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Sustainable Supply Chain Policy

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Strategy, Sustainability & IR

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SUMMARY

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Structures Responsible for the Document	CFO & Central Functions (Spend & Procurement Management) Strategy, Sustainability & IR	
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	illimity Bank S.p.A.	Entities of the Banking Group
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VERSIONS

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1 INTRODUCTION

The aim of this Policy is to introduce, from time to time and in line with the characteristics of the illimity Group's business model, best practice for the sustainable supply chain ("**Sustainable Supply Chain**").

Aware of the effect that financial institutions have not only on the economic and financial environment but also on society as a whole, the illimity Group believes that environmental sustainability, social responsibility and good governance (ESG – Environmental, Social & Governance) are key items to be taken into consideration during supplier selection and management.

As part of the supply chain management process, the illimity Group acts in a responsible manner with the ultimate aim of minimising its indirect environmental impact and to the greatest extent fostering the socially responsible management of its activities, its suppliers and the initiatives in which it takes part.

The guidelines described in this document are applicable to all the entities of the Group subject to the management and coordination of the Parent Company illimity Bank S.p.A. for the parts of respective competence and depending on the nature of the activity performed by each individual subsidiary. Group companies are accordingly required to incorporate these guidelines into their internal rules and regulations and when necessary, revise them in accordance with the Parent Company's indications.

2 GLOSSARY

Definitions	
Bank or Parent Company	illimity Bank S.p.A. with registered office at Via Soperga 9, 20127 Milan, Italy
Group	The Bank and the Bank's subsidiaries pursuant to and for the purposes of article 2359 of the Italian civil code
Organisational Structures (or Structures)	The types of organisational structures making up the organisation chart of the Bank and Group Companies, to which the detailed responsibilities are assigned as described in the "Organisational Structure" document
Supplier	Legal person with whom arrangements for the supply of goods and/or services can be established

3 ROLES AND RESPONSIBILITIES

In accordance with the requirements of the current Spending Procedure, when selecting and assessing its suppliers, the illimity Group takes an approach, among other things, by which it shares and supports the basic principles for compliance with environmental, safety and corporate social responsibility rules in line with the Group's sustainability strategy. As a result, the Spend & Procurement Management Area, as the main player in supplier governance activity, presides a scope that includes the qualification of suppliers, the management of commercial relationships, the relative negotiations, the management of tenders and, in general, the phase of purchasing good and services.

The management of the activities and initiatives reported below sees the involvement of the Spend & Procurement Management Area of the Parent Company consistent with the roles, responsibilities and scope of application established in the current Spending Procedure, and the Strategy, Sustainability & IR Department as concerns the ESG aspects.

The revision of this Policy is subject to the approval of the Board of Directors subject to the opinion of the Sustainability Committee

4 PRINCIPLES AND OBJECTIVES

The Group encourages its suppliers to comply with the principles stated in the Universal Declaration of Human Rights (United Nations), in the Declaration on Fundamental Principles and Rights at Work (ILO) and in the UN Global Compact, of which the Group is a member.

In accordance with these principles, businesses must:

- support and respect the protection of internationally proclaimed human rights and make sure, by way of available information, that they are not complicit in human rights abuses;
- uphold freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation;
- support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility;
- encourage the development and diffusion of environmentally friendly technologies;
- work against corruption in all its forms, including extortion and bribery.

For the purposes of such policy and the application of the above principles, the Group is committed to managing its provisioning processes in a sustainable way by pursuing the following objectives:

- reduce the indirect environmental and social impact arising from the purchase of goods and services from third party suppliers to the greatest extent possible;
- encourage the development of supply chain management processes that enable the Group's sustainability levels to rise and improve;
- encourage the purchase of goods and services from suppliers who in turn act to minimise their own environmental and social impact;
- monitor the level of indirect emissions relating to suppliers on a regular basis (Scope 3 emissions) on the basis of the principles of proportionality and materiality.

The Group adopts supplier engagement strategies that take into account the application of ESG (environmental, social and governance) issues on the basis of the official data that suppliers disclose.

Compliance with the above principles also acts as a guarantee towards ensuring sustainability principles as well as mitigation of the exposure of the illimity Group to risks of a reputational nature.

