

OPTIMAL QUALITATIVE AND  
QUANTITATIVE COMPOSITION OF THE  
BOARD OF DIRECTORS

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**CONTENTS**

<b>1. INTRODUCTION</b> .....	<b>3</b>
<b>2. PURPOSE OF THE DOCUMENT</b> .....	<b>5</b>
<b>3. THEORETICAL PROFILE OF THE BOARD MEMBER</b> .....	<b>6</b>
3.1 Roles within the Board of Directors.....	6
3.2 Requirements of professionalism and ability criteria.....	7
3.3 Requirements of integrity and fairness criteria.....	12
3.4 Independence requirements and independent judgement.....	14
3.5 Time availability and number of offices.....	16
3.6 Causes of incompatibility (so-called “interlocking”).....	19
<b>4. OPTIMAL QUALITATIVE COMPOSITION</b> .....	<b>20</b>
<b>5. OPTIMAL QUANTITATIVE COMPOSITION</b> .....	<b>22</b>
<b>6. DIVERSITY</b> .....	<b>23</b>

### 1. INTRODUCTION

The effectiveness of organisational structures and corporate governance represents an essential condition for banks in the pursuit of their corporate objectives due to the nature of the banking business itself; it also ensures conditions of sound and prudent management, an essential objective of regulatory and supervisory controls.

Pursuant to the “Supervisory Provisions for Banks” as per Circular no. 285 of 17 December 2013 (the “Supervisory Provisions”), the composition of the governing bodies, in particular, becomes of crucial importance for the effective performance of the duties entrusted to them by law, by the supervisory provisions and the By-laws. Moreover, the distribution of tasks and responsibilities within the corporate bodies must be consistent with the role assigned to them under the chosen governance and control system.

Quantitatively, the number of members of the governing bodies shall be appropriate to the size and complexity of the Bank’s organisational structure in order to ensure a suitable composition of the Board committees and, in general, effectively supervise the entire business operations, in terms of aspects relating to management and control.

The composition of the bodies must not be too large: an excessive number of members may reduce the incentive of individuals to take steps to carry out their own tasks and may hinder the functioning of the body itself. At the same time, the number of members must be sufficient to guarantee diversified supervision of the management areas and risk profiles as well as a correct and effective composition of the Board committees.

In qualitative terms, the proper performance of the functions requires that corporate bodies may rely upon individuals who:

- are fully aware of the powers and obligations inherent in the functions that each of them is expected to carry out;
- are appropriately qualified for the position and suitable with regard to the operations and size of the Bank;
- have wide and appropriately diversified skills, so that each of the members can actually help to identify and pursue appropriate strategies and ensure effective governance of risks in all the Bank’s operating areas;
- devote time and resources according to the complexity of their duties, subject to the limits on the number of tasks laid down in Italian Ministerial Decree no. 169 of 23 November 2020;
- direct their actions in pursuit of the Bank’s overall interests, regardless of the corporate structure which voted for them or the slate from which they were drawn, and operate with independent judgement.

The Supervisory Provisions emphasise the importance of focusing on all members, including non-executive members, insofar as the latter participate in the decisions taken by the Board of Directors as a whole, and are called upon to perform an important communicative function and to monitor the choices made by the executive members. Hence the authority and professionalism of non-executive Directors must guarantee the effective performance of such functions, which are of vital importance to the sound and prudent management of the bank.

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This is why it is so important that the body of non-executive Directors possesses adequate knowledge of the banking business, of the dynamics of the economic and financial system, of banking and financial rules and regulations, and above all of the methods of risk management and control.

The Supervisory Provisions also establish that independent members are appointed to the body providing strategic supervision, whose duty it is to exercise their independent judgement and dialectical spirit in supervising corporate management, and to help to ensure that this is carried out in the best interests of the company and in a manner consistent with the objectives of sound and prudent management.

It is therefore appropriate that the composition of the Board of Directors, covered below, is adequate from both the qualitative and quantitative perspective, in relation to the operations and size of the Bank.

## 2. PURPOSE OF THE DOCUMENT

Pursuant to the Supervisory Provisions (Title IV, Chapter 1 “Corporate Governance”), for the purposes of appointing or co-opting Directors, the Boards of Directors of banks are required to be of an optimal qualitative and quantitative composition in order to properly fulfil the responsibilities entrusted to them, and thus they shall identify and provide good reason for the theoretical profile of those candidates deemed suitable for such purpose.

Subsequently, the Board of Directors shall check the consistency of the qualitative and quantitative composition deemed optimal with the composition of the Board actually resulting from the appointment process.

The aim of this document is, therefore, to identify and define, in full compliance with the By-laws and the legal and regulatory provisions, the characteristics of the qualitative and quantitative composition of the Board of Directors of Banca Sistema S.p.A., and to provide, in a timely manner, appropriate recommendations for the benefit of Shareholders, for the purpose of the Board’s renewal.

The findings and recommendations set out in this document take due account of the provisions of Italian Ministerial Decree no. 169 of 23 November 2020 (the “MEF Decree” - the Italian Ministry of the Economy and Finance Decree).

In particular, given the key importance of corporate officers in the corporate governance arrangements of financial intermediaries, also in view of the sound and prudent management of such intermediaries, the MEF Decree establishes, in implementation of Section 26 of Italian Legislative Decree no. 385 of 1 September 1998, a series of mandatory requirements regarding appointments, together with a broad range of criteria designed to qualify the suitability of the corporate officers in question.

