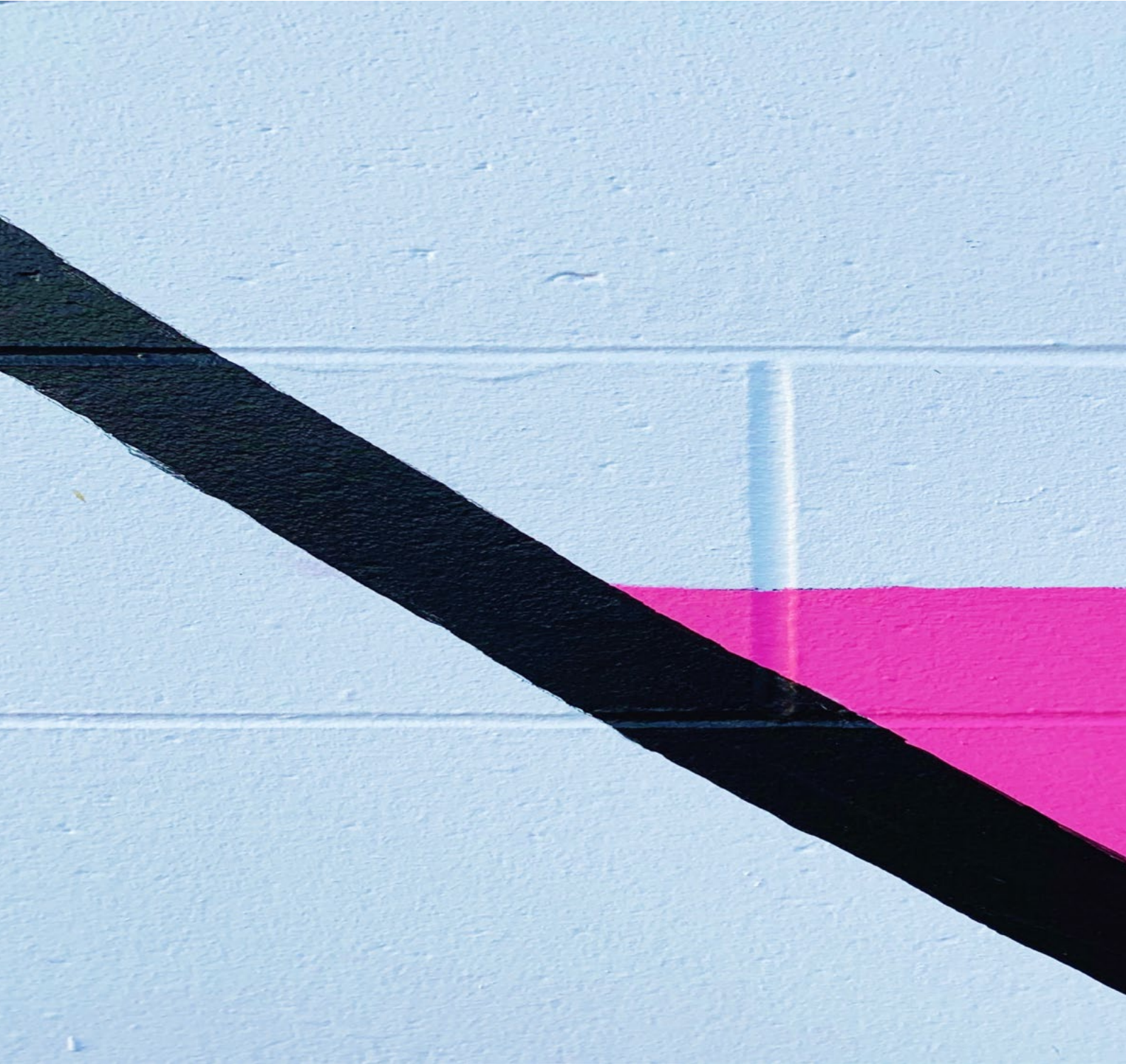


illimity 2021 Sustainability Report



◀ Frame the cover photo to watch the
"Business Support & Management" video using the ARIA App



2021 Sustainability Report

as of 31 December 2021

Consolidated Non-Financial Statement
pursuant to Legislative Decree 254/2016.

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Main ESG achievements

725

employees
+24% yoy

49

average hours
of training
above the sector
average

100

€ mln
Investment in renewable
energy plants, through the
joint venture with VEI Green

4.6% Gender Pay Gap

ESG LTIP

Integration of ESG objectives
in the Top Management's
Long-Term Incentive Plans

2,537 tCO₂e

Emissions avoided through the partnership
of the Energy Desk of the Distressed Credit
Division

Carbon Neutrality

Maintenance of Group's Carbon Neutrality
(Scope 1 and Scope 2)

82%

Overall satisfaction
for illimiters

**UN Global
Compact**

Endorsement of the United
Nations Global Compact

ESG Rating

Upgrade of main
ESG ratings
assigned to illimity

Letter to stakeholders

GRI 102-14

Dear illimity friends,

today, we are presenting our 2021 Consolidated Non-Financial Statement. Although this is a regulatory requirement, at illimity it also has a far deeper meaning. For us, it is about providing an account for our stakeholders of the responsibility that guides us each and every day as we work with entrepreneurs and companies on their development and turnaround plans, as we find new value in loans for struggling companies, and as we provide innovative banking services that make life simpler for people and firms. It is the same responsibility that underlies our efforts to ensure the professional development and well-being of our illimiters - our most valuable form of capital.

Sustainability is an integral part of everything illimity does and it is a fundamental part of our identity. We not only want to create profit, but also value, providing all our stakeholders with sustainable, lasting benefit.

We presented our new 2021-2025 Strategic Plan in June 2021 and, despite only slightly over 2 years having passed since illimity was created, it sets out ambitious new targets. This Plan also reiterates the Bank's ESG commitments and ambitions, fostering an approach in which sustainability is a cornerstone of everything we do through aspects such as the progressive inclusion of ESG factors in loan decisions, a commitment to keeping the Group carbon neutral and the key step of launching activities to measure the emissions of the businesses we finance so mitigation steps can be implemented. Through *fondazione illimity*, we have commenced real estate projects designed to have a social impact, with the first such project due to be completed in 2022. Our Distressed Credit Division is continuing our work to get renewable energy plants back up and running. As further proof of our collective commitment to sustainability, we have

integrated ESG targets into our bonus schemes for top management and into the performance system for all our illimiters.

We proudly joined the United Nations Global Compact, seeing this step as a critical moment on our sustainable development pathway and a commitment to promoting the ten fundamental principles through cooperation agreements and partnerships with an array of stakeholders.

illimity's success owes much to the team of over 700 female and male staff members from 300 different organisations and 25 different nationalities - and these numbers are still growing. This diversity of professional experience and expertises helps us to think outside of the box in a paradigm of always seeking to innovate. The sense of togetherness and of belonging that pervades the illimity Group is what led, for the third straight year, the Group to be recognised as a Great Place to Work® and to be ranked as one of the Best Workplaces in Europe for the first time.

The last two years have been marked by healthcare, social and economic crises, but we have grown during this time, launching new projects and keeping our promise to stand by SMEs, particularly in moments of trouble and uncertainty, and especially to help them redefine supply chains and tackle rising commodity prices. illimity was born to support SMEs and now we are able to support them all, not only the mid-to-large segment. At the beginning of the year we launched *b-ilty*, the first digital business store for financial and credit services designed specifically to help smaller SMEs with specific needs.

In line with the goals of Italy's post-Covid Recovery Plan, we want to be at the forefront of helping



“ Being an illimiter also means being accountable in concrete choices made each day ”

companies make a digital and ecological transition as part of accelerating economic and social growth and development processes, and promoting the shift towards renewable energies. We want to help drive a robust, digital ecosystem, potentially through strategic and commercial partnerships that focus on sustainability topics. A good example of this is our current Open-es initiative, a digital platform launched by Italian energy giant Eni that is open to all businesses in order to support the sustainable development of supply chains. And there are other examples, such as our strategic partnership with the ION Group, a company with which we share a vision

as to the importance of technological development in the future.

In 2022, it will definitely be necessary to tackle some key social and economic challenges, and at illimity we plan to play our part.

Rosalba Casiraghi
Chairperson of illimity

Corrado Passera
CEO of illimity



Frame the image using the Aria App to watch the "Compliance & AML" video



Principles of Governance

01. illimity. Bank beyond form

The Group

GRI 102-1 | GRI 102-5 | GRI 102-6

illimity Bank S.p.A. is the parent company of the Banking Group of the same name. Its story starts in January 2018, with the launch of SPAXS, Italy's largest and one of Europe's biggest SPAC (Special Purpose Acquisition Company), set up to acquire and invest in a company operating in the banking sector, with funds of EUR 600 million. With the acquisition of Banca Interprovinciale in 2018 and the finalisation of the merger with SPAXS, illimity Bank came into being and on 5 March 2019 was listed on the electronic stock exchange ("MTA") organised and managed by Borsa Italiana.

Since September 2020, the ordinary shares of illimity have been admitted to trading on the STAR – Segmento Titoli con Alti Requisiti (High Requirements Securities Segment) of the Electronic Stock Market (Mercato Telematico Azionario – "MTA"), dedicated to businesses that excel in terms of transparency and communication, liquidity and corporate governance. illimity is **a bank of the new order**, specialised in **financing for small and medium-sized enterprises (SME)**, with a business model that is extremely innovative and highly technological. illimity provides funding for high-potential companies, as well as for businesses with a low or no rating, including the so-called UTP (Unlikely-To-Pay) segment. It also purchases distressed corporate credit, with or without guarantees, and manages this credit through neprix, its proprietary servicing platform. It offers innovative services for retail customers through its own digital bank **illimitybank.com**. With the new **Investment Banking Division**, it supports companies in restructuring market and private operations, to meet capital, loan and strategic growth needs, also through advisory services for operations such as corporate mergers, spin-offs, incorporations, acquisitions and restructuring. Thanks to **b-ilty**, illimity provides financial and loan services to SMEs through a banking platform featuring an intuitive interface to streamline the business management of small companies. The illimity Group also includes **illimity SGR**, which manages the assets of closed-end alternative investment funds, established with own funds and the funds of third-party institutional investors.

With the **fondazione illimity**, illimity promotes innovative projects for the social regeneration of real estate, and impact financing, working with the third sector and experts in social design, to create value for the territory and local communities.

GRI 102-3 | GRI 102-4

The bank manages and coordinates the Group reporting to it, and has its registered office in Milan, in via Soperga 9. It also operates at secondary offices in Modena, in via Emilia Est 107.

GRI 102-2

The Bank's main activities are listed below.

Growth Credit Division (previously the SME Division)

- **Factoring:** financing of the supply chain of operators of Italian manufacturing and industrial districts, through recourse and non-recourse purchasing of customers' trade receivables.
- **Crossover and Acquisition Finance:** for high-potential businesses with a suboptimal financial structure and/or with a low or no rating;
- **Turnaround:** the purchase of loans classified as UTP, with the aim of recovering and restoring them to performing status by identifying optimal financial solutions, which may include new loans or the purchase of existing loans.

The Distressed Credit Division (formerly the Distressed Credit Investment & Servicing Division)

- **Investment:** purchase of secured and unsecured distressed corporate credit, allocated to three specific desks: Special Situation Real Estate, Portfolio, Special Situation Energy.
- **Senior Financing:** the provision of services, mainly in the form of senior financing to investors in distressed loans.
- **Servicing:** the provision of services for the management of distressed corporate credit and underlying assets, through a specialised servicing platform or under commercial agreements with specialised operators.
- **Remarketing:** the promotion and sale of real estate and securities, from both the free market and legal sector, through a network of online portals and an all-round, customised assistance service.

Direct Banking Division

- **illimitybank.com:** the bank provides a fully-digital, extensive range of products and services for retail and corporate customers, including current accounts, deposit accounts, payment services combined with household budget management services, account aggregation, loans, debit and credit cards, etc.
- **b-ilty:** the banking platform for financial and credit services dedicated to SMEs.
- **Fintech platform** with the joint venture in HYPE.
- **White label platform** with an Open Banking logic and external partners.

It should be noted that, with effect from 1 January 2022, the Finance Department has seen an evolution in the Investment Banking Division reporting directly to the Chief Executive Officer.

Investment Banking Division

- **Capital Markets:** tailor-made solutions for access to the capital market for SMEs, oriented towards development, organic and non-organic growth and optimisation of the financial structure.
- **Equity Solutions:** supporting companies in the structuring of listing operations, directing and coordinating the work carried out by advisors, due diligence processes and the definition of strategic projects aimed at the IPO. Acting as Euronext Growth Advisor (ex- Nomad) for the Companies listed on Euronext Growth Milan (ex-AIM Italy).
- **Debt Solutions:** support companies in meeting their financing needs, optimising the financial and liability architecture through the structuring of bond issues (Minibonds, convertible instruments, with or without guarantees) listed or unlisted.
- **Structuring Solutions:** definition of innovative solutions (i.e. Basket Bonds, securitisations, structuring of alternative debt, etc.) for companies to efficiently optimise and meet financing and capital needs.
- **Hedging Solutions:** support companies in the management of market risks and asset & liability management with the definition of tailor-made solutions for companies.

illimity SGR

- **UTP & Turnaround Funds Area:** setting up and managing of Alternative Investment Funds with investment strategies and policies centred on the turnaround market and on businesses in financial difficulty with prospects for relaunch;
- **Private Capital Funds:** establishment and management of Alternative Investment Funds with investment policies and strategies in asset classes with underlying financial instruments issued by performing companies through the project to establish a Selective Credit AIF in the context of its Private Capital Area.

Corporate Center

The organisation also monitors transversal activities through functions directly reporting to the Chief Executive Officer:

- **Chief Financial Officer & Central Functions:** Administration & Accounting, Budget & Control, General Counsel, IR & Strategic Planning, Human Resources & Organization, Spend & Procurement Management, AML & Treasury.
- **Chief Risk Officer:** Risk Management, Risk Strategy and Risk Analytics deal with the management of risk, and the development of new strategies using advanced, constantly evolving quantitative models.
- **Chief Lending Officer:** the structure reports directly to the Credit Machine (assessment of creditworthiness in financing operations) and Operations, Credit Monitoring & NPE (credit monitoring and management of "organic" non-performing loans).
- **Chief Information Officer:** IT architecture is the factor enabling many of the Bank's results, a full cloud architecture, based on API and developed with best-in-class Fintech solutions.
- **Compliance & AML Department:** detects, responds to and eliminates the inherent and residual risks of money laundering, terrorist financing and fraud.
- **Communication & Stakeholder Engagement Department:** responsible for corporate communication and the definition and implementation of the native ESG strategy, this division positions illimity on the market, with external and internal stakeholders, starting from the founding values of the project.
- **Internal Audit:** this Division carries out assurance activities for the entire system of internal controls, advising Management.

GRI 102-5

As of 31 December 2021, the illimity Group, in addition to the Parent Company illimity bank S.p.A., included the following companies:

neprix S.r.l., a wholly owned subsidiary of the Bank mainly operating in the non-performing loan sector, relying on the services of professionals with specific experience and know how in assessing and managing non-performing loans.

neprix Agency S.r.l., wholly owned by neprix, a real-estate broker that handles sales and leases and certifies the value of properties and companies for third parties.

illimity SGR S.p.A., wholly owned by the Bank, which manages the assets of closed-end alternative investment funds (AIFs), established with own funds and the funds of third-party institutional investors;

The Group also has a number of functional companies for securitisation, used for the acquisition of some distressed credit portfolios.

Robustness and creation of shared value

The central role of corporate and retail customers

The ecosystem of illimity partnerships

Sustainable finance

The European taxonomy of sustainable activities

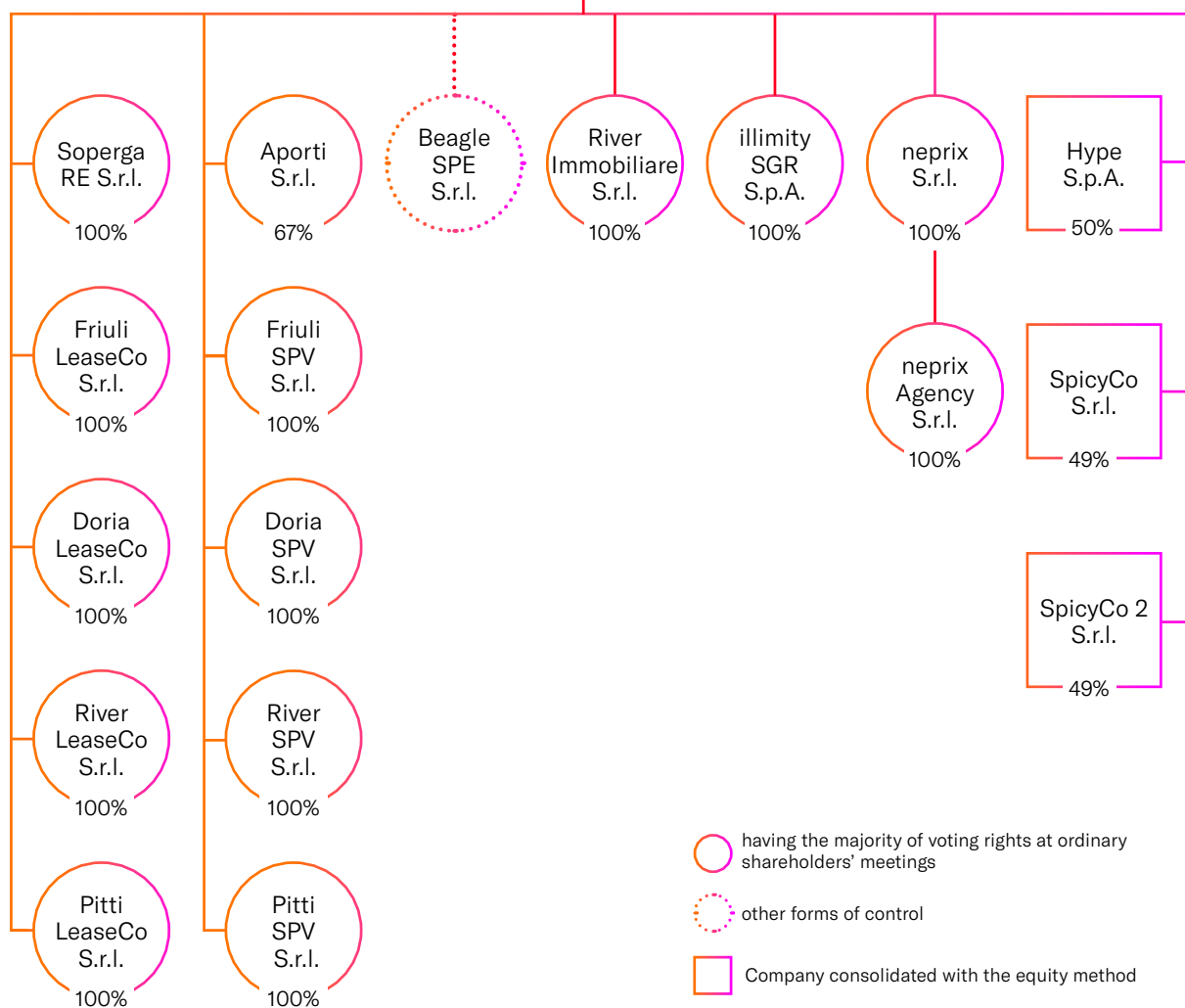
Environmental impacts and climate-related challenges

Combating the COVID-19 emergency

Annex

GRI Content Index

Corporate Structure of of illimity Bank S.p.A. Group as of 31.12.2021



2018

2019

January

Establishment of **SPAXS**, the first Special Purpose Acquisition Company in Italy, to create a new operator in the banking sector

April

The Business Combination of **SPAXS** with **Banca Interprovinciale** is announced.

August

The SPAXS Shareholders' Meeting approves the Business Combination and **announces the name of the new bank: illimity**

December

illimity's **innovative headquarters** with smart spaces is inaugurated in Palazzo Aporti, Milan

March

illimity Bank S.p.A. was born on 5 March with its listing on the MTA of the Italian stock exchange at the same time

April

illimity presents **neprix**, a servicer specialising in the management of distressed corporate loans

June

illimity signs a contract for the **acquisition of IT Auction** that, together with neprix, creates the first end-to-end servicer specialising in distressed corporate credit

September

Establishment of **illimitybank.com**, offering direct digital banking services to retail customers

The main stages of illimity's story

2020

February

illimity SGR is authorised to establish and manage Alternative Investment Funds

May

illimity acquires 100% of IT Auction

June

illimity presents its **first Sustainability Profile** to report on the bank's commitment to ESG issues

September

- illimity is admitted to the STAR segment of Borsa Italiana
- An agreement with Fabrick (Sella Group) is signed for the joint venture in the Fintech HYPER

November

illimity and neprix are given a rating by FITCH

December

illimity successfully concludes its first bond issue

2021

March

illimity obtains the status of **Euronext Growth Advisor (Ex-Nomad)** on the Euronext Growth Milan market (ex-AIM Italy) by expanding its offer for SMEs

April

- illimity SGR completes the **first closing** of "Credit & Corporate Turnaround"
- illimity submits the **First Non-Financial Statement** on a Voluntary basis

May

illimity reaches **Carbon Neutrality** (Scope 1 and Scope 2)

June

- The **fondazione illimity** has been created to promote innovative projects in the social regeneration of real estate assets and impact finance
- illimity approves the **2021-25 Strategic Plan**
- illimity, in the role of Nomad, accompanies its **first SME to the stock market**
- illimity concludes placement of its **first tier 2 subordinated bond**

November

- "Basket Bond - Sustainable Energy" was created in collaboration with Eni, Elite and illimity, as Arranger
- **My Sport e Salute** was born, the Sport e Salute S.p.A. app designed to connect Italians to their sports passions and developed with the technological platform and the most innovative services of illimity

December

- illimity endorses the **United Nations Global Compact**
- illimity SGR completes the **second closing** of "Credit & Corporate Turnaround"

Purpose and values

GRI 102-16

Our identity and values comes from the work of all our illimiters,
because we have shaped our identity starting from our people.

**We have a clear mission:
to recognise and empower the potential
of people, families and businesses.**

We are a bank, and we say it proudly

First of all, we grant credit with the desire to discover and enhance the many hidden potentials of our economy and society to:

- companies that, if supported, could make the big leap forward
- companies that, if accompanied, could get back on track
- companies that didn't make it, but where value can still emerge.

There are individuals and families within and behind these enterprises, and a community around them: **our intervention can increase their well-being.**

We live for innovation

We are a business with a new paradigm born from listening to the real needs of businesses and people: that was our starting point from which to redesign our guiding philosophy and build banking from the ground up, integrating the most advanced technologies with the best skills and experiences.

We believe in freedom

We have an entrepreneurial spirit and feel free to go beyond the preconceptions and conformity of the traditional system. We are autonomous from external conditioning.

We act responsibly

- **towards our shareholders**, committing ourselves to optimising the return on the capital entrusted to us, also in the medium-term
- **towards our customers** by speaking clearly, responding quickly, accompanying them in their challenges
- **towards our employees**, staff and associates by activating their potential, enhancing their diversity, promoting the right balance between work and personal life
- **towards our partners**, positioning ourselves as a platform for increasingly expanding partnerships and opportunities
- **towards society and the environment** by generating positive impacts

We want to demonstrate our ability to produce profits through our actions, but also be useful to the community, contributing to its well-being and building trust.

We're illimity. Bank beyond form.

Robustness and creation of shared value

The central role of corporate and retail customers

The ecosystem of illimity partnerships

Sustainable finance

The European taxonomy of sustainable activities

Environmental impacts and climate-related challenges

Combating the COVID-19 emergency

Annex GRI Content Index



Corporate Governance

GRI 102-18

The corporate governance structure of illimity sets out the relations between the Bank, its corporate bodies and stakeholders. Through this structure:

- business objectives are defined;
- the means to achieve these objectives are decided;
- the overall purpose of the objectives and their legal compliance is monitored;
- specific prior and post controls are carried out to ensure actual compliance with strategies and regulations.

Effective organisational and corporate governance structures are fundamental for all companies to achieve their business goals. For banks, they are particularly important, given the characteristics of banking and public interests, specifically considered by legislation. Besides meeting business interests, the organisational and corporate governance structures of banks must ensure conditions for a sound and prudent management - which is key to regulation and supervisory controls.

illimity's governance structure is traditional¹ and comprises the following:



The corporate governance system is in line with legal provisions and best international practices. Under this system, illimity has a Board of Directors, in office since 22 April 2021, with a broad base of independent members (as of Today, 7 members out of 9 are independent, of which 2 men and 5 women, against the minimum number of 4 required by the Articles of Association), with a high standing and significant and complementary expertise and experience.

As of the date of writing of this Report, 56% of the Board of Directors are women and 44% are men.

The **Board of Directors** has all powers for the ordinary and extraordinary management of the Bank, with the exception of matters that, according to law and the Articles of Association, are dealt with by the Shareholders' Meeting.

During the year ended 31 December 2021, the Board of Directors held 26 meetings. The average duration of meetings of the Board of Directors was approximately 3 hours and 32 minutes and the average percentage of participation was 98%.

According to best corporate governance practices, following the renewal of the administrative body by the Shareholders' Meeting on 22 April 2021, the Bank's Board of Directors held on the same date confirmed the establishment, by appointing its members, of five committees with investigative, propositional, advisory functions: the Nominating Committee, the Remuneration Committee, the Risks Committee, the Committee for Related Party Transactions and the Sustainability Committee.

The composition of the Committees was reviewed and updated by resolution of the Board of Directors of 15 December 2021 following the appointment by the Shareholders' Meeting of a Director (to replace a Director who resigned with effect from 10 November 2021).

1. It should be noted that the Shareholders' Meeting approved, on 21 February 2022, the transition to the so-called one-tier governance model; this model will be implemented with the renewal of the corporate bodies by the 2021 Annual Financial Statements Approval Meeting, currently scheduled for 28 April 2022. Until that date, in fact, the current Board of Directors and the Board of Statutory Auditors will remain in office (whose mandate, in fact, ends with the approval of the 2021 Financial Statements) and the current traditional model will apply, according to the previous Articles of Association, with the clarification that the election of the new bodies will take place on the basis of the provisions of the new Articles of Association.

The **Board of Statutory Auditors** is the Bank's control body. It comprises three statutory auditors and two standing auditors, whose duties and term of office are established by law and by Article 28 of the Articles of Association. The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting on 18 January 2019.

The current Board of Statutory Auditors will remain in office until the approval of the financial statements for the year ended 2021.

Endorsement of the Corporate Governance

Since being listed, the Bank has endorsed the Corporate Governance Code for listed companies, approved in March 2006 by the Corporate Governance Committee of Borsa Italiana and last amended in July 2018.

In its meeting of 22 December 2020, the Board of Directors decided to endorse the new Corporate Governance Code approved by the Corporate Governance Committee of Borsa Italiana and published on 31 January 2020. In particular, the Board of Directors, considering the timing of implementation of the Code (starting from the first financial year following 31 December 2020), taking into account that the term of office of the administrative body in office, and consequently of the Board Committees, was expiring, resolved to start the adjustment activities in the first months of 2021, in order to submit the related resolutions to the corporate bodies appointed with the 2021 Shareholders' Meeting.

During 2021, illimity therefore implemented the provisions of the new Corporate Governance Code, as illustrated below, and for the detailed aspects of which reference is made to the specific chapters of this document as well as to the Annual Report on Corporate Governance and Ownership Structure for 2021 made available to the public.

As required by the Code and applicable banking regulations, the Guidance Document on the optimal qualitative-quantitative composition of the Board of Directors (the "**Guidance**"), approved by the Board in its meeting of 25 February 2021, was made available to shareholders well in advance of the publication of the notice convening the Shareholders' Meeting called to renew the Board of Directors (22 April 2021).

In the Guideline, the Council defined, among other things, the diversity policy with regard, in particular, to the composition of the Administrative Body deemed optimal so that it can carry out its functions in the most effective way and can ensure a sufficient diversity of views and skills necessary for a good understanding of current business affairs, risks and long-term opportunities relating to the business. For this purpose, the composition of the Administrative Body must reflect an adequate degree of diversification in terms of skills, experience, age, gender and training and professional path of its different members.

Furthermore, with regard to the requirement of independence, in the Guideline the Council made known the criteria and the related quantification, with regard to (i) the significance of the so-called commercial relationship referred to in letter c) of recommendation no. 7 of the Code and (ii) the significance of the so-called additional remuneration referred to in letter d) of recommendation no. 7 of the Code.

In its meeting of 22 April 2021, the Board approved the operating regulations of the Board Committees, assigning them the tasks and responsibilities provided for by both the applicable legislation and the new Corporate Governance Code. An operating budget has also been allocated to each Committee.

The Board of Directors also approved the Diversity, Equity & Inclusion Policy at its meeting of 2 December 2021 (see page 78 for further details).

In relation to the enhancement of the component related to ESG profiles, with the approval of the 2021-2025 Strategic Plan, illimity has provided for a series of areas of intervention, initiatives, indicators and objectives with the aim of strengthening the Group's role as an innovative player, not only in terms of supporting economic development and meeting the needs of businesses and families, but also as an active protagonist and supporter of the process of transition to the "low carbon economy". The reduction of gender diversity, the use of ESG ratings in origination and investment processes, the factorization of ESG profiles in long-term incentive systems, the evolution of RAF and risk management metrics in order to measure climate-environmental risks, are just some of the different interventions formalized to achieve the objectives of the Plan.

In addition, the Shareholders' Meeting, convened on 15 December 2021, approved the update of the Remuneration Policy and the new long-term variable incentive plan, with the inclusion of ESG metrics deriving from the commitments made in the area of sustainability provided for in the new Strategic Plan, with particular reference to environmental, social and governance issues. The duration of the LTI Plan has also been aligned with that of the Strategic Plan (see page 73 for further details).

In order to promote dialogue and encourage bilateral interaction with the generality of the Shareholders and the Financial Community, the Board of Directors approved, in the meeting of 10 November 2021, the Policy concerning the management of the Dialogue with the generality of the Shareholders (see page 88 for further details).

The Board of Directors of illimity also approved the Succession Planning Policy for Company Representatives at its meeting of 22 December 2021. The Policy declines the processes of succession of the corporate members of the illimity Group (in particular of the Bank, of neprix S.r.l. and of illimity SGR S.p.A.), and governs, among other things, the succession of the top management of the Group (including the Chairman, Managing Director (s) and/or General Manager (s) of the Bank and of the main subsidiaries of the Group) and of the Managers with Strategic Responsibilities, defining the emergency plan for the renewal of these figures in the event of a hypothetical sudden need for replacement.

Finally, it should be noted that the Shareholders' Meeting of 21 February 2022 approved an amendment to Article 16, paragraph 1, of the Articles of Association. In particular, the Board of Directors is expected to guide the Company pursuing **sustainable success** for the purpose of creating long-term value for the benefit of shareholders, taking into account the interests of stakeholders relevant to illimity.

The governance of sustainability

Sustainability issues are monitored, according to international best practices, by a board committee specifically set up in January 2020 (as confirmed in April 2021) and comprising three Board Directors. The CEO and Chief Communication & Stakeholder Engagement Officer are permanent attendees of the committee meetings.

illimity's Sustainability Board Committee is mainly tasked with assisting the Board of Directors, in giving advice, making assessments and taking decisions on sustainability issues. The Committee is assisted by the Communication & Stakeholder Engagement Department, and promotes a responsible, sustainable culture within the Group, establishing medium/long-term sustainability goals.

The **Board of Directors** approves the materiality matrix resulting from Stakeholder Engagement activities, as well as the Consolidated Non-Financial Statement, which represent and convey the Bank's commitment, results and goals for improvement in terms of sustainability issues.

The **Communication & Stakeholder Engagement Department** monitors the Group's sustainability activities and coordinates the process to monitor and report on these issues, working at all times with the Group's various Functions and Divisions.

Then there are the **ESG Ambassadors**, identified within the different Divisions and Directorates, responsible for developing specific ESG initiatives and promoting a culture of sustainability within their teams.

Composition of corporate bodies

The composition of corporate bodies following the appointment by the Shareholders' Meeting of 22 April 2021, as updated following the Shareholders' Meeting of 15 December 2021, are reported below.

BOARD OF DIRECTORS

Chairperson

Rosalba Casiraghi

Chief Executive Officer

Corrado Passera

Directors

Massimo Brambilla

Patrizia Canziani

Elena Cialliè

Paola Elisabetta Galbiati

Francesca Lanza²

Giovanni Majnoni D'Intignano

Marcello Valenti

BOARD OF STATUTORY AUDITORS

Chairperson

Ernesto Riva

Standing Auditors

Stefano Caringi

Nadia Fontana

Substitute Auditors

Riccardo Foglia Taverna

Michela Zeme

BOARD COMMITTEES

Nominating Committee

Marcello Valenti, Chair

Rosalba Casiraghi

Giovanni Majnoni D'Intignano

Remuneration Committee

Paola Elisabetta Galbiati, Chair

Massimo Brambilla

Marcello Valenti

Risks Committee

Elena Cialliè, Chair

Patrizia Canziani

Rosalba Casiraghi³

Committee for

Related Party Transactions

Giovanni Majnoni D'Intignano, Chair

Paola Elisabetta Galbiati

Marcello Valenti

Sustainability Committee

Rosalba Casiraghi, Chair

Elena Cialliè

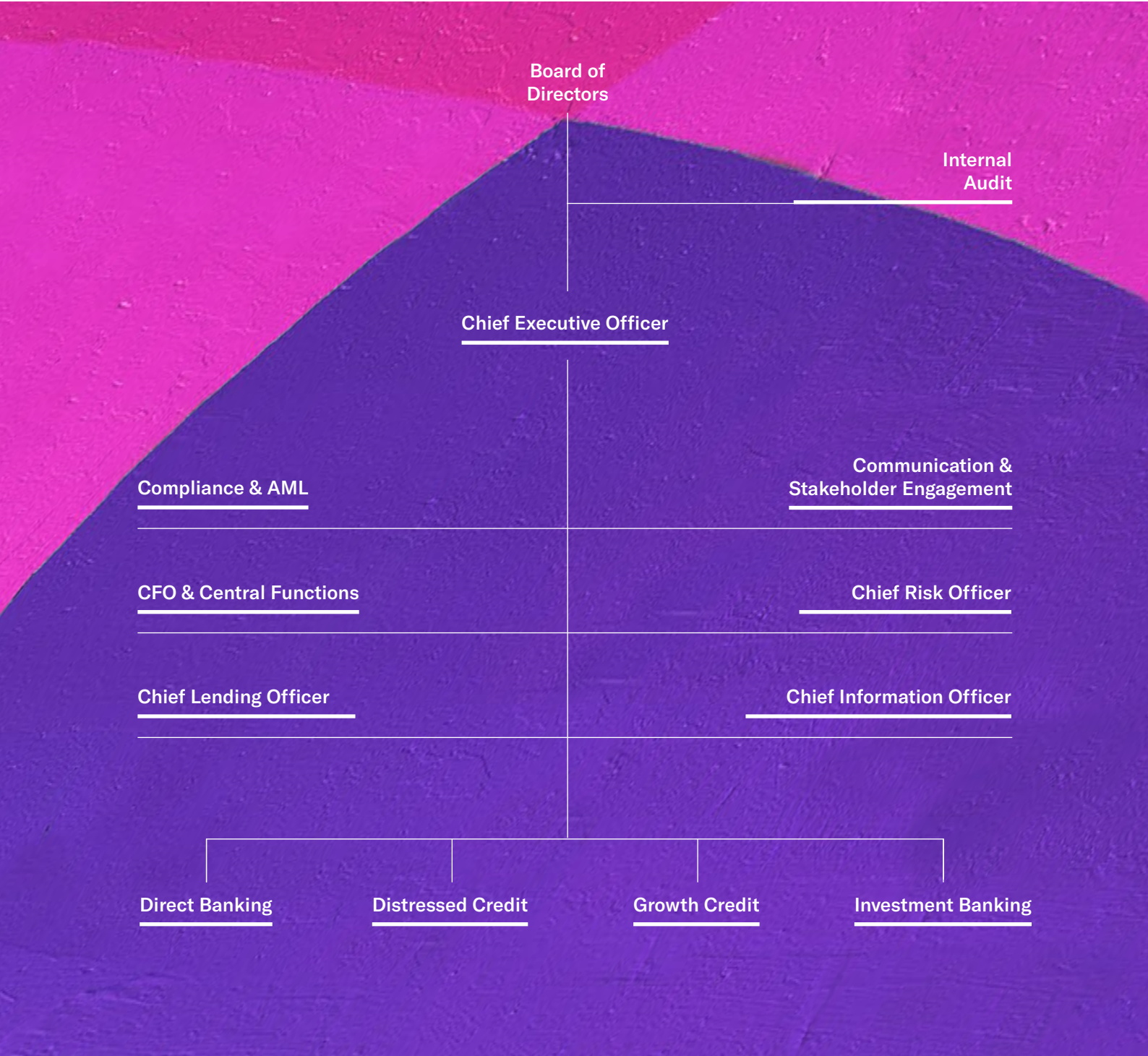
Patrizia Canziani

2. Board Director appointed by the Shareholders' Meeting of 15 December 2021, following the resignation of Board Director Martin Ngombwa effective from 10 November 2021.

