

illimity 2020 Sustainability Report





2020 Sustainability Report

as of 31 December 2020



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

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Letter to stakeholders

GRI 102-14

Dear illimity friends,

We are very proud to be publishing the illimity Group's first Voluntary Consolidated Non-Financial Statement.

For everyone at illimity, this document marks an important milestone in sharing, with all our stakeholders, the responsibility that guides us as we support entrepreneurs and companies in their growth and turnaround plans in order to return value to the loans of companies going through troubled times and to offer innovative banking services that simplify life for people and companies.

Even through the uncertain times brought by the pandemic, illimity has proven itself to be robust and resilient, innovating ceaselessly through new strategic projects. The choice as to the use of technology and the organisational model have proven fruitful, allowing us to guarantee operational continuity throughout the year. In the company, the extended periods of working from home have not only highlighted the powerful team spirit, but also created an opportunity to really test the profound values that we share.

Our commitment to environmental, social and governance (ESG) issues has clearly been shown once again, both in how the bank is managed internally and in the dissemination of such elements, right into how loans are assessed.

For the second straight year, we have been recognised as a "Great Place to Work". The survey found that 85% of illimiters feel it is an excellent place to work. For us, this is a particularly important metric because of the emphasis we place on our staff. It is no coincidence that we have chosen to use the faces of employees to

visually represent this Sustainability Report. Diversity and inclusion are cornerstones for managing a Group with over 600 illimiters from 20 countries, over 200 organisations and 17 different industries.

Diversity, expertise and transparency are core values that find concrete expression in the governance of illimity, where the Board of Directors has adopted the new Corporate Governance Code.

In terms of the environment, the very structure of illimity, with 100% digital infrastructure that is completely cloud-based, is designed to minimise the environmental impact. We have begun measuring and accounting for our energy consumption, greenhouse gas emissions and waste generation. We are committed to neutralising our emissions and becoming carbon neutral through tangible measures.

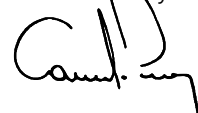
We are truly committed to producing robust profits for our shareholders, but at the same time we want to benefit society by playing our part in getting Italy back on a path of sustained and sustainable growth.

In 2021, Italy has a chance - a chance it must take - to start using its healthcare, economic and social potential. At illimity, we plan to play our part.

Rosalba Casiraghi
Chairperson of illimity



Corrado Passera
CEO of illimity







Principles of Governance

01. illimity.

Bank beyond the 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 (Mercato Telematico Azionario - "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 Exchange dedicated to businesses that excel in terms of transparency and communication, liquidity and *corporate governance* illimity is a **new paradigm bank**, 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 credits**, with or without guarantees, and manages this credit through neprix, its proprietary servicing platform. It offers innovative services for retail and corporate customers through its own digital bank **illimitybank.com**. It sets up and manages Alternative Investment Funds with **illimity SGR**.

GRI 102-3

GRI 102-4

The bank manages and coordinates the Group reporting to it, and has its headquarters 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.

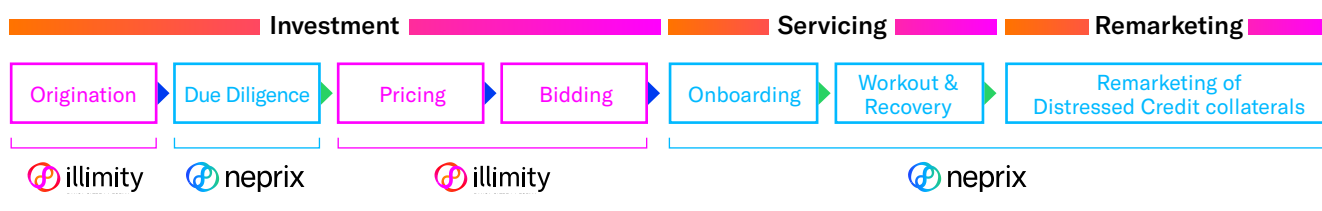
SME (Small and Medium Enterprises) Division

- **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 unlikely-to-pay (UTP), with the aim of recovering and restoring them to performing status by identifying optimal financial solutions.

Distressed Credit Investment & Servicing Division

- **Investment:** the purchase of secured and unsecured distressed corporate credit.
- **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.

The DCIS Division value chain:



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.
- **Fintech platform** with the joint venture in HYPE.
- **White label platform** with an open banking logic and external partners.

Corporate Center

- **The Corporate Center** provides extensive all-round support for all business activities from IT architecture to control systems, finance, human resources management and communication and sustainability activities.
- **CFO & Central Functions:** Administration & Accounting, Budget & Control, General Counsel, IR & Strategic Planning, Human Resources, Procurement, Facility and Capital Markets & Treasury provide support services for the business Divisions.
- **Communication & Stakeholder Engagement:** from the media to the digital dimension and sustainability projects, this Function focuses on illimity's market position with internal and external stakeholders, starting from the fundamental values of projects.
- **CRO:** Risk Analytics, Risk Management, Risk Strategy e Compliance & AML deals with risk management and developing new strategies, through highly innovative, continually evolving quantitative models.
- **Digital Operations:** 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. This Department includes Information Technology, Digital Customer Operations and Process & Organization.
- **Internal Audit:** this Function carries out assurance activities for the entire system of internal controls, advising Management.

Since 1 January 2021, the Corporate Center has been operating, within the CLO (Chief Lending Officer) function. The Credit Machine Unit (assessment of the credit worthiness of financing operations), and Credit Monitoring Unit (monitoring credit and managing organic non-performing loans), that were previously in the SME Division, now report to this Center.

GRI 102-5

As of 31 December 2020, the following companies were part of the illimity Group:

neprix S.r.l., held 100% by the Bank, operating in the servicing of non-performing loans.

IT Auction S.r.l., an operator specialised in managing and selling moveable and immoveable property originating from insolvency and foreclosure proceedings, leasing and private sales, through its own network of platforms/online auctions and a group of professionals operating nationwide, now part of neprix.

ITA Gestione Immobili S.r.l., a real-estate broker that handles sales and leases and certifies the value of properties and companies for third parties.

Mado S.r.l., an in-company software house of IT Auction/neprix for the technological development and user experience of proprietary portals and software on behalf of third parties.

Core S.r.l., a special purpose company established to acquire shareholdings and to plan, organise and exercise strategic and operating control over its investee companies.

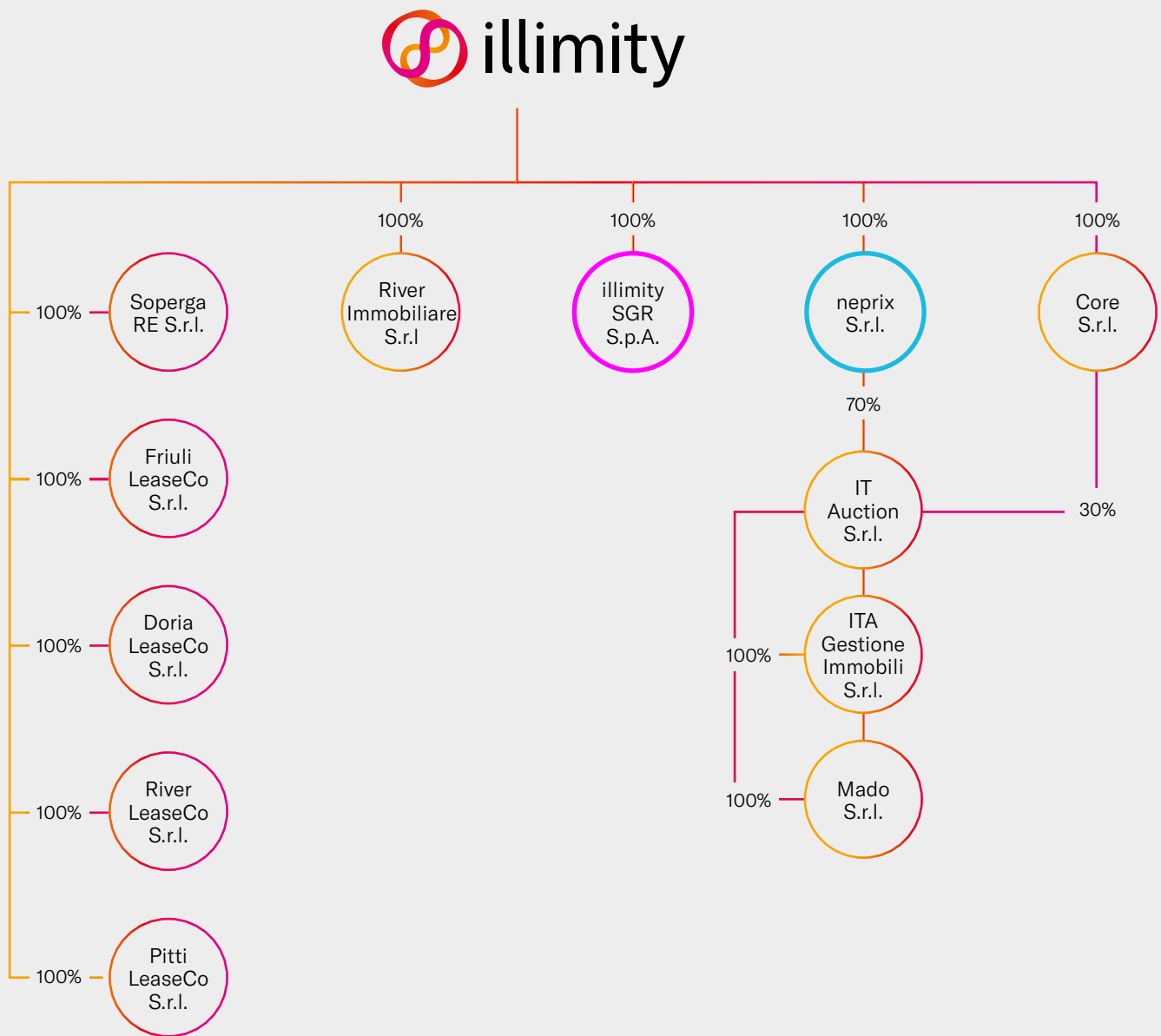
illimity SGR S.p.A., wholly-owned by the Bank, which started operations in 2020 and manages the assets of closed-end alternative investment funds (AIFs), established with own funds and the funds of third-party institutional investors.