Such requirements and criteria may be summarised as follows:

- Requirements of integrity and fairness criteria;
- Requirements of professionalism and ability criteria;
- Independence requirements and independent judgement;
- The requirement of time availability and the limit on the number of

offices a member may hold. This document also takes account of:

- i. the outcome of the self-assessment processes on the size, composition and operation of the Board of Directors in the years 2021 and 2022, conducted with the help of a leading independent consultant;
- ii. the provisions set out in the Code of Corporate Governance of Listed Companies, approved by the Corporate Governance Committee of which the Bank is a member.

### 3. THEORETICAL PROFILE OF THE BOARD MEMBER

The Board of Directors has identified the following characteristics, in terms of professionalism, expertise, aptitude requirements, time availability, integrity and independence, to be held by candidates proposed by the Shareholders' Meeting to hold the office of Director, also depending on the specific role assigned to them, in order to ensure the optimal composition of the Board itself (also in terms of skills).

The following sections provide a full description of the characteristics mentioned above.

#### 3.1 Roles within the Board of Directors

The By-laws and the relevant rules and regulations provide for the assignment, in certain cases, of the following roles/qualifications within the scope of the Board of Directors:

- Chairperson: promotes the effective functioning of the corporate governance system, ensuring a balance between the powers of the CEO and the other executive directors, and acts as the spokesperson for the governing body and the internal committees. To this end, the Chairperson not only has to meet the requirements for the office of director, but must also possess the specific skills needed in order to carry out his/her assigned duties. The Chairperson liaises between the executive directors and the non-executive directors, and organises the works of the Board, with the support of the corporate structures, so as to ensure efficient and effective performance of the Board's functions. In order to perform his/her office effectively, the Chairperson has a non-executive role, and does not carry out, not even *de facto*, management functions.
- Chief Executive Officer: the CEO manages the company's activities within the limits of the powers conferred upon him or her and in compliance with the general management guidelines determined by the Board of Directors. The CEO embodies the management function insofar as the powers assigned permit this; pursuant to Article 10.7 of the By-laws of Banca Sistema, the office of General Manager, where envisaged, can only be assigned to the CEO;
- Non-executive directors: they participate in the decisions taken by the Board of Directors as a whole, and are called upon to perform an important communicative function and to monitor the decisions made by the executive members. In this regard, the authority and professionalism of non-executive Directors must guarantee the effective performance of such functions, which are of vital importance to the sound and prudent management of the Bank. To this end, it is essential that the body of non-executive Directors possesses adequate knowledge of the banking business, of the dynamics of the economic and financial system, of banking and financial rules and regulations, and above all of the methods of risk management and control.
- Independent directors: their duty is to supervise corporate management, helping to ensure that this is carried out in the interest of the company and the shareholders and in a manner consistent with the objectives of sound and prudent management.

### 3.2 Requirements of professionalism and ability criteria

The MEF Decree establishes the professional requirements of corporate officers. More specifically, pursuant to Section 7:

*“1. Corporate officers in executive positions are chosen from among those individuals who have held, for at least three years, also alternatively:*

- a) administrative, control or management positions in the credit, financial, securities or insurance sector;*
- b) administrative, control or management positions in listed companies or in companies of a similar or larger size and complexity (in terms of turnover, nature and organisational/business complexity) to/than that of the bank where they are to hold such executive position.*

*2. Corporate officers in non-executive positions are chosen from among those individuals who meet the requirements set out in point 1 above, or who have exercised, for at least three years, also alternatively:*

- a) professional activities pertaining to the credit, financial, securities or insurance sector, or in any case concerning the bank’s business; the professional activities in question must be of an appropriately complex nature also with regard to the recipients of the services provided, and they must be carried out on a continuous, significant basis in the aforementioned sectors;*
- b) university lecturing as a first or second-level academic, in the field of law, economics or other subject area pertaining to the activities of the credit, financial, securities or insurance sector;*
- c) management, executive or senior management functions, at public entities or public administrations, pertaining to the credit, financial, securities or insurance sector, provided that the entity or authority for whom the person in question worked is of a comparable size and complexity to that of the bank where the position is to be held.*

*3. The Chairperson of the Board of Directors is a non-executive member with at least two years more experience than that required in paragraph 1 or 2.*

*4. The chief executive officer and the general manager shall be chosen from among those individuals with specific experience in the credit, financial, securities or insurance sector, gained through administrative, control or management positions held for at least five years in the credit, financial, securities or insurance sector, or in listed companies or in companies of a similar or larger size and complexity (in terms of turnover, nature and organisational/business complexity) to/than that of the bank where they are to hold such executive position. Similar requirements also apply to offices entailing the exercise of functions comparable to those of a general manager.*

*5. For the purposes of compliance with the previously-mentioned requirements, account shall be taken of experience gained in the twenty years prior to the appointment; experience gained in several functions during the same period shall only be counted for the period in question, and shall not be calculated on a cumulative basis.”*

As far as regards the Chairperson of the Board of Directors, under existing legislation said person must be chosen from among those candidates who have held, **for at least five years**, also alternatively:

- a) administrative, control or management positions in the credit, financial, securities or insurance sector;
- b) administrative, control or management positions in listed companies or in companies of a similar or larger size and complexity (in terms of turnover, nature and organisational/business complexity) to/than that of the Bank, or in sectors relating to the non-executive directors.

For the purposes of compliance with the previously-mentioned requirements, account shall be taken of experience gained in the **twenty years** prior to the appointment. Experience gained in several functions during the same period shall only be counted for the period in question, and shall not be calculated on a cumulative basis.