3. New member of the Committee appointed by the Board of Directors on 10 November 2021.

illimity's Governance and Organisational Model

(updated on 1 January 2022)



Associations and endorsements of international schemes

GRI 102-13

Main associations and partnerships include:

ABI (Italian Banking Association)

This non-profit organisation represents and safeguards the interests of the banking industry. Its main activities include organising studies and debates on banking issues, and providing information and technical assistance for member banks.

ASSIOM FOREX

This financial association promotes the professional growth of financial operators, the dissemination of technical aspects and market practices, contributing to the development and integrity of domestic financial markets in a European and international context.

ASSONIME

The Italian Association for Public Limited Companies. This Association studies and deals with issues concerning the development of the Italian economy, working to improve industrial, commercial, administrative and tax legislation, with a particular focus on corporate law, to promote a better knowledge of Italian law and Italy's economic situation.

ASSIFACT (Italian Factoring Association)

This Association brings together Italian factoring operators, and provides information, training and assistance for its members, working with institutions. It also oversees studies and statistics, promoting an awareness and knowledge of factoring.

ASSILEA (Italian Leasing Association)

This trade association represents operators of finance and operating leases in Italy, comprising specialist or multi-product banks, financial intermediaries and commercial long-term hire companies.

VALORE D

This business association is committed to gender balance and an inclusive culture in organisations and in Italy. It promotes female diversity, talent and leadership for the growth of companies and the country.

UN Global Compact

The United Nations Global Compact encourages companies all over the world to create an economic, social and environmental framework that promotes a healthy and sustainable global economy that guarantees everyone the opportunity to share in its benefits.

Launched in 2000, the UN Global Compact requires member companies to commit to and promote the ten universally accepted principles in the areas of human rights, labour, environment and fight against corruption, as well as acting in support of the UN Sustainable Development Goals (SDGs).

The accession, in 2021, to the UN Global Compact represents for illimity an important piece of its sustainable development path and a commitment to contribute and promote values consistent with those of the Group through cooperation and multi-stakeholder partnerships.

Scope	Principles	Page reference
Human Rights	Principle I. Promote and respect universally recognized human rights within their respective spheres of influence.	43-44
	Principle II. Make sure that you are not, albeit indirectly, complicit in human rights abuses.	49-50
Labour	Principle III. Supporting freedom of association for workers and recognising the right to collective bargaining.	66-83
	Principle IV. Elimination of all forms of forced and compulsory labour.	66-83
	Principle V. Effective elimination of child labour.	66-83
	Principle VI. Elimination of all forms of discrimination in respect of employment and occupation.	66-83
Environment	Principle VII. Support a preventive approach to environmental challenges.	102-119
	Principle VIII. Undertake initiatives that promote greater environmental responsibility.	102-119
	Principle IX. Encourage the development and diffusion of environmentally friendly technologies.	102-119
Anti-Corruption	Principle X. Counter corruption in all its forms, including extortion and bribery.	45

Risk management and ESG risks

GRI 102-11

The illimity Group has a structured **Risk Management Process** (RMP) with the aim of contributing to the sustainable value creation process while also ensuring regulatory compliance.

The **Board of Directors (BoD)** of the Parent Company plays a fundamental role in risk control, including ESG risks. It sets the strategic guidelines, the objectives and the risk limits, assesses the level of efficiency and adequacy of the **Internal Control System** and approves the policies related to these activities. The Board of Directors relies on the **Risks Committee and the Management Committee** for the activities relating to internal control and monitoring, while, in collaboration with the **Chief Executive Officer**, it is responsible for the implementation of the strategic guidelines and the Risk Appetite Framework (RAF) and policies.

The **Board of Statutory Auditors** monitors the effectiveness and adequacy of the risk management and control system, compliance with banking regulations and the functionality and adequacy of the **Internal Control System**.

For the **Internal Control System**, illimity has established three levels and types of controls, reported below, based on business practices and in compliance with prudential regulation.

1st level controls	The operating structures carry out "line controls", to ensure that operations are carried out correctly.
2nd level controls	The CRO (Chief Risk Officer) guarantees constant oversight of the risks undertaken by the Group while the Compliance & AML (Anti Money Laundering) Division prevents, manages and mitigates the risk of non-compliance with the rules as well as the risk of money laundering and terrorist financing. The Division also meets legal obligations on personal data protection at a Group level, and appoints the Head of Compliance & AML as the Data Protection Officer.
3rd level controls	The Internal Audit Department monitors the performance of operations and the evolution of risks as well as assesses the completeness, adequacy, functionality and reliability of the components of the internal control system and information system, the risk management process and the RAF (Risk Appetite Framework).

As part of the Risk Management Process, relevant current and prospective, traditional and ESG, and, in accordance with regulatory requirements, the Group has implemented:

- the **RAF** system of risk limits and objectives, that represents an organic and structured approach which has implications on integrated risk management and governance processes, producing impacts on nearly all company functions. The RAF is structured and set out at an operational level by Business Division and segment of activity, and covers escalation processes, metrics and quantitative limits, as well as qualitative guidelines, indicated annually in the Risk Appetite Statement (**RAS**). The formalisation of the risk management process is essential to apply sound and prudent company management;
- the Internal Capital Adequacy Assessment Processes (**ICAAP**) and the Internal Liquidity Adequacy Assessment Process (**ILAAP**) have the objective of providing an internal assessment of the assets with respect to exposure to the risks that characterize their operations and the operational and structural liquidity profile;
- the process to assess ex ante Material Transactions, with a prior opinion on their sustainability at a credit and income level and consistency with the RAF.

In conjunction with these processes, adopted to manage and control risk under normal operating conditions, the Group has implemented a **Recovery Plan**, the instrument that governs the management of crisis situations, and strategies designed to restore ordinary operation, as well as the **Contingency Funding Plan** procedure (the emergency plan to manage liquidity in crisis situations).

The Group has also launched an operational risk mapping process which, based on quali-quantitative metrics and rules shared within the organisation, identifies the individual types of risk to which the Bank is exposed. The result of the identification process is contained in the "Risk Radar" **risk map**, which represents, in relative terms, the risks inherent in the Group's operations, and to structure them according to the business divisions that generate these risks in order to determine overall risk exposure.

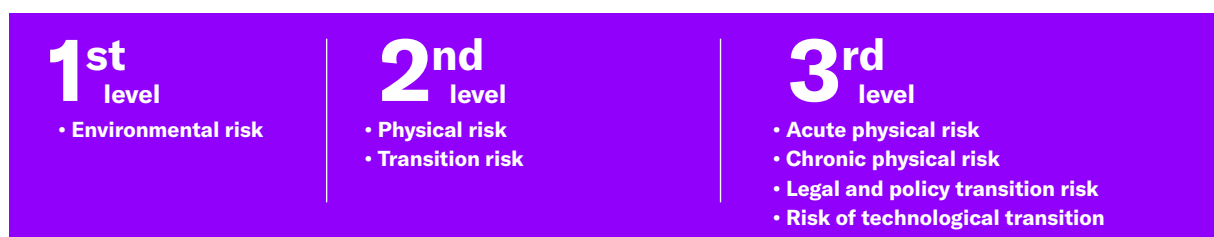
ESG risks

By way of introduction, it should be noted that the entire ESG material and risk management applications, in particular with reference to climate-environmental risks, are characterised by a stage of continuous evolution, with a rich, progressive regulatory framework and with emerging risk assessment and measurement methods, not yet consolidated.

In this context, during 2021 the Bank continued its efforts to **integrate ESG factors into overall risk management**, focusing mainly on environmental issues. The initiatives launched by the illimity CRO consist of a series of analyses and implementations developed on the basis of the evidence taken from the regulatory guidelines, the emerging indications in the interbank work tables and the 2021-2025 Strategic Plan, as described below.

Integration of Environmental Risks into RAF-RAS. In order to assess the positioning of illimity in terms of exposure to risks (Risk Profile) in the physical risk and transition components, some indicators and first measures applied to existing credit exposures were identified, with reference to both the Distressed Credit Division, through resilience indices of the geographical areas of location of the properties, and the Growth Credit Division. The elements that are taken into account are: i) external and independent ESG assessments, ii) greenhouse gas emissions, iii) membership of economic sectors with significant climate-altering emissions.

Evolutionary on Risk Management Processes. A road map has also been defined for a series of interventions aimed at strengthening, in an ESG key, risk control processes. Specifically, for the management of **operational risks**, for the environmental part, three levels of granularity of the risk taxonomy have been defined, as shown below.



In addition, with regard to **Major Transactions**, due diligence was also provided on reputational and ESG profiles, which is developed in an ad hoc section of the risk opinion document, with a description of the controls carried out and the relative outcomes; these include the evaluation of external ESG scores used by the business (in light of the provisions of internal regulations) as well as the use of a prior control of the subjects financed through the use of a Natural Language Processing tool (an IT tool used internationally by many institutions) for continuous monitoring of reputational profiles (sentiment analysis) and connected ESG.

With reference to the mitigation of the **reputational risks** of illimity, management is envisaged through **company regulations**, in terms of regulations, policies, procedures, with respect to which all employees and collaborators of the Bank are required (where the Code of Ethics and Code of Conduct – illimity Way – Internal Code of Self-Regulation of Brokers and Company Regulations are the main). Finally, the **ICAAP/ILAAP⁴** 2022 self-assessment processes provide for the use of macroeconomic scenarios "under climate risk stress tests" for the conduct of a "parallel" exercise of forward-looking capital and liquidity adequacy assessments.

Physical risk assessment. an operational site has been started at the CRO in order to define a risk assessment model, by categories of buildings and classes of risk events, defining the % to be applied to the value of the properties for the purpose of estimating expected and unexpected economic damage; this estimate will also be used for the purposes of capital adequacy assessments with respect to the risks assumed (ICAAP process) and liquidity reserves with respect to net needs (ILAAP process), under ordinary and stress conditions.

Evolutionary on Credit Processes and Investment Policy. Within the Consolidated Credit Procedure (PUC), methods for assessing the sustainability of investment opportunities have been integrated and the "excluded" economic sectors have been explained (negative screening both for the exclusion of specific sectors and for ESG assessments below the sector average). For more details, see the paragraph "ESG evolution in lending processes" on page 102.

As already highlighted in the reporting phase for the year 2020, in accordance with the requirements of Legislative Decree 254/2021, the Group has identified - through a process led by the CRO, assisted by the Communication & Shareholder Engagement Department - the main environmental, social and governance risk factors, related to each material topic reported on, and attributing these factors to existing risks.

Specifically, the process consists of the CRO analysing in advance ESG risks, in order to identify the economic, financial and reputational risks defined by prudential supervisory regulations and best practices, and identified as material by the Group during the ICAAP.

The table below shows the **main ESG risk factors** (classified as generated or impacting the Group)⁵ to which the illimity Group might be exposed.

4. The objective of the ICAAP is to provide an internal assessment of the current and forward-looking adequacy of assets in relation to exposure to operational risks; the ILAAP, on the other hand, refers to the internal process of assessing the adequacy of the liquidity management and governance system.

5. As indicated by Article 3, paragraph 1 of Legislative Decree 254/2016.

Areas of Legislative Decree 254/2016

Environment

Topics	Risk classification	Specific risk ⁶	Management procedure
Environmental protection	Generated	Signing of agreements with suppliers that do not meet environmental sustainability requirements	In selecting and evaluating suppliers, the Bank adopts, among other things, a conduct where it shares and supports core principles of compliance with environmental, safety and corporate social responsibility regulations in line with the Group's sustainability strategy; and accepts the illimity Way. In addition, the Spend & Procurement Area has the right to carry out control and monitoring of its suppliers and to terminate the contract in the event of violations.
Environmental impacts and climate challenges	Affected	Operational and credit losses related to an increase in climate/environmental risks, both physical and concerning transactions	Safeguards in place during origination/control (policies, ESG rating and business sector/model analysis) and the management of guarantees (prudential pricing strategies and credit recovery and insurance process management).

Areas of Legislative Decree 254/2016

Social

Topics	Risk classification	Specific risk ⁶	Management procedure
Developing and consolidating partnerships	Affected	Practices for procurement and signing of contracts with counterparties that do not comply with sustainability requirements in terms of environmental protection, corporate culture, safety, innovation, reputation.	Safeguards are in place for controls (activities of Risk Management, the Compliance Function, Procurement, and the relevant corporate structures as provided for in the Outsourcing Policy). Preliminary risk assessment (and subsequent continuous monitoring) carried out by Risk Management on partners to whom essential or important functions (FEI) have been outsourced.
Cyber risk, Data management & Security	Generated	Non-compliance with applicable regulations and laws on privacy (e.g. the GDPR)	Safeguards are in place for controls, such as the activities of the Compliance Function and IT systems with access profiling. Activate an active monitoring system for the behaviour of users connected to the banking system. Training of personnel involved in the processing of personal data at least once a year.
Cyber risk, Data management & Security	Affected	Loss and theft of sensitive data due to cyber attacks	Safeguards are in place for control, such as access protocols and protection systems. Activation of the illimity Security Awareness Programme, a training programme on phishing, business e-mail compromise, malware and data protection, for all employees, interns and external staff, tailor-made to the risk profile of each user on at least an annual basis. Monitoring of quantitative indicators (such as the number of serious IT security incidents compared to the total of IT security incidents reported) to understand how the security measures implemented by the illimity Group guarantee an excellent level of protection and tackling of IT attacks. Vulnerability Assessments and Penetration Tests (VAPT) to identify any security vulnerabilities in the Bank's applications and systems, with the aim of preventing and tackling cyber attacks. Publication of guidelines to take into account the correct security measures to be implemented in the various cases that process data classified according to increasing criticality. Monitoring in the Risk Appetite Framework of a dual operational risk indicator: business operating losses and ICT operating losses detected during the year.

6. Specific risk: the main risks, generated or impacting the Group, related to the material topics of the illimity Group, and which arise from the organisation's activities, its products, services or business relations, including, where significant, supply or subcontracting chains (ref. Legislative Decree 254/2016 Article 3(1)).

cont. > Areas of Legislative Decree 254/2016 / Social

Topics	Risk classification	Specific risk ⁶	Management procedure
Innovation and digital transformation	Affected	Inadequate level of IT security management on innovative technological platforms (e.g. illimity apps)	Safeguards are in place for control, such as access protocols and protection systems.
Innovation and digital transformation	Affected	Malfunctions or the unavailability of servers of the IT interfaces used by the Group and/or its customers	Specific IT safeguards are in place, including procedures for Business Continuity management. The Banking Group constantly plans, implements and updates all IT Security measures to ensure the continuity of ICT services even in the presence of catastrophic events.
Customer relations and personalised response capacity	Generated	Little ability to attract new customers	Operational supervision of marketing, development, management and customer care, which have ensured and are ensuring a continuous increase in the customer base and customer satisfaction.
Customer relations and personalised response capacity	Affected	Customer dissatisfaction, with a consequent negative turnover	Operational supervision of marketing, development, management and customer care, which have ensured and are ensuring a continuous increase in the customer base and customer satisfaction. Presence of expert personnel working at contact centres, on hand to help customers at any time, from onboarding to the operational management of services offered.
Support for SMEs	Generated	Failure of implementation of the company strategy on financing low rated or unrated companies, characterised by a huge potential for growth	Effective safeguards are in place for the selection, assessment, risk operations and monitoring/controls during origination and on a continual basis.
Support for SMEs	Affected	Finalisation of financing with subjects that are not in line with ESG standards	Effective safeguards are in place for the selection, assessment, risk operations and monitoring/controls during origination (for example, operational ESG rating, provided by external and independent parties, for sustainability analysis).

Areas of Legislative Decree 254/2016

Personnel

Topics	Risk classification	Specific risk ⁶	Management procedure
People empowerment, involvement and wellbeing	Generated	Inability to attract and retain talent	Definition of a framework for the attraction and development of human resources based on company values and "the illimity leadership model", aimed at guaranteeing a work context driven by: inclusion, collaboration, accountability and meritocracy. The attractiveness of this framework is constantly verified through continuous checkpoints of managers/HR with each illimitee as well as by the annual certification process of Great Place To Work as well as by analyses of independent bodies such as e.g. Universum.
People empowerment, involvement and wellbeing	Generated	Failure to achieve sustainability objectives, due to the absence of appropriate criteria in management performance measurement and incentive systems.	Forecast in the purpose incentive plans: "supporting the creation of value and corporate social responsibility in the long term" and the clause "No violation of regulations, regulations or company codes at an individual level" as a gate for the activation of the incentive. In 2021, integration of 2 ESG KPIs (representing in aggregate 20% of the objectives sheet) into the 2021-2025 Long-Term Incentive Plan for the Chief Executive Officer, the remaining Top Management and other key Group personnel that includes measurable elements regarding Diversity, Equity & Inclusion issues (10%) and an improvement in our positioning in ESG ratings issued by independent agencies (10%).

Robustness and creation of shared value

The central role of corporate and retail customers

The ecosystem of illimity partnerships

Sustainable finance

The European taxonomy of sustainable activities

Environmental impacts and climate-related challenges

Combating the COVID-19 emergency

Annex

GRI Content Index

cont. > **Areas of Legislative Decree 254/2016 / Personnel**

Topics	Risk classification	Specific risk ⁶	Management procedure
Diversity, Equity and Inclusion	Generated	Poor effectiveness of programmes focused on the themes of Diversity, Equity & Inclusion	HR Policy, which adopts the value of diversity from recruitment onwards, up to the professional development of employees (in terms of gender, studies, experience and nationality); Group policies based on the enhancement of all diversity (in terms of gender, studies, experience and nationality); Forecasting of programmes and initiatives on the subject (i.e. illimitHER) Issuance of a specific Policy on Diversity, Equity & Inclusion issues.
Diversity, Equity and Inclusion	Generated	Increase in gender pay-gap with consequent disincentives for female staff	Gender neutral process guaranteed by the Group HR, DEI and corporate governance policies. Extract from the DEI Policy: We define remuneration on the basis of the principle of "equal pay for equal work", guaranteed through safeguards aimed at ensuring that remuneration decisions are neutral diversity. Specifically, these safeguards are embodied in the systematic analysis of internal and external remuneration benchmarks at the time of defining the financial package, as well as during the annual salary review process and in the commitment to substantially zero the equity Pay Gap, monitored through controls activated during employment, during the individual salary review phase and in the periodic review of remuneration policies.

Areas of Legislative Decree 254/2016

Human rights

Topics	Risk classification	Specific risk ⁶	Management procedure
Safeguarding human rights	Generated	Failure to adopt the principle of "non-discrimination" within the Group, in relations with staff and associates and in internal policies and procedures (for example, relating to access to work, training and professional promotion).	Safeguards in place for control at a policy and process level. In particular, attention is paid to the principle of non-discrimination within the illimity way (Group code of ethics) and the Diversity, Equity & Inclusion Policy, defining the commitment to combat any act or practice of discrimination and to promote a culture of diversity and inclusion in compliance with relevant regulations and international best practices at all levels of the organization as well as by its stakeholders. Recruitment and management of human resources are also based on fair and consistent behaviour, preventing favouritism, abuse and discrimination based on gender, ethnic background, religion, political and trade union association, sexual orientation and identity, language, age or disability. Respect for human rights and fundamental freedoms is also guaranteed in relations with third parties, which are based – in terms of contracts and relations – on the principles and values in the illimity Way; and in internal relations. Given the Group's operating and business model, and contextualisation at national level, safeguarding human rights is a fundamental of illimity's human resources management policies, supported by national collective bargaining agreements and specific rules on occupational health and safety, in the context of a nationwide regulatory framework.
Safeguarding human rights	Affected	Failure of companies which the Group finances and/or invests in, to comply with principles of non-discrimination.	Safeguards in place at an application level (business, risk opinions) but only on an indirect level. Consolidated Credit Procedure (PUC) which governs the non-use of loans to certain types of counterparties belonging to "excluded sectors" by the Business Growth Credit and Distressed Credit Structures (excluding portfolios and individual positions managed with a view to gone concern) taking into account the principles of the United Nations on the approach to Business and Human Rights and in line with the Bank's strategic guidelines and the guidelines expressed in credit strategies. In the case of counterparties potentially belonging to these sectors, it is necessary to carry out in-depth checks during the investigation, also referring to external lists, where available, paying particular attention to the purposes of the Bank's credit intervention and taking into account the weight of the excluded activity with respect to the overall operations of the entity (company or group) to be financed.

Areas of Legislative Decree 254/2016

Anti-corruption

Topics	Risk classification	Specific risk ⁶	Management procedure
The fight against fraud, money laundering and corruption	Affected	Internal and external fraud	<p>Internal fraud: the Bank's regulatory body defines the control measures to mitigate the inherent risks in the various company processes, including the risk of internal fraud. In this regard, the controls, both manual and automatic, are structured to guarantee the "separation of tasks" between the person who performs/requests and the person who controls/authorizes an operation, by virtue of defined powers and proxies.</p> <p>The purely operational dictates are combined with the general principles of integrity and transparency defined in the illimity way (Code of Ethics and Conduct) to which staff must adhere in the performance of their duties.</p> <p>External fraud: evaluation in the on-boarding phase at the request of the Smart Care and Branch structure through Intelligence tools. Ongoing quantitative assessment of all customers with respect to the individual transactional context and the customer's behaviour with respect to the movement of their current account.</p>
The fight against fraud, money laundering and corruption	Generated	Group operations concerning money laundering and terrorist financing	<p>Internal policies and procedures aimed at describing the safeguards adopted for the management/mitigation of the risks in question and the related behavioural rules to be followed (primarily, Anti-Money Laundering Policy and Anti-Money Laundering Manual); Organisation and Management Model (231) and illimity way (Group Code of Ethics); training courses provided in e-learning mode, dedicated webinars and specific training programmes/initiatives aimed at the personnel involved, including in the on-the-job mode; training material in the form of educational pills transmitted via email, controls carried out within the processes (e.g. during customer pre-screening and onboarding) and ex-post, both manually and through automated tools; periodic risk assessment and evaluation activities).</p>
Integrity and transparency in company conduct	Affected	Lack of consistency between Group values and the conduct of personnel directly working with customers, through the free phone service, chats, video calls or email	<p>Transparency policies; Organisation and Management Model (231) and the illimity way (Group code of ethics); dedicated webinars and specific training programmes/initiatives aimed at the personnel involved, also in on-the-job mode; training material in the form of educational pills transmitted via email; support for business/marketing functions in verifying compliance with consumer protection requirements in advertising, in order to avoid unfair commercial practices.</p>
Integrity and transparency in company conduct	Immediate	Improper conduct by personnel, due to inefficiencies/shortcomings in procedures/processes	<p>Organisation and Management Model (231) and the illimity Way (Group Code of Ethics) as general safeguards against the risk of unlawful conduct and misconduct by personnel; internal policies and procedures aimed at regulating the behaviours to be followed (Anti-Corruption, Antitrust, Transparency) as well as the safeguards adopted for the management/mitigation of the risks in question; e-learning courses, dedicated webinars and specific training programmes/initiatives, at least annually, aimed at the personnel involved and most exposed to the risks; training material in the form of educational pills transmitted via email, periodic risk control and assessment activities; support for company functions in compliance with the regulatory requirements (so-called compliance by design) of processes, products/services, agreements/partnerships, deals, individual behaviours.</p>

Areas of Legislative Decree 254/2016

Business topics (not covered by Legislative Decree 254)

Topics	Risk classification	Specific risk ⁶	Management procedure
Robustness and creation of shared value	Generated	Ineffectiveness of risk monitoring and management processes	Safeguards in place regarding processes, resources and tools for second and third level controls.
Robustness and creation of shared value	Generated	Ineffectiveness in strategic choices for long-term stability	Safeguards in place regarding processes, resources and tools for second and third level controls.
Legal compliance and institutional relations	Affected	Legal or administrative sanctions as a result of violating mandatory regulations	Safeguards in place regarding processes / resources / tools for second and third level controls; Definition of internal company regulations/Organisation and Management Model (231) and illimity Way (Group code of ethics); Promotion of a company risk culture through initiatives and specific training programmes; Periodic reporting to the competent bodies (for example: Tableau de board).
Legal compliance and institutional relations	Affected	Considerable financial loss or harm to reputation due to failure to comply with laws and regulations	Safeguards in place regarding processes/resources/tools for Compliance Function activities. Non-compliance policy: the purpose of describing the organisational model adopted by the Banking Group for the management of the risk of non-compliance and the correct monitoring of regulatory compliance issues. Promotion of a company risk culture through e-learning initiatives and training programmes, dedicated webinars and specific training programmes/initiatives aimed at the staff involved and most exposed to risks; training material in the form of educational pills transmitted by e-mail. Preparation and continuous updating of a control system that is adequate for ensuring, with regard to compliance risks, that the activities of various business areas are in line with applicable internal and external regulations, and with company strategies and policies, in compliance with sound and prudent management standards. The Bank's Compliance & AML function monitors compliance risk management for all company activities and services/products, maintaining ongoing dialogue with the personnel of the Bank's units and subsidiaries, also ensuring that company processes and procedures are, starting from the design stage, suitable for preventing/mitigating this risk, based on a risk-oriented approach.

The **CRO**, together with the **CFO & Central Functions Department** and assisted by other organisational units of the Parent Company illimity Bank and Subsidiaries neprix and illimity SGR oversees the process to identify significant risks, on at least an annual basis. The results of this process represent the assessment and input measures used to develop processes related to the ICAAP and ILAAP, i.e. the Strategic Plan, Budget and RAF, and are therefore validated by senior management, discussed and analysed by the **Risks Committee**, and subject to **approval by the Board of Directors of the Parent Company**.

Evidence from the monitoring and control of individual risks, the analysis of developments in internal and external factors, public information, sector studies and best practices. etc. are all used, continually, to pinpoint potential emerging trends and proactively identify new types of risk or single components which the Group might be exposed to, with a view to updating risk identification, modelling, assessment/measurement and management processes.

illimity's sustainability strategy

With the presentation of the 2021-2025 Strategic Plan, in June 2021, the illimity Group also communicated to the market its own results and commitments in terms of environmental, social and governance (ESG) sustainability.

Specifically, the following **ESG strategic objectives of the Group** have been established, within the 2025 Plan:

Environmental Topics:

- the integration of ESG factors into credit assessment and the Risk Appetite Framework (RAF);
- the maintenance of the Group's carbon neutrality (Scope 1 and Scope 2 emissions) and the measurement and addressing of the so-called "financed emissions" (Scope 3);
- the reactivation of renewable energy plants, exploiting the Energy Desk (Distressed Credit Division).

Social Topics:

- doubling the number of women in managerial roles;
- the maintenance of the balance between men and women in the formalised "talent pool" and a range of remuneration between men and women (gender pay gap) with a maximum deviation of 5%;
- maintaining the Group's employee engagement rate above 70%;
- the implementation of impact projects in the real estate sector, through fondazione illimity.

Governance topics:

- the improvement of the Bank's ESG ratings;
- the integration of ESG objectives into incentive plans.

In order to achieve these strategic objectives in the ESG field, the Group's business, central and control structures were involved, to identify, organise and launch the operational projects and the actions necessary to achieve them, implementing a Group ESG Programme, which led to the identification of over 30 ESG Ambassadors.

The ESG Programme aims to enhance what has already been started and to identify improvement and evolutionary interventions for operational alignment with the Group's sustainability strategy. In fact, the programme is the tool for coordinating ESG projects and activities carried out by the various Group structures, in order to facilitate synergies, verify progress and enhance results. It constitutes the preparatory activity for the preparation of the long-term Sustainability Plan on the subject, declining the commitments made by the Group in the Strategic Plan, in objectives and qualitative and quantitative indicators measurable over time.

Below are the main results relating to the strategic objectives, achieved in 2021:

- the ESG aspects have been incorporated into the risk management processes, with the aim of including ESG risks within the RAF and considering them as financial risk drivers, in a manner consistent with the risk appetite;
- appropriate credit policies and procedures have been adopted that take into account ESG factors for the selection and assessment of the soundness of counterparties;
- the Group's carbon neutrality has been maintained (Scope 1 and Scope 2 emissions) and the activities for the measurement of the financed emissions have been started (Scope 3);
- Actions continued to reactive renewable energy plants, thanks to the Energy Desk (Distressed Credit Division);
- ESG objectives have been integrated into short- and long-term incentive plans, in line with the provisions of the Strategic Plan. In addition, the evaluation of the behaviours of all illimiters was also integrated, giving importance to the skills related to the Digital Mindset and ESG issues;

- as part of the long-term incentive plan, aimed at Top Management and the key people of the Group, the objective of doubling the number of women among managerial roles by 2025 was included, whose progress in 2021 was positive and in line with expectations;
- the balance between men and women in the formalised "talent pool" and the range of remuneration between men and women was maintained, with a maximum deviation of less than 5% for 2021;
- the Group's employee engagement rate was maintained, reaching 82% in 2021;
- real estate projects were launched with a social impact, through *fondazione illimity*, with the first completion expected for 2022;
- the Bank has obtained upgrades in some reference ESG ratings including: the Governance QualityScore of ISS ESG, the Sustainability Solicited Rating of Standard Ethics and the ESG score of Refinitiv.

fondazione illimity

For the Bank, generating value does not simply mean making profits, but being useful. This mission, deeply rooted in *illimity*, is confirmed by the establishment of **fondazione illimity**, whose objective is to **recognise the potential of real estate assets** to be transformed into **new spaces** that can **recreate value for the community**.

fondazione illimity was launched in the first half of 2021 and acts as a catalyst and enabling hub for a **synergistic ecosystem of social enterprises, non-profit organisations, public and private entities** interested in supporting projects related to the **creation of new spaces for inclusion, cohesion and shared well-being**.

Through collaboration with professionals with extensive experience in social design and impact finance initiatives as well as study centres, institutes and universities, the foundation is promoting the development of an ecosystem of partnerships to give life to projects and initiatives with a particular social impact, with a **strong focus on sustainability issues (ESG)**.

illimity's staff also contributes to the project, providing technical, administrative and operational support services and providing the necessary tools to carry out the foundation's activities. In addition, the Bank financially supports the activities of the foundation, which may also benefit from private contributions.

"fondazione illimity fits well into the identity of our bank: enhancing hidden potentials, making profits by doing useful things. With the initiative of the foundation we want to reaffirm this mission of social utility, deeply felt throughout the Group, aiming to restore value to assets that already exist, recognizing their potential. The projects promoted by the foundation will, in fact, have the objective of reinventing spaces to transform them into places of inclusion capable of generating a positive and sustainable impact on communities also through a very open partnership ecosystem".
Corrado Passera, CEO of *illimity*.

The first project of the foundation, launched in 2022, will concern the regeneration of a space with an innovative logic to promote the employability of fragile people and use it as a new place of social inclusion and aggregation.



For more information:

<https://www.fondazioneillimity.it/en>

02. Materiality analysis and stakeholder engagement

Methodological Note

GRI 102-10 | GRI 102-45 | GRI 102-46 | GRI 102-48 | GRI 102-49 | GRI 102-50 | GRI 102-51 | GRI 102-52 | GRI 102-53 | GRI 102-54

illimity Group, as a Public Interest Entity and as of 2021, subject to the characteristics and size requirements of Article 2 of Legislative Decree 254/2016, draws up its second Consolidated Non-Financial Statement (NFS) and the first pursuant to Article 4 (Consolidated Non-Financial Statement) of the aforementioned Decree. Already in 2020 illimity had in fact chosen to prepare its first NFS on a voluntary basis pursuant to Article 7 (Compliant Voluntary Non-Financial Statements) of the Decree.

The Decree, enacting Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, regards the disclosure of non-financial and diversity information by certain large undertakings and groups on environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters.

As of this year, therefore falling within the scope of Directive 2014/95/EU and consequently of Legislative Decree 254/2016, illimity is subject to disclosure obligations, concerning the reporting of its economic activities considered eco-sustainable, within the Non-Financial Statement pursuant to Article 8 of Regulation (EU) 2020/852, the so-called EU taxonomy, as described in Chapter 11 “The European taxonomy of sustainable activities”.

This Statement has been prepared in compliance with the 2016 version (amended) of the GRI (Global Reporting Initiative) Standards in core option, and the sector supplement GRI Financial Sector 2014. Moreover, in order to provide complete disclosure on the Group's performance to the financial community and all other stakeholders, additional voluntary qualitative and quantitative indicators on some material topics and based on an independent methodology were added, alongside the GRI Standards. As regards the correlation between the chapters of this NFS and reference indicators (GRI and additional indicators), reference is made to the correlation tables in the appendix.

The NFS is prepared through the annual coordination of the Communication & Stakeholder Engagement Department, that is responsible for defining the work plan, and meeting the deadlines indicated in the Decree, i.e. aligned with the financial reporting process. In particular, the department is tasked with starting and supervising the entire process to collect data and qualitative information, using software developed to manage the entire quantitative reporting chain on a cooperative basis, and with preparing the draft version of the NFS to submit to the Management Committee, assisted by all structures involved. The document is then sent to the Sustainability Committee, which supplements it or requests changes, and submits it to the Board of Directors for approval within the deadlines for presenting the draft financial statements.

The reporting boundary of the document corresponds to the 2021 Consolidated Financial Statements and considers all entities that are part of the illimity Group, as described in Chapter 1. The qualitative and quantitative data and information in this document refer to activities carried out by the Group regarding the year ended 31 December 2021.

This Statement continues the Group's non-financial reporting activities, which began with the publication of the 2019 Sustainability Profile and the 2020 Voluntary Consolidated Non-Financial Statement, in line with the Group's sustainability strategy.

The 2021 NFS was approved by the Board of Directors in the meeting of 10 March 2022.

The Group's reporting boundary for 2021 remains consistent with that of 2020, therefore the information included in this document is considered comparable to that reported in the 2020 Voluntary NFS and a comparison of the information for the two-year period is therefore reported.

Since 2021 illimity has joined the United Nations Global Compact, for this reason, starting from this Non-Financial Statement, the information for the purposes of drafting the Communication on Progress (COP) requested by the Global Compact has also been included.

The Statement was audited on a limited basis by KPMG S.p.A. The results of audits, conducted pursuant to Article 3(10) of the Decree and according to criteria indicated in ISAE 3000 Revised, are presented in the independent auditors' report, attached to this document.

For further information on the contents of illimity's NFS, please write to: sustainability@illimity.com.

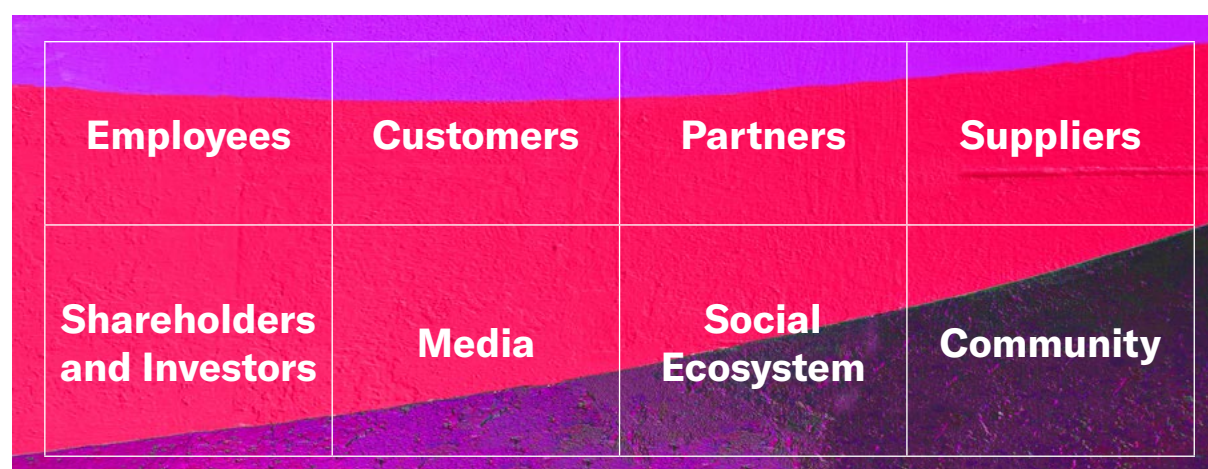
Stakeholder identification and engagement

GRI 102-40 GRI 102-42 GRI 102-43

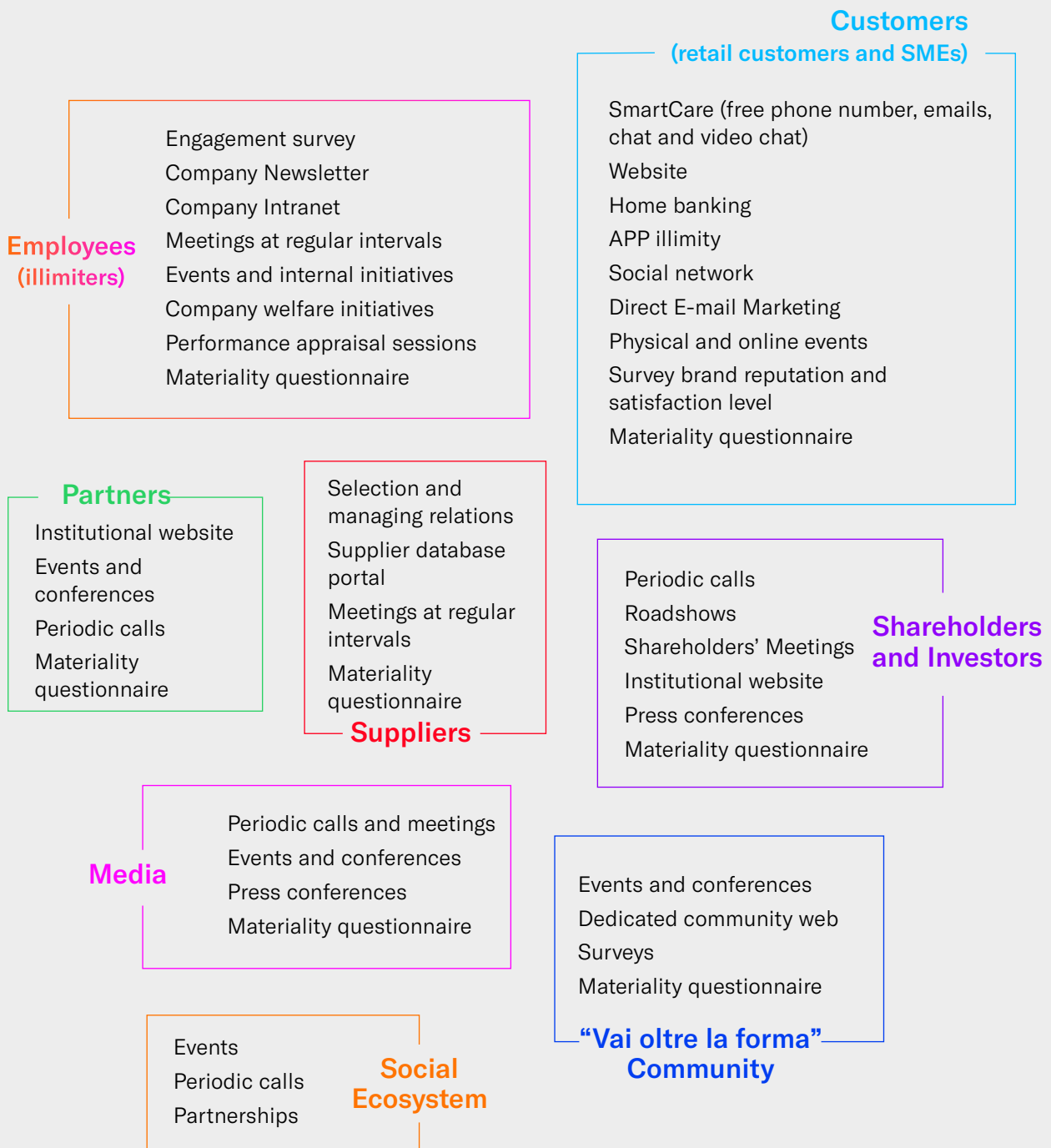
The GRI standards define materiality as a fundamental principle underlying the reporting process and referring to topics that:

- reflect the significant economic, environmental and social impacts of the organisation, or
- substantially affect stakeholders' evaluations and decisions.