River Immobiliare S.r.l., held entirely by the Bank, set up for the purchase, sale and management - for disposal - of property owned by the company.

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

On 1 February 2021, the merger by absorption of IT Auction, Mado and Core with neprix became effective.

Corporate Structure of illimity Bank S.p.A. Group as of 31.12.2020



The main stages in illimity's story

▽ 2018

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

The **innovative headquarters** with illimity smart spaces is inaugurated in Palazzo Aporti in Milan

September

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

June

illimity signs a contract for the **acquisition of IT Auction** that, together with neprix, initiates the first end-to-end services specialised in distressed corporate credits

April

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

March

illimity Bank S.p.A. is **founded on 5 March** with listing on the MTA of Borsa Italiana

2019

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 HYPE

November

illimity and neprix **are given a rating by Fitch**

December

illimity **successfully completes** its first bond issue

Purpose and values

GRI 102-16

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

We are born with a clear mission: to recognise and empower the potential of people, families and businesses.

We are a bank and we are proud to be one

We lend particularly because we want to find and nourish the wealth of hidden potential in our economy and our society:

- Companies that, with support, could make a giant leap forward
- Companies that, with support, could get back on the right track
- Companies that didn't manage to make it, but that could provide some value.

Behind and in these companies there are people and families, and around them, a community

Our actions can foster their well-being.

We thrive on innovation

We are a new paradigm company with our roots in listening to the real needs expressed by companies and people. This was our starting point for fundamentally redesigning how to be a bank and how to provide banking services, integrating cutting-edge technologies with the best expertise and experience.

We believe in freedom

Our spirit is entrepreneurial and we feel free to move beyond the preconceptions and conformisms of the traditional system, freed of external conditioning.

We act responsibly

- **Towards our shareholders**, working hard to optimise the returns on the capital entrusted to us, especially in the medium term
- **Towards our customers**, speaking to them clearly, getting back to them quickly and helping them with the challenges they face
- **Towards our staff**, making the most of their potential and their diversity, seeking the right work-life balance
- **Towards our partners**, providing an ever increasing platform for cooperation and opportunities
- **Towards society and the environment**, making a positive impact

We want the facts to show we are not only capable of making a profit, but also of making a positive contribution to society, helping to foster well-being and build trust.

We are illimity. Bank beyond the form.



Corporate Governance

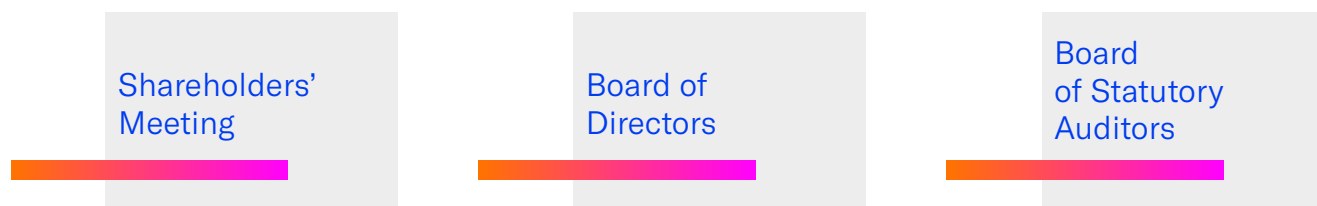
GRI 102-18

The corporate governance structure of illimity sets out the relations between the Bank, its corporate bodies and stakeholders. It forms the structure through which:

- 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 traditional 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 20 September 2018, with a broad base of independent members (5 members out of 9 are independent, of which 5 men and 4 women), with a high standing, significant and complementary expertise and experience. 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.

The current Board of Directors will remain in office until the approval of the financial statements for the year ended 2020.

According to best corporate governance practices, the Bank's Board of Directors has set up five Board committees, with advisory and coordination duties: the Nomination Committee, the Remuneration Committee, the Risks Committee, the Committee for Related Party Transactions and the Sustainability Committee.

The composition of the Board Committees was reviewed and updated by resolution of the Board of Directors of 10 February 2021, following the co-option of two board directors (replacing two directors who resigned with effect from 29 December 2020).

The **Board of Statutory Auditors** is the Bank's control body, with 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.

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 the 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, considering the times to implement the Code (starting from the first financial year following 31 December 2020), and consequent disclosure to the market (the corporate governance report to publish during 2022), and also considering that the term of office of the current board, and consequently of the board committees will end - as mentioned - with the Shareholders' Meeting that will approve the financial statements for the year ended 2020, the Board resolved to start alignment activities in the first few months of 2021, in order to put related resolutions to the corporate bodies that will be appointed during the Shareholders' Meeting to approve the 2021 financial statements, and also to give these bodies greater flexibility in aligning with the Code's provisions.

The governance of sustainability

Sustainability issues are monitored, according to international best practices, by a board committee specifically set up in January 2020 and comprising three Board Directors. The CEO Corrado Passera and the Chief Communication & Stakeholder Engagement Officer Isabella Falautano 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 Function, promotes a responsible, sustainable culture within the Group, and makes proposals to the Board for defining 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 Function** 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.

Composition of corporate bodies

The composition of corporate bodies, updated following resolutions passed by the Board of Directors on 10 February 2021, are reported below.

