Committee	
Position/Title	Members	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairperson of the Board of Directors - non-executive - independent pursuant to Consolidated Law on Finance and/or Code	Luitgard Spöglar					11/11	M		
Chief Executive Officer	Gianluca Garbi								
Deputy Chairperson - non-executive – non-independent	Giovanni Puglisi			6/7	M			2/2	C.
director - non-executive - independent pursuant to Consolidated Law on Finance and/or Code	Daniele Pittatore	16/16	M					4/4	M
director - non-executive - independent pursuant to Consolidated Law on Finance and/or Code	Carlotta De Franceschi					9/11	C.	2/2	M
director - non-executive - independent pursuant to Consolidated Law on Finance and/or Code	Daniele Bonvicini	16/16	C.						
director - non-executive - independent pursuant to Consolidated Law on Finance and/or Code	Maria Leddi	16/16	M					2/2	M
director - non-executive - independent pursuant to Consolidated Law on Finance and/or Code	Francesca Granata	8/8	M	7/7	M	11/11	M		
-----DIRECTORS WHO LEFT OFFICE DURING THE YEAR-----									
director - non-executive - independent pursuant to Consolidated Law on Finance and/or Code	Marco Giovannini	3/5	M	3/3	C.				
Number of meetings held during the financial year:		16		7		11		2	

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE END OF THE YEAR (31.12.2022)

Board of Statutory Auditors								
Position	Members	Date of first appointment (*)	In office since	In office until	List (M/m) (**)	Indep. pursuant to the Code	Attendance at Board of Statutory Auditors meetings (***)	No. of other offices held (****)
Chairperson	Massimo Conigliaro	2011	2020	2022	M	X	16/16	-
Standing Auditor	Lucia Abati	2017	2020	2022	M	X	16/16	-
Standing Auditor	Marziano Viozzi	2020	2020	2022	M	X	13/16	-
Alternate Auditor	Marco Armarolli	2013	2020	2022	M	X	-	-
Alternate Auditor	Daniela D'Ignazio	2014	2020	2022	M	X	-	-
-----STATUTORY AUDITORS WHO LEFT OFFICE DURING THE YEAR-----								
	Surname Name							

Indicate the number of meetings held during the year: 15

Indicate the quorum required for minority shareholders to submit lists to elect one or more members (art. 148 of the Consolidated Law on Finance): 4.5% NOTES

(*) Date of first appointment of each Statutory Auditor shall mean the date on which the Statutory Auditor was appointed for the first time (ever) to the Issuer's Board of Statutory Auditors. (**) This column indicates whether the list from which each Statutory Auditor was drawn is a majority list (indicating "M") or a minority list (indicating "m").

(***) This column indicates the attendance of Statutory Auditors at meetings of the Board of Statutory Auditors (indicate the number of meetings attended compared to the total number of meetings which could have been attended, e.g. 6/8, 8/8 etc.).

(****) This column indicates the number of director or statutory auditor offices held by the party concerned pursuant to art. 148-bis of the Consolidated Law on Finance and its implementing provisions contained in Consob Issuers' Regulations. The complete list of offices is published by Consob on its website in accordance with Article 144-quinquiesdecies of Consob Issuers' Regulations.