In 2021, the categories of illimity stakeholders identified based on their relevance were expanded, as follows:



In general, the communication channels used, at least monthly, in stakeholder relations are:



In line with the 2020 Voluntary NFS, for the 2021 NFS, stakeholder engagement involved over 1,100 illimity stakeholders, as described further in the next section.

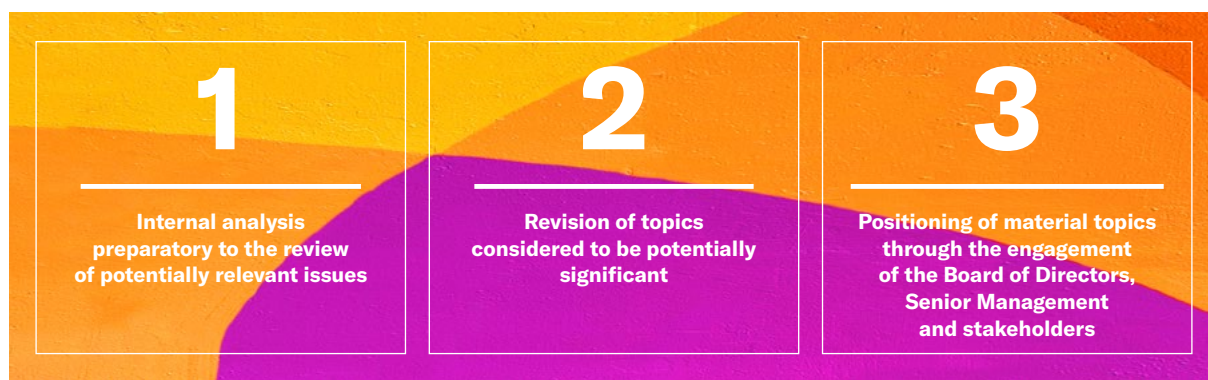
Materiality analysis

GRI 102-44

For illimity's first year of non-financial reporting - with the 2019 Sustainability Profile - the Group conducted an analysis leading to the definition of the 2019 materiality matrix. The materiality analysis from which the matrix originates was then updated for 2020, in order to identify any changes to the internal and external context of the Group.

In 2021, illimity, coordinating with the Communication & Stakeholder Engagement Department and involving the Sustainability Committee, further updated its materiality analysis in order to confirm the relevance of the topics identified up until then.

The new materiality analysis, with the purpose of defining the 2021 material topics, was structured in three stages according to the methodology suggested by the GRI Standards:



1. Internal analysis preparatory to the review of potentially relevant issues

The process to identify and select potential material topics was driven by the Bank's purpose and values. This process involved the implementation of an accurate internal analysis, in which internal documents, media publications, benchmarks on sector players, external trends and regulatory changes were consulted.

2. Revision of topics considered to be potentially significant

After the first-stage results, the topics which are potentially significant for stakeholders and the Group were identified. The list of these topics was considered as the starting point for stakeholder engagement activities.

The analysis led to the confirmation of the potentially material topics for illimity. These were voted by stakeholders and management to evaluate their position in the matrix for 2021.

The Bank has also proposed a revision of the nomenclature of certain topics, in order to improve their disclosure to the reader and to further enrich the discussion. In addition, the topic "People" has been divided into two distinct material topics: "People empowerment, involvement and wellbeing" and "Diversity, Equity and Inclusion".

In line with the previous year, illimity confirmed the discussion of a series of topics considered outright relevant, as their nature is intrinsic to the Group's purpose and they represent the foundations for reporting its sustainability performance.

Integrity, regulatory compliance and combating fraud, money laundering and corruption

Cyber Risk, Data Management, Security & Privacy

Clear and transparent communication, brand and reputation

Protecting human rights

3. Positioning of material issues through the engagement of the Board of Directors, Senior Management, Board of Statutory Auditors and stakeholders

The positioning of the topics in the materiality matrix involved:

- the assessment of internal significance, which involved the **Board of Directors**, the **Sustainability Committee**, the **Board of Statutory Auditors**, the **Management Team** and the **Second Line**, through focus groups in order to validate the outright significant topics for illimity and position the material topics for this year;
- the assessment of external relevance, which instead saw the involvement of the **Group's employees**, **customer SMEs**, **retail customers**, the **“Vai Oltre la Forma” community**, **partners** and **suppliers**, **shareholders**, **investors**, the **social ecosystem** and the **media**, through an online questionnaire to collect the possible reconsideration of the expectations of external stakeholders for each topic identified.

Stakeholder assessments were weighed taking into account the impact of each class of stakeholders on illimity.

The final scores of relevance for internal and external stakeholders, for all the topics under evaluation, were represented graphically in a matrix, whose axes represent the two dimensions investigated.

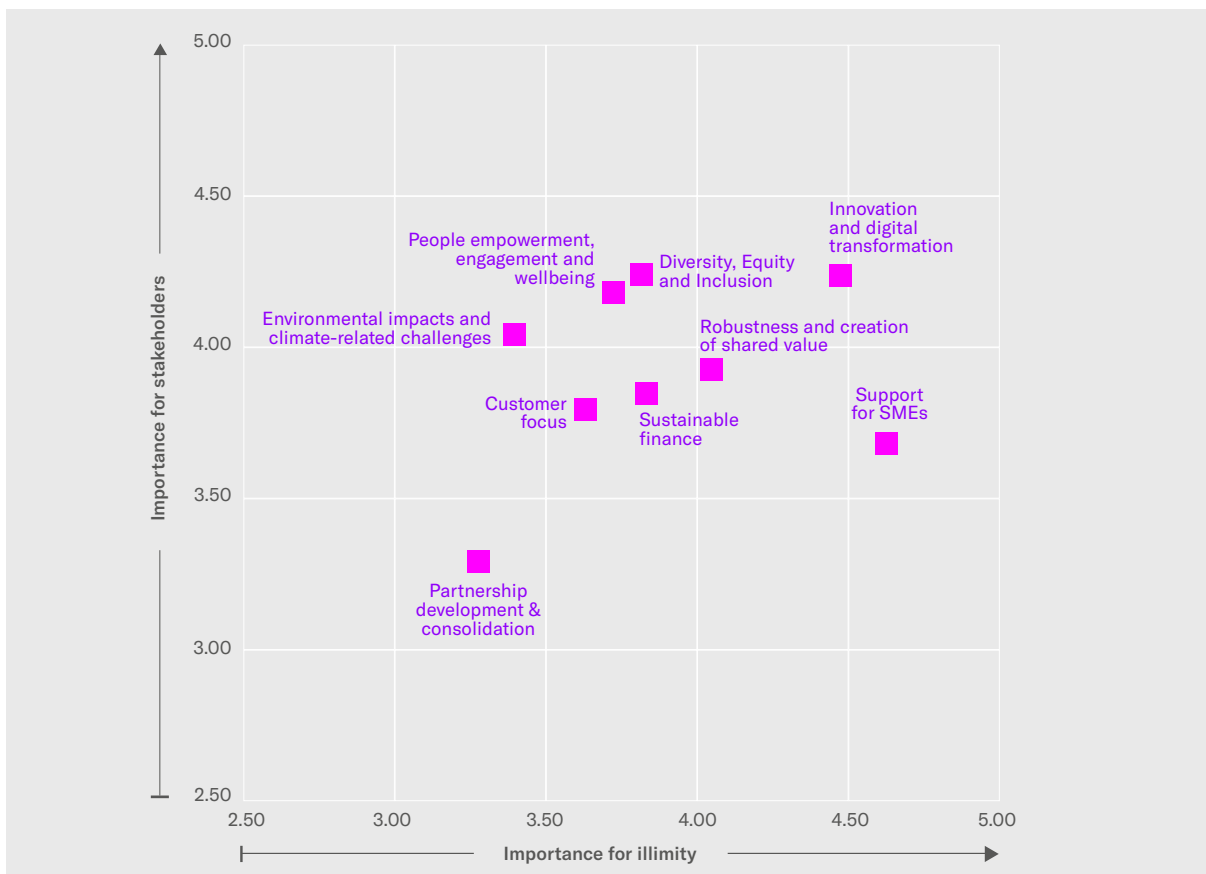
illimity’s materiality matrix

GRI 102-47

The materiality update process ended with the confirmation of the materiality threshold, which corresponds to a score of 2.5 out of 5, in line with the previous year.

The chart then shows the topics considered material, that is, those topics that have exceeded the materiality threshold, and that are the subject of the discussion in the NFS.

These material topics are the result of stakeholders' expectations of relevant topics (represented on the y axis) and of the importance given by illimity, at a strategic level, to these topics (represented on the x axis).



The materiality matrix was presented to the Sustainability Committee in the meeting of 29 November 2021 and approved by the Board of Directors in the meeting of 02 December 2021.

The material topics have the dual function of guiding the company in the choice of individual disclosures to be reported and ensuring compliance according to the areas proposed by Legislative Decree 254/2016.

Correlation table for reporting areas pursuant to Legislative Decree 254/2016 and material topics:

Environment	Environmental impacts and climate-related challenges
Social	Sustainable finance
	Support for SMEs
	Customer focus
	Partnership development & consolidation
	Prerequisite: Clear and transparent communication, brand and reputation
	Innovation and digital transformation
	Robustness and creation of shared value
Personnel	People empowerment, engagement and wellbeing; Diversity, Equity and Inclusion
Anti-corruption	Prerequisite: Integrity, regulatory compliance and combating fraud, money laundering and corruption
	Prerequisite: Cyber Risk, Data Management, Security & Privacy
Human Rights	Prerequisite: Protecting human rights

In the information contemplated by Legislative Decree 254/2016, data on the use of water resources (Article 3.2(a)), were not considered significant for the purpose of understanding the impacts generated by the Group, and were therefore excluded from the reporting. Considering the negligible amount of water consumed, the type of use (only for hygiene, sanitary purposes), and geographic locations of illimity's sites, the direct impacts on water resources were considered negligible.

Connection between material topics, ESG objectives, Strategic Plan and SDGs

Material topic	ESG objectives of the 2021-2025 Strategic Plan related to the material topic	Related SDGs
<ul style="list-style-type: none"> Environmental impacts and climate-related challenges Sustainable finance Innovation and digital transformation 	<ul style="list-style-type: none"> Integration of ESG factors into credit assessment and the Risk Appetite Framework (RAF); Maintenance of the Group's carbon neutrality (Scope 1 and Scope 2 emissions), measurement and addressing of the so-called "financed emissions" (Scope 3) Reactivation of renewable energy plants, exploiting the Energy Desk (Distressed Credit Division). 	
<ul style="list-style-type: none"> People empowerment, engagement and wellbeing Diversity, Equity and Inclusion Customer focus Innovation and digital transformation 	<ul style="list-style-type: none"> Doubling the number of women in managerial roles Maintenance of the balance between men and women in the formalised "talent pool" and a range of remuneration between men and women (gender pay gap) with a maximum deviation of 5% Maintaining the Group's employee engagement rate above 70% Implementation of impact projects in the real estate sector, through fondazione illimity. 	
<ul style="list-style-type: none"> Robustness and creation of shared value Partnership development & consolidation Innovation and digital transformation 	<ul style="list-style-type: none"> Improvement of the Bank's ESG ratings; Integration of ESG objectives into incentive plans. 	

Strategic pillars
* transversal pillar

Environmental topics Social topics Governance topics Innovation*

03. A rules-based culture

The value of **integrity in corporate conduct** is a fundamental principle and foundation of the illimity Group's operations, characterising the approach and conduct of personnel in achieving objectives, and is reflected in the Group's commercial offering and relations with the external community.

illimity ensures the lawfulness and sustainability of the Group's activities in compliance with all applicable laws, regulations and internal standards.

illimity is committed to promoting a conduct among its employees and collaborators that is based on integrity in all activities, with the aim of proactively managing the risks connected with a failure to comply with legal obligations, best principles or ethical principles.

The dissemination of a solid compliance culture is facilitated by an effective, extensive control model, at all organisational levels, and by adequate personnel training, and sanctions in the case of violations.

The Bank's Compliance & AML Department monitors compliance risk management for all company activities and services/products, maintaining ongoing dialogue with the personnel of the Bank's Divisions and subsidiaries, also ensuring that company processes and procedures are, starting from the design stage, suitable for preventing/mitigating this risk, based on a risk-oriented approach.

The compliance model adopted by the Group is described within a specific internal Policy ("Compliance risk management and the Compliance model") which establishes a Function to oversee this mission:

- supporting the continual improvement of company processes and procedures aimed at correct compliance risk management, controls on adequacy, the proper use and need for training, and providing practical and operating information for business structures (guidance);
- providing opinions and interpretations on regulations, taking an active part in specific projects, monitoring in advance the compliance of new products, processes, organisational solutions, procedures and systems (compliance by design);
- carrying out analysis on the compliance risk to which various Bank business areas are exposed, according to a structured Compliance Risk Assessment methodology;
- preparing a compliance risk controls system that is adequate for ensuring that the activities of various areas are in line with applicable internal and external regulations, and with company strategies and policies (second level controls);
- promoting a company risk compliance culture, through initiatives and specific training programmes, together with the Human Resources & Organisation Department (Compliance Culture);
- actively managing, in collaboration with the Bank's legal functions and the subsidiaries as well as any other functions involved, feedback on claims received from customers, also to identify attention points and areas for improvement to be addressed in the plan of activities and controls.

In a dimension of compliance and integrity of own actions, internal regulations require the Group and its employees to:

- ensure and promote strict compliance with applicable laws and regulations, and establish that pursuing the Bank's interests can never justify a conduct that goes against the principles of loyalty, honesty and fairness;
- guarantee transparent relations with stakeholders, through the dissemination of information that is complete, accurate and comprehensible, enabling readers to always make informed decisions regarding the relations they have with the Bank;
- promote strict compliance with all organisational and procedural rules adopted, with a particular focus on rules aimed at preventing the commission of crimes;
- promote compliance and also require staff, associates and commercial partners to comply with all laws, regulations, principles and organisational rules;
- refrain from adopting a conduct that is unlawful, or does not conform to the Bank's principles, in relations with the authorities, partners, employees, staff and associates, customers, suppliers and, more generally, the community at large;
- guarantee compliance with principles of transparency, honesty and reliability in dealing with partners, customers, counterparties and the community, and avoid real or potential conflict of interest situations;
- promote environmental protection and safety, with particular reference to occupational health and safety;
- avoid, prevent and repress all forms of discrimination based on gender, age, sexual preference, race, nationality, physical and/or socio-economic conditions, religious beliefs, political opinions;
- ensure the confidentiality, integrity and security of data and information processed, strictly conforming to applicable laws on confidentiality and privacy, and prevent the use of confidential information for purposes not directly related to the performance of professional activities.

Likewise, persons that hold representative, administration and/or management positions, as well as supervision and control positions, are required to:

- base their own conduct on the utmost honesty, transparency, fairness and independence;
- ensure their own staff and associates meet requirements of professionalism, integrity and good standing, and empower resources properly, also through training and continual professional development;
- carry out their own role with an awareness and sense of responsibility, providing full cooperation and reciprocal information, in order to promote the attainment of company goals and guarantee the accuracy and authenticity of documents and information provided in their functions, in compliance with principles of confidentiality and integrity, and ensuring their use only for purposes concerning work activities;
- not carry out activities that may harm the interests of the Group or pursue own or third-party interests, even if only in potential conflict and/or potentially harmful for the Bank and, if acting otherwise, inform competent internal functions in compliance with the Bank's regulations;
- guarantee that all their team members understand and adopt the Group's principles, set out in the illimity Way document and relevant internal regulations.

The organisation, management and control model

illimity has put in place a specific **Organisation, Management and Control Model** (hereinafter, also the “Model”), that sets out the principles of control and conduct that must be adopted in order to reduce the risk of committing the crimes and offences contemplated in Legislative Decree 231/2001, which include, among others, corruption and crimes against the Public Administration, financial and corporate crimes, computer crimes and the illegal processing of data, tax and organised crime offenses as well as money laundering.

The Model was developed, considering first and foremost the regulations, procedures and internal control systems intended to prevent crimes and unlawful conduct in general, including the crimes and offences contemplated in Legislative Decree 231/01.

More specifically, the Model comprises:

- the Corporate Governance System, adopted pursuant to the Corporate Governance Code, corporate rules and significant regulations;
- internal regulations, procedures and policies of the company;
- the illimity Way and the Anti-corruption Policy;
- the internal controls system;
- the system of powers and authority;
- the internal whistleblowing system and sanctions system.

The effective and concrete adoption of the Model is also guaranteed by the Supervisory Board, appointed by the Board of Directors. Under the current governance model, this position is held by the Board of Statutory Auditors of each company, and has powers of initiative and control in accordance with law, with reference to activities carried out by each organisation unit in at-risk areas, i.e. areas in which the risk of predicate crimes being committed by employees has been identified, and by the heads of the Bank’s organisational units, as regards the at-risk activities they carry out and continual alignment with internal regulations and significant company processes.

The Bank’s Supervisory Board is also tasked with:

- monitoring the Model’s adequacy, i.e. whether it is suitable to prevent crimes and offences being committed, and identifying any such cases;
- monitoring the Model’s effectiveness, i.e. if actual conduct aligns with conduct formally expected;
- monitoring company operations, carrying out audits and controls at regular intervals and identifying follow-up;
- overseeing updates to the Model, making proposals to the Board of Directors, if necessary, on its alignment, to improve its adequacy and effectiveness, in the case of legal developments and/or changes in the organisational structure or company activities, and/or violations of the Model;
- promoting and monitoring initiatives to encourage the dissemination of the Model to all recipients;
- promoting and monitoring initiatives, including courses and communications, to encourage all recipients to have an adequate knowledge of the Model;
- promptly following up requests from the Bank’s organisational units or from Corporate Bodies, for clarifications and/or advice concerning the model, also providing opinions;
- ensuring that all subjects involved promptly carry out all reporting activities on compliance with the Model;
- reviewing and evaluating all information and/or reports received and related to compliance with or violations of the Model;
- informing competent bodies of activities carried out, relative results and planned activities;
- reporting to competent Corporate Bodies on appropriate measures, any violations of the Model and the persons responsible, proposing the sanction considered most suitable for the circumstance;
- providing necessary information to audit bodies, in the case of controls by the Authorities.

In October 2020, the Board of Directors approved the update to illimity Bank's Model, in order to integrate, among others, some new legal developments - including changes to internal regulations - adopted on a provisional basis, and align with the changed organisational structure of the Parent Company. A further revision of the Model is expected by the first half of 2022, in order to incorporate the most recent regulatory changes to Legislative Decree 231/01, the expansion of business operations and the changes in the internal regulations and organizational structure of illimity Bank in the meantime.



For more information:

[Organisation, management and control model](#)

The illimity Way

The illimity Way, **illimity's Code of Ethics and Conduct**, is the integrity manual built as a real "charter of relations" of the Group, tells the commitment to customers, shareholders, suppliers and business partners, to supervisory authorities and the Public Administration, to the Media and the country, expressing the values and behaviours of the Group and describing the corporate culture of responsibility, legality, transparency and value creation that is committed to promoting and disseminating at all levels of the organisation, through sustainable development.

The illimity Way also expresses the commitment to respect the environment, to take care of its human capital and corporate assets, also to protect the Bank and the reputation of the entire Group, being the basis of principles and rules that embody the values in which the Group recognises itself.

Addressing the members of the corporate bodies, managers, employees, collaborators that the Group makes use of and who contribute in any way to the activities of illimity becomes a daily guidance tool, also in order to distinguish the behaviours allowed from those not accepted.

To respond to growing sustainability needs, the illimity Way promotes Group awareness of compliance with ESG criteria in line with international principles expressed by the United Nations, the OECD and the EU.

The illimity Way will also be updated during 2022 in order to more operationally/substantially decline the statements of principle in the ESG area that constitute the essential pillar of the document as well as the value underlying the internal legislation in the field of credit disbursement. The illimity Way will therefore be integrated with the provisions of the supranational regulatory bodies (e.g. the principles of sustainable finance related to the credit process provided for in EBA "Guidelines ABE/GL/2020/06 on Loan Origination and Monitoring" have been incorporated into the Consolidated Credit Procedure of illimity).

The illimity Way is an integral part of the Organisation and Management and Control Model defined pursuant to Legislative Decree 231/01 and is therefore brought to the attention of all recipients, who respect its principles and actively contribute to its dissemination as well as published on the website of illimity.



For more information:

[illimity Way](#)

Safeguarding human rights

illimity is aware of the importance of values of fairness and safeguarding human rights, and is committed to eliminating all discrimination, and to respecting differences in gender, age, ethnic background, religion, political and trade union association, sexual orientation and identity, language or disability. The Group works for the full achievement of human rights and the fundamental freedoms proclaimed in the Universal Declaration of Human Rights, approved in 1948 by the General Assembly of the United Nations, as explained in the Group's illimity Way. During 2021, the Bank also joined the United Nations (UN) Global Compact, committing to respect and promote the ten universally accepted principles, including those relating to human rights.

Given the Group's operating and business model, and contextualisation at national level, safeguarding human rights is a fundamental of illimity's human resources management policies, supported by national collective bargaining agreements, international principles and specific rules on occupational health and safety, in the context of the applicable nationwide and international regulatory framework.

The Bank guarantees and maintains a work climate that is inclusive, that values uniqueness and plurality as ways of developing humanity. The Bank's conduct is geared towards an approach that does not favour or tolerate any violation whatsoever of human rights, and that promotes the widest possible dissemination of a culture and awareness of employees to welcome diversity in all its forms.

Special attention is also paid to third-party relations, which are based - in terms of contracts and relations - on the principles and values in the illimity Way.

illimity, in line with international principles expressed by the United Nations, the OECD and the EU, also has the objective of:

- defending human rights in all areas where it operates;
- respecting freedom of association and the personal political involvement of its employees;
- guaranteeing that each person who operates or works for illimity does so of his or her own free will in a health, safety environment;
- aspiring to a greater solidarity, based on the recognition of cultural diversity, an awareness of the unique nature of mankind and the development of intercultural exchange;
- avoiding any discrimination, form of slavery or child labour, paying great attention to these issues also in the identification of the subjects with which to relate;
- ensuring gender parity;
- respecting labour laws and promoting sustainable working hours.

Moreover, due to the importance given by the Group to issues related to Diversity & Inclusion, the gender pay gap and absence of discrimination, further information is given in chapter 3 of the illimity Way - "People" and in chapter 5 of this document - "Diversity, Equity and Inclusion". In general, respect for human rights - since it covers all the diverse areas of the Group's operations - is part of a narrative that runs throughout the Consolidated Non-Financial Statement.

GRI 406-1

No cases of discrimination at work were reported during 2021.

The fight against fraud, money laundering and corruption

The Group promotes the principles of the United Nations, the OECD and the EU, in the development of policies on the fight against corruption, safeguarding human rights, workers' rights and environmental protection.

Compliance with rules and integrity in company conduct are also ensured by compliance activities dedicated to monitoring corruption, money laundering, terrorist financing risk and managing embargoes.

Anti-corruption

illimity is actively involved in fighting against all types of corruption, including private-to-private corruption, ensuring full cooperation with the authorities and the preparation of adequate measures and controls carried out by independent functions.

The risk of corruption is offset by stringent rules of conduct, that prohibit all employees, staff and associates from requesting, offering or accepting cash payments that are not part of the Bank's contractual obligations. Dedicated measures have also been adopted to regulate the exchange of benefits and/or gifts with counterparties, suppliers and, more in general, with third parties, that could be classified, depending on the context and methods used, as an act of potential corruption. More specifically, an internal regulation has been approved on giving and/or receiving gifts and on business entertainment, and on organising and participating in charity events and sponsorships.

illimity has put in place anti-corruption measures for personnel recruitment, for processes for the purchase, management and sale of investments and other assets, and also for the purchase, management and sale of property for Bank credit purposes and/or purchases to guarantee investments in impaired loans.

Applicable regulations are outlined in the illimity Way, the "Anti-corruption Policy", the "Expenditure Procedure", the "Audit Management Procedure" and the "HR Procedure".



For more information:

[Anti-corruption](#)

GRI 205-2

Anti-corruption policies and procedures are notified to the entire company population, in a document pack that each employee receives when employed, and through the illimity Group's Internal Regulations portal on its website. All updates to internal regulations are appropriately notified, in periodic email alerts, sent by HR Department & Organisation. illimity's policies and procedures are instead sent to business partners on their request and they are available on the illimity website.

Employees have received training on anti-corruption	2021		2020	
	Number	%	Number	%
Senior Managers	65	97.0	45	81.8
Middle managers	288	95.1	201	83.4
Professional areas	323	90.7	98	33.7

GRI 205-3

During 2021, no episodes of corruption were confirmed, nor were any public legal proceedings brought against the organisation or its employees regarding corruption.

Anti-money laundering

illimity pays particular attention to compliance with national and international legislation aimed at combating money laundering and the financing of terrorism and ensures a preventive action consistent with the corporate structure, the complexity and size of the company, the type of services and products offered and the characteristics of the customers served, through:

- the definition of strategic guidelines and policy for the overall management of money laundering risk at Group level;
- organisational systems and procedures to ensure compliance with customer due diligence, suspicious transaction reporting and data retention obligations;
- the clear definition of the roles, duties and responsibilities of each organisational unit;
- the establishment of the Anti-money laundering function as a control function specifically responsible for supervising the prevention and management of money laundering risks;
- the exercise of constant control over compliance by personnel with the internal procedures adopted and with legal and regulatory obligations regarding anti-money laundering.

illimity is committed to preventing and mitigating the risk of being, even unknowingly, exploited for the implementation of money laundering and terrorist financing activities and adopts measures proportionate to the risk in relation to the type of customer, the type of product or service requested, the geographical area of reference and the distribution channels used.

In order to avoid involvement in money laundering and terrorist financing, it adopts the general principles of conduct, having regard, in the first place, to the prohibitions and obligations provided for by the relevant external and internal legislation and in line with the values of the company's codes of ethics.

The system of governance of illimity for combating money laundering and terrorist financing is defined within the Anti-Money Laundering Policy and Anti-Money Laundering Manual: documents that define a systematic and functional framework, based on the principle of active collaboration by the Group, and that describe in a very granular way the safeguards put in place by the individual Group companies – also at the level of processes and information systems adopted – for the prevention of such illegal activities. In fact, specific processes and procedures are in place regarding customer due diligence, suspicious activity reporting, the registration of relations and transactions, the retention of documents, risk assessment and management, internal control and guarantees of compliance with all relevant provisions to prevent transactions connected with money laundering, terrorist financing and the violation of embargoes.

The guidelines defined in the Policy by the Parent Company are set out and adopted by individual operating structures and subsidiaries, in a calibrated way, in proportion to the characteristics and complexity of the activity carried out, the size and scale of the organisation, in compliance with regulations, ensuring the sharing of information on a consolidated level.

Procedures are also in place to carry out automatic controls on records and transactions, to mitigate the risk of having customers on lists of persons subject to restrictions or the freezing of assets (black lists). illimity guarantees efficient anti-money laundering oversight, that can also mitigate additional risks, such as reputational risk, which may have consequences due to a negative perception of the Group's image, Bank or individual companies of the Group, held by customers, counterparties, shareholders, stakeholders of the supervisory authorities.

During 2021, the Group equipped itself with the following advanced analysis tools, based on cognitive technologies/techniques: (i) a Web Scraping engine to check the reputational indexes involving customers, in order to allow automatic analysis of the texts, with the aim of allowing the Bank to reduce the processing time of the acceptance practices of high-risk customers, relying on a more detailed and timely knowledge base; (ii) a Transaction Monitoring system to identify suspicious transactions for anti-money laundering purposes, with a specific focus on the activities of the digital bank; (iii) an Information Monitoring system for the Group's corporate customers, in order to identify and address potential non-compliant situations, by analysing the documentation produced on the prevention of financial crime related to the COVID-19 emergency by the various supervisory/investigative authorities.



For more information:

[Anti-Money Laundering Policy](#)

A culture of compliance

illimity's commitment to creating and disseminating a culture of compliance is strongly embedded in the compliance by design principle, which inspires and guarantees the proper configuration of commercial processes, relative procedures (including IT procedures), commercial channels and, more generally, the model of relations with customers that monitors the Bank and subsidiaries' offering of products and services.

The **compliance by design** principle behind the company's main processes sets out in black and white a model of mutual collaboration between business and control functions, to correctly balance different analysis perspectives, with the aim of achieving business goals, while complying in full with applicable rules. This model has been created based on the belief that compliance is an enabler not only in containing risks and ensuring the sound and prudent management of the Bank, but also at ensuring customer satisfaction in the context of efficient relations.

To promote an adequate compliance culture, the Group pays particular attention to personnel **training and education**, with courses dedicated to main applicable regulations (anti-money laundering, market abuse and administrative liability pursuant to Legislative Decree 231/01), as well as specific training initiatives to promote the effective dissemination of principles and best practices which must underpin conduct in the company, including that of senior management. Specific classroom induction sessions are organised for members of the Board of Directors and Board of Statutory Auditors.

Besides standard online training, illimity organises numerous on-the-job education and training meetings/initiatives, characterised by classes with a few participants and targeted live webinars - which continue to represent the best method of training delivery in the continual state of emergency connected to the COVID-19 health crisis - to promote constant interactivity and discussion with participants as well as moments of analysis of concrete cases highlighted by the same operational or business functions.

Compliance Risk Assessment

With the aim of guaranteeing correct, timely risk compliance management on a continual basis, illimity has adopted an integrated risk assessment methodology (Compliance Risk Assessment) to assess the Bank's business areas exposed to risk.

For the purposes of constructing a Compliance Risk Assessment methodology, particular attention was paid to defining control activities focused on the specific characteristics of the Bank's various business areas, according to a business-tailored approach; as well as adopting streamlined risk measurement models that allow an aggregate view of all the results of the controls carried out, based on objective elements and aimed at avoiding self-assessment of the functions subject to control and at the same time limiting the business commitment in carrying out of second level control activities.

The methodology is therefore based on the compliance risk assessment of each business areas, and is the result of an analysis considering initial (inherent) exposure to compliance risk together with the evaluation of main mitigation controls (vulnerability analysis), in order to quantify the value of residual risk for every area.

This approach requires that the results of the quarterly Compliance Risk Assessment exercises include the second level controls carried out continuously, with a dual focus:

- integrating the results of the checks carried out in the quarter for the purpose of calculating the residual compliance risk;
- planning controls to be carried out in the following quarter, according to Compliance Risk Assessment outcomes, from the perspective of a virtuous, self-perpetuating circle.

The compliance risk assessment model allows for the integrated reporting of compliance controls carried out, which in turn facilitates an integrated, systematic management of risk over time, and the monitoring of remedial actions identified, with the aim of supporting the planning of actions according to risk-based, priority allocation logics.

During the fourth quarter of the year, two years after the first definition and implementation of the Compliance Risk Assessment, this methodology was updated essentially to facilitate a more effective representation of the anomalies found, especially in terms of potential impact (and probability) on the economic results - including prospects - of the Group, following any sanctions and/or injunctive measures by the competent

authorities or possible litigation initiated by impacted customers. The evolution of the Compliance Risk Assessment methodology, which will be implemented starting from the first quarter of 2022, will also make it possible to better support corporate bodies for decisions and actions to be taken in relation to non-compliance situations detected from time to time.

Whistleblowing

GRI 102-17

illimity's Board of Directors has appointed the head of **Internal Audit** as the "**head of the whistleblowing system**" (RSISV), who is tasked with receiving, reviewing and evaluating disclosures made, and with directly reporting to corporate bodies. The people involved in checking disclosures are required to keep the information received confidential, also as regards the whistleblower's identity and in any case, the whistleblower must be protected from any retaliation, discrimination or unfair conduct as a result of the disclosure made.

The Bank's internal regulations include the **Regulation** on the internal whistleblowing system. An **annual report** is also produced, prepared by the RSISV, containing all information on the results of activities carried out following disclosures made.

With reference to specific regulations on **whistleblowing**, illimity has set up a dedicated platform, consisting of Digital Room for each Group company, called «**@Whistleblowing**» where disclosures can be sent and are managed. The platform has been operative since September 2020, replacing the email system used up until that time. The use of this digital platform enables people involved in managing whistleblowing to easily exchange documents and information, ensuring a greater traceability of the entire process and a greater level of confidentiality for the whistleblower's identity.

The platform allows Bank personnel and members of corporate bodies to report - in a guided online procedure - alleged unlawful conduct or irregularities, violations of internal regulations and company provisions in general, as well as violations of external regulations applicable to the Bank. The system guarantees the **confidentiality** and **protection of personal data** of the person making the disclosure and, as applicable, the person the disclosure refers to. The system is set up in such a way that disclosures are received, reviewed and evaluated through specific, autonomous, independent channels that differ from ordinary reporting lines.

In fact, the Whistleblowing Manager displays the reports received through a dashboard present in the tool to which members of the Board of Statutory Auditors and the Supervisory Body of the reporting company also have access (in read-only mode). In the event that the report concerns the Whistleblowing Manager, an "alternative" management process is envisaged that provides for how this report is visible (in read/write mode) to the Chairman of the Board of Statutory Auditors and (in read-only mode) to the other members of the Board as well as to the members of the Supervisory Body. In this case, the activities normally carried out by the Whistleblowing Manager must be carried out by the Chairman of the Board of Statutory Auditors of the Bank.

In addition to the IT platform, it is also possible to make a paper report through the mailbox placed at the premises of the Company, whose access keys are kept by the Chairman of the Board of Statutory Auditors. In this case, the Chairman of the Board of Statutory Auditors notifies the other members of the Board/SB and the Whistleblowing Manager by entering the report in the tool.

Disclosures may be sent anonymously or otherwise, with the confidentiality of personal data guaranteed in any case. In fact, the Bank, provides special protection measures for the subjects involved in compliance with Legislative Decree 196 of 30 June 2003, of EU Regulation 2016/679 on the protection of personal data and the subsequent measures issued on the matter ("Privacy Regulations"), adequately protecting the whistleblower "against retaliatory, discriminatory or otherwise unfair conduct resulting from the reporting", in a climate of respect for the dignity of the same.

No reports of violations were received during 2021 and therefore no investigations of this type were carried out.



For more information:

[Whistleblowing Policy](#)

Supply chain management

GRI 102-9

The entire procurement process is regulated by the “Expenditure Procedure” of December 2019 as amended, approved by the Board of Directors.

This procedure for the procurement of goods and services applies to all the banking Group companies, that are managed and coordinated by the Parent Company illimity Bank S.p.A., for areas in their responsibility and depending on the nature of the activity carried out, and is adopted in compliance with the principles of transparency, objectivity and traceability of activities indicated in Legislative Decree 231/2001 and the contents of the Bank’s Organisation, Management and Control Model.

The Spend & Procurement Management Area, which is responsible for the process, guarantees that management of the procurement chain is in line with criteria of transparency and objectivity. It manages the flow, starting from the product purchase requests made by requesting units, and carries out required quality checks, assisting the requesting units in supplier sourcing, and in the planning and management of requests for quotations and tender procedures. The main procurement procedures vary based on the type of purchase, service/good requested and type of goods’ sector (tender, comparing quotations, direct negotiations and framework agreement).