BOARD OF DIRECTORS

Chairperson

Rosalba Casiraghi

Chief Executive Officer

Corrado Passera

Directors

Massimo Brambilla

Elena Cialliè

Paola Elisabetta Galbiati¹

Alessandro Gennari

Martin Ngombwa²

Maurizia Squinzi

Marcello Valenti³

BOARD OF STATUTORY AUDITORS

Chairperson

Ernesto Riva

Standing Auditors

Stefano Caringi

Nadia Fontana

Substitute Auditors

Riccardo Foglia Taverna

Michela Zeme

BOARD COMMITTEES

Nominations Committee

Maurizia Squinzi, Chair

Massimo Brambilla

Marcello Valenti

Remuneration Committee

Paola Elisabetta Galbiati, Chair

Martin Ngombwa

Marcello Valenti

Risks Committee

Elena Cialliè, Chair

Rosalba Casiraghi

Alessandro Gennari

Maurizia Squinzi

Committee for Related Party Transactions

Maurizia Squinzi, Chair

Elena Cialliè

Marcello Valenti

Sustainability Committee

Rosalba Casiraghi, Chairperson

Elena Cialliè

Paola Elisabetta Galbiati

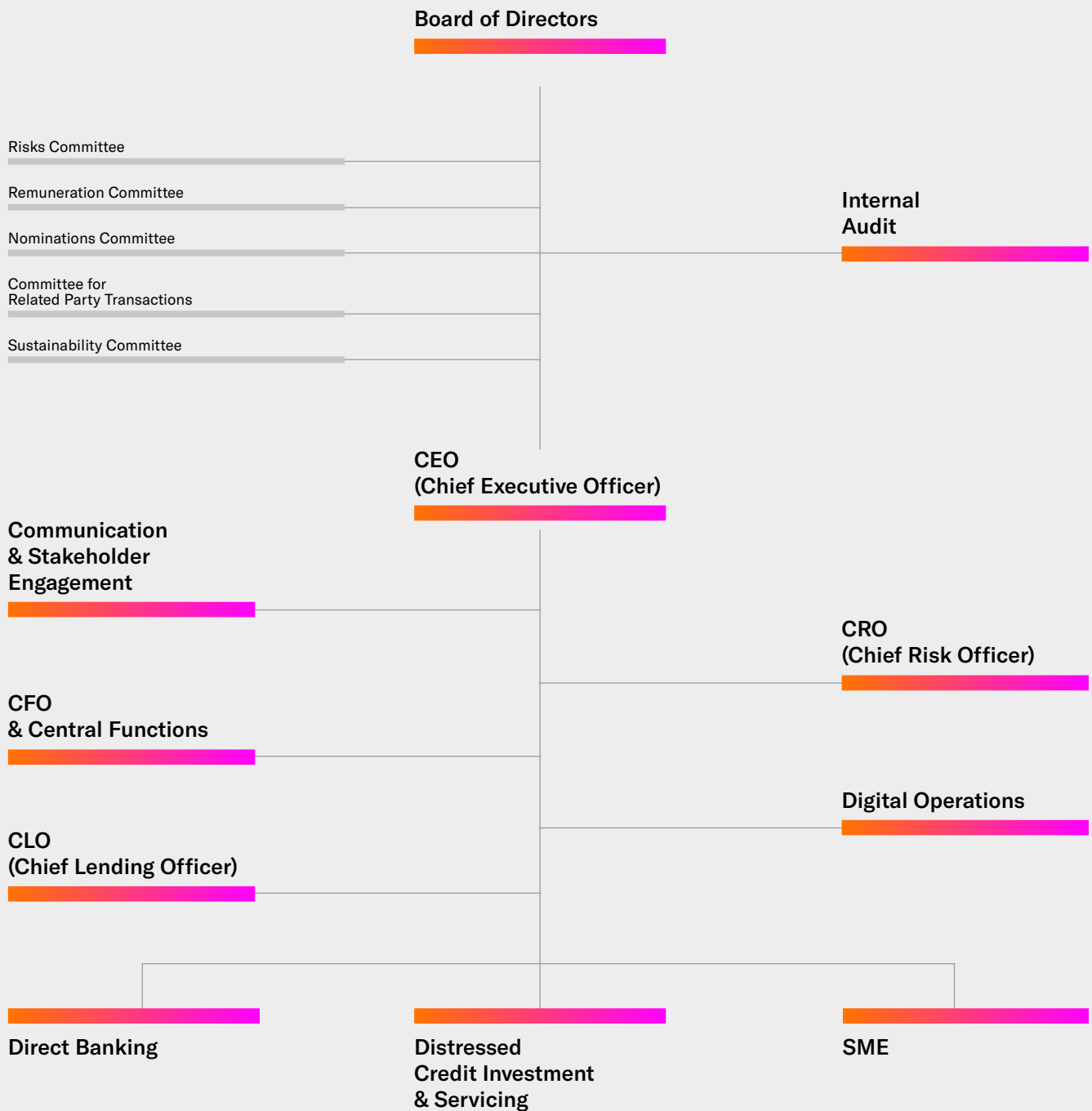
¹ Board Director co-opted in the Board Meeting of 10 February 2021.

² Board Director appointed by the Shareholders' Meeting of 10 September 2019.

³ Board Director co-opted in the Board Meeting of 10 February 2021.

illimity's Governance and Organisational Model

(updated on 10 March 2021)



Associations and partnerships

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.

Risk management and ESG risks

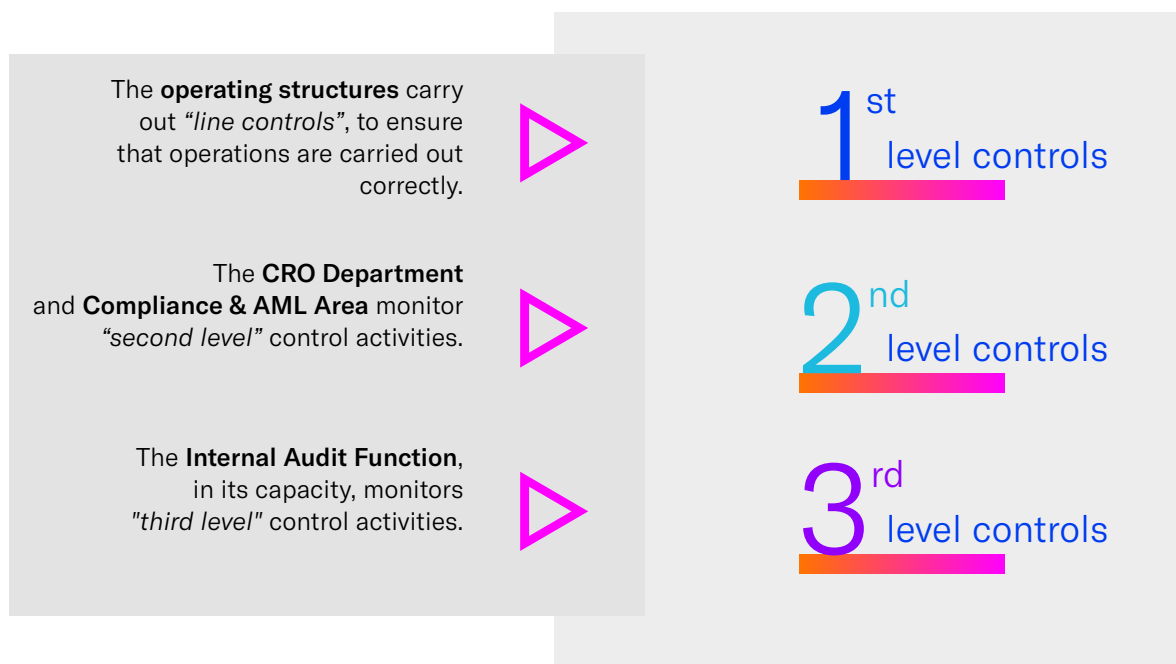
GRI 102-11

The illimity Group has a structured **Risk Management Process**, used as a reference model in the organisational development and systematic performance of all operations and business activities carried out. In line with the mission assigned, strategies and objectives pursued, these operations and activities entail undertaking and continually managing risks, in order to contribute to a sustainable value creation process, while also ensuring regulatory compliance and, among others, a coordinated use of human resources, technologies and methodologies.

The **Board of Directors** of the Parent Company plays a fundamental role in risk control and management. It sets the strategic guidelines, approves and revises the risk management policies and assesses the level of efficiency and adequacy of the Internal Control System. The Board of Directors relies on the **Risks Committee and the Management Committee** to carry out the preparatory and advisory work relating to internal control and the monitoring of business risks. Together with the **Chief Executive Officer**, it is also responsible for the implementation of strategic guidelines, the *Risk Appetite Framework* (“RAF”) and risk governance policies.

The Board of Statutory Auditors, in a capacity as the control body, oversees the efficiency and adequacy of the risk management and control system, and the internal audit system, as well as compliance with the regulations that govern the banking industry and the functioning and adequacy of the overall **Internal Control System**. It is also appointed by the Group as the body in charge of monitoring the functioning of and compliance with the **Organisation and Management Model** (also known as the Model pursuant to Legislative Decree 231/2001).

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.



Specifically, the **Internal Audit Function** monitors the regular performance of operations and the evolution of risks, and also assesses the completeness, adequacy, functionality and reliability of the components of the internal control system and information system, of the risk management process and the RAF, contributing to improving the effectiveness and efficiency of the organisation, control processes, policies and risk management processes.

The **CRO Department**, in a capacity as the Risk Management Function, guarantees continual oversight of the risks undertaken by the Group assisted by technical functions concerned, both in terms of monitoring and control and governance, where the **Compliance & AML Area** (*Anti-Money Laundering*) prevents, manages and mitigates compliance risk, as well as the risk of money laundering and terrorist financing. The Department also meets legal obligations on personal data protection at a Group level, and appoints the Head of Compliance & AML as the *Data Protection Officer*.

To ensure that the Risk Management Process functions efficiently and effectively, and can fully cover all existing or potential risks, also in accordance with regulatory requirements, the Group has implemented:

- a system of risk limits and objectives (**Risk Appetite Framework, RAF**), 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, through the definition of the RAF, of risk limits and objectives that reflect the maximum risk that may be undertaken, the business model and strategic guidelines, is essential in determining and adopting a risk governance policy and risk management process based on principles of sound, prudent company management;
- the Internal Capital Adequacy Assessment Process (**ICAAP**) and the Internal Liquidity Adequacy Assessment Process (**ILAAP**). The objective of the **ICAAP** and the **ILAAP** is to provide an internal assessment of the current and forward-looking adequacy, under ordinary and stress conditions, of available assets in relation to exposure to operational risks, and of the operational liquidity and structural 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.

The Group has defined and continually adopts an operational risk mapping process based on quali-quantitative metrics and rules shared within the organisation, which identify the individual types of risk that the Group is or might be exposed to, and also assesses these risks according to specific drivers which may represent the materiality of the risk itself. The result of the identification process is contained in the **risk map** ("Risk Radar"), the objective of which is to represent, 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 the overall risk exposure.

ESG risks

In keeping with this model and in compliance with requirements in Legislative Decree 254/2016, the Group has identified - through a process led by the CRO Department, assisted by the Communication & Shareholder Engagement Function - the main environmental, social and governance (ESG) risk factors, related to each material topic reported on, and attributing these factors to existing risks.

Specifically, the process consists of the CRO Department 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.

Subsequently, various functions and owner structures are involved, in identifying - for each ESG risk factor - the relative management procedures (i.e. the list of documentation/evidence to monitor, such as policies, procedures, operating practices) and mitigation procedures adopted, and the significance based on the residual risk level is assessed (considering the effectiveness of safeguard measures adopted).