5 THE GROUP'S MAIN COMMITMENTS IN PURCHASING GOODS AND SERVICES

In accordance with the principles and objectives set out above, the Group is committed to translating these into measures connected with the purchase of goods and services that minimise environmental and social impacts.

More specifically, given their 100% digital nature, the services provided by illimity have a limited effect on the environment and accordingly the raw materials the Group buys are principally paper and consumables for printing. In this sense, and in compliance with its commitment towards the environment, illimity only purchases FSC (Forest Stewardship Council) certified paper.

In addition, the electricity purchased mostly has a Guarantee of Origin (a digital certificate issued by the national Energy Service Manager), in accordance with Directive 2009/28/EC, to ensure that the energy used has actually been generated from renewable sources.

The Group is committed to buying a gradually increasing percentage of electricity having a Guarantee of Origin in order to mitigate the environmental impact arising from its own usage.

The Group is committed to selecting suppliers and partners on the basis of clear and transparent criteria, taking into consideration professional quality and suitable service levels, reliability and compliance with the rules and human and workers' rights, moreover requiring high ethical, environmental and social standards.

6 SCOPE AND METHOD OF APPLICATION

This Policy is applicable to all the Group's suppliers with whom agreements are established as part of the supply chain.

More specifically, the aims set out in paragraph 4 and the illimity Group's principles on environmental sustainability, social and governance matters are applied by way of the following activities and initiatives.

- a) As part of the tender procedure for the procurement of supplies (RFP/RFQ), within its assessment process the illimity Banking Group is also committed to taking into consideration the information and data regarding the environmental sustainability and governance of the suppliers taking part in the tender.
- b) The illimity Group performs a periodical ESG analysis of its suppliers with the aim of identifying, based on proportionality and materiality principles, the indirect environmental impact (emissions). The illimity Group provides annual disclosures of this category of indirect emissions in its Consolidated Non-Financial Statement.
- c) The illimity Group promotes the use of supplies that respect the environment and is committed in a progressive manner to making purchases that are sustainable from an environmental (ecological) standpoint, in particular of office supplies, stationery and consumables, giving preference, all things being equal, to suppliers holding guarantees on the sustainable management of their activities.
- d) Given the attention the Group gives to the circular economy and its commitment to using specific environmental criteria for procuring or disposing of materials, it also requests a commitment in that sense from its suppliers.
- e) The following are required when qualifying new suppliers or reviewing the status of existing suppliers:
 - acknowledgement and acceptance of illimity Way;
 - acknowledgement of this Policy;
 - submission of the DURC, the document certifying regular payment of social security contributions to INPS and INAIL;
 - submission, where available, of the following certifications:
 - ISO 45001 and/or OHSAS 18001 certification – Occupational Health and Safety Management System;

- ISO 9001 certification – Quality Management System;
 - ISO 14001 certification – Environmental Management System;
 - ISO 37001 certification – Anti-Bribery Management System;
 - ISO 27001 certification – Information Management Security System.
- f) Given the Group's commitment to comply with best ethical practice on Artificial Intelligence (AI) matters – in accordance with the latest OECD recommendations and the European Union's guidelines and legislative proposals on the subject – it also requires a commitment from its suppliers, where applicable, to comply with such practice.
- g) The Group is committed to encouraging collaboration relationships with suppliers that comply with the principles contained in illimity Way, supporting positive changes in terms of quality, environment and sustainable governance. If the Group discovers that a supplier is failing to comply with the above requirements, suitable action may be taken into consideration, including the requirement for remedial measures or the cessation of existing relationships.
- h) The use of child labour by the Group's suppliers is forbidden. Suppliers are subject to the human rights protection policies detailed in illimity Way and in the Group's current policies published on its institutional website.

7 RELATED LEGISLATION AND REGULATIONS

INTERNAL RELATED REGULATIONS

illimity Way
Internal Spending Procedure
Artificial Intelligence Policy

EXTERNAL RELATED LEGISLATION AND REGULATIONS

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS: Artificial Intelligence for Europe
REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 April 2016 (GDPR)
OECD, Recommendation of the Council on Artificial Intelligence, OECD/LEGAL/0449
OECD AI Principles
EU Ethics guidelines for trustworthy AI
Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL LAYING DOWN HARMONISED RULES ON ARTIFICIAL INTELLIGENCE (ARTIFICIAL INTELLIGENCE ACT) AND AMENDING CERTAIN UNION LEGISLATIVE ACTS