Besides the Spend & Procurement Management Area, the following structures are involved in the expenditure process:

- General Counsel: for legal opinions on contracts and documentation shared with suppliers;
- Compliance & AML: with reference to anti-money laundering legislation, privacy regulations and Legislative Decree 231/2001;
- Administration & Accounting: for controls on accounting, and invoice registration and payments;
- Budget & Control: for controls on the scale and consistency of budget items for expenditure allocations.

Suppliers are an integral part of the Bank’s organisational process and must therefore be selected so as to offer the utmost guarantees possible (service reliability, technical/sector expertise, operating limits, etc.).

In selecting and evaluating suppliers and in the Procurement Process, the Bank adopts a conduct where it shares and supports core principles of safety and environmental regulations.

The Spend & Procurement Management Area guarantees that suppliers are selected based on their knowledge and professional expertise, so as to meet the minimum price/quality ratio requirements for internal customers.

Apart from exceptions due to size, the specific nature of the supply and non-strategic profile of the supplier, new suppliers are evaluated based on the following evaluation criteria:

- the absence of exclusion clauses (convictions or the adoption of penalties);
- convictions or the adoption of penalties by agreement of the parties, even if not final, for one or more of the offences provided for in Articles 648 of the Criminal Code, 648-bis, 648-ter and 648-ter 1;
- the absence of bankruptcy declarations or proceedings required by bankruptcy law;
- registration with the Chamber of Commerce;
- international certification on quality, the environment and anti-corruption (ISO 9001, ISO 14001, ISO 18001/45001 e ISO 37001);
- a statement of compliance with obligations of Legislative Decree 81/08 on occupational health and safety;
- the use of collective bargaining agreements made with trade union organisations which are comparatively more representative, for employees;
- the absence of significant conflicts of interest.
- adherence to the technical specifications of the product/service requested.

The supplier evaluation process may also comprise other, baseline criteria. These include:

- a key supplier or a supplier that is particularly significant for the bank's operations;
- references/professional qualifications;
- supplier performance compared with that of competitors.

During 2021, the illimity Group joined **ABC - Procurement & Cost Management**, a non-profit consortium that offers a Vendor Management portal for the management of supplier qualification and monitoring.

The portal allows the configuration and management of the supplier qualification process in compliance with internal and external regulations, allowing to mitigate the economic and reputational risks deriving from relations with suppliers.

In the qualification process configured according to the Expenditure Procedure, one of the documents that must be signed by suppliers is the illimity Way, illimity Group's Code of Ethics and Conduct.

In October 2021, the Spend & Procurement Management Area began onboarding suppliers on the Vendor Management Portal and, at the end of 2021, over 56% of the suppliers hired are registered on the platform and have completed or are completing the qualification process.

During 2021, with over 2,600 Purchase Orders, the illimity Bank Spend & Procurement Management Area managed approximately 500 habitual suppliers.

The main goods' sectors were:

- Information and Communication Technology (ICT);
- professional consulting and advisory services;
- info provider;
- personnel expenses (rewards, policies);
- publicity, marketing and representation.

PROSPERITY

Robustness and creation of shared value

The central role of corporate and retail customers

The ecosystem of illimity partnerships

PLANET AND SOCIETY

Sustainable finance

The European taxonomy of sustainable activities

Environmental impacts and climate-related challenges

RECOGNITION AND AWARDS

Combating the COVID-19 emergency

APPENDIX

Annex GRI Content Index





Frame the image using the Aria App to watch the "Demand & PMO" video



Innovation

04. Innovation and digital transformation

illimity innovates first and foremost in the way it does banking.

Being a Bank of the new order, without a legacy, means being innovative in combining a business model offering structural and sustainable competitive benefits with a strategy focused on major market segments that are not adequately served by traditional operators.

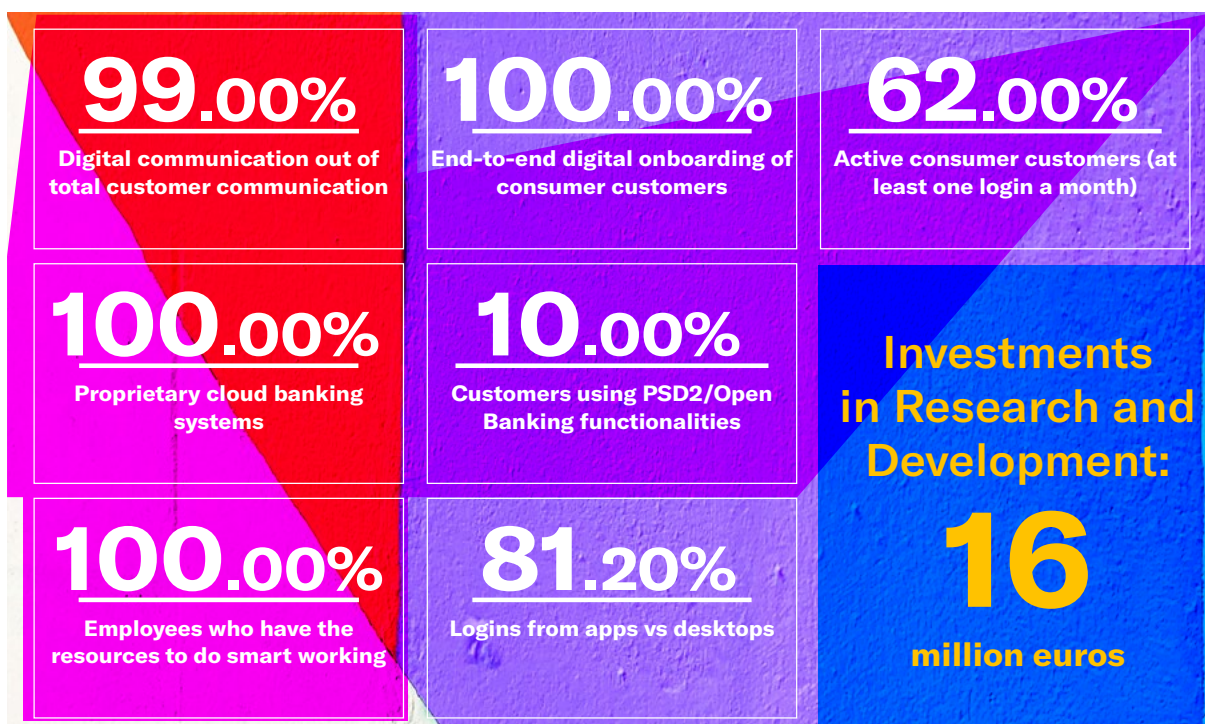
At illimity, innovation is a strategic driver permeating the entire organisation: from **company culture**, to **operating processes**, up to **technological infrastructure**.

The Bank strongly believes that innovation, if embraced throughout the organisation, is the driver capable of generating value for the entire company. So it is essential for innovation to be well integrated in every single division, area and work group and for processes to be shared that enable illimiters to work in cross-cutting teams, honing their expertise, generating ideas and identifying new opportunities.

The ability to innovate contributes to achieving business goals and to meeting customer requirements, through a new inclusive model centred on the synergy of services, designed for the needs of people and businesses, always guaranteeing a digital approach combined with the human touch, which is customer centric, always available, anywhere, plus a range of banking and non-banking services centred around artificial intelligence.

illimity is also the first cloud native bank in Italy, with a modular, scalable architecture, enabling an all-round vision of all data of the bank and its customers. This is fundamental from various aspects: to browse the Internet and use services from mobile phones, for corporate and retail customers, to managing and purchasing credit, and accounting and risk management. The efficient, scalable IT infrastructure, accompanies the Bank in its growth, through customised, innovative solutions with high security standards in processes.

An overview of innovation at illimity



During 2021, the illimity Group launched a number of internal and external initiatives with the aim of accelerating **digital and cultural transformation**.

Digital Mindset

A new programme promoted by illimity's Top Management, which focuses on consolidating the knowledge and approach to digital innovation of illimiters.

Even before the pandemic crisis, illimity focused its strategies on the **adoption of digital platforms** to achieve its corporate objectives. **COVID-19 accelerated this trend**, further reducing the times to adopt digital tools for communicating, cooperating and managing company processes. The Group's interest is to **make the cloud ecosystem created by Microsoft, Centrico** and other key partners, stronger.

Today, three years after the foundation and a "new normal" to manage, **illimiters are facing new challenges**, such as increasing own operating efficiency, and keeping related work stress in check.

illimity strives to improve the approach to managing work, modernising the exchange of information among colleagues and entities. The challenge lies in finding **the right balance between being "always connected", and the wellbeing of employees**. All our management is focused on improving the company's internal and external processes, so that they bring wide-ranging benefits to people, contributing to unleashing their **energy** and **creativity**, continuing to innovate their own work patterns.

The programme includes various areas of action: starting from an internal **investigation to identify "bottlenecks"**, that can disrupt individual and collective productivity, moving on to **research and advisory activities to find actions and targeted solutions** for the issues investigated and lastly, **Digital Advisors**, illimiters selected from within the organisation, to assist colleagues and managers to facilitate the resolution and transition towards a new approach or model.

As regards capabilities and personal aptitudes, **training and development courses** will be provided, tailor-made to the level of digital maturity of each illimiter.

Digital Series meetings will be held, steering an internal organisational culture through testimonies from exceptional hosts, hailing from leading companies in the tech sector and innovation.

To measure the effectiveness of modernisation campaigns, the project has implemented the state-of-the-art in terms of human resources analytics, i.e. aggregate and anonymous analysis of the conduct of employees during the use of digital work platforms: in fact illimity works with **Microsoft's Viva Insights technology, to capture and analyse the work habits and use of employees**. Thus it will be possible to understand how illimity's work organisation is evolving.

illimity, pioneering Open Innovation

The financial sector is at the centre of major changes and equally major opportunities. The new technologies and rules are revolutionising traditional logics and today we face an open world, with actors from the most diverse industries. Starting new ways of working together in Open Innovation is key to creating value for the company, offering innovative services capable of meeting emerging needs. We intend being a part of a change that is just beginning, and for this reason, illimity is continually working towards the development of new models from an Open Innovation, Open Banking and Open Platform perspective. Concrete examples are illimitybank.com (see page 94), HYPE (see page 97) and b-ilty (see page 93), besides the initiatives described below.

Open-es

illimity is the first Bank to join **Open-es**, the digital platform launched by ENI, in partnership with Boston Consulting Group (BCG) and Google Cloud, and open to all companies to support the sustainable development of production chains.

Open-es, through an innovative, inclusive tool, aims to forge an alliance of businesses committed to involving their own value chains (suppliers, customers and stakeholders in general), in improving sustainability performance. Through the platform, all businesses, from SMEs to major players, can measure their own ESG performance, analyse and share data and experience, obtain customised development plans and identify improvement solutions to adopt.

With a model based on the 4 pillars of Stakeholder Capitalism Metrics, issued by the World Economic Forum, Open-es accompanies businesses in a journey of awareness and improvement, also through cooperation and sharing data and best practices. The platform promotes open, inclusive processes, enabling companies to work with their own supply chain, accessing statistics and detailed reports and thus improving Sustainable Procurement processes.

In 2022, illimity will offer a fully comprehensive range of banking services and products, besides solutions to encourage and support the energy transition and sustainable growth plans of businesses. Loans will also be made available, incorporating ESG metrics, and rewarding, with a modular approach, companies that are more sustainable or more committed to concrete improvement programmes and targets. A solution the Bank intends supporting and promoting to its own customer companies and, in the future, to customers of b-ilty, the digital banking platform dedicated to small and medium enterprises, launched by the illimity Group in early 2022.



For more information:

[open-es](#)

My Sport e Salute

My Sport e Salute (My Sport and Health) is the app by Sport e Salute S.p.A to promote general sport and correct lifestyles, designed and developed in conjunction with illimity and available free of charge at digital stores. illimity is the technological partners of this project and was selected thanks to its expertise in developing digital platforms and in Open Innovation.

The app aims to make access to sport easier, offering all organisations in the sports sector and everyone who practices sport the chance to use a common hub to share information about any kind of sport.

It represents a virtual ecosystem - combining the entire sporting world (federations, organisations promoting sport, associated sports disciplines, charities, civilian and military sports groups, over 100,000 amateur sports associations and organisations and 14 million subscribers) and the bank, leveraging PSD2.

The platform connects 7,903 Italian municipalities and 77,000 existing sports facilities and gives, on the one hand, sports' bodies visibility, promoting their activities and attracting new users, and on the other, people who practise sport can keep up to date about activities, places of interest and how to manage sport in their daily life, individually and in their family.

The app's valuable functions include geolocalisation and a planner with a calendar to schedule commitments or sports dates. A market place will be active, where products and services related to the world of sport, from technology to the financial and insurance sector, can be offered, at special conditions. Thanks to the above partnerships with **Santander Consumer Bank** and **Aon**, app users can access personal loans in just a few minutes, identifying the best solution for their needs and obtain healthcare services at special rates quickly and easily, accessing the widest-ranging network of independent healthcare facilities in Italy.

Accelera con Amazon

Accelera con Amazon is the free training programme for Italian SMEs, promoted by Amazon and by a close-knit group of companies supporting the digital transition, with the aim of giving entrepreneurs the tools and skills necessary to launch or further develop their activities online at national and international level.

illimity is the project's first partner Bank, leveraging its identity as a Bank, but also as a digital company, contributing to enhancing the programme with training focused on banking and loan aspects, thus continuing to support the growth of Italian business.

Accelera con Amazon includes a number of webinars dedicated to "doing business" for people who have subscribed to the training programme, with senior managers of illimity involved as trainers. Training videos will also be produced, with a specific focus, for example, on new variables of credit worthiness, digital reputation and sustainability. The training material has a simple, immediate language, to guarantee maximum use by a wide-ranging public.

Considerable attention will be given to the needs of entrepreneurs, promoting surveys to identify their training requirements.

Ambrosetti Research

The research How the "Open" paradigm is transforming financial ecosystems, designed by The European House - Ambrosetti in partnership with illimity and Fabrick, analyses new logics to create value within the financial industry, and in particular, the contribution that an ecosystem approach can make to developing a competitive, sustainable and resilient society, in line with an Open Finance logics.

An initiative which has come about to analyse the progress of the banking sector's development; further exploring Open Finance; evaluating the sustainability of main business models present on the market; creating a strategic vision for the Open Finance sector and raising the awareness of and engaging from all perspectives with institutions, policy makers, the business community and public opinion.

The Research is coordinated by a top-level Steering Committee, with **Corrado Passera**, Founder & CEO of illimity, **Paolo Zaccardi**, Co-Founder & CEO of Fabrick, **Valerio De Molli**, Managing Partner & CEO of The European House - Ambrosetti and **Salvatore Rossi**, Chairman of TIM and already Genera, Manager of the Bank of Italy.

Financial Times Made in Italy Challenge

FT x Made in Italy is an initiative of **FT Talent** - a programme of the **Financial Times** to promote the talent of new generations - and of **Sole 24 Ore**, dedicated to the development of new business ideas for the relaunch of Italian manufacturing by young Italian innovators. A great virtual hackathon with the aim of promoting talent and devising solutions for steering companies in their sustainable development journey.

The participants, assisted by mentors and tutors, will have the task of working with a "toolkit" dedicated to SMEs to support them in their ecological transition. The three days of the hackathon will feature challenges, networking sessions and training on the world of business and entrepreneurship, held by well-known corporate experts. The Challengers will have the chance to present their projects to a public of professionals and the idea will be presented at the Trento Festival of the Economy.

At illimity, we believe that the ideas and energies of young people are vital to relaunch Italy's economy. That is why we have decided to become **partners** of FT x Made in Italy, to discover and promote talent and support growth through a challenge focused on sustainability, because we believe sustainability is a duty and responsibility of everyone, and especially companies.

Microsoft sustainability alliance

The **Sustainability Alliance**, launched by Microsoft Italia in November 2020, is an ecosystem project to promote **Italy's sustainable digital-based growth**, in line with European plans to relaunch the economies of member countries and with the national New Green Deal. The initiative is part of a strategic alliance with companies, the academic world and startups to develop together new projects, through Open Innovation, that can tackle the most pressing climate and environmental challenges, and promote a new green culture, leveraging technological trends and contributing to the country's sustainable development.

Members of the Sustainability Alliance, including illimity, will work closely together in order to define sustainability-related objectives and needs, identify synergies and above all ensure that captured ideas are turned into concrete solutions, through partnerships with startups.

The initiative comprises three stages: the mapping of market trends and needs by companies, followed by design thinking; the consolidation of project lines that meet the needs identified in stage 1 and start of brainstorming sessions involving companies and startups in order to define the initial concepts and identify the startups for each concept, in order to develop the different ideas selected and start pilot projects.

Cyber Security

The illimity Group's IT system was created with the idea of shifting away from a traditional way of doing banking to maximising new opportunities offered by the digital world. The design of the IT system is in fact fully digital, created using latest-generation technologies.

The immediate effects of this have proven to be winning in the operational challenges posed by the COVID-19 pandemic. In particular, the design of fully cloud, digital the architecture has enabled all the Bank's resources to promptly start working from home, with practically no impact on resources dedicated to providing operational and security support services.

In a fully digital context, this aspect is increasingly important to understand customer habits and behaviour. Thus, **IT security** is key - to guarantee the levels of **confidentiality, integrity and availability that illimity gives its customers**, using technologies based on artificial intelligence algorithms together with the expertise of expert analysts to create a profile that is tailor-made for the customer.

Changes in how payments are made with the PSD2 coming into force, and the startup of Open Banking platforms, have led illimity to adopt onboarding protocols which include sophisticated monitoring and controls of potentially fraudulent activities, that activate alerts in near real time to minimise the risk of fraud to which customers are potentially exposed.

The Group's IT system is a strategic resource of company assets, and as in the case of "tangible" assets, this system must be adequately protected from the risks of financial damage and harm to the Group's image and/or its operations being affected, and consequently the service given to its customers.

The processes and activities to govern and manage IT security and the related risk are organised according to a model that involves the Bank's corporate boards and various functions. The Board of Directors, as strategic supervisory body, is responsible for oversight and control of the information system.

The organisational side is managed by the Group's ICT function, which incorporates the Area in charge of managing IT security, based on criteria of functionality, efficiency and security, defining the duties and responsibilities, taking account of factors such as the complexity of the company's organisation, its size, sectors of activity, business and management strategies. Encryption mechanisms are also used to protect business information considered critical. The ITC Security Area of the Chief Information Officer is responsible for defining and **managing the Bank's security policies**, preparing guidelines on developing secure applications and controlling their use in the context of software development, as well as protecting company data from attempted theft.

In the last year, the Bank's ITC Security Area:

- strengthened capacity to **predict threats**, investing in **Open Source Intelligence**, consolidating analysis tools that use the latest artificial intelligence and machine learning algorithms, through the fine tuning of customer and associate due diligence procedures, and starting a process to assess the **security posture** of networked entities;
- improved the **control of transactions** which, thanks to an increasing number of data made it possible to train algorithms that use artificial intelligence, evaluating the risk of individual transactions. In fact, in cases where an anomalous transaction involves Bank customers, the procedures adopted enable the customer who is the victim of fraud, in over 60% of cases, to not lose any capital involved, as the prediction mechanisms manage to intercept the type of transaction and secure capital involved before it takes place;
- increased the **monitoring capacity** of the Bank's infrastructures, to prevent different and new types of attack;
- developed its own operational **governance procedures** that have made it possible to increase the resilience of the bank's system, also to exceptional events which this year put many organisations under a considerable amount of stress in relation to the pandemic which is still ongoing.

The illimity Group continues to invest in IT security and develops solutions that offer an efficient service for stakeholders.

Risk assessment of the Group's ICT assets

The protection of company data, business continuity, integrity of information, and availability of information systems are further supervised within the illimity Group by Risk Management, responsible for defining the governance of information risk, and consequent analysis methodologies, treatment, monitoring and reporting, by Compliance that provides support in the design of processes to analyse, treat, monitor and disclose IT risk and by Internal Audit, that provides assessments on main identifiable technological risks and on the Group's overall IT risk management.

Main actions taken in 2021 to manage and monitor IT risks concerned in particular:

- **ICT risk assessment.** Application of the **IT risk assessment methodology**, through quarterly assessments of potential risk, residual risk and specific risk for each IT asset, supported by competent functions. This assessment methodology was fine tuned in 2021, with a view to further consolidating operating use of risk measurements.
- **Operational risk indicators – RAF.** Approved by the Board of Directors, the Risk Appetite Framework and Risk Appetite Statement, included for the first time in 2021, the monitoring of a dual operational risk indicator: business operating losses and **ICT operating losses identified in the year.**
- **IT incidents.** Information on **IT incidents**⁷ reported by users of the Parent Company illimity Bank and its Subsidiaries neprix and illimity SGR was gathered and analysed for prompt identification, to monitor possible IT and operational risk situations.

During 2021, the Bank decided to specifically monitor **exposure to cyber risk of companies offering IT services to the Group.** The platform chosen by illimity constructs a model to calculate exposure to IT risk, processing open information on the web, and establishing engagement with the supplier through a detailed questionnaire on cyber, data governance, compliance, IT Service Management issues, etc. that contribute to identifying a final "Cyber Risk Rating".

7. For further details see the next section "Management of systems, evolutions and IT incidents".

The security assessments activated by the platform consider international regulations and standards which the supplier must observe, as well as the organisation's own security policies, and the business and technological relationship that is established. Cyber Risk Ratings enable illimity's IT professionals to make quick decisions about a potential or existing supplier.

Management of systems, evolutions and IT incidents

Considering the structured and complex nature of an information system, the Group has adopted a model to manage and control, based on market best practices and the most common standards, considering the outsourcing of its information system as well as legal constraints.

The need for compliance, arising from the Bank of Italy's circular no. 285, gave considerable impetus to revising supporting processes. On the one hand, provisions pursue an overall system efficiency, and at the same time, place considerable attention on specific processes considered essential for ensuring the stability, availability and security of the information system: (i) the change management process; (ii) the process to manage IT security incidents.

Based on this focus on regulatory aspects, and a need to consolidate internal management of the ICT area, the Group put in place its own policy to manage IT developments, in 2020, which was further developed during 2021. In fact the Group has put its guidelines for secure planning, developed and updated in relation to OWASP best practices and related to changing threats which are monitored by the dedicated Cyber Security team on the company intranet.

In addition, a Vulnerability Management process was associated and validated, which links the classification of vulnerabilities identified by continual monitoring with specific remediation periods, shared and accepted by the risk committee.

As regards the process to report and manage IT security incidents, the Group, based on indications from the Bank of Italy, adopts a system to process and analyse reported anomalies, comprising several levels of oversight, which manage the incident and its resolution, based on the severity and type. A specifically selected Incident Manager assesses the severity of the incident, and in more severe cases, reports it to the authorities and control functions, based on criteria of economic and reputational impact, and customer involvement, as contemplated by regulations.

The next table shows the quantitative indicators to help understand how the security measures adopted by the illimity Group guarantee an excellent level of protection and actions to tackle cyber attacks.

Additional indicators	2021	2020
Number of serious IT security incidents out of the total of IT security incidents reported ⁸	0	0
% of software covered by security application checks in the process to manage application vulnerability	100%	100%
% of vulnerabilities resolved, identified by the new Vulnerability Management process	98%	100% ⁹

During 2021, no serious IT incidents occurred that had negative, significant impacts on the integrity, availability, confidentiality, authenticity and/or continuity of services with consequence financial loss, harm to the company's image or prolonged, significant poor service for customers and other parties.



For further details:
[IT Security Policy](#)

8. Classified according to the guidelines in the Bank of Italy Circular no. 285.

9. The data is referred to Vulnerability Assessments and Penetration Testing (VAPT). During 2021, this process, which manages the vulnerabilities of subjects continually monitoring defects of applications used by the Bank and their developments, was further consolidated.

Ethical aspects related to the use of Artificial Intelligence and Machine Learning techniques

The illimity Group is aware that the use of artificial intelligence and machine learning algorithms calls for an **ethical approach** to their management. For this reason, the policy on the Governance of Internal Risk models formally set out the reference framework for ethical aspects related to the use of Artificial Intelligence and Machine Learning techniques, indicating in particular the zero or negligible risk of models in illimity's perimeter, in ethical terms, as these are not sold, they are not used for commercial products but instead only for internal risk assessments, and they are not included in AI systems prohibited or defined as high risk under Articles 2 and 6 of the Proposed Regulation of the European Parliament on artificial intelligence.

In addition, the models of interest to the Group have the following additional characteristics, among others: the underlying data are traditional, meaning public data (e.g. financial statements), or are from governed credit bureaux, with a code of ethics the Group must observe as per contracts. In the case of models applied to individuals: i) the underlying data do not include sensitive data; ii) the features of model prediction do not include sensitive data or data that allow for direct or indirect identification. If a new model, a change to an already approved model, or a new type of model does not meet the above characteristics, their production is subject to specific, ethical-based assessments, and to the approval of relevant bodies.

Lastly, best standards on the retention, quality and replicability of underlying data, the versioning of algorithms, the documentation, accuracy and explainability of the models and IT security are applied, consistent with recommendations, even if only in relation to high risk models, contained in the Proposed Regulation of the European Parliament on artificial intelligence.

IT security awareness and training

As cyber threats to steal personal and financial data have intensified in recent years, customer communication has been stepped up, with periodic emails on phishing, smishing and vishing, to increase awareness of IT security issues and enable customers to recognise any attempts by fraudsters to obtain personal, financial or security information via emails, text messages and phone calls.

This same commitment is also made to the Group's employees and associates, through the **illimity Security Awareness Programme**, providing training on phishing, business e-mail compromise, malware and data protection, for all employees and interns, tailor-made to the risk profile of each user. The programme, which is held annually, consists of three types of activity:

- **assessment:** a test to define the level of initial knowledge of IT security;
- **training clips:** provided at regular intervals to explore cybersecurity issues;
- **simulations:** simulated phishing campaigns to test user learning progress.

Programme uptake (constant) has reached over 80% of those entitled, with an awareness of the most important risk scenarios and confidence rating of over 75% in terms of positive results.

Data management and protection

illimity promotes and is continually committed to protecting the privacy of its customers and all other natural persons it does business with, through the Group's companies, in compliance with legal requirements in force from time to time at national and EU level, and with the decisions and rulings issued from time to time by the Italian Data Protection Authority.

For this purpose, illimity has adopted a Privacy Policy that sets out the principles of personal data processing performed at both a business line and technical/operating entity level, and also by supporting entities - and describes the organisational model as well as the processes and procedures that govern all related activities, in compliance with the fundamental principles of lawfulness, fairness and minimisation, as well as the legal bases contemplated in regulations.

In fact, the Group has adopted a model to manage privacy based on data protection by design & by default principles, directly linked with the operating and business processes of Group companies, thus benefitting the correct and transparent configuration of all activities that involve the processing of personal data,

starting from the creation and design stages, and has also effectively defined and continually manages the (technical and organisational) safeguards for this purpose.

To guarantee an integrated Group approach and consistent management of relations with all stakeholder, illimity has appointed a **Data Protection Officer** (DPO) at Group level, who is the Head of the Bank's Compliance & AML Function and steers the organisational model adopted for the proper oversight of personal data processing issues and legal obligations, acting as the single, official contact point for all Group Companies, for the Regulators, and for individual data subjects.

The Group guarantees necessary, periodic updates to the internal policy, which all personnel must observe, to guarantee the correct management of personal data processing issues. Periodic revision covers the safeguards adopted for compliance with obligations to provide disclosure to data subjects, as well as the processes to obtain and manage data subjects' consent and requests to exercise their rights, the methodology to assess the impact of data protection, the correct adoption of data protection by design & by default principles, the procedures to manage and notify data breaches, as well as the functioning of information flows to the Data Protection Officer.

In compliance with internal regulations, illimity continually adopts all necessary organisational and technological measures to ensure that customers and all natural persons are adequately informed about the processing activities of the Group, and above all, about their rights and how to exercise them.

GRI 418-1

During 2021, the illimity Group guaranteed the correct management of all requests to exercise rights, received from data subjects, confirming that there were no cases of significant data breaches. In 2021, four episodes of unauthorised access to personal data relating to some of the Bank's customers occurred, one of which depending on the leak of information by one of the Bank's suppliers, and was reported to the entities concerned and to the Data Protection Authority. The remaining three breaches concerned the accidental, unauthorised access to a very limited number of data and - after necessary internal assessments - did not pose a risk for the rights and freedoms of subjects involved. All violations were promptly solved and appropriately registered in the Group's internal records, in compliance with applicable regulations.

Cookie Policy

The Bank has a **consent management platform (CMP)** on the use of cookies, that has been appropriately aligned with the needs and specific aspects of Group companies, opting as far as possible for a standard approach to guarantee a uniform and adequate level of data processing and protection.

The platform guarantees that the Group's websites display an appropriate, updated cookie banner on the cookies and trackers present, in compliance with the most recent, applicable regulations. Users are given the utmost visibility and transparency about cookies that use various websites and about the nature and purpose of technologies activated on them. The cookies banner also enables users, through simplified interaction, to control their own data and privacy settings, by selecting single cookie types or specific, single cookies.

Specific consent and detailed information on each cookie, with the related purposes, suppliers, duration and types, guarantee the confidentiality and protection of users' browsing data, in compliance with their preferences.

Further consolidation of current privacy oversight, concerning cookie management in the Group, is being evaluated in the light of recent guidelines issued by the Data Protection Authority.



For further details:

[Privacy Policy](#)

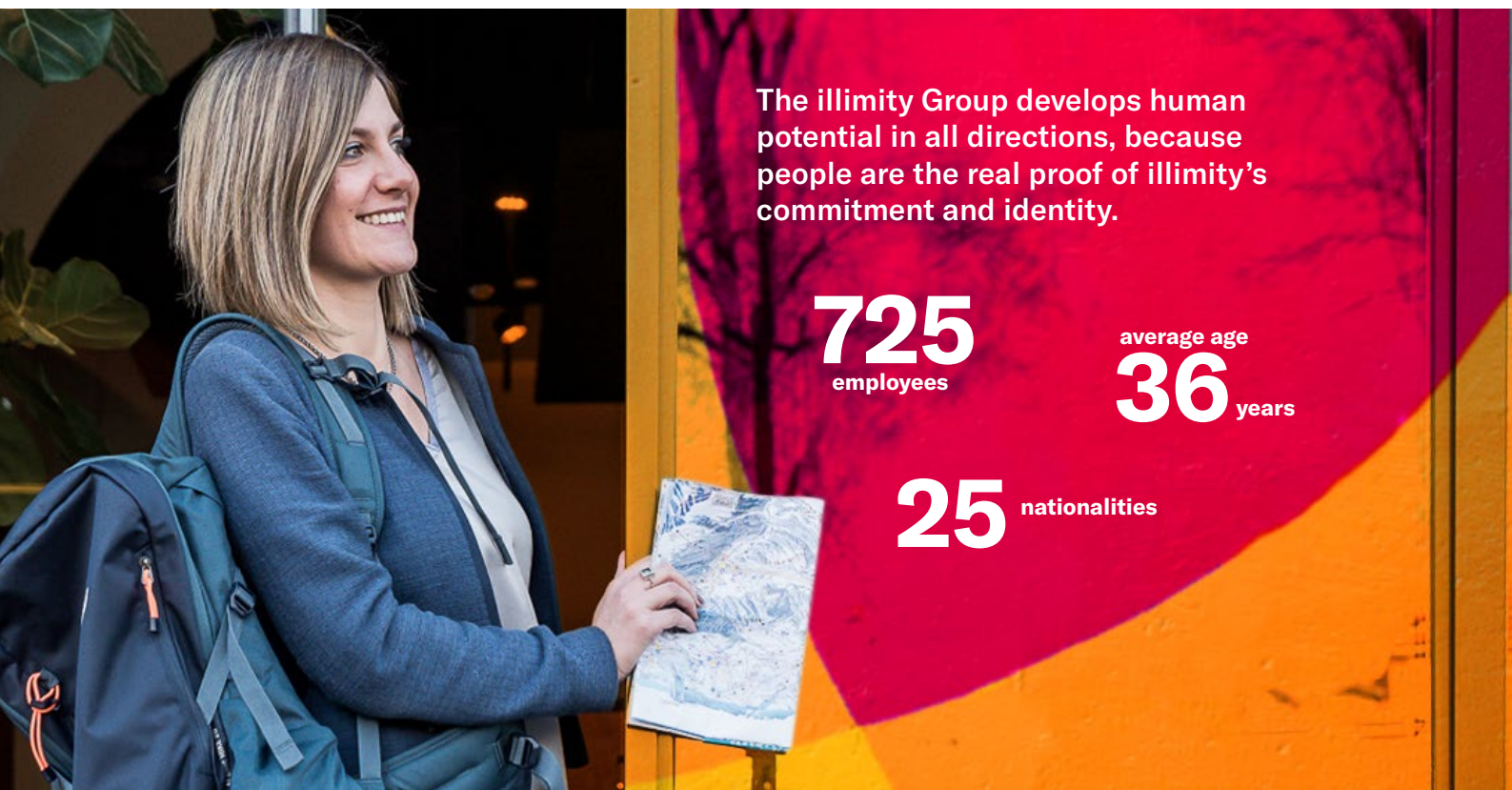


Frame the image using the Aria App to watch the
"Human Resources & Organization" video



People

05. People empowerment, engagement and wellbeing



GRI 102-7 | GRI 102-41

The empowerment of people (illimiters) starts from the structured recruitment process, which identifies the people who have the expertise, mindset and motivation to achieve, and also benefit from value in the Group (see the section on “The recruiting process”).

The purpose of HR policies is to promote engagement, development and wellbeing of illimiters and their families, through:

- dedicated growth paths (see the section “Empowering and developing human capital” and “illimity academy: Master’s in Credit Management”);
- involvement and sharing (see the section “a Great Place To Work and action plans”);
- continual feedback and recognition actions (see the section “Remuneration policies and Performance Management”);
- targeted initiatives to meet needs related to the personal dimension (see the sections “Work/Life balance” and “illimity W.o.W.”);
- an inclusive approach which promotes diversities (see the section “Diversity, Equity and Inclusion”).

At the end of 2021, the Group had **725 employees** (+24% on the figure of 2020), in addition to 44 external staff and associates. Nearly all employees have a permanent contract and are in full-time employment. The employees of illimity Bank and illimity SGR are covered by the “National Collective Bargaining Agreement” for senior managers and personnel of professional areas, employed by credit, financial and operating companies”, while neprix employees are covered by the “Supplementary credit agreement”, referred to in Article 3 of the aforementioned agreement¹⁰.

10. IT Auction employees, before the acquisition, were covered by the “National Collective Bargaining Agreement” (CCNL) for trade”.

GRI 102-8

Total number of employees per employment contract	2021			2020		
	Women	Men	Total	Women	Men	Total
Employees with a permanent contract	301	413	714	241	329	570
Employees with a fixed-term or temporary contract	8	3	11	8	9	17
Total	309	416	725	249	338	587

Total number of employees per type of employment	2021			2020		
	Women	Men	Total	Women	Men	Total
Employees with a full-time contract	304	414	718	244	336	580
Employees with a part-time contract	5	2	7	5	2	7
Total	309	416	725	249	338	587

Total number of employees and other staff and associates	2021			2020		
	Women	Men	Total	Women	Men	Total
Employees	309	416	725	249	338	587
Other staff and associates	26	18	44	27	26	53
<i>of which work placements</i>	15	12	27	18	20	38
<i>of which interns</i>	0	0	0	1	2	3
<i>of which collaboration agreements</i>	11	6	17	8	4	12
Total	335	434	769	276	364	640

The main channel used to identify candidates that meet illimity's requirements is the "Careers" page on the company website that reflects a simple and integrated recruiting process. illimity also uses social media to support its recruiting activities. In particular LinkedIn is used to publish job opportunities and directly contact potential illimiters, while on the "illimity_stories" Instagram page, posts are shared to promote recruitment through real life story telling from illimiters that are already part of the team.

To select illimiters for internships and junior positions, illimity partners up with numerous universities, publishing recruitment drives on dedicated portals and getting involved in Employer Branding (e.g. career days, discussion sessions and presentations), meeting recent and soon-to-be graduates interested in working in the Group.

illimiters are the main brand ambassadors and represent an important channel for recruitment; they are encouraged to pass on names of potential illimiters through a system where they will receive a gift card or can opt to have double the amount paid to fondazione illimity, if the person they indicate is then hired.

Only in specific cases will illimity work with headhunters it has forged a close, long-lasting partnership with, to identify new talent.

An innovative tool, successfully tested in 2021, and which will become a part of the recruitment process, is the recorded video interview. This is a step up from the digital version of the cover letter, as it enables candidates to tell something more about themselves, apart from what is written in their CV, customising their application and answering questions to further explore aspects of their personality and assess technical competencies. The use of video interviews also makes it possible to draw up a shortlist for management, with less bias compared to simply viewing CVs.

During 2021, 186 new recruits were employed in total (81 women and 105 men, of whom 4 people with disabilities), mainly below 31 years of age. Incoming personnel turnover stood at 25.7% in total, compared to an outgoing turnover of 5%.