The next table shows the **main ESG risk factors** to which the illimity Group might be exposed.

| Areas of Legislative Decree 254/2016 | Topics | Risk classification | Specific risk ⁴ | Management procedure |
|--------------------------------------|---|---------------------|---|---|
| Environment | Environmental protection | Generated | Procurement practices and signing of agreements with suppliers that do not meet environmental sustainability requirements | Safeguards are in place regarding procurement policies and related controls |
| | Developing and consolidating partnerships | Affected | Procurement practices and signing of agreements with partners suppliers that do not meet sustainability requirements | Safeguards are in place for controls (activities of Risk Management, the Compliance Function, Procurement, pursuant to the Outsourcing Policy) |
| | Cyber risk, Data management & Security, Privacy | 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 |
| Social | 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 |
| | Innovation | Affected | Inadequate level of IT security management on innovative technological platforms (e.g. illimity app) | Safeguards are in place for control, such as access protocols and protection systems |
| | Innovation | 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 |
| | Customer relations and personalised response capacity | Generated | Little ability to attract new customers | Safeguards are in place regarding marketing, development and customer care, functional to ensuring a continual increase in the customer base and customer satisfaction. |

⁴ 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)).

| Areas of Legislative Decree 254/2016 | Topics | Risk classification | Specific risk ⁴ | Management procedure |
|--------------------------------------|--|----------------------|--|---|
| Social | Customer relations and personalised response capacity | Affected | Customer dissatisfaction, with a consequent negative turnover | Safeguards are in place regarding marketing, development and customer care, functional to ensuring a continual increase in the customer base and customer satisfaction. |
| | Support for SMEs | Generated | No implementation of the company strategy on financing companies with a low or no rating, characterised by a huge potential for growth | 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 topics | Safeguards are in place for the selection, assessment, risk operations and monitoring/controls during origination (i.e. operational ESG rating for sustainability analysis) |
| Personnel | People | Generated | Inability to attract and retain talent | A framework is in place to attract and develop human resources based on company values |
| | People | Generated | Failure to achieve sustainability objectives, due to the absence of appropriate criteria in management performance measurement and incentive systems. | Incentive plans are in place for senior management, with the aim of “supporting the creation of value and corporate social responsibility in the long term”, integrating ESG KPIs related to Customer Experience and People Engagement |
| Human rights | 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. | Safeguards in place for control at a policy and internal process level |
| | 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 for control at an application level (for example risk opinions and on-going, indirect controls) |
| Anti-corruption | The fight against fraud, money laundering and corruption | Generated / Affected | Internal and external fraud | Safeguards in place to mitigate inherent risks in various company processes, including the risk of internal fraud (controls to guarantee the “segregation of duties”) and external fraud (quantitative assessments during onboarding and an ongoing basis of all customers) |
| | The fight against fraud, money laundering and corruption | Generated | Group operations concerning money laundering and terrorist financing | Safeguards in place regarding internal policies and procedures, the Organisation and Management Model (231) and relative Codes of Ethics and Conduct. Controls carried out during customer pre-screening and onboarding and ex-post, based on periodic assessments |
| | 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 | Safeguards in place regarding transparency policies, the Organisation and Management Model (231) and relative Codes of Ethics and Conduct. Support for business/marketing functions, to avoid unfair business practices |
| | Integrity and transparency in company conduct | Affected | Improper conduct by personnel, due to inefficiencies/shortcomings in procedures/processes | Safeguards in place regarding internal policies and procedures, the Organisation and Management Model (231) and relative Codes of Ethics and Conduct. Support for company functions in complying with regulatory requirements on processes, products/services and agreements/partnerships |

| Areas of Legislative Decree 254/2016 | Topics | Risk classification | Specific risk ⁴ | Management procedure |
|---|--|---------------------|---|---|
| Business topics (not covered by Legislative Decree 254) | Robustness of results | Affected | Ineffectiveness of risk monitoring and management processes | Safeguards in place regarding processes/ resources/tools for second and third level controls |
| | Robustness of results | Affected | Ineffectiveness in strategic choices for long-term stability | Safeguards in place regarding processes/ resources/tools for first and second level controls |
| Business topic (not covered by Legislative Decree 254) Environment | Robustness of results | 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) |
| | Environmental footprint and the fight against climate change | | | |
| Business topic (not covered by Legislative Decree 254) | 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 |
| | 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 |

The **CRO Department**, together with the **CFO & Central Functions Department** and assisted by other organisational units of the Parent Company and Subsidiaries 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.

This context also includes ESG risks. On a forward-looking basis, and following analysis conducted with particular reference to the Guidelines of the European Central Bank on climate and environmental risks, the Group has taken steps to further identify areas which are most significant and strategic and to adopt alignment measures, pending the national regulator's formalisation of its own measures. The most significant topics include risk mapping processes and the development and adoption of specific risk indicators, stress testing, the consolidation of the ESG perspective during the origination of credit processes and internal and external disclosure.

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

The illimity Group, as a Public Interest Entity and due to the increasing significance given to sustainability performance, although not yet subject to the characteristics and size requirements of Article 2 of the Legislative Decree 254/2016 (hereinafter "Decree"), decided to prepare its first Consolidated Non-Financial Statement (NFS) on a voluntary basis pursuant to Article 7 (*Conforming 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.

This Statement has been prepared in compliance with the 2016 version (amended) of the GRI (*Global Reporting Initiative*) Standards - 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 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 Function, 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 function is tasked with starting and supervising the entire process to collect data and qualitative information, 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 and/or requests changes, and submits it to the Board of Directors for approval within the deadlines for presenting the draft financial statements.

The Statement was prepared involving all main corporate functions, requested to report, for each material topic and in line with their own area of responsibility, on the GRI or additional indicators, which they are responsible for checking and for ensuring accuracy.

To further guarantee that quantitative data were collected and processed properly, the data were obtained using software developed to manage the entire quantitative reporting chain, on a cooperative basis, from data collection to the disclosure of non-financial information on Environmental, Social and Governance factors.

The reporting boundary of the document corresponds to the 2020 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 2020.

This Statement continues the Group's non-financial reporting activities, which began with the publication (in June 2020) of the Sustainability Profile (the "Profile"), for 2019, the first year when results obtained were reported in a narrative depicting the Group's values, responsibilities, activities and commitments.

The 2020 NFS was approved by the Board of Directors in the meeting of 10 March 2021.

Given the significant change in the Group's perimeter in 2020, with the companies IT Auction s.r.l. and Mado s.r.l. joining the Banking Group, and as 2020 was the first non-financial reporting year in accordance with Legislative Decree 254/2016, this document does not compare information of previous years, which will be provided from the next report onwards.

The Statement was subject to a limited assurance engagement 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

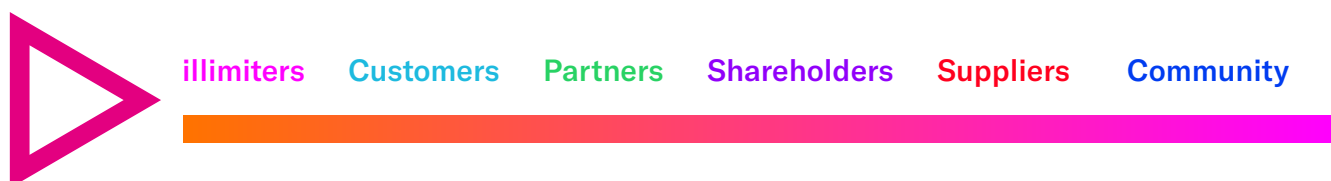
Stakeholder identification and engagement

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.

illimity's main stakeholders, identified based on their significance, and involving senior company management, are:



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

| Stakeholders | Communication channels |
|---|--|
| Employees (illimiters) | Engagement survey |
| | Company Newsletter |
| | Company Intranet |
| | Meetings at regular intervals |
| | Events and internal initiatives |
| | Company welfare initiatives |
| | Performance appraisal sessions |
| | Materiality questionnaire |
| Customers (retail customers and SMEs) | SmartCare (free phone number, emails, chat and video chat) |
| | Website |
| | Home banking |
| | APP illimity |
| | Social network |
| | Direct E-mail Marketing |
| | Physical and online events |
| | Survey brand reputation and satisfaction level |
| Partners | Materiality questionnaire |
| | Institutional website |
| | Events and conferences |
| | Periodic calls |
| Shareholders | Materiality questionnaire |
| | Periodic calls |
| | Roadshows |
| | Shareholders' Meetings |
| | Institutional website |
| Suppliers | Press conferences |
| | Selection and managing relations |
| “Vai oltre la forma” Community | Suppliers database |
| | Events and conferences |
| | Dedicated community web |
| | Surveys |
| | Materiality questionnaire |

In line with the 2019 Sustainability Profile, for the 2020 NFS, stakeholder engagement involved over 700 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.

In 2020, illimity, coordinating with the Communication & Stakeholder Engagement Function and involving the Sustainability Committee, updated its materiality analysis in order to identify any changes to the context in which it operates.

The new materiality analysis, with the purpose of defining the 2020 materiality matrix, was structured in four stages according to the methodology suggested by the GRI Standards:



1. Desk analysis of potential material aspects

The process to identify and select potential material topics was driven by the Bank's purpose and values, by benchmarks and sector trends and by an in-depth analysis of media publications, according to a methodological process already adopted for the materiality analysis of the Profile.

2. Priority given to 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 identification of three new topics that are potentially material for illimity as regards the 2020 materiality matrix, voted by stakeholders and management, to evaluate their inclusion in the matrix:

- Sustainable finance;
- Environmental impacts and the fight against climate change;
- Developing and consolidating partnerships.