The Chairperson of the Board of Directors should:

- i. **be a person with the personal authority and prestige required to ensure that during the course of his/her term of office, the Board of Directors functions in a correct and transparent manner, and to represent a guarantee for Shareholders;**
- ii. **possess the personal characteristics required to create a strong team spirit and sense of cohesion among the members of the Board;**
- iii. **possess organisational skills and an ability for the effective management of the meetings and the agenda of the Board of Directors, such as to facilitate the efficient conduct of discussions and, more generally, of the Board's work;**
- iv. **be suitably knowledgeable about corporate governance, having previously gained significant experience in the field - and preferably at the head - of boards of directors of suitably complex and large companies, and having displayed a strong awareness of questions of governance in the performance of said offices;**
- v. **possess experience in managing matters of strategic importance, and also specific questions of business, within the context of the Board of Directors;**
- vi. **possess expertise in the economic-financial and legal fields, and if possible also basic technical knowledge of the banking sector;**
- vii. **possess an appropriate international culture together with knowledge of foreign languages, in particular English.**

The Chief Executive Officer, in accordance with the law, shall be chosen from among those individuals with specific experience in the credit, financial, securities or insurance sector, gained through administrative, control or management positions held **for at least five years** in the credit, financial, securities or insurance sector, or in listed companies or in companies of a similar or larger size and complexity (in terms of turnover, nature and organisational/business complexity) to/than that of the Bank.

For the purposes of compliance with the previously-mentioned requirements, account shall be taken of experience gained in the **twenty years** prior to the appointment. Experience gained in several functions during the same period shall only be counted for the period in question, and shall not be calculated on a cumulative basis.



The Chief Executive Officer should:

- i. **possess a sound understanding of the financial institutions sector and its evolution;**
- ii. **possess significant technical expertise in the economic-financial field, and as far as regards banking and financial services;**
- iii. **have significant professional experience and have had substantial success at the head of banking or financial institutions of a suitable size;**
- iv. **possess a recognised strategic vision;**
- v. **be a person boasting authority, recognised leadership qualities and a management style aimed at creating team spirit among co-workers;**
- vi. **have experience of working for international financial institutions, together with knowledge of foreign languages, in particular English;**
- vii. **have significant professional experience in the area of business organisation and management.**

As regards the **non-executive Directors**, said individuals shall be chosen from among candidates:

1. who have held, for **at least three years**, also alternatively:
  - a) administrative, control or management positions in the credit, financial, securities or insurance sector;
  - b) administrative, control or management positions in listed companies or in companies of a similar or larger size and complexity (in terms of turnover, nature and organisational/business complexity) to/than that of the Bank,
2. or who have carried out, for **at least three years**, also alternatively:
  - a) professional activities in fields relating to the credit, financial, securities or insurance sector, or in other fields pertaining to the Bank's business. The professional activities must be of an appropriately complex nature also with regard to the recipients of the services provided, and must be carried out on a continuous, significant basis in the afore-mentioned sectors;
  - b) university lecturing as a first or second-level academic, in the field of law, economics or other subject area pertaining to the activities of the credit, financial, securities or insurance sector;
  - c) management, executive or senior management functions, at public entities or public administrations, pertaining to the credit, financial, securities or insurance sector, provided that the entity or authority for whom the person in question worked is of a comparable size and complexity to that of the Bank. For the purposes of compliance with the previously-mentioned requirements, account shall be taken of experience gained in the twenty years prior to the appointment. Experience gained in several functions during the same period shall only be counted for the period in question, and shall not be calculated on a cumulative basis.

Non-executive Directors have to meet the requirements of integrity, and the vast majority of them must also meet the requirements of independence established by law and by the provisions governing Banking Supervision, and furthermore, they must:

- (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.**

It should be noted that, also in light of the international presence of the Bank and its subsidiaries, as well as in relation to the growing impact of European primary and supervisory regulations, a knowledge of the English language at least at a “fluent” level is considered an essential condition for taking the office of company Director.

- 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 sector of banking and financial institutions.
- Institutional or academic candidates must:
  - i. possess expertise that is related to the sector of financial and banking institutions, or to the problems pertaining to such, not necessarily acquired in relation to the subjects they teach or to the institutional sectors in which they have worked.

Section 10 of the MEF Decree thus sets out the “Ability criteria for representatives and their assessment”, and specifically establishes that in addition to the professionalism requirements set out in Sections 7, 8 and 9, representatives must also meet the ability criteria designed to establish their suitability for the appointment, in view of the duties pertaining to the position and of the Bank’s size and operations. To such end, the MEF Decree establishes that account shall be taken of the theoretical knowledge acquired through study and training, together with practical experience gained during previous or on-going jobs. The criterion is thus evaluated by the appointed body on the basis of a number of parameters established by the aforementioned Section 10 of the MEF Decree<sup>1</sup>.