GRI 401-1

	UoM	2021	2020
Total employees hired	No.	186	151
	%	25.7	25.7
By gender:			
Women	No.	81	57
	%	26.2	22.9
Men	No.	105	94
	%	25.2	27.8
By age group:			
<= 31 years	No.	96	69
	%	40.9	34.0
32 - 39 years	No.	63	47
	%	23.0	22.6
40 - 45 years	No.	27	32
	%	13.8	20.4
>= 55 years	No.	0	3
	%	0	15.8

	UoM	2021	2020
Total employees whose employment contract has ended	No.	36	30
	%	5.0	5.1
By gender:			
Women	No.	13	9
	%	4.2	3.6
Men	No.	23	21
	%	5.5	6.2
By age group:			
<= 31 years	No.	17	12
	%	7.2	5.9
32 - 39 years	No.	10	11
	%	3.6	5.3
40 - 45 years	No.	9	5
	%	4.6	3.2
>= 55 years	No.	0	2
	%	0	10.5

Empowering and developing human capital

The personal and professional growth of each illimiter is guaranteed by two pillars: integrated training and development, with a view to creating illimiters that are increasingly “rounded” and increasingly “testimonials” in daily conduct embracing company values.

In particular, training at illimity is managed via the **Workday Learning platform**, through which each employee may follow digital courses, also from their mobile phones, guaranteeing the utmost flexibility and a balance with other professional and personal commitments.

Training is divided into three categories: **leadership** (set out in illimity’s competencies model), **mandatory training** and **specialist training**.

Leadership

In 2021, more than 2,000 hours were spent on sharing aspects of the competencies model, to the benefit of new illimiters, and with a positive impact for their first steps in the Group. Three channels were used for these activities:

- a **Buddy** - a reference figure in the illimiter's lives, even before they join the Group, accompanying new employees in their first few weeks, to help them settle in and become familiar with the approach to work and build effective relationships. During 2021, about **25 Buddies** were identified in the Group, and took part in a **training programme** to prepare for this experience of guiding new employees;
- **digital training** which, combining theoretical content and situational tests, introduces new employees to illimity w.o.w. (way of working) and the pillars of the leadership model;
- **onboarding day**, two half days dedicated to new employees to introduce them to the Group's business, through testimonials from colleagues from each division and to officially start the illimity journey, thanks also to the participation of the CEO and Head of HR & Organization.

The hybrid approach to work has emphasized the importance of learning, trust and support and confirmed that the onboarding of new illimiters is not just based on the experience of reference managers, but also that of other illimiters.

Mandatory training

Mandatory training is dynamic and is updated based on Group priorities, following a progressive logic, covering topics of specific interest in rotation. Besides compliance and occupational health and safety, training in 2021 included the introduction of ESG topics (see the section "Training on ESG topics").

Moreover, in view of the continual increase in IT threats and the fully digital and in cloud nature of the Bank, the **illimity Security Awareness Programme** was launched in 2020 - a digital training programme customised to the risk profile of each user, to identify and offset IT threats as quickly and effectively as possible (see the section "Cyber Security" on page 58). During 2021, nearly 3,000 hours were spent on consolidating these competencies and the programme has also been included in the 2022 mandatory training catalogue.

Specialist training

A catalogue of **specialized, innovative and multidisciplinary training** was prepared, which not only addresses developments in banking. Main new aspects include:

- **Project Management** and **an agile methodology**, with the aim of having the tools and knowledge necessary to manage projects effectively and disseminate an agile culture of planning, launching, monitoring and completing strategic projects;
- **upskilling for programming languages**, in particular Python, with the aim of adopting it as a company working tool for activities to gather, analyse and process data.

Besides standard training, illimity has created **illimity up**, a reference model for training initiatives that can be started on demand and defines **individual development plans**, tailor-made for the individual role and individual growth needs. In particular, as part of the Performance Management process, each illimiter can choose from over 50 training initiatives, together with their manager, to select priorities and a content close to their own and their team's needs.

In 2021 - the year when this approach was launched - each manager selected an average of 4 initiatives for each illimiter. Initiatives of most interest include the development path to train and consolidate the typical skillset of **psychological capital** (e.g. determination, a positive attitude, resilience), which has always made the difference in being and acting like an illimiter, with over 60 colleagues selected and receiving training, confirming that demand is not only for technical training, but also for internal resources to discover their own strengths.

In a continually expanding, dynamic reality, the **development of human capital** is crucial for achieving increasingly challenging corporate and individual objectives. In 2021, the position of **Team Leader** was added to the company organisation. This position is responsible for coordinating the activities and development of illimiters, focusing on proximity and on continual feedback/feedforward. The Team Leaders are selected for their **technical expertise combined with relational skills**, effective at assisting others to express their best and at drawing out potential in a journey of collective growth.

To enable the **development of managerial abilities**, the “**Team Leader as a Coach**” programme was devised, with fast onboarding that draws on coaching methodologies (consistent with the leadership model), delivering a total of approximately 20 hours. The programme promotes active experimentation, the exchange of feedback and best practices, thanks to classes with a very small number of participants (6 Team Leaders for each edition). The programme already involved over 60 Team Leaders in 2021, and will be run for all new Team Leaders selected.

Because the programme has been so effective, as confirmed by participants and their managers, it was decided to plan a programme for second line managers. New managers employed in 2021, immediately called on to disseminate the values and promote the development of their potential and relations, were involved in the development programme “**Manager as a Coach**”, with the aim of:

- acquiring the techniques and tools to train emotional, cognitive and behavioural skills in their leadership roles;
- creating an action plan for personnel, to develop their own leadership style and manage their work team with authority;
- measuring up to the challenges of the lead coach in developing own staff.

The programme, lasting for around 15 hours and held in small groups, combines the benefits of sharing the knowledge of consultants and interaction with other managers.

To support the development of illimiters and promote cross team/division work, contributing to the general growth of the entire Group, **cross mentoring** has also been proposed, with a (formal and informal) relationship between a person with more experience (the mentor) and a person with less experience (the mentee), aimed at developing the skills of the latter in a working and social environment, regardless of seniority.

Over 30 illimiters were selected as **Mentors**, based on their experience, seniority in their role and ability to transfer their know how and give the right advice. The selected Mentors were asked to attend the **Train the Mentor** programme, to learn about the tools to perform this guiding role, after which a Cross mentoring cycle was started, which currently involves **31 pairs (for a total of 62 illimiters)**, scheduled to end in the first quarter of 2022.

With the aim of delivering a training programme that is increasingly aligned with the needs of a new paradigm bank, and of monitoring key skills, the focus has been on the co-creation of training programmes with a customised content, supported by external companies, or the creation and provision exclusively by internal personnel, leaning more and more towards the consolidation of an internal academy. From this perspective:

- the Master’s in Credit Management was created, with the first edition completed in April 2021 (see the section on the “Master’s in Credit Management”);
- the b-ilty Academy was set up, for **training dedicated to the b-ilty sales network**. By leveraging the digital platform illimitybank.com and the Group’s outstanding expertise in loan management, training addressed both technical and soft aspects of the relational positioning of the sales network, with a strong digital imprinting.

ESG training

illimity invests in training on ESG topics, because it believes that the Bank’s sustainable development is only possible by actively engaging all Divisions and Departments and the people who work there.

Developing a business in tune with ESG topics requires knowledge, at all levels, of the principles of sustainability, the impact that sustainability factors may have on the business and a wide-ranging, integrated vision of the changing level framework for sustainable finance.

This is why a training programme for ESG topics has been started for all Group employees, staff and associates. The first course, curated by ASviS, the Italian Alliance for Sustainable Development, “**Agenda 2030 and Sustainable Development Goals**” was launched in April 2021, with the aim of informing and raising awareness among colleagues of the 17 Sustainable Development Goals approved by the United Nations in September 2015.

The course is part of mandatory training, as it is considered fundamental for contributing to the dissemination of a good compliance culture within the Group. In just a few months, nearly the entire company workforce attended the training, creating a particular interest in further exploring the financial implications and impact on conduct.

In November 2021, an **ESG Induction** session was held for the Boards of Directors of the Parent Company illimity Bank and the subsidiaries neprix and illimity SGR, and for the Bank’s top Management, on the national and European framework relating to sustainable development and the main legal developments in sustainable finance.

During 2022, training was further expanded in an ad hoc programme, comprising e-learning courses, the management of environmental and social sustainability and sustainable finance (for all Group employees and staff), also featuring themed webinars based on areas of expertise, for the Bank’s managers and everyone directly involved in the topics addressed.

illimity academy: the Master’s in Credit Management

In October 2020 the first edition was launched of the Master’s in Credit Management of illimity academy, set up with the aim of creating cutting-edge programmes to consolidate crossover competencies typical of future professions, with high-level training courses combining learning and on-the-job training. The Master’s is a highly professional programme, with the aim of training future Asset managers to include in the team of the subsidiary neprix.

The first edition, lasting 6 months, was held in Business School mode: 50% classroom teaching and 50% on-the-job training. In October 2020, classroom lessons were held at the MIP site. With the worsening of the health emergency, teaching went online, ensuring continuity and at the same time protecting the health of all participants.

The Master’s course, designed to meet the specific needs of neprix, is for recent graduates (graduating from a degree or Master’s course no more than one year previously), and combines the know-how of the illimity Group’s management with the experience of trainers with an academic and consulting background, coordinated by the scientific management of the **MIP Graduate School of Business, Polytechnic of Milan**.

The aim of the new edition is to repeat the successful experience of the first edition: **380 applications were received** in just over a month. **440 teaching hours were delivered** by a faculty with over **40 trainers** and 25 courses held online and in classroom teaching, and an ongoing mentoring programme for students. Of the 26 people taking part in the Master’s, **22 then joined the illimity Group**.

The second edition will introduce two new aspects: **the programme will be entirely free of charge and will guarantee selected candidates employment with neprix**, on a trainee contract, from the very first day. In addition, the contents of the Master’s will be used for the **customised onboarding of all new recruits in the various areas of neprix**.

The programme is for young professionals or practising lawyers in the NPE loan management sector, as well as for new graduates or students near to graduating, interested in starting their career in neprix, aged 30 or under at the time when the Master’s course starts (April 2022).

The courses (lasting from 4 to 28 hours) will cover the main legal, economic and behavioural aspects of credit management and will also be open to other colleagues of the Group.

GRI 404-1

Total training hours ¹¹	2021			2020		
	Women	Men	Total	Women	Men	Total
Senior Managers	696	2,534	3,230	419	1,997	2,416
Middle managers	5,105	10,972	16,077	2,483	3,586	6,069
Professional areas	8,004	8,505	16,509	1,887	1,216	3,103
Total	13,805	22,011	35,816	4,789	6,799	11,588
illimity training course categories						
<i>of which mandatory compliance training</i>	4,011	6,095	10,106	1,818	2,201	4,019
<i>of which technical/specialist training¹²</i>	4,381	8,626	13,007	983	1,560	2,543
<i>of which behavioural training</i>	2,890	3,670	6,560	598	552	1,150
<i>of which language skills training</i>	1,951	2,888	4,839	678	1,616	2,294
<i>of which mandatory occupational health and safety training</i>	572	732	1,304	712	870	1,582

As previously described, huge investments have been made in managerial and behavioural training with a main focus on the Group's Team Leaders who, on the one hand, monitor the organisation's performance and, on the other, represent the natural pipeline with a view to succession planning and therefore illimity's "future" from the perspective of the sustainability of human capital.

Average hours of training	2021			2020		
	Women	Men	Total	Women	Men	Total
Senior Managers	54	47	48	52	43	44
Middle managers	48	56	53	29	24	26
Professional areas	42	51	46	22	17	20
Average hours of training	49			30		
<i>Minimum hours of training suggested by the National Collective Bargaining Agreement for the credit sector</i>			24			

The increase in the average number of training hours in 2021 (+63% compared to 2020) is due to the start of new initiatives in the **illimity up** catalogue, to deal with requests made following needs' identification (as part of the Performance Management process) and identified from ongoing dialogue with the business divisions (Project Management, programming languages, effective communication, etc.).

The increase in average training hours was also due to the inclusion, during 2021, of 12 trainees, that have to attend 40 hours of mandatory training over their two-year contract and 80 hours of professional training, divided between classroom training and on-the-job training (the latter is not included in calculations).

11. The calculation considers overall training hours of employees in 2021, so excludes the 3,952 training hours provided for the Master's in Credit Management.

12. b-ility Academy, Business Skills, ESG, IT & Software, mandatory training for trainees.

Remuneration policies and Performance Management

illimity promotes a meritocratic and inclusive Total Reward approach, referred to the competencies indicated, performance in terms of results achieved and behaviour adopted, promoting internal benchmarks and market references, with the aim of guaranteeing a fair, diversity neutral remuneration system, which is sustainable over time.

From this perspective and based on the principle “equal pay for equal work”, illimity has committed to offering salary packages that guarantee fair treatment, regardless of discriminating aspects, such as gender age. In particular, illimity systematically analyses internal and external remuneration benchmarks in case of equal value roles, both on recruitment and during the annual salary review process and is committed to basically achieving a zero **Pay Gap**, monitored through controls during the periodic review of remuneration policies.

illimity’s incentive strategy promotes the achievement of short and medium-long term objectives, complying with illimity’s values and the 2021-2025 Strategic Plan, contributing to the alignment of investors’ and all stakeholders’ interests.

To support this model, all illimiters are shareholders and take part in the company’s growth, as they are beneficiaries of a **broad base shareholder plan**, designed to increase employees’ sense of belonging, steering them towards creating value in the long term. Management and key resources are also the beneficiaries of a **Long-Term Incentive System**, which consolidates the alignment of the interests of beneficiaries with the priority goal of creating sustainable value over time, in keeping with the Strategic Plan and through a commitment to achieving ESG objectives (accounting for **20%** in the objectives plan) in addition to economic/financial objectives.

To encourage outstanding performance also in the short term, illimity’s Remuneration Policy includes an **Annual Incentive System (MBO)** - connected to a wider-ranging Performance Management System - which awards the achievement of annual objectives and the adoption of a conduct in line with illimity’s competencies model.

The Performance Management process enables illimity to monitor, verify and develop the performance of illimiters, defining individual development areas. The process also makes it possible to measure performance qualities in terms of results and conduct, acknowledge and reward merit and ensure opportunities for feedback between managers and staff, identifying actions to be taken to obtain required results. More generally, the process involves four stages during the year: **Goal Setting** (defining objectives to achieve in the year), **Mid-Year Review** (assessing the extent to which objectives have been achieved), **Year End Evaluation** (evaluation of performance compared to objectives, at the end of the year); and **Feedforward** (feedback session and the definition of individual development plans).

To promote fairness, the evaluation system includes not only a traditional appraisal by the manager, but also the chance for each illimiter to analyse his/her own conduct (self evaluation) and the conduct of other illimiters (cross evaluation), for an all-round contribution to measure and develop an effective conduct.

Self and Cross Evaluation, as information made available to the Appraisal Manager, may contribute to determining the final score of the evaluation.

In addition, during 2021, the assessment of the conduct of all illimiters (**accounting for 25%** on the objectives plan) was supplemented, giving significance to expertise related to the **Digital Mindset** and **ESG topics**.

In this way, the Performance Management process guarantees a direct connection with the individual development of each illimiter, as it involves an evaluation that supplements qualitative/quantitative objectives and behavioural objectives, transforming areas for improvement into points for professional development, that are discussed during the employee/manager Feedforward session.

GRI 404-3

Employees involved in the Performance Management process	2021			2020		
	Women (%)	Men (%)	Total (%)	Women (%)	Men (%)	Total (%)
Senior Managers	92.3	96.3	95.5	100.0	97.9	98.2
Middle managers	96.3	92.9	94.1	93.0	88.4	90.1
Professional areas	87.4	94.0	90.4	81.2	76.1	78.8

The figures refer to the number of eligible employees included in the Performance Management process for 2021, i.e. employed before 30 September 2021.

illimiters that do not participate in the 2021 performance evaluation will have the chance to attend the Feedforward session, receiving feedback on performance and conduct, and define their individual development plan (as part of a catalogue of training and development initiatives, to participate in throughout the year or over a longer period of time).

Work/life balance and company welfare

As part of its corporate welfare system, the illimity Group has put in a place a unique benefit policy, with a flexible choice of services and access to best-in-class solutions, offering illimiters an evolved Flexible Benefits plan, which can be customised to cater for individual and family needs.

illimity's welfare policy guarantees in particular:

- professional and non-professional accident insurance (paid by the company, plus a possible integration with the welfare budget);
- life insurance plus total permanent invalidity insurance (basic insurance paid by the company, plus a possible integration with the welfare budget);
- Long Term Care insurance (paid by the company);
- a varying healthcare policy based on different needs (the individual/family), which may be purchased through the welfare budget, with a 600 euro contribution paid by illimity, as provided for in the Second Level Contract;
- supplementary pension;
- the Flexible Benefits plan with services that are reimbursed and direct access to education, health, mobility, recreation, assistance and loans areas;
- Benefits for families (to name just a few: 20 days' parental leave for new dads, additional days' leave paid in full to assist children when starting school, assistance with voluntary work, study grants for illimiters who are students and for their children);
- Special benefits during the health emergency, in place since 2020: a) two **hours' paid leave** per day for employees with children or relatives; b) **the reimbursement of technological equipment for remote learning and the reimbursement of all medical devices** (even for prevention purposes) and c) **supplementary health cover** in the case of hospitalisation due to COVID-19;
- meal vouchers (since 2020) for all employees and interns, even for days when working from home.

In 2021, faced with the continuing health situation caused by the COVID-19 pandemic, some services introduced in 2020 in the education and health area of the **Flexible Benefits Plan** were continued, including the reimbursement of technological equipment for home schooling and of all medical devices (even for prevention purposes) with CE marking.

During 2021, an agreement with trade union representatives was signed on the **Company Bonus**, which promotes the contribution of each illimiter to achieving the Group's objectives for 2021. Under the agreement, office staff and middle managers of all Group companies may accrue a bonus to be paid in cash or converted into welfare benefits, of up to €1,200 for office staff, and €1,700 for middle managers. The agreement is part of the overall "Reward & Total Value" strategy, adopted by illimity since its foundation and based on principles of meritocracy, inclusion and participation.

During 2021, 21 male employees and 17 female employees took parental leave. A 100% rate of return after maternity/paternity leave was recorded, as well as 100% rate, for both male and female employees, keeping their job 12 months after returning.

GRI 401-3

Parental leave	2021			2020		
	Women	Men	Total	Women	Men	Total
Total number of employees entitled to parental leave	17	21	38	8	10	18
Total number of employees taking parental leave	17	21	38	8	10	18
Number of employees returning to work after parental leave	17	21	38	8	10	18
Total number of employees returning to work after parental leave in the previous reporting period	8	10	18	6	6	12
Total number of employees who are still with the company 12 months after returning from parental leave	8	10	18	6	6	12
Return rate¹³	100%	100%	100%	100%	100%	100%
Retention rate¹⁴	100%	100%	100%	100%	100%	100%

Autonomous indicator	2021	2020
Percentage of welfare out of the average RAL ¹⁵	11%	10%

illimity w.o.w.

The social context we live in, due to COVID-19 has profoundly changed the way we work. At illimity as well, the pandemic has led to the definition of new shared work roles and thus to the creation of **illimity w.o.w. (way of working)** in mid-2020.

illimity w.o.w. is a hybrid work model, co-designed with employees, to enable them to work from home or elsewhere for 10 days a month (compared to the previous 1 day a week), as they prepare (in line with illimity's value of freedom), and agreed with their manager (in line with illimity's value of responsibility). Work spaces were extensively reviewed, and an App was developed for staff to book a desk at the office.

Along with this new way of working, online training was held, with digital sessions to further explore main issues (e.g. working by objectives, being a team player, developing trust).

illimity has always tried to balance its digital and innovative philosophy with an employee experience that takes into account human and personal aspects, and hybrid work has further tested this balance, bringing to light new needs and creating opportunities for improvement. For these reasons, illimity has started to use new analysis tools, to evaluate how illimiters work, and collaborate, to set out a road map towards a more efficient and effective work model.

One of these tools is **Microsoft Viva**, which provides qualitative/quantitative and objective analyses on how employees work (collaboration, conduct, interaction). Thanks to these analyses, it is possible to obtain fundamental data (protected by privacy regulations), to improve the quality of interactions and understand which types of conduct must be corrected because they can result in stress and burnout, thus increasing staff's wellbeing. The platform can also provide practical advice, in emails, based on individual work habits.

13. The return rate (%) is calculated as the total number of employees returning to work after parental leave out of the total number of employees taking parental leave x 100.

14. The retention rate (%) is calculated as the total number of employees still working 12 months after returning from parental leave out of the total number of employees returning to work after parental leave in the previous reporting period x 100.

15. To calculate the ratio, the mean value of welfare and the RAL (fixed only) of personnel entitled to welfare was considered.

Great Place To Work and action plans

In 2021, the illimity Group was recognised as a Great Place to Work® for the third year running, and for the first time was ranked as one of the **Best Workplaces in Europe™**. This award, certifying companies that have a **quality work environment** is from Italy's leading consulting company specialised in work environment analysis, and follows on from a survey to which 92% of colleagues replied in June 2021.

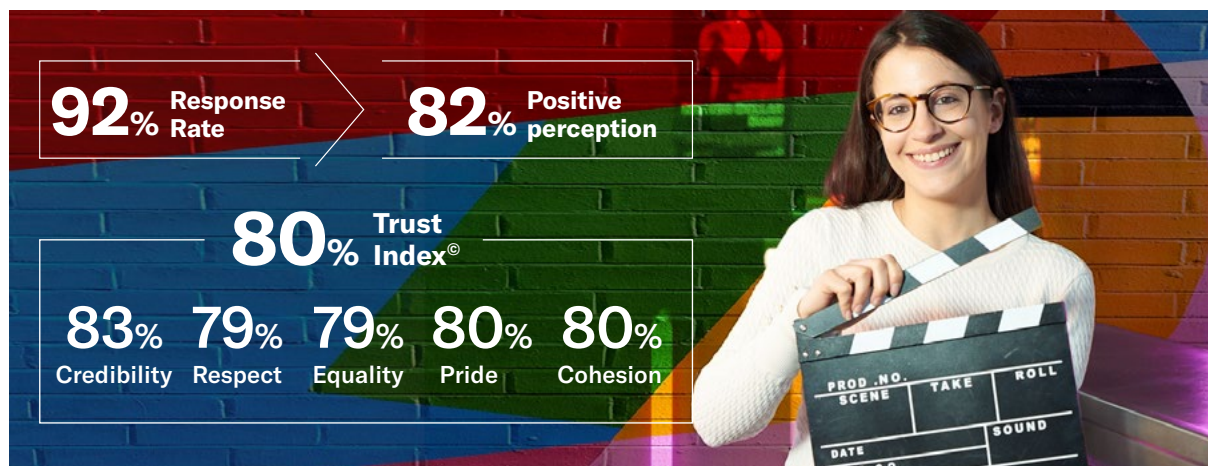
The online questionnaire revealed that illimiters appreciate above all Management's competency and ethics, they are proud to work for the company and have a strong team spirit.

Specifically, the figures show a particularly positive perception - above the sector benchmark - of the **work climate, considered to be excellent by 82% of employees** and a **Trust Index® of 80%** (unchanged compared to 2020). In particular, the Trust Index® summarises the percentages of positive replies from employees in the five areas referred to the company climate: credibility, respect, fairness, pride and cohesion.

This result is not a given, considering the extraordinary context due to the pandemic and, together with Universum's award as the Most Attractive Employer for business studies students and young professionals, illimity has been confirmed as one of the best companies in Italy for its ability to create a work environment that is inclusive and considerate of personal wellbeing.

The survey encouraged managers to reflect and act on areas for improvement. In addition, illimiters took an active part in devising action plans, concrete proposals focused in particular on how to improve interaction with others (management of meetings, email flows evenings/weekends, etc.), freeing up quality productivity time and improving the way of working together. The initiative involved 25 illimiters, who voluntarily took part in work panels to develop the proposals that will be presented to illimity's Top Management and adopted during 2022.

These actions will be monitored in the Great Place To Work® survey, which will be launched in 2022 and through Microsoft Viva Insights analytics.



Health and safety

GRI 403-1 | GRI 403-2 | GRI 403-3 | GRI 403-4 | GRI 403-5 | GRI 403-6 | GRI 403-7 | GRI 403-9

Occupational health and safety is a fundamental commitment for the Group, to make to all the Bank's employees, staff and associates.

The illimity Group operates in compliance with occupational health and safety regulations and, based on the requirements of Legislative Decree 81/08, has set out the responsibilities and procedures for preparing for and responding to potential incidents and emergency situations, as well as the responsibilities and procedures to prevent harm and accidents that may occur, set out in the Group's Health & Safety Procedure.

The internal occupational health and safety system is supervised by the Employer and Safety Officer, with the involvement of Workers' Safety Representatives, the Company-appointed Doctor, Emergency Officers and First Aiders and all heads of structures.

The purpose of adopting this system is to enable the Bank to have safe, healthy workplaces, prevent injury and illness, and improve its occupational health and safety track record, with a performance planned according to the following criteria:

- analysis of the internal organisational structure;
- updates to occupational health and safety risk assessments, formalised in the Risk Assessment Report;
- definition of processes concerning safety and the identification of duties and responsibilities;
- definition of work procedures, internal rules, and procedures for communicating safety-related information;
- adoption of planned activities through personnel information and training, and involvement in processes;
- identification of periodic controls to monitor the adoption of the safety management system and relative organisational model, as well as its effectiveness, by identifying the compliance of actions with adopted procedures;
- the preparation of forms;
- the establishment of an audit and assessment system for critical aspects concerning occupational health and safety.

As required by Legislative Decree 81/2008, Workers' Safety Representatives, identified by trade union representatives, are involved in specific activities, such as safety meetings, inspections and preparing documents.

The Bank organises specific drills annually, depending on the various accident scenarios indicated in the emergency management procedure, in order to monitor the effectiveness and efficiency of these emergency procedures and plans.

To provide effective health surveillance, a company-appointed doctor is available to carry out mandatory medical check-ups, as well as additional checks-ups on request.

Employees are requested to report any sources of risk to emergency management officers.

For details on the measures adopted by the Group to guarantee the health and safety of employees, staff and associates, following the Coronavirus pandemic, see Chapter 13 "Combating the COVID-19 emergency".

	2021		2020	
	Employees	Staff and Associates	Employees	Staff and Associates
Occupational accidents	4	1	-	-
Accident rate¹⁶	3.8	7.0	-	-
Serious accidents	-	-	-	-
<i>of which fatal accidents</i>	-	-	-	-
<i>of which accidents with serious consequences (excluding fatalities)</i>	-	-	-	-
Rate of deaths caused by occupational accidents	-	-	-	-
Rate of accidents with serious consequences (excluding fatalities)	-	-	-	-
Total number of hours worked	1,043,079	28,400	624,583	19,920



For further details:

[Health & Safety Procedure](#)

16. The rates are calculated as the number of accidents / total number of hours worked. To improve readability, the portion obtained is then multiplied by 1,000,000 (hours worked) for employees, and by 200,000 (hours worked) for other staff, as they number few people.

06. Diversity, Equity and Inclusion

illimity is committed to breaking through physical, communication and cultural barriers, adopting an approach that values inclusion. The Bank considers diversity and respect as fundamental values of its HR Policy, which it adopts from recruitment onwards, up to the professional development of employees.

Group employees come from over **20 sectors** and more than **300 different companies**, with more than half operating in non-finance sectors. The average age of employees is **36**, with the highest number of employees in the millennials junior category, i.e. from 25 to 32 years. **25 different** countries are represented at illimity.

During 2021, the **Diversity, Equity & Inclusion Policy** was issued, which outlines the Diversity, Equity and Inclusion guidelines and practices of the illimity Group, as the foundations for the organisation and its business strategy. Diversity, equity and inclusion are in fact strongly connected with illimity's identity and therefore form the basis for looking after human capital, promoting a meritocratic work environment, consistent with a work/life balance, that empowers the individual characteristics of each person, their capacities, experience and aspirations.

During 2020, illimity, through the CEO, signed Valore D's "**Manifesto for women's employment**", based on which signatories commit, gradually and preferably in keeping with their own specific size and sector dimensions, to establishing clear, measurable goals, to share within the organisation.

illimity also has a long-term partnerships with **Jobmetoo**, the main recruitment portal for special categories of workers, and with **Manpower**, to include people with disabilities on its team, who represented 1.70% of the Group's workforce in 2021.



For further details:

[Policy Diversity, Equity & Inclusion](#)

GRI 405-1¹⁷

Composition of corporate bodies	2021		2020	
	Women (%)	Men (%)	Women (%)	Men (%)
Members of the Board of Directors	56	44	44	56
Division by age				
<= 31 years	0	0	0	0
32 - 39 years	0	0	0	11
40 - 54 years	33	22	11	22
>= 55 years	22	22	33	22

The board of directors breaks down as 56% women, and 44% men, with Rosalba Casiraghi as Chair of the Board of Directors and Chair of the Sustainability Committee, Elena Cialliè as Chair of the Risks Committee and Paola Elisabetta Galbiati as Chair of the Remuneration Committee.

17. Disclosure is provided for the GRI 405-1 indicator with a greater level of detail for the division by age group than that suggested in the GRI Standards, as this represents the classification used for internal activities.

Robustness and creation of shared value

The central role of corporate and retail customers

The ecosystem of illimity partnerships

Sustainable finance

The European taxonomy of sustainable activities

Environmental impacts and climate-related challenges

Combating the COVID-19 emergency

Annex

GRI Content Index

Breakdown of personnel by employment category, gender and age	2021		2020	
	Women (%)	Men (%)	Women (%)	Men (%)
Senior Managers				
<= 31 years	0	0	0	0
32 - 39 years	0	12.9	0	12.8
40 - 54 years	100.0	74.1	100.0	74.5
>= 55 years	0	13.0	0	12.8
Total Senior managers	19.4	80.6	14.5	85.5
Middle managers				
<= 31 years	21.5	16.8	31.4	24.5
32 - 39 years	54.2	47.5	38.4	40.6
40 - 54 years	22.4	32.6	27.9	31.0
>= 55 years	1.9	3.1	2.3	3.9
Total Middle Managers	35.3	64.7	35.7	64.3
Professional areas				
<= 31 years	48.7	52.4	49.7	44.9
32 - 39 years	34.9	30.1	36.1	36.8
40 - 54 years	15.9	15.1	13.5	15.4
>= 55 years	0.5	2.4	0.6	2.9
Total Professional Areas	53.2	46.8	53.3	46.7

With the presentation of the 2021-2025 Strategic Plan, the illimity Group set the objective of increasing the number of women in managerial positions two-fold.

As previously stated, the Group's policies have been based on valuing all diversity, since its foundation. This takes place through:

- recruiting activities, with a shortlist drawn up of the best candidates, diversified in terms of gender, education, experience and nationality. In particular, of the 186 new recruits in 2021, 159 were under 40 years, with women accounting for 44% and men for 56%;
- investments in new illimiters (see GRI 401-1), and the 73 team leaders (the "third lines") who represent the Group's managerial pipeline.

GRI 405-2

Ratio between the basic salary and other types of remuneration for women compared to men, by professional category	2021	2020
	Women/Men (%)	Women/Men (%)
Top Management ¹⁸	-	-
Other managers	95.1	100.7
3rd/4th level middle managers	92.9	93.7
1st/2nd level middle managers	96.6	95.6
Professional areas	97.1	95.8
Mean¹⁹	95.4	96.4

Figures are calculated as an average which considers the basic salary and total remuneration of employees at 31 December 2021, including the company welfare benefits, as per contracts, the MBO bonus and other variable parts of remuneration. The recruitment of the best resources for all roles at illimity, including the most strategic, is the result of a **gender neutral** process, guaranteed by the Group HR and corporate governance policies.

The approach to fully neutralise the gender pay gap includes careful analysis of internal and external remuneration benchmarks, when defining financial packages on employment, and a particular focus on gender issues during the annual salary review process.

18. The only incumbent is male (8).

19. Excluding the first ratio (Top Management) due the absence of female incumbents.

GRI 202-1

	2021		2020	
	Women	Men	Women	Men
Ratio between the standard salary of a newly employed person by gender and the minimum local salary ²⁰	1.0	1.0	1.1	1.1

GRI 102-38

Rate of total annual remuneration	2021	2020
Rate of total annual remuneration of the individual with the highest remuneration and mean values of total annual remuneration of all other employees	11.1	12.6

Additional indicators

Top Management to Worker Compensation Ratio ²¹	2021	2020
Total remuneration of the CEO to average employee remuneration ratio	13.6	12.0
Average remuneration of the CEO and Top Management to average employee remuneration ratio	9.1	11.1
Last benchmark²²	48.2	

20. The standard salary of a new recruit means the basic lower salary paid to the new recruit in the reference year. The minimum local salary means the minimum salary envisaged by collective bargaining or applicable law.

21. The pay ratio is calculated using the following metric: CEO 2021 Actual Compensation/Mean value of 2021 Group remuneration, where:

- CEO Actual Compensation: Fixed remuneration + Welfare. The component of the 2021-2025 Long-Term Incentive Plan is not considered as it is not vested.
- The mean value of Group remuneration in 2021: the mean value of personnel, referring to total remuneration (including fixed and variable components in 2021, with the exception of the component of the 2021-2025 Long-Term Incentive Plan for beneficiaries, as it is not vested), with the exclusion of social security payments, considering employees at 31/12/2021.

22. Mean benchmark value of 8 banks of the FTSE Bank in 2020.

illimitHER, illimity's Diversity & Inclusion programme

What can illimity do to increase the number of women in the workplace?

To answer this question, illimity has created an **“edutorial” schedule** to transfer and **share knowledge and skills to help train a new generation of women in a future that is increasingly dominated by digital transformation.**

illimitHER is illimity's Diversity & Inclusion (D&I) programme, launched in July 2020, created to foster the potential of young women. The stars of illimitHER are **inspiring young role models under 35, with STEM backgrounds: scientists, entrepreneurs and innovators.** Through sharing their professional experience and digital skills, the speakers engage with the 18 to 24-year-old-community members, from a single viewpoint: **generational closeness.** A mainly female target, but the male component also plays an important role, giving voice to men who support gender equality.

illimitHER is a unique project of its kind, focused on **Brand Activism**, where the company **champions the elimination of stereotypes and inclusion of young women in the workplace, with talent, contribution and vision.**

A fresh format created by young people who speak to young people, with the narrative voices of Felice Florio and Cecilia Greco, two under-30 journalists that work with Giulia Rosa, the very young illustrator that places women at the centre of her art and who, with her dreamlike, delicate style, has made illimitHER unique and identifiable on the market.

Engagement with the public is preceded by

Newsletters dedicated to the Community. During talks, questions can be asked through live streaming, and interactive Instagram quizzes are held afterwards.

illimitHER has an **open ecosystem of partners** (currently 22), thanks to whom the project can increase its own social impact. Partners include associations engaged with D&I, such as Valore D, GirlsRestart, STEM in the City - Milan Council, Young Women Network, SheTech, and organisations that work to train new generations: Scuola di Politiche, Digitally, Ortygia Business School, Smart Future Academy, Ca' Foscari University, Venice with the LEI project, Bocconi University, the Alberi Milano Library, Prime Minster, Talents Venture and University Box. There are also editorial partners including HarperCollins, Torcha, Unstoppable Women of StartupItalia, Most Powerful Women of Fortune Italia and partners with innovation at their core, such as Plug & Play, Fintech District and BIP.

In this network, the project **quote sospese** has been created, giving illimity employees the chance to enrol free of charge for a year at YWN or SheTech and deserving young women outside the network the opportunity to have membership fees and study grants paid to access various programmes offered by Scuola di Politiche, Young Women Network and SheTech.

Two, highly innovative “marathons”, **illimitHER Marathon** and **illimitHER South Marathon** were held - phygital meetings to inspire young

The figures for 2021

7
events

3,500
interactions

310,000
views

292
press releases
(print and web)

10,000
young people
within the community

Timeline of events

2021

16

February

Story of a
young gaming
entrepreneur

18

March

The proper
recipe to start
your business

21

April

A Digital User
Experience
Guide

28

June

Space jobs:
an astrophysicist
on air

13

December

Robotics what
a passion!

16

November

Innovation and
creativity:
how to design
a banking startup
from scratch

17

September

illimitHER
South Marathon

generations to dream big, following their passions. The first took place in September 2020, at BAM in Milan, with the Deputy Minister for Education and a chemist specialised in glaciology. The second in September 2021, on Ortigia island, with an Oxford-based astrophysicist, an entrepreneur and a cultural project manager, all hailing from the South of Italy.

Results were extremely positive, with illimitHER being sponsored by the European Commission and four awards being handed out **Sustainability Awards** of the LC Publishing Group, **Women in STEM** of Repubblica degli Stagisti, the **Aretè Award** for responsible communication and the **AIFIN award** for CSR.

Commitment to new generations

Despite the restrictions imposed by the pandemic, illimity took part in and organised initiatives, during 2021, related to new generations, to transfer technical and all-round skills important for their studies and career paths. These include:

- **Digitally**, that invests in digital training, giving young people and professionals the tools and digital techniques most requested by companies, providing 3 grants for young students;
- **Young Women Network**, the first association in Italy dedicated to the networking, mentoring and empowerment of young women;
- **SheTech**, the non-profit organisation that aims to fill the gender gap in the technological, digital and business world through networking, empowerment and training, through the “quote sospese” project, that donated annual membership fees to young women who have excelled in their STEM studies;
- **Smart Future Academy**, the innovative project for high school students, that aims to help them discover their direction, by organising debates and inspiring meetings between students and leading players such as entrepreneurs, scientists and politicians;
- **Scuola di Politiche**, which aims to build up the competencies of young people, with high-potential, making them the enablers of change and innovation.