In line with the 2019 Sustainability Profile, and considering their intrinsic significance, the following topics were considered significant in any case for illimity, and so were not analysed for their materiality, but were still reported on, in the document:

- Integrity, legal compliance and the fight against fraud, money laundering and corruption;
- Cyber Risk, Data Management & Security, Privacy;
- Environmental protection;
- Clear, transparent communication, brand and reputation;
- Safeguarding human rights.

3. Involvement of the Board of Directors, Senior Management and stakeholders

The update to the materiality matrix involved:

- **Board of Directors, Sustainability Committee, Management Team and Second Line**, through webinar-based focus groups, in order to validate the prerequisite topics for illimity and position the material topics in the 2019 materiality matrix, as well as assess the significance of new topics that are potentially significant for illimity, resulting from the update to 2020 desk analysis.
- **Group employees, customer SMEs, retail customers, the “Vai Oltre la Forma” community, partners and suppliers**, through an online questionnaire to collect information on requirements and expectations concerning each topic identified in economic, environmental and social terms.

The assessments of internal and external stakeholders were then weighted by their degree of significance for illimity.

illimity's materiality matrix

GRI 102-47

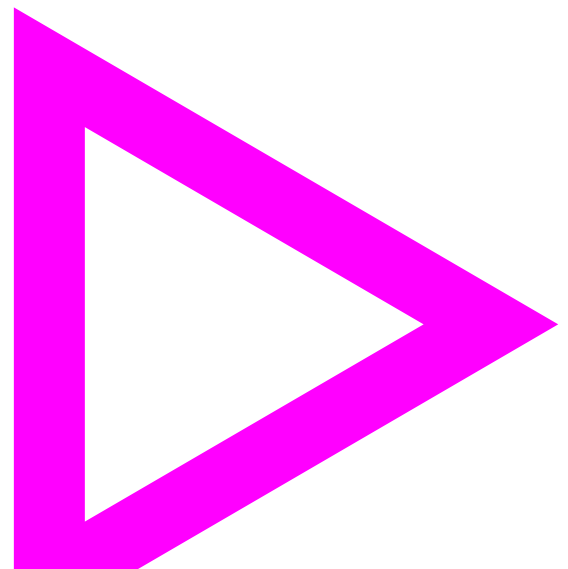
The materiality process ended with the definition of a materiality threshold⁵ to identify the most significant topics and group together some material topics, in order to provide better reporting on illimity's performance in relation to areas and topics that are similar or attributable to the same impacts. In particular:

- the topic “Responsible activities and products” is the result of grouping together “Socially responsible activities and products” and “Sustainable finance” to provide better reporting on activities started regarding ESG integration in the banking business;
- the topic “Environmental impacts and the fight against climate change” is reported on, together with the prerequisite topic “Environmental protection”.

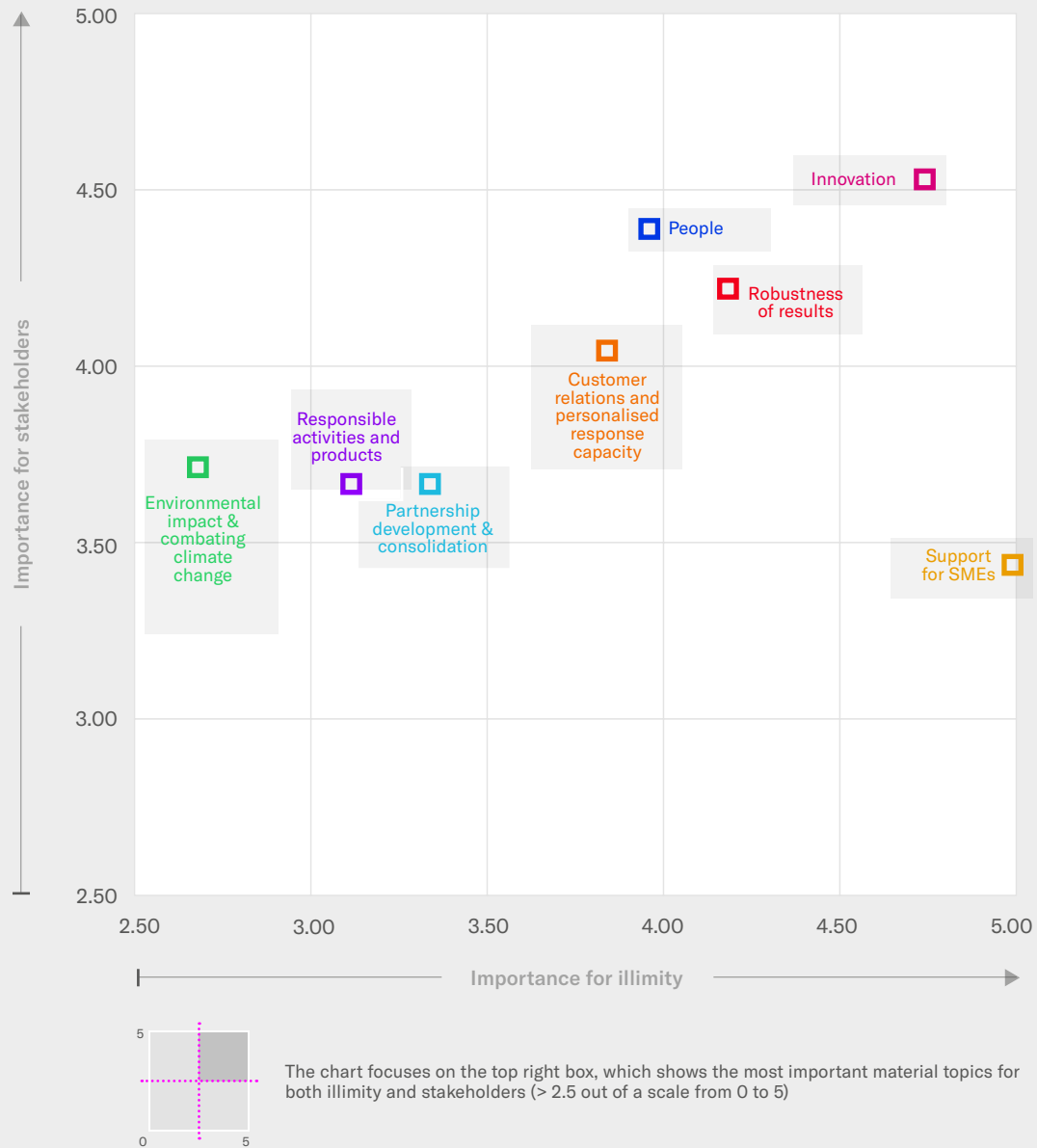
The chart shows the topics considered material, which are presented in the NFS, because they exceeded the materiality threshold, as the result:

- of stakeholders' expectations of material topics (represented on the x axis);
- of the importance given by illimity, at a strategic level, to these topics (represented on the y axis).

⁵ The materiality threshold established during the materiality analysis is 2.5 out of 5.



Materiality Matrix



The materiality matrix was presented to the Sustainability Committee in the meeting of 10 December 2020 and to the Board of Directors in the meeting of 29 December 2020.

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

| | |
|-----------------|---|
| Environment | Prerequisite: Environmental protection |
| | Environmental impacts and the fight against climate change |
| Social | Responsible activities and products |
| | Support for SMEs |
| | Customer relations and personalised response capacity |
| | Developing and consolidating partnerships |
| | Prerequisite: Clear, transparent communication, brand and reputation |
| | Innovation |
| | Robustness of results |
| Personnel | People |
| Anti-corruption | Prerequisite: Integrity, legal compliance and the fight against fraud, money laundering and corruption; |
| | Prerequisite: Cyber Risk, Data Management & Security, Privacy |
| Human Rights | Prerequisite: Human Rights |

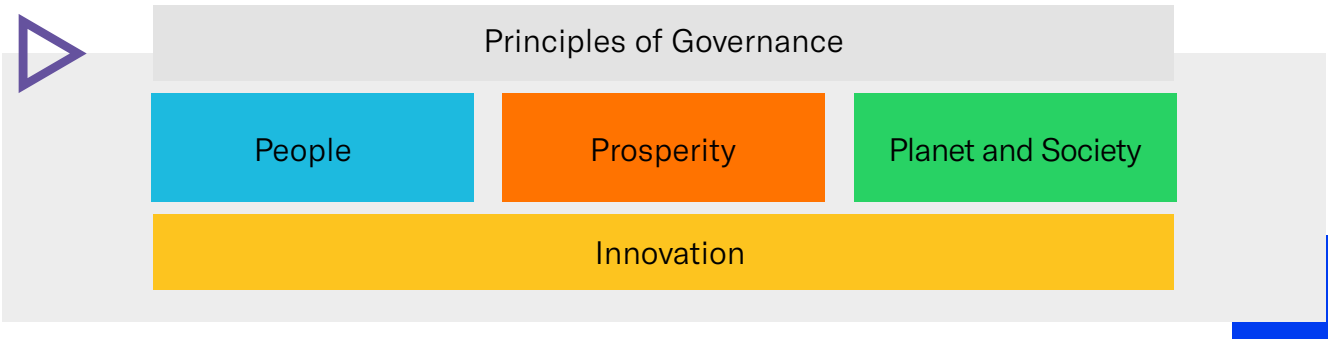
In the information contemplated by the Decree, data on the use of water resources (Article 3.2(a)), were not considered significant for the purpose of understanding the impacts generated by the Group, and were therefore excluded from the reporting. Considering the negligible amount of water consumed, 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.