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*1 Specifically, Section 10 of the MEF Decree establishes that: “2. The criterion is evaluated by the appointed body, which a) takes into consideration the theoretical knowledge and practical experience possessed in more than one of the following fields: 1) financial markets; 2) regulation of the banking and financial sector; 3) strategic guidelines and planning; 4) corporate governance and organisational arrangements; 5) risk management (the identification, assessment, monitoring, control and mitigation of the principal risks to which a bank is exposed, including the officer’s responsibility in relation to such processes; 6) the internal control system and other operating mechanisms; 7) banking and financial business and products; 8) financial and accounting reporting; 9) information technology; b) analyses whether the theoretical knowledge and practical experience mentioned in a) is adequate in relation to: 1) the duties associated with the officer’s role, and with any powers of proxy or specific powers, including involvement in committees; 2) the characteristics of the bank and of any banking group it may belong to, in terms, among other things, of size, complexity, type of business and the associated risks, reference markets, and the countries it operates in. 3. In the case of the office of Chair of the Board of Directors, consideration is also taken of any experience gained in coordinating, directing or managing human resources in order to ensure the effective performance of the Chair’s role in coordinating and directing the Board’s work, and in promoting the Board’s proper functioning, also in terms of the disclosure of information, the effectiveness of meetings and the stimulation of internal discussions, together with the suitable overall composition of the Board. 4. The evaluation provided for by this article may be foregone in the case of officers who meet the professional requirements set out in articles 7, 8 and 9, when such are the result of experience spanning a period at least as long as that provided for in the annex to this Decree. 5. The ability criterion is not met if the information acquired regarding the theoretical knowledge and practical experience points to the serious, specific inadequacy of the officer for the appointment in question. In the event of specific, limited shortcomings, the appointed body may adopt the measures required to rectify such shortcomings”.*

In accordance with the applicable provisions of law, the assessment referred to above may be omitted in the case of officers who meet the professional requirements set out in the previous paragraphs, when such are the result of experience gained over a period at least as long as that included in the table below.

Chairperson of the Board of Directors	10 years’ experience (gained over the course of the past 13 years)
Chief Executive Officer who has performed those duties referred to in Article 7, paragraph 1, letter a)	10 years’ experience (gained over the course of the past 13 years)
Non-executive Directors who have performed those duties referred to in Article 7, paragraph 1	3 years’ experience (gained over the course of the past 6 years)
Other non-executive Directors	5 years’ experience (gained over the course of the past 8 years)

### 3.3 Requirements of integrity and fairness criteria

In compliance with the provisions of Section 3 of the MEF Decree:

*“Positions may not be held by those who:*

- a) are legally disqualified or find themselves in one of the other situations provided for by Article 2382 of the Italian Civil Code;*
- b) have been convicted and sentenced to:
  - 1) imprisonment for a criminal offence provided for by the provisions of law governing companies and bankruptcy, banking and financial matters, payment services, anti-money laundering, intermediaries authorised to provide investment and mutual fund management services, markets and the centralised management of financial instruments, appeals for public savings, and issuers, as well as for one of the criminal offences provided for by Articles 270-bis, 270-ter, 270-quater, 270-quater.1, 270-quinquies, 270-quinquies.1, 270-quinquies.2, 270-sexies, 416, 416-bis, 416-ter, 418 and 640 of the Italian Criminal Code;*
  - 2) to a term of imprisonment of one year or more for a crime against the Public Administration, against public trust, or against property, or for a tax crime;*
  - 3) to a term of imprisonment of two years or more for any kind of crime committed with intent;**
- c) have been subject to preventive measures ordered by the legal authorities under Italian Legislative Decree no. 159 of 6 September 2011 and its subsequent amendments and additions;*
- d) at the time of the appointment they find themselves temporarily disqualified from holding managerial office within legal persons or companies, or are temporarily or permanently disqualified from holding administrative, managerial or supervisory positions pursuant to Section 144-ter, paragraph 3, of the Italian Consolidated Banking Act, and to Section 190-bis, paragraphs 3 and 3-bis, of the Italian Consolidated Finance Act, or find themselves in one of the situations referred to in Section 187-quater of the Italian Consolidated Finance Act.*
- e) Furthermore:
  - 2. Positions may not be held by those convicted and sentenced, upon request by the parties, or following summary proceedings, to one of the forms of punishment provided for: a) by paragraph 1, letter b), number 1, without prejudice to the extinction of the offence under Article 445, paragraph 2, of the Italian Code of Criminal Procedure; b) by paragraph 1, letter b), numbers 2 and 3, to the extent specified therein, without prejudice to the extinction of the offence under Article 445, paragraph 2, of the Italian Code of Criminal Procedure”.**

Thus the MEF Decree introduces the criterion of the correct conduct of company officers, and establishes that for the purposes of verification of such conduct by the appointed body, account be taken of:

*“a) criminal convictions, including those inflicted by non-final decisions, rulings including those of a non-final nature that apply punishment upon request from the parties or following summary proceedings, criminal sentences, even though yet to become final, and individual interim measures concerning a criminal offence provided for by the provisions of law governing companies and bankruptcy, banking and financial matters, insurance, payment services, usury, anti-money laundering, taxation, intermediaries authorised to provide investment and mutual fund management services, markets and the centralised management of financial instruments, appeals for public savings, and issuers, as well as for one of the criminal offences provided for by Articles 270-bis, 270-ter, 270-quater, 270-quater.1, 270-quinquies, 270-quinquies.1, 270-quinquies.2, 270-sexies, 416,*

*416-bis, 416-ter, 418 and 640 of the Italian Criminal Code;*

*b) criminal convictions, including those inflicted by non-final decisions, rulings including those of a non-final nature that apply punishment upon request from the parties or following summary proceedings, criminal sentences, even though yet to become final, and individual interim measures concerning criminal offences other than those referred to in point a) above; the application, also provisionally, of one of the preventive measures ordered by the court pursuant to Italian Legislative Decree no. 159 of 6 September 2011;*

*c) final sentences ordering payment of compensation for acts committed in the performance of office within entities operating in the banking, financial, market and securities, insurance and/or payment services sector; final sentences ordering payment of compensation for administrative-accounting liability;*