In June 2021, thanks to the project “Radici - Adotta il tuo albero BAM” (“Roots - Adopt your BAM tree”), the Bank adopted the circular forest of Lombardy poplars inside BAM – Biblioteca degli Alberi Milano (Milan Tree Library Park), contributing to the balance of vegetation in the park and city.

During 2021, illimity consolidated its partnerships with the academic world and started new alliances, with the dual aim of guiding and selecting young talent with the spirit of illimitar.

Firstly, the partnership with MIP, that curated the Scientific Management of the illimity academy’s Master’s in Credit Management, was extended, covering specific Master’s courses of the Milan Polytechnic Business School.

The Group also took part in recruiting events, round table discussions, and business talks which were all held entirely online. Initiatives contributed not only to employer branding, but also to the direct employment of job seekers, met during events at universities and subsequently included in recruitment processes for job offers. illimitars are involved, in the first person, in recruiting/orientation activities, taking part as ambassadors, and also holding lessons and acting as testimonials at universities.

For the second year running, colleagues from the design team held the Design courses for evolved services at Milan Polytechnic.

In addition to direct partnerships with universities, illimity renewed its alliance with **Tutored**, the platform with over 500,000 students and young graduates registered with the page (of whom 340,000 with a STEM background). Tutored provides a digital meeting place to link up with students from all faculties throughout Italy and thus address a wider group of possible, future illimitars, with a view to creating an increasingly inclusive environment, where contamination with different university scenarios (also in geographic terms) is a main ingredient when it comes to selecting high-potential, junior profiles.

In 2021, illimity began to work with the Fondazione Ortygia Business School, joining YEP (**Young Women Empowering Program**), designed with the aim of including and empowering female talent and supporting economic and social growth in Italy. The project, that will continue until June 2022, involves 10 colleagues as Mentors to 10 university students studying economics and STEM in the South of Italy. Interaction is one-to-one and six, individual mentoring sessions are held, to optimally steer students on their own professional and personal growth journey.

To support the development of talent in very young people, an orientation programme has been set up in partnership with **ELIS**, that will start in 2022 and involve a High School and Secondary School in Lombardy and a Technical College in Emilia-Romagna. Besides further exploring knowledge of the company, the programme will address issues related to orientation, diversity and sustainability. In this case as well, orientation will focus on STEM degrees, in particular for girls interested in a career in subjects which are currently chosen predominantly by boys. In addition, with the involvement of colleagues from neprix, students will get the chance to consolidate their technical skills and, thanks to the development of project work, to try them out in a learning-by-doing approach. At the end of the project, students of final-year classes will have the opportunity to take part in a dedicated Career Day, which neprix will dedicate to get-to-know-you interviews with the students.



Frame the image using the Aria App to watch the "Crossover" video



Prosperity

07. Robustness and creation of shared value

GRI 102-7

The illimity Group continues to pursue the goal of being a solid, stable partner for all stakeholders and of building a base for long-term financial stability.

Profitability and robustness are the mainstays of any business and in particular for a Bank such as illimity, which must be able to provide valid financial support for people, families and high-potential businesses, also at times marked by a particular uncertainty.

For this reason, the illimity Group is committed at all times to achieving an adequate profitability and shareholder remuneration, maintaining certain capital and financial solidity conditions, in compliance with prudential supervision requirements²³.

In November 2021, the international agency Fitch Ratings give the Bank raised its Long-Term Issuer Default Rating ("IDR") of the Bank to "BB-" (previously "B+") and Viability Rating (VR) to "BB" (from "B+"), confirming the Stable Outlook. At the same time, Fitch Ratings improved the rating of outstanding bond issues, giving the senior preferred bond a rating of "BB-" (previously B), an improvement of two notches, and the tier 2 subordinate bond a rating of "B" (previously B-).

The improvement in the rating reflects illimity's ability to generate profit continually, starting from the fourth quarter of 2019, based on a solid position in its selected business areas and an operational leverage that is steadily improving. The rating agency appreciated the greater diversification of funding, also following the issue of the senior preferred bond and tier 2 subordinate bond.

Additional indicators	2021	2020
CET1 (Common Equity Tier 1)	18.83%	17.86%
ROE (Return on Equity)	10%	5.5%
Net Organic NPE Ratio	1.2%	1.7%
COR (Cost of Risk)	4 bps	52 bps

Main financial data on a consolidated basis



23. Further information on the financial position and performance and cash flows of the Group, and on the identification and management of related risks is provided in the Report on Operations accompanying the Annual Report of the illimity Group.

Share capital and ownership structure

As of 31 December 2021 illimity's share capital amounted to EUR 54,189,951.66, of which EUR 52,619,881.24 subscribed and paid in, divided into 79,300,100 ordinary shares and 1,440,000 special shares, without indication of the par value.

The ordinary shares, listed on the MTA market since 5 March 2019 and on the STAR segment since 10 September 2020, are freely transferrable. The special shares are not listed and do not carry voting rights.

On 15 December 2021, the extraordinary Shareholders' Meeting approved the increase in share capital for a maximum nominal amount of €1,323,663.96, through the issue of a maximum of 2,031,094 ordinary new shares of illimity Bank S.p.A., to serve the new 2021-2025 Long-Term Incentive Plan.

Significant shareholders with a stake of at least 5% in the share capital with voting rights in illimity, with the percentages calculated by the Bank based on the number of shares resulting from the most recent information available and number of ordinary shares issued, updated at 31 December 2021, are reported below.

Declaring entity, i.e. subject at the head of the control chain	Share held	Portion held (%)
Gruppo Sella	Owned	10.00%
LR Trust - FIDIM	Owned	8.12%
FermION Investment Group Limited	Owned	7.26%
Tensile - Metis Holdings S.à r.l	Owned	7.01%
AMC Metis S.à r.l	Owned	6.56%

Economic value generated and distributed

GRI 201-1

The illimity Group operates in the market to generate and distribute long-term economic value for all its stakeholders. In this regard, the economic value generated by the Group in 2021, which represents the overall wealth generated by illimity thanks to its production and commercial capacity related to its business activity, was equal to approximately EUR 260 million²⁴.

Approximately 69% of the economic value generated in 2021 was distributed to stakeholders, mainly suppliers (26.4%), employees, staff and associates (28.3%), and the central and local public administration (14.1%). Around 31.2% of the value generated was retained in 2021, to consolidate the Group's capital.



24. The table of economic value distributed and retained represents the added value generated and distributed to stakeholders, and that retained by the Group. The income statement was reclassified (see the Annex to page 124), to highlight how added value is generated and distributed to various categories of stakeholders.

Approach to taxation

General aspects concerning the taxation of the illimity Group are managed by internal operating procedures, chiefly governed by a specialised team from the Administration & Accounting Department.

To effectively deal with the complexity of legislation, the correct management of tax aspects is ensured by internal control systems in place, that guarantee the prompt monitoring of all tax-related activities and continual alignment. This strategy involves the management and control boards, that are regularly informed about illimity's tax matters.

In its approach to taxation, the Bank is inspired by principles of:

- **lawfulness:** illimity adopts an approach geared towards the formal, substantial compliance of national and international tax legislation, to responsibly prevent any type of tax risk;
- **responsibility:** illimity acts based on values of honesty and integrity, and in line with its own policies and internal values, aware that correct tax management has a significant impact on the economic and social development of the country;
- **transparency:** illimity adopts a transparent approach and the utmost cooperation in managing its own information and in relations with stakeholders, including the tax authorities.

These principles are adopted with an approach inspired by the following drivers:

- prevention of operational-related tax risks, related to the correct and prompt payment of taxes and fulfilment of related obligations;
- prevention of interpretation-related tax risks, arising from uncertainty as to the actual spirit and letter of the law and qualification of concrete circumstances;
- refusal to adopt aggressive tax planning: illimity does not carry out operations or activities with the sole or chief purpose of obtaining tax savings and does not recommend customers purchase products or enter into transactions for such a purpose.

These principles and drivers are applicable to tax management not only as concerns illimity in a capacity as "taxpayer", but also as concerns its obligations as "intermediary" (FATCA, CRS, DAC 6, tax monitoring).

The illimity Group, operating exclusively in Italy, pays all taxes in Italy and is aware of all legal obligations, contributing to the country's economic development.

Engagement with the financial community

A greater awareness of issues involving the national community makes it possible for illimity to take more informed decisions, promoting an even more sustainable strategy and investing in creating long-term value. Dialogue is fundamental, to improve shareholders' and the general market's understanding of the Group's strategy, its mission, financial and non-financial results achieved, and all aspects which are significant for investment decisions and for exercising social rights in an informed way.

This awareness led to the adoption in 2021 of the "Engagement Policy", that is aligned with the best practices of national and international markets on corporate governance and stewardship, also enacting the latest guidance from Assonime, Assogestioni and the Bank of Italy and the recommendations in the Corporate Governance Code, in compliance with the Group's internal regulations on the management of inside information and wider-ranging, in application of legal and regulatory provisions.

The policy identifies the subjects involved in dialogue and the many channels and tools used, so that engagement with the financial community takes place on an ongoing, regular and transparent basis. Moreover, procedures are defined for engagement, setting out the main significant topics to address, the oversight to ensure confidentiality and fair treatment and lastly, the procedures for approving, supervising and revising the policy that are outlined.

illimity's engagement sessions with institutional investors increasingly centre on environmental, social and good governance issues. In many cases, the starting point of the discussion is the ESG rating the Group obtains in the various rankings consulted by shareholders to make investment decisions. These benchmarks, which are from external providers and also from proprietary information databases of investors, are a means of self-assessment for illimity, in term of sustainability and also an opportunity for the Group. In fact, illimity is active and transparent in engaging with its shareholders and rating agencies, to communicate its progress in integrating ESG topics in company decisions, and in the internal processes and activities of the Group.

In order for environmental, social and governance issues to be addressed in the best way possible, the Investor Relations & Strategic Planning team has included, among its core activities, ESG engagement with institutional investors, as well as the management of relations with agencies that produce ratings and/or scores on ESG topics, informing the Sustainability Committee at regular intervals of its progress in this area.

The illimity Group strives to improve its performing in the highest regarded ESG ratings, and this aim is reflected in the non-financial objectives contained in the long-term incentive plan of the CEO and Top Management, and in the targets of the 2021-2025 Strategic Plan. illimity's engagement with main ESG ratings agencies in 2021 demonstrates this commitment.



For further details:

[Engagement Policy](#)



In December 2021, in the first applicable year, illimity received a score of C in the Climate Change category, half way along the progressive hierarchical levels of the scoring model. The Group's aim is to reach "investment grade"²⁵ by 2025.



In 2021, illimitybank.com was recognised by D-Rating as the best Italian bank for digital performance and value creation with a BBB+ rating. In also came second in the "National Digital Champions in South Europe" ranking.



On a scale from 1 to 10, in which 1 represents the highest score, illimity obtained a QualityScore of 4 and 3 in the Environment and Social categories. In December 2021, the Group obtained an upgrade from 5 to 2 in the Governance category.



illimity is waiting for the annual ESG assessment. Previously, with a "Rating action date"²⁶ of 22 January 2021, illimity had obtained a score of B, based on data for the 2019 tax year. The score does not consider ESG disclosure contained in the 2020 Sustainability Report.



During 2021, illimity was upgraded from D+ to B-.



illimity - eligible for the first time and after compiling the CSA (Corporate Sustainability Assessment) - is waiting for the first issue of the rating scheduled for 31 March 2022.



In December 2021, illimity was upgraded from E to E+ with a positive outlook. The Group's aim is to reach "investment grade"²⁷ by 2025.

25. illimity defines its «Investment Grade» for the CDP rating as «B-».

26. The "Rating action date" is in the ESG report sent to companies and indicates the date when MSCI conducted the last review, also providing indications on when the next evaluation should take place, and namely 12 months after the reporting date.

27. Standard Ethics defines Investment Grade as starting from «EE-».

08. The central role of corporate and retail customers

Support for SMEs

illimity was set up with the aim of focusing on the huge need for credit for SMEs with growth potential, that require specialist support in managing their development plans, and for businesses with problems that if adequately supported, can achieve their hoped-for recovery.

These are companies that, more than others, struggle to find own funds and which the Bank chooses to support after careful analysis that combines the financial and industrial expertise of Tutors and teams with considerable knowledge of the lending sector. Thanks to this mix, illimity guides SMEs in a development, restructuring and relaunch process, with consequent impacts and social effects, such as protecting jobs and producing value for the local business context.

GRI G4 FS6

The Growth Credit Division's funding portfolio targets the mid-corporate segment (businesses with a turnover between EUR 30 and 300 million), which represent the foundations of Italy's production system; 48.6% of volumes refer to structured companies that are classified as "large" according to the EU definition (companies or groups with over 250 employees, and/or a turnover of more than EUR 50 million²⁸) and 49% to counterparties with a lower turnover. The Bank's activities with the Large Corporate segment are entirely residual, but there are important effects on side industries, often comprising numerous small and medium-sized enterprises, in addition to a broad base of micro-businesses.

Because of these positive effects on side industries, reverse factoring operations are particularly important. Thanks to a large customer that has a good credit rating in the banking system, the supply chain, which may also consist of small and very small businesses, can access financing, that would otherwise have difficulty in finding the financial resources they need or could only do so, under crippling economic conditions.

The Growth Credit Division's portfolio only comprises Italian counterparties and, considering the geographic location of the average Italian business, with a greater concentration in central and northern parts of Italy, over 2/3 of the portfolio concerns businesses with their registered office in the regions of Lombardy (41%), Emilia Romagna (11%) and Veneto (10%). In fact, many companies with financing have their production sites in different regions of Italy (in addition to foreign branches in a number of cases), producing wealth and creating jobs in the various areas where they are located.

28. This definition is based on the definition of SMEs given in the European Commission recommendation of 2003/361/EC and enacted in Italy with the Ministerial Decree of 18/4/2005.

Growth Credit portfolio segment distribution	2021 (%)	2020 (%)
Metallurgy	12.7	8.5
Food & Beverage	9.6	12.3
Mechanics	6.2	6.3
Fashion System	5.4	5.4
Retail	5.0	3.8
Engineering	4.8	5.7
Energy	4.8	4.1
Textiles	4.7	-
Services	4.2	4.5
Construction Products	4.1	5.1
Electronics	3.9	-
Automotive	3.8	5.7
Shipping	3.5	5.2
Pharma	3.0	4.4
Other	24.3	26.2

The Growth Credit portfolio is highly diversified: the biggest sector is Metallurgy, recognised as one of the key areas of the Italian economy, followed by Food & Beverage, which has an important role in Italy's economic system, both in terms of employment and international trade.

Additional indicators

Conversion rate: ratio between transactions analysed and financed	2021 (%)	2020 (%)
Turnaround	11	21.8
Crossover	13	24.1

The conversion rate, i.e. the ratio between transactions analysed and actually financed, shows the attention and care to credit activities that have always set illimity apart. While illimity will always be committed to the specific segment of SMEs, that also have sub-investment grade risk profiles, its considerable focus on the quality of the industrial business and sustainability over time of business development and/or turnaround plans analysed enable it to selectively channel economic resources to companies that have actually demonstrated the possibility for growth after their relaunch. Thanks to considerable knowledge of various sectors and specialist support from its network of Tutors, illimity gives its customers consulting advice to effectively tackle the challenges of growth or the recovery of a virtuous goal, after a crisis situation.

illimity Stories

For illimity, support for SMEs means a relationship that goes beyond financing. Some Italian companies recounted their own journeys of development and growth and partnership with illimity.

The story of Mondial Suole: digitalisation and innovation in pursuit of sustainability

Can we profitably produce soles in Porto Recanati in the midst of globalisation? Mondial Suole is a story about manufacturing, tradition and quality, that has adapted to evolve over time, becoming innovative and sustainable.



For more information:

[Read the story of Mondial Suole video](#)

The story of Frette: from Monza to a virtual reality

The story of Frette is about elegance and luxury, created in France, but soon moving to Lombardy, to become an iconic company of Italian manufacturing. Frette makes luxury linens, using superb-quality fabrics, for unique products created from a passion, innovation and research. And this is why it is now aiming to become digital, developing an e-commerce channel and setting up virtual showrooms.



For more information:

[Read the story of Frette](#)

The story of Navigazione Montanari: more than 130 years at sea

NavMont is a historic player in Italian shipping. Founded in 1889, over the years it has steered its course through crises and wars. Today, the company has a new objective: to renew its fleet and make it even more efficient and safe, continuing to guarantee its customers the service it has offered for over 130 years.



For more information:

[Read the story of NavMont](#)

The story of Alessi: design reshaping its future

The relaunch of Alessi is not just a story of beauty, it is also a parable of the responsibility of a long-established business family at the helm of one of Italy's most well-known design brands worldwide. Today, the company has 100 years of activity to its name, and is now welcoming in a new century of research and development in the applied arts.



ph.: 150UP



capture the image using the Aria App and watch the video "The story of Alessi"

The story of Macha:

A company that has combined Italian tradition with international cuisine, focusing on healthy food. Macha was set up in Milan, soon becoming a place for innovative products, trends and international inspiration, and first and foremost poke bowls. Sustainability has a three-fold meaning for the company: recyclable packaging, a choice of quality ingredients and forging company/customer relations.



capture the image using the Aria App and watch the video "The story of Macha"

b-ilty: the banking platform for SMEs

In June 2021, with the presentation of the 2021-2025 Strategic Plan, illimity announced the b-ilty banking platform offering financial and loans services dedicated to SMEs.

b-ilty is the first digital store developed to listen to the needs of small and medium-sized enterprises, offering them what they really need for the growth of their activities. A customisable platform to select the most suitable services for companies through a user-friendly interface that streamlines the business management of small companies: from the signing of the account, to credit access and the daily management of different project activities.

b-ilty was created with the aim of making life easier for entrepreneurs, thanks to a latest-generation platform that combines specialist expertise with cutting-edge technology and offers customers the products and services of an all-round bank, immediately and naturally, as only the most evolved user experience can guarantee.

b-ilty is a digital platform dedicated 100% to SMEs, conceived with entrepreneurs for entrepreneurs, with the aim of making the management of operations simpler. It incorporates, in a single ecosystem, bank transactions, integrating tools to support the growth of customers with solutions that meet the needs of the individual company and single sectors of the economy.

For this reason, the design of the platform was inspired by the most common models of digital solutions, to introduce for the first time ever relational and interactional models typically used on non-financial platforms to the world of loans and financial services. b-ilty's business store, with an "all inclusive" subscription, will be gradually expanded to include additional functions, products and services that will be automatically integrated and updated on the platform available to subscribers.

b-ilty is fully digital, and simple to use, to enable the entrepreneur, CFO, and accountant to manage company finances from their office, without hard copies or the need to go to the branch, and without having to depend on the working hours of anyone else. At the same time, b-ilty means people: each b-ilty customer will have a Relationship Manager, who has a name and surname, and a professional call center - Smart Care - on hand, available 7 days a week,

b-ilty is available as a monthly, fixed subscription without any hidden costs. For SMEs, it is also possible to try out the store free of charge, before taking out a subscription.

Responsibility to distressed credit customers

The Distressed Credit Division is one of the leading Italian operators specialised in distressed corporate credit. This Division deals with the purchase of impaired credit, financing for third-party investors that purchase NPLs and, through the neprix servicing platform, the management and valuation of distressed credit, up to the sale of property and securities, also on behalf of third parties.

The Division is committed to supporting entrepreneurs in difficulty, by engaging in a constructive dialogue to remedy their position and return to the market. The Division manages activities professionally, identifying targeted actions and entering into out-of-court agreements to accelerate settlement times, to the mutual satisfaction of parties concerned.

Additional indicators²⁹

	2021	2020
Collaborative Agreement Index	85.5%	86.5%
Ratio between the number positions closed through out-of-court proceedings and the total of positions successfully closed by the illimity Group ³⁰ .		
Time to solve	13	10
Average time recorded to solve out-of-court proceedings ³¹ .		

The Collaborative Agreement Index and Time To Solve indicator show the attention paid to finalising out-of-court agreements, which make it possible to accelerate settlement times, and contribute to the entrepreneur's recovery. The average period for settling out-of-court cases went up, due to a reduction in volumes purchased by the Distressed Credit Division in 2021 compared to 2020 and a consequent increase in the finalisation of cases purchased during 2020.

Retail customer relations

Unlike traditional banks, illimitybank.com does not have branches. It acquires 80% of its new customers via smartphone. Technological expertise is flanked however by the "human touch" of expert personnel working at contact centres, on hand to help customers at any time, from onboarding to the operational management of services offered.

illimitybank.com pays the utmost attention to the satisfaction of its customers, and potential customers, proposing innovative, value products and services that meet their needs.

In compliance with internal policies and applicable legislation, illimitybank.com informs its customers in a **clear, simple and transparent** way, of the benefits of using the products and services the Bank offers, and of how to behave to ensure the safety of their own data and credentials.

All messages that illimitybank.com sends to its customers are in a **direct and easy-to-understand language**. The messages are simple and clear, because they are intended for everyone, informing about and explaining financial concepts easily and immediately.

Commercial communication is overseen by an internal process and aligned with applicable regulations. Controls are in place for each type of communication, overseen by who produces the contents, and by the compliance and legal departments and all structures concerned, that guarantee compliance with **regulations on transparency and consumer protection**.

29. The analysis perimeter comprises cases obtained in the two years prior to when the NFS was published.

30. Excluding positions that were closed.

31. I.e. the difference between onboarding data (credit information uploaded to the system), and definition data (following the receipt of the last amount agreed in plans with several instalments).

Clarity and transparency

GRI 417-1

The Bank promotes an integrated corporate approach, based on mutual & early cooperation between operating, business and control functions, from the initial creation of all new products and services, enabling the compliance by design principle at all company levels. This principle guides and guarantees a **correct configuration of commercial processes** and related procedures that supplement the Bank's and subsidiaries' offering, related commercial channels as well as the customer communication and relations model.

The compliance by design principle translates into the prior involvement of the Compliance & AML Function in all new company initiatives, in order to guarantee conformity to regulations applicable to products and services, processes and procedures, IT tools and solutions (internal and for customer use) as well as contractual/precontractual or other types of documents. This prior involvement is designed to ensure the prompt management of significant compliance issues, from the initial stages of product or service creation, up to approval and subsequent launch on the market.

In this context, the Group pays considerable attention to guaranteeing **transparent relations with stakeholders**, also through the dissemination of **information that is complete, accurate and comprehensible**, enabling readers to always make informed decisions regarding the relations they have with the Bank.

Products and services that are "genetically" in line with transparency requirements help customers understand their characteristics and how they work, making them aware of the purposes of the Bank processing their personal data and enabling them to make informed choices, also to the benefit of the Bank. To this end, the careful representation of **the conditions of products and services offered to customers** in all precontractual documentation (information sheets on products and services, specific guides and other information on conditions offered) and contractual documentation, is crucial.

Similarly, promotions and advertising messages that convey clear messages and that are not misleading promote transparent communications and prevent any claims or disputes concerning potentially unfair business practices, which once again is (also) a benefit for the Group.

In these activities, the business functions and the Compliance & AML function play an active part in defining the contents, terms and most suitable channels to use in customer relations, during the entire product/service life cycle. Moreover, controls and themed reviews are carried out on a regular basis to continually monitor the compliance of choices/solutions adopted and any changes over time (compliance by default).

GRI 417-2

GRI 417-3

During 2021, no cases of non-compliance with regulations and/or governance codes concerning the information and labelling of products and services were reported. Similarly, no cases of non-compliance with regulations and/or governance codes concerning marketing communication - including advertising, promotions and sponsorships - were reported. This is also thanks to the involvement of the Compliance & AML Department that intercepts any anomalies in time and corrects them.

The frequency and contact channels chosen by customers

The Group sends notices to its customers, based on consent for privacy and commercial purposes given by data subjects, through a system of rules (Contact Policy) defined for each contact channel and according to how customer relations evolve.

With this approach, notices are customised, to respect the contact channels and frequency selected by customers, and it is possible to send information useful for actual customer needs. The choice of contact channel and frequency is up to the individual customer and may be changed or withdrawn at any time, from the dedicated section of the Bank's official websites (home banking), and subsidiaries' websites, if relevant (online auction portals).

The importance of knowing how to listen: the human touch

Thanks to the continual monitoring of opinions and comments left by users on social channels, community management activities on proprietary channels and Smart Care activities, illimitybank.com can provide personalised, one-to-one assistance based on each customer's needs.

Through its **Smart Care** services, illimitybank.com gathers requests from all channels made available to customers: free phone numbers, email, chat, and social networks. The service, available from Mondays to Fridays, from 9.00 to 21.00, and Saturdays and Sundays from 9.00 to 18.00, offers an extremely flexible choice of service, enabling customers and prospects to choose the channel most in line with their needs.

Different types of requests (commercial and technical) are managed during onboarding and in the after-sales stage by two teams: the first that collects all requests, managing the information, sending more structured cases to the second level team, where necessary. The technologies used also allow for "get to know your customer", steering them towards the most adequate support for their needs, improving service times and customer relations.

In 2021, a **service level**³² (capacity to respond to calls) of **98%** was recorded (99% in 2020), and a **service level with replies within 30 seconds of 91%** (92% in 2020).

By using evolved sentiment analysis tools, illimitybank.com can also listen to and continually analyse user conversations on the brand and related offering. This enables a strategic approach to **anticipating customer needs** and **greater precision in intercepting any critical aspects** that may harm the Group's reputation.

In concrete terms, thanks to these tools, the illimity Group was able to achieve, internally and externally, a **Net Sentiment Score (NSS)**, which enables it to understand the "health conditions" of the brand in real times, of 28% at December 2021 (20% in 2020), as well as a customer satisfaction rating, based on the level of recommendation indicated (**NPS – Net Promoter Score**³³). During 2021, illimity further consolidated its level of customer recommendation, from an overall NPS of 40 in 2020 to an NPS of 46 in 2021. This value reconfirms illimity as market leader, with a +9pts edge over the second player and far above the average for the banking sector (equal to 3).

These excellent results for 2021 were thanks to various activities to improve customer experience, including the release of 18 customisations (each connected with a specific customer journey) and improvement at a UX and UI level.

illimity customer satisfaction was also measured in assessments related to some specific areas, such as innovation (NPS = 47), ability to listen (NPS = 20) and clear, transparent communication (NPS = 34). On these issues, the brand's performance was further consolidated, to reach an excellent positioning both in absolute terms and compared to the average of the Italian banking market.

	2021		2020	
	illimitybank	Performance of illimitybank vs the average market performance	illimitybank	Performance of illimitybank vs the average market performance
Net Promoters Score³⁴				
Net Promoters Score	46 pts	+43 pts	40 pts	+36 pts
<i>Innovation</i>	<i>47 pts</i>	<i>+52 pts</i>	<i>45 pts</i>	<i>+49 pts</i>
<i>Ability to listen</i>	<i>20 pts</i>	<i>+38 pts</i>	<i>17 pts</i>	<i>+33 pts</i>
<i>Clear, transparent communication</i>	<i>34 pts</i>	<i>+45 pts</i>	<i>31 pts</i>	<i>+41 pts</i>

32. Calls managed/incoming calls.

33. Identifying the NPS from the question: "How likely is it that you would recommend this brand to a friend?". The answers, on a scale from 0 – 10, make it possible to classify respondents as promoters (a rating of 9 – 10), neutral (a rating of 7 – 8) and detractors (a rating of 0 – 6). The KPI indicator is given by the difference between the number of promoters and number of detractors of a brand, and is represented by an index that can range from -100 to +100.

34. illimity processing of DOXA data – Data from 2021 (for illimity, interviews conducted on the customer base as of 31/12/2021) and 2020 (for illimity, interviews conducted on the customer base up to 31/12/2020).

Vai Oltre la Forma (Beyond Form), the community that gives customers a voice

With over 48,000 participants (customers and prospects), and over **130 surveys** sent in 2021 and more than **30,000 replies** collected during the year, the “Vai Oltre la Forma” community has been confirmed, yet again, as a fundamental space for innovative, engagement and improving the experience of illimity customers. More than **800 new ideas** were collected in 2021, which made it possible to state emerging needs, identify new market trends and explore new solutions at technological level and also from the product offering.

In fact, the community has become an open, shared place, where participants can find the space to express and share their points of view and experience with other users.

Through surveys, interviews, meet ups and focus groups, communiter are given a voice and a direct listening channel, to continue to create a Bank that is centred around customers' current and potential needs. The activities launched are also a way for people to get to know about institutional events and promotions of illimity.

“Vai oltre la forma” is a continually evolving community: the suggestions of its participants have led to the creation of the **Community Gallery**, where users can share multimedia content in response to monthly challenges. The challenges launched made it possible to collect over **1,000 photos and videos**.

Despite the restrictions related to the COVID-19 emergency, illimity continued to involve community members in testing activities in 2021, during online sessions, with the aim of assessing experience of new web/app functions and pages, before they are launched on the market.

HYPE, the Open Banking joint venture with Fabrick (Sella Group)

In 2020, illimity was part of an important industrial consolidation operation in Italy for Open Banking. illimity and Fabrick, a Sella Group company for the development of Open Banking and the Fintech ecosystem in Italy, signed an agreement for a joint venture in the company HYPE, a fintech leader on the Italian market providing innovative financial services to non-banking operators. This is the first open collaboration operation in Italy, in the Open Banking sector, driving development in digital financial services.

Thanks to a joint venture agreement, HYPE will benefit from a remarkable acceleration in its own strategy and results, through integration with the Open Banking unit that illimity was launching in the same market segment, also with the support of Fabrick.

For the two partners the transaction aims to accelerate illimity's development plans in the specific segment, making the young fintech the highest-potential Italian company in the development of light banking services, along with Fabrick's development plans as an enabler of Open Banking and novel fintech projects.

The partnerships intends to seize on new opportunities offered by the digital financial services market and Open Banking, where a customer segment is emerging that is not looking for a bank, but for simple, easy to use solutions, that meet their banking needs in a different way.

The agreement will merge illimity's new Open Banking solutions with HYPE, to penetrate the market segment of non-banking digital platforms for financial and payment services, and related services, enabling both partners to accelerate their own strategies and aim for ambitious objectives.

illimity and HYPE also consolidated their relationship, launching illimity deposits on the market in November 2021, dedicated to HYPE customers. The latter have the chance to open an illimity deposit account to manage their savings, directly from the HYPE app, in a dedicated section. This alliance enables illimity to offer its deposits to a larger group of customers and HYPE can enhance the range of products and services, as well as partners, offered to its customers.

09. The ecosystem of illimity partnerships

GRI 102-12

illimity works on a continual basis to create an ecosystem of partnerships to offer integrated, fully-comprehensive solutions. The choice of partners is guided by numerous factors, including the objective to innovate, streamline complicated factors, give end customers value and start from needs and not from the product.

By following these drivers, illimity selects and works with the best Italian and international business partners who share the same principles and values of competency, innovation and cooperation.

Since it was founded, and thanks to its partnership with **Microsoft**, based on a shared vocation and approach focused on speed and scalability, illimity has a complete on cloud infrastructure, exploiting functionalities that range from infrastructural aspects to the productivity of people and work teams, up to process management.

illimity uses the core banking system of Centrico, a Sella Group company providing specialist services to banks, fintechs and financial operators.

A shared sentiment and partnership with **Fabrick** - since the creation of illimitybank.com. Fabrick was singled out as the ideal partner to enable illimity to be created with an “open by design” approach - an infrastructure capable of combining banking applications and services with fintech solutions.

The partnership also made it possible to give illimity customers a Personal Financial Management (PFM) tool to have all information about their spending, to categorise and analyse how they spend and how they can better manage their finances, alongside Account Aggregation (AIS) and the Payment Initiation Service (PIS) to link up accounts held at other banks when in the illimity app, and manage payments from them, without having to quit the app. An Open Banking approach that Fabrick and illimity are evolving together, day after day.

Through the potential of Open Banking, the partnership with **Azimut** has made it possible to add a fully digital, paperless banking product to this partner's offering. Azimut consultants' customers have access to exclusive products to meet their requirements, being able to view the complete situation of the products and services provided by Azimut and illimity in a single App.

Since May 2019, the partnership with **Raisin**, the Open Banking platform that gives EU customers the chance to access the deposit products of nearly one hundred European banking partners and compare and select the best offers to suit their needs, has made it possible to look beyond national borders, diversifying funding channels and making illimity's deposit accounts available to Raisin customers in Germany.

Since November 2019, with the launch of the partnership with **Santander Consumer Bank**, the products and services of illimitybank.com have been consolidated, giving customers the chance to access Santander Consumer Bank personal loans in just a few minutes. In fact, customers can opt for the solution that best meets their needs, using an integrated home banking simulator of illimitybank.com, which allows them to choose the loan duration and make an online loan applications in just a few minutes.

The offering also includes insurance-related products, thanks to two partnerships with outstanding operators: the **Aon Group**, the first group in Italy and worldwide in risk and human resources consulting, insurance and reinsurance mediation, thanks to which illimity customers can quickly and easily purchase healthcare packages to access the biggest network of independent healthcare facilities in Italy, and the **Helvetia Group**, the leading Swiss insurance company in Italy for over 70 years, selected as priority partner for the digital distribution of non-life insurance products (such as insurance cover for pets, travel insurance, bank account insurance) and life insurance products.

The partnership with Aon was stepped up, also thanks to the agreement stipulated in April 2021, as part of the **Flee** project, implemented by Aon Mobility Solutions, for long-term hire and pay-per-use. The solution is highly innovative, with flexible repayments - a fixed part, and a variable part that the customer does not pay when the car is not used, but the insurance is still operative. During 2021, the alliance with Helvetia continued, to include "Helvetia E-Protection". Thanks to this new product, illimity customers can personalise a quote, and then use the app to take out a life insurance policy (TOM) with a just a few clicks.

With an open business logic, illimity gives its customers the chance to convert their expenditure projects into **Amazon.it** gift vouchers, with a fully digital, API-integrated process, and an additional benefit of 3%, in addition to the rate of 0.5% offered by illimity to customers for their savings projects. Since 2020, illimity customers have been able to buy Amazon.it vouchers and pay for them in interest-free monthly instalments (annual percentage rate 0% and annual nominal rate 0%), at no extra charge. In this way, the Bank can make a concrete contribution to the development of its customers' projects, thanks to its partnership with Amazon, the leading big tech at global level for customer centricity and perfectly in line with the value proposition and open ecosystem of illimity, and with Santander, illimity's partner of choice for finance solutions for its customers.

Since 2020 illimity, has expanded its customer offering to include the cards of **AmericanExpress**, a worldwide leader in the payments sector and main company issuing credit cards for purchase volumes, operating through a network that can manage millions of commercial transactions the world over, day in, day out.

Credit and debit cards, that can be used for online purchases, have been developed with **Nexi**, so that customers make secure payments, anywhere. This is possible because illimitybank.com has been created based on evolved protocols, with the support of the open banking platform, **Fabrick**.

In addition, the partnership with the **MIP Milan Polytechnic Graduate School of Business** has resulted in the first Master's Course, dedicated to credit management as part of the illimity academy.

In an Open Banking and Open Platform logic, a partnership with two outstanding partners began in 2020, both of whom share the Bank's vision and technological DNA, to create the illimity hubs. **MiMoto**, the first mover in electric scooter sharing, has revolutionised urban and sustainable mobility; and **Fitbit**, that helps people to lead a more healthy and active life by offering them data, encouragement and advice so they can achieve their fitness and wellbeing goals. Through the illimity hubs, customers can use partner services along with their home banking app.

To complete its offering of transaction-related products, **viacash**, the innovative service offered in partnership with the company viafintech was launched in 2021, enabling users to deposit cash at retail outlets, such as supermarkets. Payments are deposited directly from the illimity app: the customer accesses the "cash deposit" section, selects the amount to deposit at the supermarket where he/she is and generates the barcode which is scanned by the till operator. The sum is then given to the operator, and in just a few seconds credited to the illimity account. Once again, the Bank has become part of a customer's day-to-day life, making a "traditional" operation, such as cash management manageable from the supermarket, thanks to the illimity app.

Partnerships dedicated to SMEs

During 2021, partnerships dedicated to corporate customers got underway. The first, with **Eni**, makes illimity the **first partner bank to participate in Open-es**, Eni's platform dedicated to companies committed to improving their own sustainability performance. Thanks to the Eni partnership, Open-es solutions and services will be available to illimity's corporate customers.

In the second partnership, with **Amazon**, illimity is the first partner bank in a new **training initiative to support the digitalisation of companies, "Accelera con Amazon"**. illimity will offer participant companies training content on main banking and credit topics. During 2021, two video courses on factoring and reverse factoring were already made available to Amazon customers, and a webinar was held, with considerable interest from participating companies.



Frame the image using the Aria App to watch the
"Strategy, Sustainability & IR" video



Planet and Society

10. Sustainable finance

ESG evolution in lending processes

Since its foundation, the illimity Group has paid considerable attention to investment choices, very carefully evaluating the capacities of counterparties to generate adequate cash flows to meet financial commitments, but also analysing their reputational, transparency and fairness profiles as well as environmental and social sustainability aspects. Prior analysis and collection of necessary information from several (internal and external) sources about the background and evolutions, also concerning conduct, of the counterparty is fundamental for starting and continuing relations.

In the different stages of assessing investment opportunities, the integration of ESG factors was stepped up, to expand the counterparty risks map with an evaluation of their sustainability positioning. These stages identified by the various Business Entities of the Growth Credit and Distressed Credit Divisions assess consistency with the Group's sustainability strategies.