The pillars of the sustainability strategy

Responsible business growth is based on integrating an environmental, social and governance (ESG) strategy in own activities.

For this reason, since the Bank’s first year of operations, the Group’s policies, regulations and procedures have been mapped out, in order to integrate sustainability topics and the corresponding GRI (Global Reporting Initiative) Standards for their monitoring, considering the Bank’s core business. The most significant sustainability topics and trends in all company processes were also identified, along with the most important aspects to monitor by using KPIs, while improvement activities to guarantee continual development of Group sustainability were also planned.

Five pillars were therefore identified in illimity’s sustainability strategy, which group together the various sub-topics.



The development of any sustainability strategy or action plan has to go hand in hand with the United Nation's 17 Sustainable Development Goals. Starting from the 5 strategic pillars identified, the Sustainable Development goals which illimity may contribute to, through its direct and indirect activities and actions, were identified.



The pillars, connected to the Sustainable Development Goals, represent the parameters against which qualitative and quantitative indicators will be gradually defined, based on the results of 2020 reporting and which will be included in the Sustainability Plan.

The Plan will therefore continue the work already started by illimity, and is consistent with analysis of the market scenario and mega trends in the financial sector, with the expectations of internal and external stakeholders defined by the materiality analysis, with the analysis of socio-environmental risks and with the business goals outlined in the business plan.

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 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 levels, and by adequate personnel training, and sanctions in the case of violations.

The Bank's Compliance Function monitors compliance risk management for all company activities and services/products, maintaining an 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 Bank's compliance model was last regulated in 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 Area (*Compliance Culture*);
- actively managing, together with the Bank's legal functions and any other subjects involved, feedback on claims received from customers, also to identify attention points to include in the plan of activities and controls.

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

- ensure and promote strict compliance with applicable laws and regulations of all countries where they operate, 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, 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;
- promote strict compliance with all organisational and procedural rules adopted, with a particular focus on rules related to 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 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 Bank 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 Bank's principles, set out in the Code of Ethics and in internal regulations.

The Organisation, Management and Control Model

illimity has put in place a specific Organisation, Management and Control 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, financial and tax crimes, corruption, environmental crimes and the violation of human rights.

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 Code of Ethics, Code of Conduct and 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 the so-called 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 the 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.

The Code of Ethics

The illimity Bank's Code of Ethics is the Group's **"charter of integrity"**, which sets out company values, to be followed by illimity managers and employees, the commitment to all stakeholders, the Group's dedication to human capital and workplaces, and compliance with the rules of being a Bank and being a banking business.

The values declared in the Code reflect the company cultures underscoring the Group and represent, on the one hand, the "lens" through which various situations are observed and interpreted, and on the other hand, an objective to attain, the destination of a journey taken, which paves the way for future activities.

illimity Bank's Code of Ethics also incorporates principles and rules of conduct for corporate bodies, managers, employees, staff and associates, so that conduct is always inspired by criteria of integrity, excellence, fairness, cooperation, loyalty, transparency and mutual respect, also for the purposes of preventing the offence of corporate administrative liability, contemplated in Legislative Decree 231/2001.

To guarantee compliance with the rules of the Code of Ethics, the Bank is committed to ensuring all recipients are familiar with the Code, receive updates promptly and any clarifications necessary to carry out their work properly.

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.

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.

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 Code of Ethics.

illimity 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 healthy and safe 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, also by its own stakeholders;
- 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 5 “People”. In general, respect for human rights - because it covers all the diverse areas of the Group’s operations - is part of a narrative that runs throughout the Consolidated Non-Financial Statement.

With the new, updated version of the Code of Ethics, the Bank will further emphasize its commitment, while fully respecting 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.

GRI 406-1

No cases of discrimination at work were reported during 2020.

The fight against fraud, money laundering and corruption

The Group promotes the principles of the United Nations and OECD, 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 Code of Ethics, the “*Anti-corruption Policy*”, the “*Expenditure Procedure*”, the “*Audit Management Procedure*” and the “*HR Procedure*”.

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 Process & Organization Area. illimity's policies and procedures are instead sent to business partners on their request.

| Employees have received training on anti-corruption | Number | % |
|---|--------|-------|
| Senior Managers | 45 | 81.82 |
| Middle Managers | 201 | 83.40 |
| Professional Areas | 98 | 33.68 |

GRI 205-3

During 2020, 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 complying with national and international laws on combating money laundering and terrorist financing and has put in place an organisation, procedures and specific controls aimed at preventing the use of intermediaries for money laundering purposes, which are in keeping with the corporate structure, its complexity and scale, the type of services and products offered, and characteristics of customers served.

illimity's governance system to combat money laundering and terrorist financing is set out in the *Anti-mitigation Laundering Policy*, which defines a systematic and functional reference framework, based on the principle of the Group's active cooperation in preventing this type of unlawful activity. 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 principles and rules set out in detail in the Parent Company's Policy are adopted by individual operating structures, and subsidiaries, in a calibrated way, in proportion to the characteristics and complexity of activities carried out, the size and scale of the organisation, in compliance with regulations, and include the definition of a global approach to money laundering risk, at a Group 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, Bank or individual companies of the Group, held by customers, counterparties, shareholders, stakeholders of the supervisory authorities.

During 2020, the following project activities continued, for the adoption of innovative technologies based on cognitive techniques and tools, and artificial intelligence systems: (i) *Web scraping* by adopting a software to check reputational indexes involving customers, (ii) the implementation of new transaction monitoring, based on an evolved artificial intelligence system to assist in identifying suspicious transactions for anti-money laundering purposes, with a specific focus on the Digital Bank's activities.

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's 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 educational meetings/initiatives, with classes welcoming just a few participants, to live webinars - that have become a standard method of delivery during the particular emergency which is taking place. The aim is to promote continual interaction and analysis of case histories, presented by operating or business functions.

Moreover, continual awareness initiatives at company level are facilitated by mini-compliance sessions, emails on specific issues and small work teams focussed on highly specialist needs, with the aim of promoting a pervasive compliance and on-the-job culture, to complement standard training.

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.

The *Compliance Risk Assessment* was developed, with a particular focus on the specific aspects of the Bank's various business areas, with a business-tailored, approach, driven by lean risk management models, geared towards achieving an overall vision of all control outcomes, based on objective elements, to avoid the self-assessment of controlled functions and also limit the business's time spent in carrying out second level controls.

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

This approach makes it possible to integrate the measurement of compliance risk exposure given by the Compliance Risk Assessment with second level controls, with a dual focus:

- continually integrating monitoring vulnerability analysis, through control outcomes;
- planning controls on a quarterly basis, 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.

Whistleblowing

GRI 102-17

illimity's Board of Directors has appointed the Head of Internal Audit as the **"Head of the whistleblowing system"**, 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 Head of the whistleblowing system, 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 in a 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 whistleblowing system adopted 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.

Disclosures may be sent anonymously or otherwise, with the confidentiality of personal data guaranteed in any case. During 2020, no disclosures were made through the whistleblowing process.

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 entities, 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 Procurement 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 Procurement 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 Procurement 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 evaluation criteria such as:

- the absence of exclusion clauses (convictions or the adoption of penalties);
- 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;
- 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.

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

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

As regards supplier records, the Procurement Area is starting a process to integrate a tool that will provide a general overview of the Suppliers List, starting from onboarding, so that suppliers can independently request to be registered, add and update their information, documents and compile quality questionnaires. The tool will manage the workflow to maintain qualification, indicating any deviations or nonconformities, as well as risk factors related to a certain supplier, acquiring information from internal/external databases. The tool will also manage E-Procurement and thus E-Sourcing.

During 2020, with over 1,550 Purchase Orders, the illimity Bank Procurement Area managed approximately 600 habitual suppliers.

The main goods' sectors were:

- Information and Communication Technology (ICT);
- professional consulting and advisory services;
- records and debt recovery;
- personnel expenses (rewards, policies);
- advertising, marketing and representation.