*d) fines inflicted on the officer for breach of the provisions of law governing companies, banking and financial matters, securities, insurance, anti-money laundering, markets and means of payment;*

*e) procedures for the termination of office or interim measures ordered by the supervisory authorities, or introduced at the instigation of said authorities; procedures for the removal from office ordered under Sections 53-bis, paragraph 1, letter e), 67-ter, paragraph 1, letter e), 108, paragraph 3, letter d-bis), 114-quinquies, paragraph 3, letter d-bis), and 114-quaterdecies, paragraph 3, letter d-bis), of the Italian Consolidated Banking Act, and under Sections 7, paragraph 2-bis, and 12, paragraph 5-ter, of the Italian Consolidated Finance Act;*

*f) the performance of office within entities operating in the banking, financial, market and securities, insurance and/or payment services sector upon whom an administrative penalty, or a penalty under Italian Legislative Decree no. 231 of 8 June 2001, has been imposed;*

*g) the performance of office in companies which have been subject to procedures of extraordinary administration, settlement procedures, bankruptcy or compulsory administrative procedures, the collective removal of members of the governing and control bodies, the revocation of authorisation under Section 113-ter of the Italian Consolidated Banking Act, cancellation under Section 112-bis, paragraph 4, letter b), of the Italian Consolidated Banking Act, or to other similar procedures;*

*h) suspension or removal from registers, cancellation (as a disciplinary measure) from professional rolls or orders inflicted by the appointed authorities responsible for such professional orders; removal for just cause from positions on governing, administrative or control bodies; similar measures adopted by those entities appointed by law to manage registers and rolls;*

*i) a negative evaluation by an administrative authority regarding the officer's suitability for office within the context of authorisation procedures provided for by the laws on corporate, banking, financial, securities and insurance matters, and by the rules governing markets and payment services;*

*l) on-going criminal investigations and proceedings regarding the criminal offences referred to in points a) and b);*

*m) the negative information regarding the officer, contained in the Central Credit Register set up pursuant to Section 53 of the Italian Consolidated Banking Act; negative information here refers to information about the officer even when such is not acting in his/her capacity as a consumer, that is of relevance for the purposes of satisfaction of the obligations under Section 125, paragraph 3, of said Act".*

The director's integrity and correct conduct must be certified by means of the specific documents indicated for such purpose by the supervisory authority, and by means of specific self-certification.

Given the importance that the integrity and correctness requirements have under the reputation profile, **the Board of Directors expresses the recommendation that candidates for the office of director of Banca Sistema S.p.A. meet the integrity requirements and the criteria of correct conduct set out in the MEF Decree.**

### 3.4 Independence requirements and independent judgement

#### Independence requirements

Section 13 of the MEF Decree, and Recommendation no. 7 of the Code of Corporate Governance, list those situations that the non-executive Director must not find him/herself in if he/she is to be considered independent.

Specifically, Section 13 of the MEF Decree indicates:

*“the non-executive director in regard to whom none of the following apply:*

- a) *he/she is the not legally separated spouse of, a person joined in civil partnership to, a person cohabiting with, a direct relative or relative by marriage to the fourth degree of:
  - 1) the Chairperson of the Board of Directors, of the Management or Supervisory Board, and of the Bank's executive directors;
  - 2) managers of the Bank's key functions;
  - 3) individuals who find themselves in those conditions referred to in points b) to i);*
- b) *he/she is a stakeholder of the Bank;*
- c) *he/she, during the course of the past two years, has held the office, for a stakeholder of the Bank or for a company controlled by the Bank, of Chairperson of the Board of Directors, or has held managerial or supervisory office, or that of executive director, or has been, for more than nine of the last twelve years, a member of the Board of Directors, or has held managerial or supervisory office, of a stakeholder in the Bank or in a company controlled by the Bank;*
- d) *he/she has been an executive director of the Bank during the course of the last two years;*
- e) *he/she is an independent director of another bank belonging to the same banking group, except in the case where one bank has a complete, direct or indirect controlling interest in another;*
- f) *he/she, for more than nine of the past twelve years, has held the office of member of the Bank's Board of Directors, or has held managerial or supervisory office with the Bank, or has been a director of the Bank;*
- g) *he/she is an executive officer of a company in which one of the Bank's executive directors holds a place on the Board or is a manager;*

- h) he/she has, in the two years prior to taking office, directly or indirectly offered their professional services to, or has worked for, or has had other relations of a financial, economic or professional nature with, the Bank, its executive directors or its chairperson, the companies controlled by the Bank or the executive directors or chairperson of such, or a stakeholder in the Bank or that stakeholder's executive directors or chairperson, including on a continuous basis, such that this could compromise his/her independence;*
- i) he/she has held, over the course of the past two years, one or more of the following offices:*
- 1) a member of the national and European parliament, of the Government or of the European Commission;*
  - 2) regional, provincial or municipal councillor or commissioner, chairperson of the regional council, president of the provincial government, mayor, chairperson or member of the ward council, chairperson or member of the board of directors of consortia of local entities, chairperson or member of joint-municipality boards or councils, chairperson or director of special undertakings or institutions as referred to in Section 114 of Italian Legislative Decree no. 267 of 18 August 2000, mayor or councillor of metropolitan cities, chairperson or member of the governing bodies of mountain or island communities, when the superimposition or contiguity of the territorial scope of the entity in which the aforementioned offices are held, with the Bank's geographical extension or that of the banking group it belongs to, are such that they may compromise the independence of the person in question."*

With regard to the requirements referred to in Section 13, paragraph 1, letter b), it should be pointed out that pursuant to Section 1, letter p) of the MEF Decree, the term "stakeholder" refers to "a person bound to request the forms of authorisation referred to in Title II, Section III, of the Italian Consolidated Banking Act, as per Italian Legislative Decree no. 385 of 1 September 1993, and the corresponding implementation provisions".