To supplement evaluations on credit strategies and the credit worthiness of the counterparty, the Bank considers among others and in particular:

- the characteristics of the economic sector the counterparty belongs to, and the consistency of current and forward-looking technological profiles of the company in relation to processes for the transition towards a “low carbon economy”;
- the presence and consolidation of components related to developments in the circular economy;
- ESG ratings issued by external and independent subjects;
- ISO certification (e.g. certifying the adoption of an environmental, social management system);
- all significant information inferred from the Non-Financial Statements of the counterparty, where available;
- potential reputational impact connected with the profiles now identified.

During 2021, illimity also described, in a more granular way, the **economic sectors excluded** from its investments. Considering the principles of the United Nations on business approach and Human Rights, and in line with the strategic guidance of the Bank and guidelines set out in credit strategies, the Growth Credit and Distressed Credit Divisions – excluding portfolios and individual positions managed with a “gone concern” view – do not grant loans to counterparties belonging to some sectors. By way of example, in general illimity does not finance: political parties or representatives, companies active in the production and/or marketing of military goods and arms defined as “controversial”, activities that significantly deteriorate the environment and impoverish natural resources, including: power stations which run on coal and/or fuel oil; the gas and oil industry with extraction from non-conventional sources (e.g. shale gas and tight oil, from fracking); the production of palm oil without certification from Roundtable on Sustainable Palm Oil (RSPO) or compliance with sector practices promoted by RSPO.

Loans to counterparties operating in the above sectors are instead permitted for cases where the Bank's support is aimed at production reconversion to more environmentally friendly models and/or at improving the sustainability profiles of these activities.



For further details:

[Consolidated Credit Procedure](#)

The ESG rating on credit assessments

Since the second half of 2020, illimity has included **ESG parameters in its more general credit assessment** activities.

The assessment of ESG parameters covers numerous variables that can have a significant impact on the medium-long term sustainability of companies. In the same way, an opportunity to **understand and guide companies**, taking into account the characteristics and specific aspects of each business or industry to analyse those risk factors which, if not properly governed, can not only generate, ultimately, waste and production interruptions that have an impact on margins and the ability to generate operating flows, but also cause reputational harm, which in some cases can be detrimental to the company's sustainability.

The ESG ratings of counterparties are screened, during applications, for all investment opportunities related to existing positions (performing and UTP going concern of the Turnaround and Special Situations Real Estate and Energy Distressed Credit business lines). The ESG assessment is conducted, where possible, based on the status of negotiations and relations with the borrower, that is requested to compile a questionnaire necessary to calculate the ESG rating. In the case of assessments that are negative if compared to sector averages, regarding both the overall ESG dimension and one or more basic components (Environment, Social, Governance), the feasibility of the operation is subject to an action plan that is presented, defined and/or agreed with the borrower, with the aim of adopting useful measures, in a suitable timeframe, to adequately remediate the shortcomings identified. In this case, a monitoring and reporting process is started by the borrower concerning the adoption of the action plan and with related considerations on future updates to ESG ratings, which shall be presented at least every six months to company bodies.

The structure and scope of the process to gather and analyse this information is related to the significance of the operation, also with reference to the ESG profiles that have the most impact.

The outcome of analyses and related supporting documentation are sent to the Chief Lending Officer and become part of the set of application information supporting the assessments conducted by the Bank's decision-making bodies.

At the end of 2021, a total of 58 reports had been produced, with audit checks initiated for some of them, to guarantee full and consistent information provided by client companies and an approach focused on a transparent, efficient process.

To supplement specific ESG assessments, thanks to the use of an automatic scoring methodology provided by an external supplier, it was possible to analyse the ESG ratings of Italian counterparties in illimity's Growth Credit portfolio and calculate an **estimate** of their **sustainability profile** at 31 December 2021. Specifically, around **77%** of the Growth Credit Division's credit exposures were assessed. Collecting this information enables illimity to leverage the database in order to strategically adopt the **best investment choices**, and define plans to accompany businesses in their path towards sustainability, encouraging them to adopt policies that improve their sustainable approach to the business.

illimity SGR

illimity SGR is the Asset Management Company of the illimity Group, set up with the aim of operating and developing activities in the strategic areas indicated by the illimity Group and is a professional operator for establishing, administering, managing, organising, promoting and selling alternative investment funds. The SGR operates in the sector of corporate credit, consolidating capacity to generate business and investment opportunities, to become the reference point and a reliable partner for the financial community and business world, giving credit to ideas, people and companies with potential, through tools and investment policies that are both alternative and complementary to those which are typical of banking products and services. Thanks to this open business model, it captures and develops new products in line with the market's needs, proposing tailor-made solutions and quality services. The illimity Group's SGR sets up and manages funds that meet investors' needs when it comes to reliability and risk management.

The first fund illimity Credit & Corporate Turnaround

The "illimity Credit & Corporate Turnaround" Fund is dedicated to investments in Unlikely To Pay ("UTP") positions of SMEs, with prospects for them to recover and relaunch. The first closing of the fund took place on March 2021, with an initial portfolio that included receivables for a total gross amount of approximately EUR 200 million with 33 companies operating in highly diversified sectors. In December 2021, additional fund closings for €80 million were recorded, increasing total funding to €280 million.

The Fund has some highly innovative characteristics that enable banks to sell credit in full, regardless of the technical forms used, and at the same time benefit from the restructuring process of businesses. The purpose of the Fund is to **support the financial restructuring of companies**, not only to get over the crisis, but above all to consolidate potential and provide support in achieving concrete prospects for a relaunch.

illimity SGR's ESG Investment Policy

In line with the Group's sustainability strategy, illimity SGR guides the investment choices of its funds in compliance with ESG issues, with the aim, on the one hand, of generating sustainable value over time, which also takes into account the economic, social and environmental impact that individual companies may have on the territory, and on the other hand, of satisfying investors' interests, mitigating any financial, operational and reputational risks.

In compliance with the reference legal framework, in particular Regulation (EU) 2019/2088 (the Sustainable Finance Disclosure Regulation or SFDR) and Regulation (EU) 2020/852 (European Taxonomy for environmentally sustainable activities), illimity SGR has adopted an [ESG Investment Policy](#) aimed at defining strategic guidelines for integrating sustainability risk within investment decisions as part of the management of Alternative Investment Funds.

The ESG Policy applies to all AIFs set up and/or managed by the SGR according to integration procedures and selection criteria governed by the policy, and also in compliance with the specific characteristics of each Fund, in conformity to indications contained in the related offering and/or contractual documentation.

illimity SGR is inspired by and takes account of the Principles for Responsible Investment – PRI promoted by the United Nations in 2006, with the aim of developing a more sustainable global financial system. In this regard, the Company intends to submit its application to the PRI in 2022.

In keeping with the nature and mission of the Company and the Funds it manages, and as part of the assessment of investment opportunities, ESG sustainability risks are considered, on the one hand, meaning an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment as defined by the SFDR, and on the other hand, ESG factors are taken into account, meaning the criteria to select investment opportunities that promote, through specific, documented strategies, the environmental, technological and digital transition and social inclusion.

illimity SGR intends to monitor and assess the main issues connected with sustainability, considering usual economic/financial data, as well as non-financial information that mainly concerns the following components:

- **Environmental:** environmental policies, emissions of greenhouse gases, biodiversity, water and waste management, impact of products/services, type of energy used, pollution levels generated, exposure to physical and climate risks and transition risks (legal, technological, regulatory, market and conduct);
- **Social:** human rights, workers' rights, the impact on social communities, product safety, customer and supplier relations, supply chain sustainability;
- **Governance:** analysis of governance systems adopted, integration of ESG variables in company strategy, the composition and functioning of corporate boards, key-person risk, measures to prevent corruption, money laundering and unfair trade practices, the risk of fraud and level of tax transparency, risk control, the transparency and quality of disclosure to all company stakeholders.

For illimity SGR, a responsible investment strategy means incorporating ESG topics in the investment decision-making process, thus achieving the dual scope of creating sustainable value over time and concurrently improving the overall management of sustainability risks relating to each portfolio.

In compliance with the specific qualities and characteristics of the Funds set up and/or managed by the Company, the principal stages of the responsible investment process comprise the following main activities:

1. **Negative screening:** exclusion based on ethics/value-, regulatory- or sector-based criteria, as a function of (norm-based and controversial screening);
2. **Positive screening:** inclusion based on the adoption of assessment models of the ESG profile, which awards "best in class" businesses, i.e. leaders in sustainable development, or businesses committed to adopting virtuous sustainability paths, during the lifetime of the investment;
3. **Engagement:** active dialogue with the management of investment target companies, that will be otherwise structured depending on the oversight and governance rights of the specific Fund concerned and based on the specific financial instrument;
4. **Reporting and monitoring:** in order to give clear, prompt and transparent communication to own investors and stakeholders on the progressive achievement of sustainability objectives that were previously agreed on.

To achieve this strategy, the Company uses tools to analyse the ESG positioning of individual target companies, also relying on the support of ESG Advisors and/or ESG data providers.

illimity SGR works in an active and transparent way with its stakeholders, in order to improve the effective adoption of responsible investment principles, committing to disclose its progress in integrating ESG topics in the investment processes and in interpreting and adopting the taxonomy regulation which is still taking shape.

Loans with social and environmental benefits

Loans with social benefits

GRI G4 FS7

The Turnaround Area of the Growth Credit Division takes actions in difficult situations of customer companies, supporting them with its specific expertise in rebalancing financial structures, assisting in the restructuring and recovery process, with consequent, positive social/economic effects, such as safeguarding jobs and relaunching and developing production in site areas, also in terms of side industries and local communities.

At 31/12/2021, overall investments of the Turnaround portfolio came to € 440 million, of which approximately **€ 249 million with the specific aim of restructuring companies in economic/financial difficulty**, whose relaunch, as mentioned, also creates benefits for the social fabric.

More generally, illimity supported the liquidity needs of its customer companies in dealing with the effects of the pandemic crisis, also using tools made available by the legislator, to support Italian businesses during this delicate phase. In 2021, the lending activity of the Growth Credit Division featured a considerable use of public guarantees, designed to enable companies to obtain financial resources to make up for their liquidity shortcomings, remodulating the capital structure and supporting investments necessary for relaunch and future development.

Overall, the Growth Credit Division provided loans secured by public guarantees for more than EUR 358 million in 2021, of which EUR 85 million with the guarantee furnished by the Central Guarantee Fund for SMEs, and approximately EUR 273 million from the guarantee issued by the Italian State Institute SACE.

Loans with environmental benefits³⁵

GRI G4 FS8

In 2021, the Growth Credit Division granted loans and credit lines to support specific projects with the aim of achieving environmental benefits, for a total of approximately EUR 37 million. Considering the amount of these operations in 2020 as well (for nearly EUR 29 million), overall, loans with “environmental” objectives were granted for nearly EUR 66 million.

In particular, loans in 2021 mainly referred to the Circular Economy, supporting investments and the capital requirements of companies combining tradition and innovation, such as Saxa Gres, a business manufacturing glazed stoneware with technologies that enable it to use urban waste materials that would otherwise go to landfill, or FECS Group, a leader in the recovery, processing and recycling of scrap metal.

Category	Amount funded 2021 (millions of euros)	% 2021	Amount funded 2020 (millions of euros)	% 2020
Circular economy	28.9	78.3	14.1	48.7
Green Transportation	0.0	0.0	12.7	43.9
Renewable Energies	8.0	21.7	2.1	7.4
Total	36.9	100.0	28.9	100.0

In this regard, the aggregate was identified based on management criteria focused on the purpose of the loan, as an aspect for the disclosure of some specific initiatives generating positive returns for the environment, even though, in strictly regulatory terms, these loans are classified as “loans which are sustainable in environmental terms”, pursuant to guidance on granting and monitoring loans (ABE/GL/2020/06), or as “specialised loans” relevant to the environmental objectives outlined in EU Taxonomy (Regulation (EU) 2020/852).

35. As regards EU taxonomy-eligible exposures, reference is made to the next chapter.

Sustainable Energy Bond Basket

In November 2021, the “Basket Bond – Sustainable Energy” programme got underway, launched by **Eni** together with **ELITE**, and created by Borsa Italiana, a Euronex Group company, and **illimity**, as arranger, to promote supply chain growth and development.

The “Basket Bond – Sustainable Energy” programme will be the first innovative finance tool for all companies in the integrated energy sector, with a special focus on SMEs and dedicated to sustainable development goals. Companies admitted to the programme will be able to access **financial resources** - with special conditions based on current and forward-looking sustainability profiles, **to use for projects and investments** that aim to achieve the UN’s Sustainable Development Goals. Companies committed to the right **energy transition** process, and with the ambition of improving their own industrial processes and business models, may fund, for example, concrete initiatives such as renewing plants with the goal of a greater energy efficiency and a reduction in environmental impact, access to renewable energy sources, sustainable mobility, the adoption of circular economy models, protecting staff health and safety, training and creating new competencies.

As an arranger, illimity will deal with setting up the operation and defining the financial characteristics to support companies issuing and placing the bonds. With this new project, it can also provide a further tool for financing all businesses that have sustainable development plans, offering special conditions based on the sustainability profile, thus consolidating its ESG strategy of supporting SMEs.

Commitment in the energy and real estate sector

illimity’s Distressed Credit Division, which operates in the distressed corporate credit segment, identified the energy sector as a specialisation area, in 2019, to create greater value compared to its competitors’ strategies. Besides the potential offered by this segment, the **contribution the sector can make to sustainable** energy conversion, and thus to sustainable growth models in line with the demands of modern society and the context and trends of sustainable finance, was also taken into consideration.

A dedicated desk was created, with professionals, not only from financial sectors, but also from energy and environment-related technical and legal backgrounds. The business model is based on a partnership with a party that boasts a solid industrial track record and can intervene directly in managing facilities to restore their **full contribution to green production**.

The selected partner, **VEI Green**, is an investment fund dedicated to the renewables sector, with a team that has managed over 250 MWp of plants and invested over EUR 250 million since 2011.

The partnership is based on a dedicated securitisation vehicle, set up in May 2020. As confirmation of the successful first acquisitions, the vehicle acquired a new portfolio in July 2021, enabling the joint venture to reach the first investment target of EUR 100 million, one year on from being established, setting a new investment target of EUR 300 million in the 2021–2025 period, in line with the Bank’s Strategic Plan.

The deployment of these resources to dedicate to the renewable energy sector reflects illimity’s commitment to sustainability according to a business model that aims to relaunch crisis situations creating a shared, green value. In particular, illimity’s approach in this sector aims to forge relationships of trust with acquired borrowers, identifying together the quickest way to remedy the causes of their financial difficulties, and in the meantime providing necessary resources, with an agreement where the revamped plants are sold in the shortest time possible. **The sale of revamped plants makes it possible to recover considerable value, remunerating illimity’s commitment and also giving back the borrower a part of their original investment.** In the meantime, **returning revamped plants to the production system increases the future environmental contribution** (the residual life of plants is usually 10 years).

In 2021, through this partnership, agreements were reached with borrowers to repossess seven photovoltaic plants with an installed capacity of 12.4 MW and own production of around 9.1 GWh of renewable energy in 2021, corresponding to **a total of 2,537 tCO₂e avoided emissions**, of which some 1,624 tons during the period when illimity was in possession of the plants³⁶.

36. Data referred to plants owned by illimity through the JV with VEI Green II SpA, based on the readings of the “GSE” (Energy Services Operator) portal, inflows from the sale of energy and information reported by plant operators.

Regeneration of real estate

illimity's Distressed Credit Division and neprix are committed to promoting the development of a sustainability culture, also when managing distressed assets. In fact, buildings and the construction industry are responsible for 36% of CO2 emissions in Europe and 38% at global level³⁷, and so have a central role in the EU's decarbonisation goals. Requalification is an opportunity to reduce emissions, besides producing clean energy through installing photovoltaic plants. To achieve this goal, neprix real estate works closely with illimity's energy desk, to identify real estate assets in its portfolios that can potentially be exploited in energy terms, through the development of photovoltaic plants.

Another sector in which neprix operates, also supporting the fondazione illimity, is the regeneration of assets, i.e. increasing the value of the loan underlying - often an obsolete building, an abandoned industrial building or worksite that is not operating - through requalification that can have positive impacts on the surrounding area.

This process may concern individual assets or even regeneration on an urban scale, as in the case of the "Vista Mar" property project, in the municipality of Albenga, where the acquisition of a loan led to a worksite starting up again, with the aim of the urban redevelopment of an important area of the town, with planning focused on respecting the landscape and environmental sustainability. In addition, investment in secured portfolios (in particular leasing credits) and the subsequent replacement of the underlying property on the market at appropriate values makes it possible to often start processes for the re-use, reconversion and regeneration of local areas which are economically sustainable, also implemented through third parties, with positive impacts on minimising land use.

Integration of sustainability criteria in real estate evaluations

Although specific analyses focused on ESG topics are not performed on distressed portfolios, all valuations of the Distressed Credit Division, with the support of neprix, are carried out in line with International Valuation Standards and the "Red Book" standards of RICS³⁸ referred to in the Bank of Italy Circular 285³⁹ and in the ECB Guidelines for banks regarding impaired loans⁴⁰.

These standards recommend that valuers pay particular attention to aspects related to sustainability (including energy efficiency, the environment and risk related to climate change, health, wellbeing and business accountability), that have or may have an impact on the assessment of an asset. In particular, in RICS standards, with reference to analyses of the implications on value, it is recommended, where appropriate, to assess the extent to which the property being valued actually conform to sustainability criteria⁴¹. The RICS Guidance Note «Sustainability and ESG in commercial property valuation and strategic advice» - in effect since 31 January 2022 - provides relative indications, and specifically for the valuation of non-residential assets.

As regards the screening of environmental aspects, for which leasing portfolio are analysed - with the times, access to the assets and documentation permitting, the Distressed Credit Division supplements valuation activities with technical due diligence that focuses, in particular for industrial assets, on environmental conformity aspects. In addition, when taking over all reposessed leased assets and the assets of a REOCO, outsourcers appointed to carry out the activity perform additional screening, based on document analysis and site inspections, of potential critical aspects of property, in particular of an environmental nature.

37. European Commission, "The energy performance of buildings directive" and Global Alliance for Buildings and Construction - UNEP, "2020 Global Status Report for Buildings and Construction".

38. The Royal Institution of Chartered Surveyors (RICS) is a global professional organisation, that establishes and adopts standards for the valuation, functioning and development of various types of real estate and property.

39. Bank of Italy, Circular no. 285 of 17 December 2013, First Part, Title IV, Chapter 3, paragraph 2.2. Valuation of real estate guaranteeing exposures.

40. European Central Bank "Guidance to banks on non-performing loans", March 2017, Chapter 7.4 Evaluation methodology.

41. RICS, IVS, VPGA 8 - 2.6 Environmental issues - c) Sustainability. Analysis of implications on value. Where appropriate, it is recommended to: assess the extent to which the evaluated property currently conforms to sustainability criteria normally used in the context of its market position and reach an informed opinion on the likelihood that this influences the relative value; this means, valuing to what extent a well-informed purchaser would take this into account in making a decision about the price it is prepared to pay; provide a clear description of the characteristics of sustainability and attributes identified for the property in question, also indicating, where appropriate, factors not directly reflected in the final valuation; (...) provide advice on the potential impact that these risks and/or benefits could have on the relative values of the property over time.

11. The European taxonomy of sustainable activities

Methodological Note

Introduction

On 18 June 2020, the European Parliament adopted Regulation (EU) 2020/852 on the establishment of a framework (“Taxonomy”) to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The taxonomy contributes to the objectives of the European Green Deal, creating the first system for the classification of environmentally sustainable economic activities.

Regulation (EU) 2020/852 and related Commission Delegated Regulations establish the criteria for determining whether an economic activity qualifies as environmentally sustainable, for the purposes of establishing the extent to which an investment is environmentally sustainable; these criteria apply:

- to measures adopted by Member States or by the Union that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable;
- to financial market participants that make available financial products;
- to undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement.

Legal framework

- Regulation (EU) 2020/852 and related commission delegated regulations (2021/2139 and 2021/2178);
- Regulation (EU) 2019/2088;
- Directive 2013/34/EU.

Reference perimeter

Regulation (EU) 2020/852 (Taxonomy) and related Commission Delegated Regulations require financial groups and undertakings to provide disclosure, in the 2021 NFS, of the qualitative indicators applicable to all financial undertakings, relating to the proportion of taxonomy-eligible and taxonomy non-eligible exposures compared to the total of assets, and of specific indicators for banks.

For 2021, the key performance indicators only concern objectives of climate change mitigation and climate change adaptation, as envisaged in Article 9 of Regulation (EU) 2020/852.

The illimity Group’s prudential consolidation perimeter at 31/12/2021 was therefore considered.

Methodological approach to reporting

The most recent interpretations published by the European Commission⁴² on the implementation of Article 8 of the EU Regulation on taxonomy (2020/852) were considered, and in particular as regards mandatory and voluntary disclosure. In fact, financial undertakings, for the purposes of mandatory disclosure, may use only specific data of counterparties obtained from their NFS, but as this information on 2021 is not available, a financial undertaking, such as illimity, may choose to estimate the Eligibility percentage of exposures on a voluntary basis, using the NACE/ATECO association⁴³ envisaged by the Taxonomy, or if available, data obtained from external suppliers.

42. European Commission: FAQ of 20 December 2021 and notice on the interpretation of 2 February 2022.

These estimated values are not part of mandatory disclosure and are therefore reported on a voluntary basis, for exposures to companies that are required to publish the NFS.

With the aim of ensuring a better understanding of Eligibility, for the taxonomy of this first reporting year, illimity considers it useful to provide additional, **significant voluntary information for its stakeholders**, also indicating the eligibility of exposures to companies that are not subject to the NFS obligations.

The three procedures for disclosure, in line with requirements of Regulation 2020/852 and the technical notes of the European Authorities, are indicated below.

- **“Mandatory”** section: in calculating the Taxonomy Eligibility KPIs, specific Eligibility data of companies with the NFS obligation, which can be obtained from the NFS, are included.
- **“Voluntary”** section: in calculating the Taxonomy Eligibility KPIs, Eligibility estimates or proxies of companies with the NFS obligation are included, which can be obtained from info providers or through the NACE/ATECO of the main economic activity of the issuer (securities/equity investments) or counterparty (loans), if the latter is subject to the NFS obligation in Italy (Source: CONSOB).
- Additional **“Voluntary Revised”** section: in calculating the Taxonomy Eligibility KPIs, Eligibility estimates or proxies of companies with the NFS obligation and companies without the NFS obligation, are included, which can be obtained from infoproviders or through the NACE/ATECO of the main economic activity of the issuer (securities/equity investments) or counterparty (loans), net of inorganic “Gone Concern” exposures including “Energy Spicy Green” exposures.

Information requirements

From 1 January 2022 to 31 December 2023, financial undertakings must communicate the following information:

1. the proportion in their total assets of exposures to Taxonomy-eligible economic activities;
2. the proportion in their total assets of exposures to Taxonomy non-eligible economic activities;
3. the proportion in their total assets of the exposures referred to central administrations, central banks and supranational issuers;
4. the proportion in their total assets of the exposures referred to derivatives;
5. the proportion of exposures to companies not required to publish the NFS, in relation to total assets;
6. the proportion of the trading portfolio and interbank loans in relation to total assets;
7. qualitative information.

Calculation methodology

Proportion of taxonomy-eligible and taxonomy-non-eligible exposures for the purposes of the Taxonomy (Eligibility Ratio)

This KPI is calculated as the ratio between the overall value in the financial statements of taxonomy-eligible and taxonomy-non-eligible exposures and the value of «Total Covered Assets». The next table shows the steps to calculate the KPIs related to the proportion of taxonomy-eligible exposures.

- Total Covered Assets: correspond to the denominator of Taxonomy Eligibility KPIs, based on definitions in Annex V to Commission Delegated Regulation (EU) 2021/2178;
- Eligible Assets: represent the perimeter of products to include in the numerator of Taxonomy Eligibility KPIs;
- Eligibility perimeter: defines the perimeter of companies to include in Taxonomy Eligibility KPIs, according to the distinction made between “Mandatory”, “Voluntary” and “Voluntary Revised”

Type of data used: indicates the level of granularity of the data required by Regulation (EU) 2020/852 and related Delegated Regulations.

43. NACE is the general nomenclature of economic activities in the European Community, i.e. the classification used in national accounting schemes by the statistical institute of the European Union (Eurostat) and endorsed by the statistics offices of member countries. The ATECO is instead a code with alphanumeric digits identifying an Economic Activity. The letters identify the economic macro-sector, while the numbers (from two to six digits) represent, with different levels of detail, the specific structures and subcategories of the sectors. The new ATECO 2007 classification, approved by ISTAT (Italy’s National Statistics Institute) has been in force since 1 January 2008.

44. Total of Covered Assets.

Robustness and creation of shared value

The central role of corporate and retail customers

The ecosystem of illimity partnerships

Sustainable finance

The European taxonomy of sustainable activities

Environmental impacts and climate-related challenges

Combating the COVID-19 emergency

Annex GRI Content Index

Data underlying the Eligibility Analyses for Taxonomy purposes

	Mandatory	Voluntary	Voluntary Revised
Type of Data Used	Specific data of the counterparty/ issuer		Proxy or estimate
Reference perimeter	Companies subject to the NFS obligation		<ul style="list-style-type: none"> Companies subject to the NFS obligation Companies not subject to the NFS obligation
Total Covered Assets	<p>Including:</p> <ul style="list-style-type: none"> Financial assets at amortised cost Financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss Investments in subsidiaries, joint ventures and associates Financial assets at fair value through other comprehensive income Real estate collaterals obtained by credit institution by taking possession in exchange for the cancellation of debts Derivatives <p>Excluding:</p> <ul style="list-style-type: none"> Exposures to central administrations, central banks, supranational issuers 		<p>Including:</p> <ul style="list-style-type: none"> Total Covered Assets as per previous sections <p>Excluding:</p> <ul style="list-style-type: none"> Exposures to central administrations, central banks, supranational issuers Inorganic "Gone Concern" exposures
Eligible Assets	<p>Including:</p> <ul style="list-style-type: none"> Loans and advances to customers for both Growth Credit and Distressed Credit Equity investments Securities <p>Excluding:</p> <ul style="list-style-type: none"> Exposures to central administrations, central banks, supranational issuers 		<p>Including:</p> <ul style="list-style-type: none"> Eligible Assets as per previous sections "Energy Spicy Green" exposures at fair value <p>Excluding:</p> <ul style="list-style-type: none"> Exposures to central administrations, central banks, supranational issuers Inorganic "Gone Concern" exposures

In keeping with procedures outlined in the approach to reporting in the relative section, and the specifications indicated in the above table, information is provided on the related methodologies:

- **"Mandatory"** section: in calculating the Taxonomy Eligibility KPIs, specific Eligibility data of companies with the NFS obligation is included, which can be obtained from the NFS. At present, considering the unavailability of this specific data for 2021, due to the limited number of companies with the NFS obligation that report Eligibility indicators, the actual eligibility **value is not available**. Moreover, although it is possible to use estimates to evaluate the taxonomy-alignment of exposures to companies in third countries (Non-EU), not subject to the obligation to publish the NFS, considering their residual materiality for illimity and for the consistency of disclosure, they are included at the numerator of eligibility indicators only in voluntary sections.
- **"Voluntary"** section: in calculating this Taxonomy Eligibility KPI, specific Eligibility estimates of counterparties with the NFS obligation are included. Eligibility estimates were devised starting from net exposures to **counterparties subject to the NFS obligation**, specifically verified based on the list of NFS companies published by CONSOB. For companies with the NFS obligation, the related ATECO (economic activity code) were identified, as well as the corresponding NACE (Statistical Classification of Economic Activities), which were compared, where possible, with the NACE in the Taxonomy list, with reference to the first two environmental objectives (climate change mitigation and climate change adaptation), in order to obtain exposures related to counterparties with main economic activities covered by the taxonomy, and therefore, considered eligible. Similarly, as regards securities and equity investments, the main economic activity of the issuer was verified by comparing - starting from the issuer's ISIN - the NACE of the counterparty with eligible securities and equity investments for taxonomy purposes. More specifically, for all analysed counterparties where the counterparty NACE are not indicated with a level four granularity, second level NACE were used. In the case where the counterparty reports to a company subject to the obligation to produce a consolidated non-financial statement, the subsidiary is also evaluated within the perimeter of the company with the NFS obligation. Lastly, in residual cases where the NACE associated with the counterparty is not aligned with the main activity actually carried out by the company, the NACE is specifically checked and traced based on public and/or available information relating to the counterparty.

- Additional **“Voluntary Revised”** section: in calculating this Taxonomy Eligibility KPI, Eligibility **estimates of both counterparties with the NFS obligation, and without the NFS obligation, are included**. Based on this perimeter, the eligibility estimates follow the approach described before. In addition, all “Gone Concern” (inorganic NPE) exposures are also excluded from both the denominator and numerator, in relation to the structural unavailability of information relating to these unresolved positions not originated by the Bank and considering the specific nature of the Group’s business in acquiring and managing distressed credit, for which - also on a forward-looking basis, the chances of illimity being able to assist the company towards environmental sustainability are entirely limited, unlike performing positions or in any case positions with accounts still active, if classified as non performing. Additional, voluntary information is also reported on specific financial assets mandatorily measured at fair value, of the Special Situations Energy Department, in particular exposures relating to the SPV “Spicy Green”, because - based on information provided by the beneficiary of the investments - these mainly concern the production of renewable energy, activities consistent with the objectives pursued by EU taxonomy.

Proportion of exposures to central administrations, central banks and supranational issuers

This KPI is calculated as the ratio between the overall value in the consolidated financial statements of exposures to central administrations, central banks and supranational issuers of illimity in relation to the total value of «Total Assets». These exposures were identified considering exposures represented in the financial statements (FINREP) at consolidated level.

Proportion of exposures in derivatives

This KPI is calculated as the ratio between the overall value in the consolidated financial statements of exposures in derivatives of illimity, in relation to the total value of «Total Assets». The derivatives were identified considering exposures represented in the financial statements (FINREP) at consolidated level.

Proportion of exposures in companies not subject to the NFS obligation

This KPI is calculated as the ratio between the overall value in the financial statements of exposures in companies not required to publish the NFS in relation to the total value of «Total Assets». Exposures to companies not subject to the NFS obligation were identified in total assets, as represented in the financial statements (FINREP) at consolidated level.

Proportion of the trading portfolio and interbank loans

This KPI is calculated as the ratio between the overall value in the financial statements of exposures relating to the trading portfolio and interbank loans of illimity, in relation to the total value of «Total Assets», as represented in the financial statements (FINREP) at consolidated level.

Qualitative information

An integrated approach to sustainability and the disclosure of non-financial information is a cornerstone of the Group’s strategy, in order to guarantee conformity to reporting requirements, promoting transparency and the integration of non-financial considerations in existing processes. The ESG objectives of the Strategic Plan, such as maintaining carbon neutrality (Scope 1 and Scope 2) and measuring financed emissions, come under this framework.

The Group has started actions necessary to implement the eligibility assessment and alignment with taxonomy, within regulatory deadlines. These alignments will be based on a careful assessment of technical screening criteria, using, where available, data on counterparties with a level of granularity that is consistent with required disclosure.

Specific project actions have begun, to obtain specific data and information necessary for the disclosure required by the regulator, adopting a balanced approach between acquiring granular information, which might not be possible for some types of counterparties or, in any case, too costly, and estimate and data enrichment processes, drawing on available sources (e.g. external infoproviders), that will enable the Bank to act flexibly, also in view of the expected development of market practices and solutions overseen by the banking sector to tackle further probable legal changes and the growing interest in accurate non-financial information shown by the market.

Taxonomy - Eligibility Reporting

In compliance with Article 10 of the Delegated Act of Regulation (EU) 2020/852 on taxonomy, illimity will disclose the following KPIs for the related financial reporting period, from 1 January 2022 to 31 December 2023:

- the proportion of taxonomy-eligible and taxonomy-non-eligible exposures
- the proportion of exposures to central administrations, central banks and supranational issuers
- the proportion of exposures in derivatives
- the proportion of exposures in companies not subject to the NFS obligation
- the proportion of the trading portfolio and interbank loans

The disclosure is processed at Group level with an approach coordinated between the central function and business functions involved. The methodology to calculate quantitative KPIs is based on FINREP data and exposures are indicated in terms of the consolidated net book value with the reporting date 31 December 2021. Pursuant to Annex XI to Commission Delegated Regulation 2021/2178, quantitative KPIs are accompanied by qualitative information, as above, to support the disclosure of and markets' understanding of these KPIs.

Mandatory Disclosure (data relating to the Group's scope of consolidation as of 31/12/2021)

Indicator	KPI
Taxonomy-Eligible Exposures/Total Covered Assets	Unavailable
Taxonomy Non-Eligible Exposures/Total Covered Assets	Unavailable
The proportion of exposures to central administrations, central banks and supranational issuers in relation to the value of Total Assets	15.12%
The proportion of exposures in derivatives in relation to the value of Total Assets	0.02%
The proportion of exposures in companies not subject to the NFS obligation in relation to the value of Total Assets	66.30%
The proportion of the trading portfolio and interbank loans in relation to the value of Total Assets	5.77%

Voluntary Disclosure (data relating to the Group's scope of consolidation as of 31/12/2021)

Indicator	KPI
Taxonomy-Eligible Exposures/Total Covered Assets	1.03%
Taxonomy Non-Eligible Exposures/Total Covered Assets	2.25%

The total of taxonomy-eligible and Taxonomy Non-Eligible exposures refers only to companies subject to the NFS obligation.

Voluntary Revised Disclosure (data relating to the Group's scope of consolidation as of 31/12/2021)

Indicator	KPI
Taxonomy-Eligible Exposures/Total Covered Assets	33.39%
Taxonomy Non-Eligible Exposures/Total Covered Assets	55.37%

The above ratios of additional independent indicators (Revised), "Gone Concern" inorganic exposures are excluded at both the numerator and denominator. The total of taxonomy-eligible and taxonomy-non-eligible exposures refers to both subjects with the NFS obligation and without this obligation. It is also determined net of real estate collaterals obtained by taking possession, interbank loans and derivatives, which account for the remaining 11.24%, compared to 100% of the Total Covered Assets, as these items are excluded from the eligibility assessment.

12. Environmental impacts and climate challenges

Environmental footprint

The very nature of the illimity Group's business model, with a 100% digital infrastructure that is completely cloud-based, is designed to minimise direct environmental impact and increase the efficient, responsible use of resources. Since it was founded, the Bank has been committed to monitoring and reporting on its energy consumption, greenhouse gas emissions and waste production, also in the light of a regulatory framework on environmental protection, defined by EU regulations, and national and regional laws that are constantly evolving.

illimity has defined a set of dedicated internal norms (Facility Management Procedure) with the aim of regulating the management and maintenance of property used by the Bank, facilities and any related instruments, with a particular **focus on environmental impact and the management of natural resources**. The purpose of the procedures is to promote awareness and individual conduct that are consistent with principles of correct corporate management and sustainable development.

The head office sites in Milan have a system of timers that automatically turn off lights and air conditioning, to reduce unnecessary energy consumption. These sites are also plastic-free: employees may use water bottles, as water fountains have been installed, and each floor has washable tableware which can be re-used. The use of lifts is not encouraged, and printers have to be accessed using a badge, to minimise the use of paper and ink. Sorted waste collection is encouraged in the building, including organic waste, with special bins provided on all floors.

Since 2021, the electricity used at the Milan and Modena sites has been produced 100% by renewable sources with a certificated Guarantee of Origin ("GO").

illimity's business model, which has no branches and instead has a digital, in cloud infrastructure, aims to intrinsically offset climate change. Despite this, during 2020 the Group began a project to define a **carbon neutrality strategy**, by the company's carbon footprint, identifying activities to streamline and reduce emissions and selecting carbon credit certificates to offset emissions that cannot be avoided, related to its own carbon footprint (Scope 1 and Scope 2).

Thanks to its association with Carbonsink, the consulting company specialised in the development of climate strategies for businesses, the Bank joined the "Maputo Clean Cookstoves" project in 2021, which has the aim of improving the living conditions of the population, while also reducing emissions of greenhouse gases. Thanks to the purchase of new stoves, local families can improve their health and financial conditions, avoiding inhaling toxic fumes and saving over 190 dollars a year in coal, besides reducing produced emissions by a total of 30,000 tons of CO₂ a year. illimity also endorsed the project "Radici - Adotta il tuo albero BAM" (Roots - Adopt your BAM tree) of the Milan Biblioteca degli Alberi (Milan Tree Library), adopting the circular forest of Populus Nigra, more commonly known as Lombard Poplars.

The environmental data reported on in this chapter refer to the three sites of the Group's companies (Milan, Modena, Faenza). Any exclusions to this boundary are appropriately reported in a note in the chapter.



For further details:

[Facility Management Procedure](#)

Robustness and creation of shared value

The central role of corporate and retail customers

The ecosystem of illimity partnerships

Sustainable finance

The European taxonomy of sustainable activities

Environmental impacts and climate-related challenges

Combating the COVID-19 emergency

Annex GRI Content Index

GRI 301-1

The services offered by illimity, due to their 100% digital nature, affect the environment in a limited way. The raw materials used by the Group in 2021 were paper and toner cartridges.