Innovation



04. Innovation for illimity

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 focussed 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. This enables the 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.

| An overview of innovation at illimity | | % |
|---|--|--------|
| Digital communication out of total customer communication | | 99.00 |
| End-to-end digital onboarding of consumer customers | | 100.00 |
| Active consumer customers | | 86.00 |
| Proprietary cloud banking systems | | 100.00 |
| Customers using PSD2/Open Banking functionalities | | 13.80 |
| Employees who have the resources to work from home | | 100.00 |
| Logins from apps vs desktops | | 84.00 |

The new specialist approach to financing SMEs



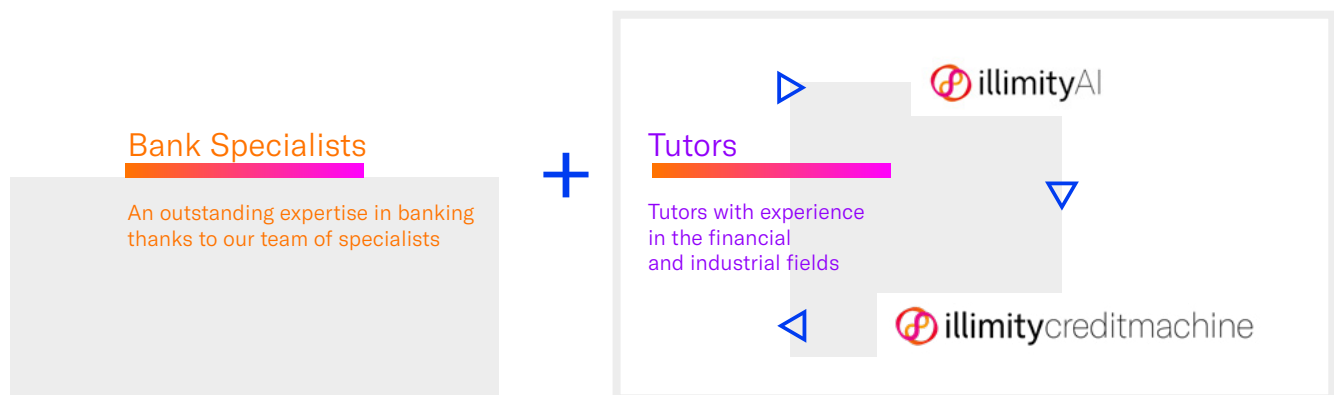
"The ability to value the potential of small and medium sized businesses through a specialist, innovative approach, is behind the growth of the SME Division. illimity was set up to support the growth of high-potential Italian SMEs, identified not only based on their results, but above all on their future prospects. We want to helps SMEs leave behind the pandemic stronger and more prepared than before. We can achieve this through our innovative approach that enabled us to increase loans disbursed in 2020 by 50% compared to 2019, to reach EUR 904 million."

Enrico Fagioli, Head of SME

illimity is specialised in credit for SMEs and provides financing services for high-potential, performing or non-performing businesses that are looking for a partner to support their company development programmes or plans to rebalance and relaunch industrial activities.

Through the SME Division, illimity is a specialist partner for Italian SMEs, mainly in industrial sectors, that due to the complex nature of operations to finance, or their financial difficulties, are not served by a specialist approach from traditional operators. illimity innovatively combines professionalism and financial expertise with the technical skills of its executive tutors, who have a robust vertical experience in diverse industrial sectors - using the best technologies to create custom-made solutions capable of generating new opportunities.

This innovative model blends human and technological skills, offering, on the one hand, tailor-made credit solutions for SMEs and, on the other, an extremely rapid response. Plus illimity can count on a competitive edge in assessing the credit worthiness of businesses, with a focus on under-the-radar market segments.



illimity SGR

In February 2020, illimity set up **illimity SGR**, which is launching its first Alternative Investment Fund dedicated to the UTP (Unlikely To Pay) sector.

illimity SGR's goal is to set up funds and investment products focussed on businesses; after the launch of the UTP fund, a credit fund will be developed, for performing companies, with a "private debt" logic, in which the SGR will act as an operator for businesses, complementary to banks.

illimity SGR:

- promotes and manages Alternative Investment Funds specialised in business credit, identifying and adopting the best market solution, as required, for the restructuring, relaunch, development and valorisation of medium-sized enterprises of a strategic and competitive value on their reference markets.
- provides professional support for companies and their management, from an industrial and financial perspective.
- is a solid, credible partner for Banks and Financial Institutions alike, exposed and committed to problematic corporate credit management.

For further information on illimity SGR, visit www.illimitysgr.com

Technology and specialisation for innovating the Distressed Credit value chain

"We will continue to operate as a dynamic player and with an approach that favours strategic, long-term relations in the context of the entire credit value chain, from purchasing through to management and remarketing.

In 2020, illimity generated EUR 484 million of new investments in this segment, taking the total business generated since startup to over EUR 1.7 billion and managed volumes to EUR 9.1 billion."

Andrea Clamer, Head of Distressed Credit Investment & Servicing



The chief characteristic that sets illimity apart in the distressed credit sector is its ability to **manage the entire value chain in this process**, from acquisition to management and sale on the market assets connected with this type of credit. Moreover, the expertise of the DCI&S Division means that Senior Financing can be provided to other investors in the distressed credit sector.

neprix

All servicing activities are carried out through the innovative neprix platform - Italy's first specialist operator in distressed corporate credit management, that also deals with selling the underlying property and capital goods, through a wide number of specialist web portals. This is neprix's signature service - aiming to revolutionise its reference sector through a unique mix of human talent and technological innovation. In this dimension, a strong data-driven approach has been adopted, to cover the entire distressed credit management value chain, from due diligence to credit management and the sale of assets.

A multi-disciplinary, technological, specialist bespoke model

- **Bespoke.** Personalised solutions based on comparison and specific needs of individual customers.
- **Multidisciplinary.** A team with diverse competencies, from engineering to architecture, IT, finance, legal and real estate.
- **Technological.** Accurate models analysing a vast amount of data, thanks to *Artificial Intelligence*, *Machine Learning* and the work of *Data Scientists*.
- **Specialist.** A combination of considerable vertical competencies in different specific segments, with a major focus on credit-related property guarantees. To achieve this, specialist property valuation teams have been set up, paying particular attention to the benefits that property valuation can generate in the operating area.

An innovative intermediation model

As regards the sale of assets, neprix is developing a new intermediation and commercial service model based on **combining services** and **making processes digital**, with the aim of optimising the entire workflow and defining a new, evolved intermediary profile.

This model adopted by neprix ensures the specialisation and integration of services, to guarantee its seller and buyer customers an increasingly efficient, excellent offering.

Users that wish to purchase an asset, can get in contact with neprix through its digital portals and, after registering, can visit the virtual records, and make an offer - from the comfort of their own home. If users wish to visit a site or need commercial support, they will be assisted by a local neprix operator. Following an award, neprix provides assistance to finalise an offer and manage payments, up to the transfer of ownership.

neprix currently manages **6 digital portals** that generate over **20 million visits a year** from potential buyers interested in purchasing property and capital goods.

The process to digitalise sales is supported by on-site activities overseen by neprix staff and professionals that promote and manage sales throughout Italy.

illimitybank.com, the first cloud native bank that brought in Italy the account aggregation



"illimitybank.com stands out for its innovation.

It was the first cloud native bank in Italy, the first set up with an Open Banking and PSD2-based architecture to combine accounts from several banks and make payments from a single digital touchpoint. It was the first to integrate third-party services, including non-banking services, in hubs that centre on customer experience and streamline the organisation and control of their spending habits. illimitybank.com has always been at the frontier of innovation, boasting a fully digital, modular structure that can work smartly with the Fintech and Big Tech worlds with the aim of unleashing the potential of people and families."

Carlo Panella, Head of Direct Banking and Chief Digital Operations Officer

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 is based on two fundamental pillars: innovation in a modular infrastructure and technology.

In technological terms, illimitybank.com can rely on a **cloud-native infrastructure** that provides access to the latest-generation solutions with an agile, timely response inconceivable with traditional systems. It can cover areas ranging from infrastructural aspects to the productivity of people and work teams, from the end-to-end management of processes and customer relations up to its own banking business applications.

The use of an API (Application Programming Interface) allows for simple, rapid integration with external parties, and an offering of low-cost shared services. This approach has huge benefits for the banking market's digital transition, and makes it possible to manage technological infrastructure at far lower costs compared to those of traditional banks. Thus it is possible to develop and launch new services in a timely, flexible way, benefitting from greater economies of scale.

Plus the potential of open banking means that illimitybank.com customers have the chance to share their banking data with other companies via illimity's app and websites, and thanks to this innovation, they can access a wide range of new products and services.

They can view all their accounts held with different banks at the same time from a single app, without having to access each current account; they can use custom tools to manage their finances, analyse their expenditure and discover and buy products and services from partners - that are not only financial and insurance - related, but also from the mobility and wellness sectors.

illimity's innovative narrative

"For illimity, innovation and communication are fundamentally linked, because they give us a new voice on issues that are significant and strategic for the company and stakeholders, and the dimension of a company that always wants to go further."

Isabella Falautano, Chief Communication & Stakeholder Engagement Officer



To build up illimity's communication profile and relations with stakeholders, we started from illimity's innermost reason for existing: **unleashing the potential of people, families and businesses.**

With a fresh, innovative and concrete approach, the Bank's institutional communication has targeted four pillars: **business, people, innovation and sustainability.** A storydoing that has narrated the values, people and activities of the Bank, from all perspectives.

From illimitybank.com's innovations, featuring Payment Initiation and Account Information (Aggregation) services, the launch of illimity hubs, the joint venture with HYPE and financial education activities, to the stories of Italian businesses supported by the SME Division with illimity's stories, up to the end-to-end value chain of the DCIS Division and neprix.

From tough leadership, innovation and technology issues, to the environment and corporate responsibility discussed in the illimity talks also broadcasted in the "Oltremodo" podcast on Spotify, to the importance of women's empowerment and gender parity in the illimitHER project.

Everyone in the company is a Brand Ambassador, from the CEO - considered to be one of the most active and followed Social CEOs in Italy - to the Management Team and illimiters who are also the protagonists of brand narration and content makers on personal social channels, enabled by the internal Social Business Community amplification platform, designed to engage followers, and share contents, business operations and life at the company.

illimity is engaged at all times with the surrounding world, as part of an ecosystem of relations enabling innovation. A network made up of startups, Fintechs and Big Tech, SMEs, customers, non-profit associations, universities and research centres.

illimity is the voice conveying a message to relaunch and recover the economy, of responsibility, innovation, an enabler of the potential of people and businesses.