**The Board of Directors' Regulations, in accordance with the guidelines set out in the Code of Corporate Governance, establish that 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: of a duration of no more than one year; and**
- ii. economic relevance: the price of 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.**

The Board of Directors evaluates compliance with this threshold on the basis of a self-certificate drawn up by the Director, and reserves the right to acquire further items of proof that this independence requirement has been met.

Even if the parameters referred to in points i and ii are respected, the Board of Directors shall in any event assess the significance of previous professional, economic or financial relationships, including from a qualitative point of view, which may affect the independence of the Director (for example, in the case of a Director who is also a partner of a professional firm or of a consultancy firm, the relevance of the previous professional relationship for that person).

Furthermore, for the purposes of the assessment of a Director's independence, the Board of Directors also takes into account whether 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 maximum 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.

### Independent judgement

All corporate officers, furthermore, are required to act, pursuant to Section 15 of the MEF Decree "by exercising fully independent judgement and on the basis of their awareness of the duties and rights associated with office, in the interests of the sound and prudent management of the Bank, and in compliance with the law and all other applicable rules and regulations".

Acting on the basis of independent judgement represents a model of conduct to be adhered to in particular during the body's discussions and decision-making procedures, and thus represents something more than the officer's independence.

Pursuant to Section 15 of the MEF Decree, all Directors shall disclose to the appointed body that information regarding the situations referred to in Section 13, paragraph 1, letters a), b), c), h) and i), of the MEF Decree, and the reasons why, in their view, those situations do not actually impair their own independent judgement.

**The Board of Directors shall evaluate the independent judgement of each Director, in the light of the information and the reasons provided, and shall also verify whether the safeguards provided for by the laws and regulations, or by any further organisational or procedural measures adopted by the Bank or by the Director him/herself, are effective in dealing with the risk that the aforementioned situations referred to by the aforesaid Section 13 of the MEF Decree may compromise the independent judgement of the Director or the decisions taken by the Board of Directors as a whole.**

The independent judgement of the Director concerned shall be evaluated by the Board of Directors at the time of the appointment of said Director, together with the independence requirement, and bearing in mind the intrinsic characteristics underlying independent judgement, also "over time", also in view of the actual conduct of the Director during the performance of his/her duties.

### **3.5 Time availability and number of offices**

Time availability represents a necessary requirement for the taking on of the job of director, and for the effective performance of the director's duties. The members of the Board of Directors must ensure adequate commitment to the position held in terms of time, taking into account:

- the nature and quality of the required commitment, especially in light of the Bank's operational complexity;
- other positions held in companies or entities, as well as the commitments arising from their work, in compliance with the limits laid down in respect of the number of offices held.

Section 16 of Italian Decree no. 169/2020, in fact, establishes that:



*“Each officer shall dedicate sufficient time to the performance of office. At the time of the appointment, and promptly in the event of other circumstances arising, he/she shall inform the competent body of any offices held in other companies, businesses or entities, of any other jobs or professional activities, and of any other situations or circumstances pertaining to the professional sphere that may affect the time available to him/her, and shall specify the time that these offices, activities circumstances or situations require.*

- 1. The Bank guarantees that the officer is aware of the time that the Bank has estimated to be needed for the job to be performed effectively.*
- 2. On the basis of the information provided under paragraph 1 above, the competent body shall establish whether the time that each officer is capable of dedicating to his/her office is sufficient for that office to be performed effectively.*
- 3. Should the officer declare in writing that he/she dedicates to the position the time that the Bank estimates to be necessary, then the evaluation provided for under paragraph 3 may be omitted, provided that all of the following conditions are met: a) the offices held by the officer do not exceed the limits established by Section 17; b) the condition under a) is observed without benefiting from the provisions of Sections 18 and 19; c) the officer does not hold the office of CEO or general manager, nor is he/she the chairperson of a body or committee.*
- 4. The competent body shall verify the adequacy of the actual time that the officers dedicate to their respective office, also in the light of their attendance of the meetings of the bodies or committees.*
- 5. If insufficient time is available, the competent body shall ask the officer to give up one or more positions or activities, or to make specific undertakings capable of increasing the time available to that officer, or shall adopt measures including the revocation of powers of attorney or specific duties, or the exclusion of the officer from sitting on committees. The fulfilment of the officer’s undertakings shall be verified pursuant to paragraph 5. The evaluation of time availability is not of any separate importance as regards the decision to terminate an officer’s appointment, but contributes towards the assessment of the officer’s fitness for office under Section 23”.*

The undertaking required of the Bank’s Directors goes beyond their attendance at Board meetings, and regards in particular their attendance at the meetings of any Committees of which they are members, their attendance at the meetings of any working groups, their analysis of the meetings’ supporting documents, and their attendance of training sessions.

It should be noted that during the course of 2021 there were:

- 22 meetings of the Board of Directors, each lasting on average about 4 hours;
- 13 meetings of the Internal Control and Risk Management Committee, each lasting on average 4 hours;
- 8 meetings of the Appointments Committee, each lasting on average about 1 hour and 20 minutes;
- 10 meetings of the Remuneration Committee, each lasting on average 1 hour;
- 1 meeting of the Ethics Committee, lasting 30 minutes.