In compliance with its commitment to the environment, illimity only uses FSC (Forest Stewardship Council) certified paper, a practice also adopted by neprix during 2021.

The weight of materials used in 2021 increased over 2020, as a result of more people in offices compared to the previous year which was dominated by restrictions on mobility to tackle the pandemic emergency.

For reporting purposes, illimity considers toner cartridges as the only non-renewable material used.

Total weight of materials used (kg)	2021	2020
Paper ⁴⁵	3014.4 ⁴⁶	427.5
Toner cartridges ⁴⁷	128.0	60.0
Cartridges	- ⁴⁸	14.0
Total	3,142.4	501.5
Ratio per FTE (kg/FTE)⁴⁹	4.4	0.9

Total weight of FSC/FSC Mix material used (Kg)	2021	2020
Paper	3,014.4	1,847.5
Ratio per FTE (kg/FTE)	4.2	3.2

GRI 302-1

The Group's energy consumption refers to electricity and the fleet, mainly for lighting and the air conditioning of offices. The use of natural gas for heating the neprix offices at Faenza is reported as purchased electricity, because data on the kWh which the natural gas generates, directly powering a heating plant and supplying the offices, is made available.

In 2021, overall purchased electricity consumption was equal to 2,887.9 GJ, of which 2500.7 GJ covered by Guarantee of origin purchases. The Guarantee of Origin (GO) is an electronic certification issued by the Energy Services Operator (GSE) in compliance with Directive 2009/28/EC, to guarantee that energy consumed is actually produced by renewable sources. During 2021, the Group gradually covered increasingly larger percentages of electricity purchased with a GO, in order to mitigate the environmental impact associated with its consumption. At present, GO energy covers the entire electricity requirements of illimity and a part of neprix's consumption, representing 32% of energy purchased by the Group (compared to 7.7% the previous year).

45. 1 ream = 2.640 kg.

46. For 2021, neprix's consumption of paper was assimilated to the weight of the waste for this material. Where present, kg of purchased paper were added to the calculation, as indicated in purchase orders.

47. 1 toner cartridge = 1 kg.

48. In 2021, printers were replaced by multifunction units, eliminating the use of cartridges.

49. The figure is given as full-time equivalent (FTE) in order to indicate consistently and over time, the effort made by illimity's full-time resources.

Consumption of direct energy (GJ ⁵⁰)	2021	2020
Heating fuel	-	-
Natural gas	-	-
Diesel fuel	-	-
GPL	-	-
Electricity purchased	2,887.9	2511.5⁵¹
<i>from renewable sources (purchased)</i>	<i>2500.7⁵²</i>	<i>383.2⁵³</i>
District heating/cooling	-	-

The criteria and rules for the assignment and use of company cars for personal use of Group companies are set out in the “Car Policy”, in the HR Procedure. Cars for a combined company/personal use are cars that may be used for both work and personal reasons.

All company cars are leased and are assigned to employees for company/personal use. Specifically, there were 107 cars in 2021, generating a total fuel consumption equal to 4,983.5 Gj.

Use of vehicle fuel (Gj) ⁵⁴	2021	2020
Petrol	192.3	145.8 ⁵⁵
Diesel	4,719.6	2,078.3
GPL	71.6	240.3
Total	4,983.5	2,464.5
Total purchased energy consumption (Gj)	7,871.4	4,976.0
of which renewable energy (Gj)	2,500.7	383.2
% of renewables out of the total	32%	7.7%

Thanks to the partnership with VEI Green and repossession of seven photovoltaic plants for an own production of around 9.1 GWh in 2021, illimity's energy balance⁵⁶ for the reporting year was equal to 24,826.6 GJ. The negative value of the balance is a positive result for the environment in terms of the impact of energy consumption, as the Group, overall, uses less energy than that produced and sold through purchased photovoltaic plants (for further details, see the section “Commitment in the energy segment and real estate” in Chapter 10).

GRI 305-1

Direct greenhouse gas emissions (tCO ₂ equivalent) ⁵⁷	2021	2020
Heating fuel	-	-
Natural gas	-	-
Diesel fuel	-	-
GPL	-	-
Vehicle fuel	307.7	171.8
Petrol	15.3	10.0
Diesel	288.1	147.3
GPL	4.3	14.5
Total	307.7	171.8
Total emissions per vehicle	2.9	2.0

50. Source of conversion factors: Italian Greenhouse Gas Inventory 1990 – 2019 – National Inventory Report 2021 Annex 6 National Emission Factors – ISPRA (Istituto Superiore per la Protezione e la Ricerca Ambientale - Higher Institute for Environmental Protection and Research).

51. The consumption of natural gas for heating in 2020, originally reported, was equated, for the reasons described herein, with electricity consumed.

52. Cover from Guarantees of Origin.

53. The component of electricity purchased from renewable sources for 2020 was calculated only for the consumption of illimity's sites (Milan and Modena) based on data from the electricity providers A2A (for Milan) and Illumia (for Modena).

54. Data on fuel consumption and greenhouse gas emissions for vehicles for company/personal use were reported for 70% of total consumption recorded, adopting ABI guidelines on the adoption by banks of GRI (Global Reporting Initiative) Standards concerning environmental indicators – December 2021.

55. The consumption of hybrid petrol cars for 2020, as they are not plug-ins, was referred to total petrol consumption.

56. The energy balance is constructed according to the methodology indicated by GRI 302-1, as total energy consumed within the organisation (Gj) is equivalent, in the case of illimity, to the subtraction between purchased energy for Group consumption and the electricity produced by own photovoltaic plants and sold on the grid.

57. The source of the conversion factor is DEFRA databases, updated for 2021. The gases included in the calculation are CO₂, CH₄, N₂O.

Direct greenhouse gas emissions (Scope 1) of the Group refer to fuel consumption for the illimity Group's fleet of cars.

GRI 305-2

Indirect greenhouse gas emissions (tCO ₂ equivalent) ⁵⁸	2021	2020
Total indirect emissions - Location-based method	224.0	185.1
Total indirect emissions - Market-based method	50.1	302.5

Greenhouse gas emissions were calculated using two methodologies:

- Location-based: an approach that considers the average emissions of the distribution network used by the organisation based on the geographic location (Italy) of its electricity users;
- Market-based: an approach that considers the specific emissions related to the type of electricity contract chosen by the organisation.

As a result of purchasing electricity mainly covered by Guarantees of Origin, emissions calculated using the Market-based methodology in 2021 were significantly lower than those calculated using the Location-based approach.

GRI 305-4

The Group's emission intensity for total Scope 1 and Scope 2 emissions (Location-based approach) was calculated for both employees with a full-time contract (FTE) and for the total net operating income realised, reaching an intensity of 0.7 tCO₂e/FTE and 2.0 tCO₂e/mln€ respectively for 2021, in line with the previous year.

Emission intensity (Scope 1 and 2 Location-based)	UoM	2021	2020
For FTE	tCO₂e/FTE	0.7	0.6
Numerator	tCO ₂ e	531.7	356.9
Denominator	FTE	718	580
Total net operating income	tCO₂e/mln€	2.0	2.0
Numerator	tCO ₂ e	531.7	356.9
Denominator	mln€	271.2	174.8

GRI 305-3

Additional sources of indirect emissions (Scope 3), after those related to property management, concern staff business trips by car, plane and train. In addition, minor emissions refer to the supply of goods and services purchased and waste disposal management.

The significant increase in indirect emissions associated with business trips, in particular by train and plane, reflects the greater mobility allowed during 2021 compared to 2020, following the improved emergency situation caused by the pandemic. However, to limit the impacts of travel, and deal with the Coronavirus emergency, illimity adopted organisational solutions in 2021 as well, for smart and home working.

58. The source of the conversion factors is from ABI guidelines on the adoption by banks of GRI (Global Reporting Initiative) standards - Environmental Indicators - December 2021. The gases included in the calculation - and indicated in the guide - are CO₂, CH₄, N₂O. To calculate emissions according to the market-based method, the conversion factors in the European Residual Mixes 2019, AIB (Association of Issuing Bodies), version 08.09 of 2020, were used.

Other indirect greenhouse gas emissions (tCO ₂ equivalent) ⁵⁹	2021	2020
Goods and services purchased - Procurement of paper/cardboard and toner cartridges	5.4	2.0
Business travel	51.0	28.6
<i>of which by car</i>	19.6	14.1
<i>of which by train</i>	12.4	5.7
<i>of which by plane</i>	19.0	8.8
Waste	3.2	1.5
Total	59.6	32.1

To guarantee a better management of transition risk and be able to identify the associated opportunities, the Group decided, from 2020 onwards, to adopt a process to gather data and information that will lead it, over the next few years, to quantify indirect emissions (Scope 3) attributable to its financing activities ("financed emissions").

illimity is aware of developments in international regulations and agreements. The importance of the financial sector in achieving agreed-on objectives is recognised by institutions and political representatives, and in this context the Group considers the position undertaken by banks to be crucial. For these reasons, the Group's next actions will not only be limited to quantifying Scope 3 portfolio emissions, considering the objective of limiting average global warming to below 2 degrees Celsius, in line with the agreements reached at COP 21 in Paris.

GRI 306-1 | GRI 306-2 | GRI 306-3

The absence of branches and the digital, in cloud infrastructure of illimity's business model make it possible to limit the production of waste, which is related only to the activities of staff at sites and can be equated with non-hazardous municipal waste (e.g. paper, plastic, glass). For these reasons, the environmental impacts generated by the production of waste are not significant compared to other categories of interest for the Group - first and foremost energy consumption.

To ensure correct oversight of the issue, the Facility Area monitors and continually manages the volume of waste produced, through the company which handles site cleaning, while waste collection and disposal is entrusted to the local municipal non-hazardous waste collection service.

During 2021, the production of waste increased, due to the higher number of staff at the Group's offices, compared to 2020. In particular, the production of unsorted waste refers partly to the disposal of devices to contain the spread of contagion, which cannot be sorted (including, for example, surgical face masks).

Waste produced, recovered and disposed of (t)	2021	2020
Total waste produced	13.5	6.7
<i>of which hazardous waste</i>	-	-
of which non-hazardous waste	13.5	6.7
<i>of which paper</i>	3.0	2.4
<i>of which plastic</i>	2.1	0.8
<i>of which glass</i>	0.4	0.1
<i>of which organic</i>	1.2	0.2
<i>of which non-sorted</i>	6.9	3.2

59. The source of the conversion factors is DEFRA databases, updated for 2021. The gases included in the calculation are CO₂, CH₄, N₂O.

Management of climate-related and environmental risks

Climate changes and environmental degradation give rise to structural changes that impact economic activity and consequently the financial system.

Climatic and environmental risks refer to two types of risk:

- **Physical risk** indicates the impact of climate change, including extreme weather events which are more frequent and gradual climate changes, as well as environmental degradation, i.e. atmospheric, water and soil pollution, water stress, loss of biodiversity and deforestation. “Acute” risks are risks caused by extreme events such a drought, flooding, cyclones, storms, heatwaves, forest fires; “chronic” risks are risks caused by gradual changes such as an increase in temperatures, a rise in the sea level, water stress, changes in levels of atmospheric precipitations, loss of biodiversity and a scarcity of resources.

This risk may directly cause, for example, material damage or a decline in productivity, or indirectly subsequent events such as interruptions in production and logistics chains.

- **Transition risk** indicates the financial loss the Bank may incur, directly or indirectly, following the process to adjust to a low carbon emission economy, which is more sustainable from an environmental perspective. This situation could be caused, for example, by the relatively sudden adoption of climate and environmental policies, by technological progress or by a change in market confidence and preferences.

This impact may occur directly, for example due to a lower profitability of companies or write-down of their activities, or indirectly through macro-financial changes. In addition, physical and transition risks represent causal factors of other existing risk categories, with particular reference to credit, operational, market and liquidity risks, as well as risks not included in tier 1, such as migration risk, differential credit risk on the banking portfolio, real estate risk and strategic risk.

The illimity Group therefore mapped the different types of risk (and how they occur), for the Bank's business, giving an opinion on the significance and putting into place the main transmission channels (reconnecting them with pre-existing risk categories) providing an overall vision of the impact on its own risk profile. In particular, the possible impact of reach risk factor - physical and transition - on Group operations was represented. For example:

- as regards transition risk, the impact of an increase in the price for greenhouse gas emissions (carbon tax) and the macro-economic risk of transition trends (technological developments, increased competition, over-funding);
- as regards the direct physical risk of climate events on collateral, the impact on owned and re-possessed real estate and on operations carried out by employees; and indirect risk on the credit worthiness of funded counterparties/issuers, on the services provided by suppliers/partners.

The **transmission mechanism** of the risk factor (increase in the probability of default, increase in the Loss Given Default, minor Internal Rate of Return, etc.), was also represented, as well as the reduction in the type of pre-existing risk involved (credit, business, operational, liquidity, market risk, etc.).

From a forward-looking perspective, it has been planned to extend the physical risk analysis to the Growth Credit function, and to investigate the impact of transition risk on financial risks.

Secondly, once the climate and environmental risks impacting the Group business had been mapped, the procedures to measure these risks were identified.

As regards the measurement of physical risk, based on market benchmarks, the CRO is defining an assessment model, for categories of real estate and classes of risk event, defining the percentages to apply to the value of real estimate for the purposes of estimating expected and unexpected economic damage. As regards the measurement of transition risk, instead, the macroeconomic scenarios «under climate risk stress test» for a “parallel” use of forward-looking assessments on capital adequacy and liquidity will be used, during the ICAAP and ILAAP 2022.

13. Combating the COVID-19 emergency

Since February 2019, following the spread of the Covid-19 pandemic in Italy, the Bank has promptly put in place a number of initiatives to protect the health of everyone working at and with illimity, as well as engagement activities, and set out guidelines to help all illimiters to live as well as possible at such a hard time.

During the health emergency, a **COVID-19 managerial committee** was set up, meeting twice a week (or more often depending on developments in the health situation), with management, sharing updates and taking prompt decisions on the company's response to the emergency.

Another decision taken was to continue the transparency and sharing policy, holding staff meetings monthly, rather than the usual every three months, to share company results as well as thoughts and feelings.

To protect the health of employees and external staff, illimity promptly adopted **smart working and working from home on a continual basis**, as the standard way of working, from the outset of the emergency. For everyone who needed to go into the office, a track and trace process was activated, notifying their presence to the HR & Organisation Department and Managers and using an App to indicate they were in the office.

To promote the health of staff and associates, a **preventive screening campaign** was launched. Staff still have to have a negative COVID test result, taking the test twice a month, with the costs paid by the company, before they can go to the office. Protective devices are handed out at the entrances to offices, where people's temperatures are also measured using a heat scanner. **Specific COVID-19 insurance** was also taken out for all employees, staff, associates, internees, directors and auditors of Group companies.

Employees with children or elder family members had the chance to take **two hours of paid leave** a day to look after family members who are not self-sufficient.

The Bank also expanded **e-learning**, and online courses and webinars held on specific topics such as resilience, parenting, welfare and health, and work/life balance. **Engagement and internal communication** projects were also promoted (the "Good News" Newsletter) to encourage communication among colleagues and "decrease distances".

Lastly, to make working from home and the daily tasks of employees easier, additional personal equipment was provided, including a PC, headset, mouse and chargers, as well as a keyboard and second PC monitor.

To limit movement and ease the pressure on hospitals, health services for the direct bank's customers were stepped up, including **remote healthcare**, **remote diagnostics** and **remote tests**, thanks to the partnership with AON and its network of leading healthcare facilities.

In the most critical weeks of the pandemic, **dedicated communication initiatives were launched for illimitybank.com customers**, through emails and social media, informing them about the various digital functions of accounts, which are even more useful when social distancing is in place.

During 2020-2021, the Bank also **assisted customer companies in the difficult stage of the health, economic and social crisis**, helping them, where necessary, to tackle the crisis with tools put in place by the legislator (secured guarantees and moratoria, in accordance with law), and restructuring existing loans or rationalising the debt structure of companies to help them restart.

In the existing distressed credit portfolio, the Distressed Credit Division assessed investment opportunities with a particularly prudent approach and pricing was validated by applying stress scenarios in order to deal with situations of this type.

On the servicing front, illimity continued to have direct contact with borrowers, and in cases where the borrower's capacity to repay debt was impaired, due to economic difficulties caused by the COVID-19 emergency, the most suitable solutions to address this requirement were shared. Some companies have already received support (working for example in the catering, hotel or beauty industries) reformulating previously agreed debt recovery plans.

The Bank also took action, making available medical equipment necessary to deal with the emergency, disbursing **EUR 270 thousand** in total for the purchase of medical/healthcare equipment for various hospital facilities. These purchases were possible also thanks to generous contributions from employees who raised **over EUR 18 thousand** through a dedicated current account.



14. Recognition and awards

Recognition and awards for illimiters, thanks to the trust placed in them by investors, partners and customers in 2021.

Best Workplaces Italy 2021

For the second year running, illimity appeared in the Best Workplaces Italy ranking. This award demonstrates illimity's commitment and capacity to creating an inclusive and stimulating work environment, that above all cares for people. A workplace where there is trust in the management, pride for the company, team spirit and a positive approach to colleague relations.

Leader in Sustainability 2021

illimity is among the 150 companies classified as "Leader in Sustainability" according to the analysis conducted by Il Sole24Ore and Statista. This recognition is based on illimity's commitment and results achieved in the environmental, social and economic sphere, confirming the integration of ESG topics for the sustained and sustainable growth of its business.

Best in Media Communication 2021

illimity is one of the 21 companies certified as Best in Media Communication 2021 by Fortune Italy and EIKON for its innovation, people, sustainability and resilience.

Milano Finanza Digital Week

illimity was awarded during Milano Finanza Digital Week for being a high-tech Banking Group, that offers innovative direct digital banking services for retail and corporate customers through illimitybank.com.

GlobalCapital Awards 2021

In the Financial Institution Bond Awards 2021 promoted by GlobalCapital, which celebrates the best issuer banks and service suppliers on the capital market, illimity received the Most Impressive Debut Financial Institution Issuer award, thanks to its first bond issue: a 3-year, Senior Preferred bond for EUR 300 million.

Repubblica degli Stagisti 2021

For the second year running, the journal "Repubblica degli Stagisti" awarded illimity for "Best performance in the direct recruitment of young professionals (without internships)". This award confirms the importance of people for the illimity Group, through a continual investment in human capital.

Fintech Legal Direction of the Year

During the eighth edition of TopLegal's Corporate Counsel & Finance Awards, created to showcase the work of company departments for the success and growth of businesses, illimity received the "Fintech Legal Direction of the Year" award. illimity's legal team was awarded for having established new practices for the future in its strategic agreement negotiation with the Sella Group for the investment in HYPE.

Best Workplaces Europe 2021

illimity was included in the Best Workplaces™ Europe 2021 ranking, which selects the best companies to work for, in Italy and Europe. This is an important result demonstrating the work of the last three years to create a dynamic climate in the company, which is formative and innovative, and capable of putting people first.

Businessperson of the Year in finance 2021

Fortune Italia nominated Silvia Benzi, Head of Investor Relations & Strategic Planning of illimity as Businessperson of the Year 2021 in the finance sector.

Inhousecommunity Awards Italia 2021

During the Inhousecommunity Awards Italia 2021, illimity received two important accolades: “HR team of the year” and “In House team of the year in banking and finance”. 165 new employees have been hired at illimity in 2021, and the HR team has set up an agile, flexible model so that all illimiters can work away from the office, while maintaining a strong, high-level team spirit. The legal team was awarded for the many operations performed and for its lean structure with extensive, all-round competencies.

Aretè 2021 Award

During the CSR and Social Innovation show, illimitHER received the “Aretè 2021 Award” award for Responsible Financial Communication. This important recognition is awarded each year to inform the world about business projects and players that have stood out for their effectiveness and the impact of communication on issues such as social responsibility and sustainability.

LC Sustainability Awards 2021

During the ceremony for the LC Sustainability Awards, the event dedicated to sustainability, illimity received the “LC Sustainability Awards” for illimitHER, its Diversity & Inclusion programme, and “edutorial” to transfer and share useful knowledge and expertise. illimitHER goes beyond traditional models and stereotypes to discover a potential beyond boundaries, disseminating a STEM culture to empower the potential of young women.

Financial Innovation - Italian Awards 2021

illimity received two silver awards in the “Financial Innovation – Italian Awards 2021” promoted by AIFIn. In the “New Services” category, it received an award for My Sport & Salute and in the “CSR and Sustainability” category for the illimitHER programme.

Appendix

Annex

Reclassification of the income statement to determine the Economic value generated and distributed.

<i>(Amounts in thousands)</i>		
Income Statement items	31.12.2021	31.12.2020
Item 10. Interest income and similar income	194,288	145,983
Item 20. Interest expenses and similar charges (-)	(61,223)	(42,205)
Item 40. Fee and commission income	40,283	18,529
Item 50. Fee and commission expense (net of expense for external networks - e.g. agents, financial advisors) (-)	(5,708)	(5,013)
Item 70. Dividends and similar income	-	-
Item 80. Net trading result	3,167	(389)
Item 100. Profits (losses) on disposal or repurchase of:	5,393	7,699
a) financial assets measured at amortised cost	302	1,863
b) financial assets measured at fair value through other comprehensive income	5,091	5,837
c) financial liabilities	-	(1)
Item 110. Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss	10,034	1,176
a) financial assets and liabilities carried at fair value	-	-
b) financial assets and liabilities subject to mandatory measurement at fair value	10,034	1,176
Item 130. Net losses/recoveries for credit risks associated with:	43,135	40,264
a) financial assets measured at amortised cost	43,505	40,182
b) financial assets measured at fair value through other comprehensive income	(370)	82
Item 140. Profits/losses on changes in contracts without derecognition	196	-
Item 160. Net premiums	-	-
Item 170. Balance of other income/charges from insurance management	-	-
Item 230. Other operating income/expenses	21,421	7,765
Item 250. Profits (losses) on equity investments (for the portion of "gains/losses from sale")	-	-
Item 280. Profits (losses) on disposal of investments	8,344	-
Item 320. Net income (Loss) (+/-) from discontinued operations after taxes	253	-
A. TOTAL ECONOMIC VALUE GENERATED	259,583	173,809
Item 190.b Other administrative expenses (net of indirect taxes and donations/gifts and provisions for termination and deposit guarantees) (-)	(68,442)	(59,044)
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	(68,442)	(59,044)
Item 190.a Personnel expenses	(73,563)	(51,944)
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES, STAFF AND ASSOCIATES	(73,563)	(51,944)
Item 340. Profit (loss) for the period attributable to minority interests	-	-
ECONOMIC VALUE ASSIGNED TO THIRD PARTIES	-	-
Profit assigned to shareholders	-	-
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS	-	-
190 b) Other administrative expenses: indirect taxes and duties (-)	(11,004)	(11,741)
Item 190.b Other administrative expenses: provisions for termination and deposit guarantees (-)	(4,700)	(2,005)
Item 300. Income taxes for the year on current operations (for the portion relating to current taxes, the change in current taxes for previous years and the reduction in current taxes for the year)	(20,917)	(8,431)
ECONOMIC VALUE DISTR. CENTRAL AND LOCAL ADMINISTRATION	(36,621)	(22,177)
190 b) Other administrative expenses: donations and gifts (-)	(10)	(320)
Profit assigned to the charity fund	-	-
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT	(10)	(320)

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(Amounts in thousands)

Income Statement items	31.12.2021	31.12.2020
B. TOTAL ECONOMIC VALUE DISTRIBUTED	(178,636)	(133,485)
Item 200. Net provisions for risks and charges	(2,622)	(1,449)
a) commitments and guarantees given	(2,404)	(981)
b) other net provisions	(218)	(468)
Item 210. Net adjustments/recoveries on property and equipment	(3,132)	(2,719)
Item 220. Net adjustments/recoveries on intangible assets	(7,600)	(5,895)
Item 250. Profits (losses) on equity investments (for the portion of the valuation component: "write-downs/write-backs" "impairment/impairment reversals", "other expenses and income")	(7,758)	-
Item 260. Net gains/losses on the measurement at fair value of property and equipment and intangible assets	-	-
Item 270. Adjustments/recoveries of goodwill (-)	-	-
Item 300. Income taxes for the year on current operations (for the portion relating to the change in deferred tax assets and liabilities)	5,756	825
Profit allocated to reserves	(0)	-
C. TOTAL ECONOMIC VALUE RETAINED	80,947	40,324

GRI Content Index

GRI 102-55

GRI Standard	Disclosure	Page number	Notes / Omissions
GRI 101: Foundation 2016			
GRI 102: General disclosures 2016			
Organizational profile			
102-1	Name of the organization	11	
102-2	Activities, brands, products and services	11	
102-3	Location of headquarters	11	
102-4	Location of operations	11	
102-5	Ownership and legal form	11-12	
102-6	Markets served	11	
102-7	Scale of the organization	66	
102-8	Information on employees and other workers	67	
102-9	Supply chain	49	
102-10	Significant changes to the organization and its supply chain	34	
102-11	Precautionary Principle or approach	24	
102-12	External initiatives	98	
102-13	Membership of associations	23	
Strategy			
102-14	Statement from senior decision-maker	6	
Ethics and integrity			
GRI 102: General disclosures 2016 - Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	16	
102-17	Mechanisms for advice and concerns about ethics	48	
Governance			
GRI 102: General disclosures 2016 – Governance			
102-18	Governance structure	18	
102-38	Annual total compensation ratio	80	
Stakeholder engagement			
102-40	List of stakeholder groups	35	
102-41	Collective bargaining agreements	66	
102-42	Identifying and selecting stakeholders	35	
102-43	Approach to stakeholder engagement	35	
102-44	Key topics and concerns raised	37	
102-45	Entities included in the consolidated financial statements	34	
102-46	Defining report content and topic boundaries	34	
102-47	List of material topics	38	
102-48	Restatements of information	34	
102-49	Changes in reporting	34	
102-50	Reporting period	34	
102-51	Date of the most recent report	34	
102-52	Reporting cycle	34	
102-53	Contact point for questions regarding the report	34	
102-54	Claims of reporting in accordance with the GRI Standards	34	
102-55	GRI content index	126	
102-56	External assurance	132	
Material topic: Robust results and creating shared value			
GRI 103: Management approach 2016		86	
GRI 201: Economic performance 2016			
201-1	Direct economic value generated and distributed	87	

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Annex GRI Content Index

GRI Standard	Disclosure	Page number	Notes / Omissions
Integrity, legal compliance and the fight against fraud and corruption (an outright significant topic for illimity)			
GRI 103: Management approach 2016		40	
GRI 205: Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	45	
205-3	Confirmed incidents of corruption and actions taken	45	
GRI 206: Anti-competitive Behaviour 2016			
206-1	Legal action for anti-competitive behaviour, anti-trust and monopoly practices		As in the previous year, no legal action was taken for anti-competitive behaviour, anti-trust and monopoly practices in 2021
GRI 419: Socioeconomic compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area		As in the previous year, no cases of non-compliance with laws and regulations in the social and economic area occurred in 2021
GRI 102: General disclosures 2016 - Ethics and integrity			
102-17	Mechanisms for advice and concerns about ethics	48	
Material topic: Environmental impacts and climate-related challenges			
GRI 103: Management approach 2016		114	
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	115	
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	115	
GRI 305: Emissions 2016			
305-1	Direct GHG emissions (Scope 1)	116	
305-2	Energy indirect (Scope 2) GHG emissions	117	
305-3	Other indirect GHG emissions (Scope 3)	117	
305-4	GHG emissions intensity	117	
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	118	
306-2	Management of significant waste-related impacts	118	
306-3	Waste generated	118	
Material topic: People empowerment, involvement and wellbeing			
GRI 103: Management approach 2016		66	
GRI 403: Occupational health and safety 2018			
403-1	Occupational health and safety management system	76	
403-2	Hazard identification, risk assessment, and incident investigation	76	
403-3	Occupational health services	76	
403-4	Worker participation, consultation, and communication on occupational health and safety	76	
403-5	Worker training on occupational health and safety	76	
403-6	Promotion of worker health	76	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	76	
403-9	Work-related incidents	76	
GRI 404: Training and education 2016			
404-1	Average hours of training per year	72	
404-3	Percentage of employees receiving regular performance and career development reviews	74	

GRI Standard	Disclosure	Page number	Notes / Omissions
GRI 102: General disclosures 2016 – Governance			
102-8	Information on employees and other workers	67	
Material topic: Diversity, equity and inclusion			
GRI 103: Management approach 2016		78	
GRI 202: Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	80	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	68	
401-3	Parental leave	75	
GRI 405: Diversity and equal opportunity 2016			
405-1	Diversity of governance bodies and employees	78	
405-2	Ratio of basic salary and remuneration of women to men	79	
GRI 102: General disclosures 2016 – Governance			
102-38	Annual total compensation ratio	80	
Safeguarding human rights (an outright significant topic for illimity)			
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	44	
Material topic: Customer focus			
GRI 103: Management approach 2016		94	
GRI 417: Marketing and labelling 2016			
417-2	Incidents of non-compliance concerning product and service information and labelling	95	
417-3	Incidents of non-compliance concerning marketing communications	95	
Cyber Risk, Data Management & Security, Privacy (an outright significant topic for illimity)			
GRI 103: Management approach 2016		58	
GRI 418: Customer privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	62	
Material topic: Support for SMEs			
GRI 103: Management approach 2016		90	
GRI G4 Sector Disclosure - Financial Services Sector Supplement			
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	90	
Material topic: Sustainable finance			
GRI 103: Management approach 2016		102	
GRI G4 Sector Disclosure - Financial Services Sector Supplement			
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	106	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	106	
Material topic: Innovation and digital transformation			
GRI 103: Management approach 2016		54	
Material topic: Developing and consolidating partnerships			
GRI 103: Management approach 2016		98	
102-12	External initiatives	98	
Clear, transparent communication, brand and reputation (an outright significant topic for illimity)			
GRI 103: Management approach 2016		95	
GRI 417: Marketing and labelling 2016			
417-1	Requirements for product and service information and labelling	95	

Additional indicators

Indicator	Page number	Notes
Material topic: Robust results and creating shared value		
CET 1 (Common Equity Tier 1)	86	
ROE (Return on Equity)	86	
Net Organic NPE Ratio	86	
COR (Cost of Risk)	86	
Integrity, legal compliance and the fight against fraud and corruption (an outright significant topic for illimity)		
Compliance culture: training and awareness-raising activities	47	
Compliance Risk Assessment	47	
Material topic: People empowerment, involvement and wellbeing		
Trust Index (GPTW)	78	
Engagement Index (GPTW)	78	
Material topic: Diversity, equity and inclusion		
Total remuneration of the CEO to average employee remuneration ratio	80	
Average remuneration of the CEO and Top Management to average employee remuneration ratio	80	
Percentage of welfare out of the average RAL	80	
Material topic: Customer focus		
Service level - Capacity to respond to calls	96	
30" service level - Capacity to respond to calls within a certain time	96	
NPS - Net Promoter Score	96	
Clear, transparent communication, brand and reputation (an outright significant topic for illimity)		
NSS - Net Sentiment Score	96	
Cyber Risk, Data Management & Security, Privacy (an outright significant topic for illimity)		
Number of serious IT security incidents out of the total of IT security incidents reported	60	
Percentage of software covered by security application checks in the process to manage application vulnerability	60	
Percentage of vulnerabilities resolved, identified by the new Vulnerability Management process	60	
Material topic: Support for SMEs		
Conversion rate: ratio between transactions analysed and financed (turnaround and crossover)	91	
Material topic: Sustainable finance		
Collaborative Agreement Index: Ratio between the number positions closed through out-of-court proceedings and the total of positions successfully closed by the illimity Group	94	
Time to solve: Average time recorded to solve out-of-court proceedings	94	
Material topic: Innovation and digital transformation		
Digital communication out of total customer communication	54	
End-to-end digital onboarding of consumer customers	54	
Active consumer customers (at least one login a month)	54	
Proprietary cloud banking systems	54	
Customers using PSD2/Open Banking functionalities	54	
Employees who have the resources to do smart working	54	
Logins from apps vs desktops	54	
Total investments for innovation	54	
Material topic: Developing and consolidating partnerships		
Partnerships with external organisations	98	

SASB Index

TOPIC	ACCOUNTING METRIC	OUR DISCLOSURE	SASB CODE
COMMERCIAL BANKS			
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected.	2021 Sustainability Report: “Cyber Security: system and evolution management, IT security incidents”, pages 58-61.	FN-CB-230a.1
	Description of approach to identifying and addressing data security risks.	2021 Sustainability Report: “Cyber Security”. “Data management and protection”, pages 58-63. Policy ICT Security Policy Privacy.	FN-CB-230a.2
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.	2021 Sustainability Report: “Risk management and ESG risks”, pages 24-31. “ESG evolution in lending processes” pages 102-103. Consolidated Credit Procedure.	FN-CB-410a.2
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.	2021 Sustainability Report: “The fight against fraud, money laundering and corruption”, pages 45-46.	FN-CB-510a.1
	Description of whistleblower policies and procedures.	2021 Sustainability Report: “Whistleblowing”, page 48. Policy Whistleblowing.	FN-CB-510a.2
Systemic Risk Management	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.	2021 Sustainability Report: “Risk management and ESG risks”, pages 24-31. “ESG evolution in lending processes”, pages 102-103. Consolidated Credit Procedure.	FN-CB-550a.2
ASSET MANAGEMENT & CUSTODY SERVICES			
Transparent Information & Fair Advice for Customer	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers (3).	2021 Sustainability Report: “Retail customer relations”, pages 94-97. Policy Transparency Fairness with Customers.	FN-AC-270a.2
	Description of approach to informing customers about products and services.	2021 Sustainability Report: “Retail customer relations”, pages 94-97. Policy Transparency Fairness with Customers.	FN-AC-270a.3

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TOPIC	ACCOUNTING METRIC	OUR DISCLOSURE	SASB CODE
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.	2021 Sustainability Report: "Diversity, Equity & Inclusion", pages 78-79.	FN-AC-330a.1
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies.	2021 Sustainability Report: "Sustainable finance", pages 102-105. Consolidated Credit Procedure illimity SGR - "ESG Investment Policy".	FN-AC-410a.2
	Description of proxy voting and investee engagement policies and procedures.	2021 Sustainability Report: "Engagement with the financial community", pages 88-89. Policy for managing Dialogue with the generality of Shareholders.	FN-AC-410a.3
CONSUMER FINANCE			
Customer Privacy	Number of account holders whose information is used for secondary purposes.	2021 Sustainability Report: "Data management and protection", pages 61-63. Policy Privacy Policy ICT Security.	FN-CF-220a.1
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy.	2021 Sustainability Report: "Data management and protection", pages 61-63. Policy Privacy Policy ICT Security.	FN-CF-220a.2

Independent Auditors' Report



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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

*To the board of directors of
illimity Bank S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2021 consolidated non-financial statement of the illimity Bank Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 10 March 2022 (the "consolidated non-financial statement").

Our procedures did not cover the information set out in section 11 "EU taxonomy for sustainable activities" of the consolidated non-financial statement required by article 8 of Regulation (EU) 852 of 18 June 2020.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of illimity Bank S.p.A. (the "parent") for the consolidated non-financial statement

The parent's directors are responsible for the preparation of a consolidated non-financial statement in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud or error.

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Moreover, the directors are responsible for the identification of the content of the consolidated non-financial statement, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the consolidated non-financial statement, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the consolidated non-financial statement with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the consolidated non-financial statement is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the consolidated non-financial statement are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the consolidated non-financial statement, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:



1. Analysing the material aspects based on the group's business and characteristics disclosed in the consolidated non-financial statement, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the consolidated non-financial statement with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the consolidated non-financial statement and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the consolidated non-financial statement.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed limited procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the consolidated non-financial statement.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and subsidiaries level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the consolidated non-financial statement and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited illimity Bank S.p.A., which we have selected on the basis of its business, contribution to the key performance indicators at consolidated level, to meet its management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.



illimity Bank Group
Independent auditors' report
31 December 2021

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2021 consolidated non-financial statement of the illimity Bank Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Our conclusion does not extend to the information set out in section 11 “EU taxonomy for sustainable activities” of the consolidated non-financial statement required by article 8 of Regulation (EU) 852 of 18 June 2020.

Milan, 25 March 2022

KPMG S.p.A.

(signed on the original)

Alberto Andreini
Director of Audit

This year, once again, the design of the Report focuses on the work and values of illimity through the testimonies and faces of the illimiters, our greatest resource.

Thanks to the “Life at illimity” project, we have been able to tell the story of our activities, skills and passions in an outdoor shoot aimed at transmitting the concepts of **recovery** and **restart**.

Although we are still distancing at this key moment, we are beginning to live, go out, travel and collaborate with our colleagues again.

Despite the distance, we are back, more united than ever.





We would like to thank everyone who helped contribute to the 2021 Consolidated Non-Financial Statement of Gruppo illimity Bank S.p.A.

For further information on sustainability activities: www.illimity.com/en/sustainability

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March 2022

illimity Bank S.p.A.

Registered office: Via Soperga, 9 – 20124 Milan

Share capital: EUR 54.189.951,66 (of which EUR 52.619.881,24 subscribed and paid up)

Registered in the Milan Companies Register - Milan Economic and Administrative Register MI 2534291

Taxpayer identification number 03192350365

Representative of the "illimity" VAT group, VAT number 12020720962

Bankers' Association Code 03395 – A member of the Interbank Fund for the Protection of Deposits

A registered bank no. 5710 - A Parent Company of the Gruppo illimity Bank S.p.A. A registered Banking Group no. 245

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