During 2022, the following meetings were held:

- 22 meetings of the Board of Directors (lasting on average about 4 hours);
- 16 meetings of the Internal Control and Risk Management Committee (lasting on average about 3.15 hours);
- 11 meetings of the Appointments Committee (lasting on average about 1 hour);
- 7 meetings of the Remuneration Committee (lasting on average about 1.40 hours);
- 2 meetings of the Ethics Committee, lasting about 1 hour.

Since the beginning of 2023 and up to the date of approval of this document, there have been:

- 21 meetings of the Board of Directors (lasting on average about 3.35 hours);
- 16 meetings of the Internal Control and Risk Management Committee (lasting on average about 3.15 hours);
- 7 meetings of the Appointments Committee (lasting on average about 31 minutes);
- 6 meetings of the Remuneration Committee (lasting on average about 1.10 hours).

On the basis of the foregoing, moreover, the Board of Directors formulated an estimate, also on the basis of the historical data relating to the activities of the Board of Directors and Board committees, to be used as a benchmark for the evaluation of the minimum time required for effective participation in meetings, in order to ensure the correct functioning of the Board of Directors, and the contribution of each member to the Board's discussions.

This minimum estimate, also taking into account the provisions of the Bank of Italy's guidelines of 13 November 2023, is summarised in the table below, which takes account (a) of an average number of working days in a year equal to 260; (b) an estimate of the commitment required for the preparation of, and participation in, the meetings, also in relation to the role of each Director on the Board and, where applicable, on internal Board committees:

Chairperson	100 days per year
Chief Executive Officer	250 days per year
Non-executive Director	40 days per year
Member of the Internal Control and Risk Management Committee	20 days per year
Chairperson of the Internal Control and Risk Management Committee	4 additional days per year
Member of the Appointments Committee	6 days per year
Chairperson of the Appointments Committee	1 additional day per year
Member of the Remuneration Committee	7 days per year
Chairperson of the Remuneration Committee	1 additional day per year
Member of the Ethics Committee	2 days per year

Account must also be taken of the days dedicated to workshops/training sessions/induction courses, which are estimated to amount to at least 8 days per year.

To this end, during 2022 and 2023 the Bank implemented induction and training initiatives on banking regulation, risk management and control methodologies, the operation of the internal control system, sustainability reports, climate and environmental risks, the regulation of local authorities' financial difficulties, anti-money laundering, the analysis of the football sector and the evaluation of football clubs, and remuneration policies.

In any case, for the purposes of assessing the time commitment required of the Directors, it is also necessary to take into account unforeseeable elements such as, for example, changes in the organisation and size of the Bank and the Group, the introduction of regulatory changes for the Bank and for the Group, and any inspections ordered by the Supervisory Authorities.

As regards the accumulation of offices, Articles 17 and 18 of the MEF Decree apply, in any event without prejudice to compliance with the time commitment.

The candidates for the position of Director of the Bank must disclose their updated situations regarding any positions held in other companies, businesses or entities, any other jobs or professional activities carried out, and any other situations or circumstances pertaining to the professional sphere that may affect the time available to them, in order that the competent body may then establish whether the time that could be dedicated to the position is sufficient for the performance of the corresponding duties.

Without prejudice, nevertheless, to the prohibitions concerning the question of interlocking (Section 36 of Italian Decree Law no. 201 of 6 December 2011, converted into Italian Law no. 214 of 22 December 2011) and of competition pursuant to the provisions of the Italian Civil Code.

After their appointment, Directors must promptly inform the Board of any change in the positions held, to allow the Board to carry out those checks for which it is responsible.

### **3.6 Causes of incompatibility (so-called “interlocking”)**

In line with the provisions of Section 36 of Italian Decree Law no. 201 of 6 December 2011 (converted into Italian Law no. 214 of 22 December 2011), laying down rules on “personal cross holdings in the credit and financial markets” and on the prescribed prohibition preventing “office-holders in any management, monitoring and control bodies or in senior management positions in companies or groups operating in the credit, insurance and financial markets from accepting or exercising similar positions in competitor companies or groups”, the Board of Directors recommends that shareholders submit lists of candidates to be appointed to the new Board of Directors, after it has been verified that no grounds exist in respect of the causes of incompatibility prescribed by the provision in question.

#### 4. OPTIMAL QUALITATIVE COMPOSITION

The Board of Directors of Banca Sistema S.p.A., has identified its own optimal qualitative composition by identifying the skills which should be present among its members, in order to guarantee an adequate mix of knowledge and experience. In particular, in order to ensure the “collective suitability” of the Board of Directors, also in light of the developments and increased complexity of the external context, it is deemed necessary to provide for the entry into the Board of professional roles capable of contributing critically, analytically and constructively to the Board’s assessment of the issues discussed and requiring resolutions by the Board, supporting the processes underlying the development of strategies, and following the progress of business operations, risks and the work of senior management, in order to ensure the sound and prudent management of the Bank and the sustainability of its business.

The following tables provide an indication of the areas of knowledge and specialisation that should be covered:

AREAS OF KNOWLEDGE	OPTIMUM COMPOSITION OF THE BOARD OF DIRECTORS
Banking business	Holding a level of knowledge which is at least “substantially adequate” in <u>all of the five identified areas</u> , by at least two-thirds of the members of the Board.
Dynamics of the financial and economic system	
Regulations in the banking and financial sphere	
Strategic guidelines and planning	
Risk control and management methodology	

AREAS OF SPECIALISATION	OPTIMUM COMPOSITION OF THE BOARD OF DIRECTORS	
Governance and control	Corporate Governance	For each area of specialisation, at least two of the members of the Board must have a “fully adequate” level of knowledge or at least two-thirds a level of knowledge which is “substantially adequate”. At least one Director must have a “fully adequate” level of knowledge regarding the identification, assessment and management of money laundering and terrorism financing risks.
	Internal control system	
	Risk Management	
	Reference standards	
	ESG	
Business	Anti-money laundering	
	The various technical forms of loan	
	Banking services	
Support	Knowledge of the Bank’s reference markets, including at the international level.	
	Accounting, administration and tax	
	Operations, Digital Innovation and Information Technology, including profiles related to Fintech and Cybersecurity.	

In light of the foregoing and in order to allow compliance with the provisions of the MEF Decree, the Board of Directors shall invite shareholders to put forward candidates, with adequate availability of time to dedicate to the office, with proven experience and skills in the company's core business and/or in risk issues and/or regulatory-legislative issues and/or in the field of digital innovation and Information Technology and/or in ESG issues.

In order to verify that these requirements are satisfied, the profile of each candidate must be accurately examined, with the allocation of a rating for each of the four areas of knowledge and for each of the eleven areas of specialisation, on the basis of the following scale:

- “fully adequate”: high level of knowledge of the main topics typically associated with the area, gained in an academic environment, in exercising the profession or with reference to work experience;
- “substantially adequate”: adequate level of knowledge of the main topics typically associated with the area, gained in an academic environment, in exercising the profession or with reference to work experience;
- “partially adequate”: basic level of knowledge of the main topics typically associated with the area;
- “inadequate”: not sufficiently adequate level of knowledge of the main topics typically associated with the area.

In order to ensure compliance with these criteria, it is required that the applications submitted by the shareholders are accompanied by an updated CV for each candidate designed to identify the specific skills profile, as well to evaluate the satisfaction of the aptitude requirements aimed at ensuring the performance of the role the successful candidate will be called on to fulfil. This is without prejudice to the shareholders having the option to give different assessments regarding the optimal composition of the Board of Directors. In these cases, shareholders are requested to provide appropriate reasoning with reference to the differences compared to the theoretical profile defined by the body in question.

## 5. OPTIMAL QUANTITATIVE COMPOSITION

On 23 April 2020 and on 27 November 2020, the Extraordinary Shareholders' Meeting decided to introduce a number of amendments to the By-laws, and in particular to amend Article 10 of the By-laws by establishing:

- i) that the Board of Directors be composed of a minimum of 7 (seven) members and a maximum of 11 (eleven) members, and
- ii) that, in accordance with the principle of the 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.

Now, therefore, **the Board of Directors, following the Self-Assessment Process, deems that the current number of Directors is appropriate to ensuring the due balance of expertise and experience required by the complex nature of the Bank's business, and to permitting the constitution of Committees without any excessive overlapping of the corresponding members.**

Thus the Board of Directors deems the optimal number of Board members to be 9 (nine).

It should be pointed out that under existing Supervisory Provisions, at least a quarter of the members of the Board of Directors must meet the requirements of independence. Pursuant to Article 10.3 of the By-laws, with rounding up to the nearest whole in the case of a fractional number.

### 6. DIVERSITY

Pursuant to Section 11 of the MEF Decree, the composition of the governing and supervisory bodies must be suitably diversified in such a way as to:

- increase discussion and debate within the bodies themselves;
- encourage the emergence of a plurality of approaches and perspectives when analysing matters and taking decisions;
- effectively sustain the corporate processes of strategy formulation, operational and risk management, and monitoring senior management's performance;
- take account of the many interests that contribute towards the Bank's sound and prudent management.

To this end, account is taken of the presence on the governing bodies of members:

- a) of different ages, gender, seniority and, exclusively in the case of banks operating significantly in international markets, geographical origin;
- b) whose expertise and skills, considered collectively, are capable of helping achieve those aims listed in paragraph 1;
- c) of a suitable, non-excessive number, capable of ensuring the proper functioning of the body in question.

Now, therefore, the By-laws establish that in view of the provisions set out in Section 147-ter of the Italian Consolidated Finance Act and of Article 144-undecies, point 1, of the Issuers' Regulations, "in accordance with the need to ensure an adequate degree of diversification in the composition of the Board of Directors, 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".

Therefore, should the Board of Directors be composed of 9 (nine) members, 4 (four) of them should be of the least represented gender.

More generally, taking into account the areas of knowledge and specialisation identified in paragraph 4 above and in order to guarantee the collective suitability of the management body, the Board shall emphasise to the shareholders the need for the individual Directors to have a managerial and/or professional and/or academic and/or institutional profile and to possess diverse and complementary skills and experiences so as to ensure an adequately diversified composition of the Board.

Within this framework, the concept of diversity must be understood in a broad sense, having regard not only to the diverse and complementary skills represented by the Directors, but also to aspects such as geographical origin, previous professional experiences, different genders, age groups and seniority in office.

The lists drawn up by shareholders should be based on these principles.

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Finally, it should be pointed out that pursuant to the Code of Corporate Governance, whosoever submits a list containing a number of candidates over and above one half of the members to be elected, must provide due information, in the documents presented for the submission of the list, regarding the list's correspondence to the aforementioned orientation expressed by the governing body, also in terms of the principles of diversity.