An example of an innovative project

The **illimity talks** and **Oltremodo podcast** are born with the idea of creating a **physical and digital place where users can meet, discuss and reflect on issues that are transforming the world and our lives**, such as **innovation, technology, science, the environment and sustainability**.

A new format which goes beyond the conventional, and that gives a voice to possible futures, with the aim of inspiring people to recognise and value their own potential and increase their awareness of some issues, so they will be better prepared for the future. These are **stories about courageous people: Corrado Passera, illimity's CEO** and experts in a number of different sectors, from innovators to philosophers, from entrepreneurs to opinion leaders who are changing the world with their ideas.

illimity talks in 2020

Let's talk about human vs artificial intelligence

As part of the Milan Digital Week, Corrado Passera and Roberto Cingolani discussed the relationship between technology, man and philosophy, to look beyond the ordinary, and shape their own potential.

Let's talk about (climate) change

During the Festival del Blu e del Verde, Corrado Passera and Laurence Tubiana, CEO of the European Climate Foundation and one of the leading promoters of the Paris climate change agreement COP21, debated the complex issue of change and sustainable development.

Let's talk about space

As part of the StartupItalia Open Summit, a talk was held with Corrado Passera and Roberto Vittori, the astronaut and Army Major on the expertise needed in space and the new world of work.

The new frontiers of risk management



"The CRO Department is one of the main innovation hubs within the Group, thanks to an innovative approach, the design, development and production of models and methodologies to estimate risk, supporting risk management and business processes.

We mainly use technologies and innovative processes based on artificial intelligence and machine learning, including areas where consolidated, traditional best practices of the banking market are used."

Claudio Nordio, Chief Risk Officer

With a view to supporting the creation of sustainable, widespread value, the CRO Department is committed to **disseminating technical know-how** throughout the Group, promoting, organising, and/or holding workshops and/or internal community meetings.

The business and risk management are guided by the availability of significant internal and external databases, interpreted by artificial intelligence and machine learning algorithms, engineered in a **smart, innovative environment** which is continually evolving; output comprises **lean, off-the-shelf tools and management applications**, that are made to measure and put in place by the Group to support its decision-making processes.

The CRO Department has fully embraced the **"no legacy"** philosophy, enabling it to have considerable flexibility in adopting any process and product innovations, avoiding costly and slow work on infrastructure typical of the legacy systems used in traditional banking business models.

To benefit the easy, extensive sharing of information, a shorter *time-to-market*, the effectiveness of decision-making processes and risk awareness within the Group, the CRO Department promotes the use of **technological/innovative approaches** known as *"DevOps"* (software development methodologies), and *"Infrastructure as a Code"* (configuration process and management of IT data infrastructures), contributing to the Group's alignment with the **best IT sector standards**.

The CRO Department has also started some initiatives to consider **significant social and environmental risk factors** in **risk assessment activities**, with a view to maintaining business continuity and solidity in the long term, and preventing any negative impacts caused by the Bank.

Data management and cybersecurity

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, using latest-generation technologies, plus outstanding expertise and cutting-edge products.

The immediate effects have proven to be winning in the operational challenges posed by the COVID-19 pandemic. In particular, the design of 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 ensures** to its customers, using technologies based on artificial intelligence algorithms together with the skills 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 exposed.

In the last year, the Bank **increased its analytical capacity in an ICT Fraud Management context by 50%**, investing in technology that has led it to increase its ability to predict malicious events by over 80% and to activate a granular-type of protection throughout the Group's perimeter, in terms of both infrastructure and applications.

As regards IT security, the Information Technology Department has an independent team of people working for it, with responsibility 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.

This team was involved in the following activities over the year:

- improving the **control of transactions** which, thanks to an increasing number of data and algorithms that use artificial intelligence, evaluates the risk of individual transactions;
- consolidating **monitoring capacity** for the Bank's infrastructures, to prevent different and new types of attack;
- developing **operational governance procedures** that have made it possible to increase the resilience of the Bank's system to exceptional events which this year put many organisations under a considerable amount of stress;
- giving **information to customers** that send messages with a shared content, reviewed with the ICT Security structure.

In addition, given the increase in recent years of cyber threats targeting the theft of personal and financial data, the **illimity Security Awareness Programme** was launched in September 2020, providing training on phishing, business e-mail compromise, malware and data protection, for all employees, interns and external staff and associates, tailor-made to the risk profile of each user. The programme, lasting for a year, 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.

The illimity Group is aware of the importance of IT security and continues to invest in this area and develop solutions that offer an efficient service for stakeholders. The next table shows two 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.

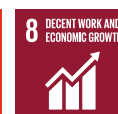
| Autonomous indicators | Value |
|---|-------|
| Number of serious IT security incidents out of the total of IT security incidents reported | 0 |
| Vulnerabilities in the Bank's applications and systems solved, compared to those detected through VAPT. | 100% |

During 2020, 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.

During the year, *Vulnerability Assessments and Penetration Tests (VAPT)* were also carried out to identify any security vulnerabilities in the Bank's applications and systems, with the aim of preventing and tackling cyber attacks. During these assessment activities, 28 vulnerabilities were identified, which were promptly solved and corrected.



People

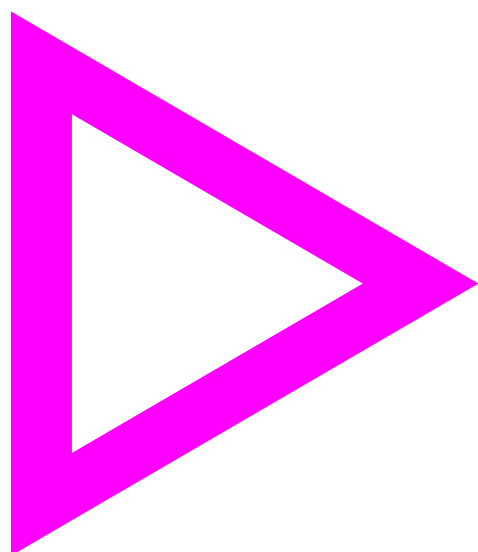


05. Our People

At illimity, we develop human potential in all directions, because people are the real proof of our commitment and our identity.

GRI 102-7 GRI 102-41

At the end of 2020, the Group had **587 employees** (up on the figure of 2019), in addition to 53 external staff and associates (on work placements, interns, project staff). Nearly all employees have a permanent contract and are in full-time employment. The employees of illimity Bank S.p.A. and illimity SGR are covered by the “National Collective Bargaining Agreement” for managers and personnel of professional areas, employed by credit, financial and operating companies”. neprix employees are covered by the “Supplementary credit agreement”, referred to in Article 3 of the aforementioned agreement. IT Auction and Mado employees are covered by the “National Collective Bargaining Agreement for trade”. Since 1 February 2021, as a result of the merger with neprix, the latter employees are also covered by the “Supplementary credit agreement”.



587 employees
average age 36 years

20 nationalities

GRI 102-8

| Total number of employees per employment contract | Women | Men | Total |
|---|--------------------|--------------------|------------|
| Employees with a permanent contract | 241 (42.3%) | 329 (57.7%) | 570 |
| Employees with a temporary contract | 8 (47.1%) | 9 (52.9%) | 17 |
| Total | 249 (42.4%) | 338 (57.6%) | 587 |

| Total number of employees per type of employment | Women | Men | Total |
|--|--------------------|--------------------|------------|
| Employees with a full-time contract | 244 (42.1%) | 336 (57.9%) | 580 |
| Employees with a part-time contract | 5 (71.4%) | 2 (28.6%) | 7 |
| Total | 249 (42.4%) | 338 (57.6%) | 587 |

| Total number of employees and other staff and associates | Women | Men | Total |
|--|--------------------|--------------------|------------|
| Employees | 249 (42.4%) | 338 (57.6%) | 587 |
| Other staff and associates | 27 (50.9%) | 26 (49.1%) | 53 |
| of which work placements | 18 (47.4%) | 20 (52.6%) | 38 |
| of which interns | 1 (33.3%) | 2 (66.7%) | 3 |
| of which collaboration agreements | 8 (66.7%) | 4 (33.3%) | 12 |
| Total | 276 (43.1%) | 364 (56.9%) | 640 |

The main channel used to identify candidates that meet illimity's requirements is the *Career Page* on the website that reflects a simple, integrated recruiting process. LinkedIn is used to publish vacancies and directly contact potential illimiters. On other social channels, and in particular 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.

For work placements and junior positions, universities are one of the main channels. illimity advertises on dedicated portals, while during Employer Branding activities (e.g. career days, round tables, presentations), the HR team together with other colleagues (often alumni from the same university), meet brilliant young people who are interested in working at the Bank.

illimiters are the main *brand ambassadors* and today they are still one of the chief channels for receiving applications. Employees are encouraged to report potential illimiters because, if employed, the employee will receive a gift card or may choose to donate twice the amount to charity.

Lastly, in specific cases, illimity works with select headhunters and recruitment companies it has forged a close partnership with, that goes beyond a single recruitment appointment, to identify talent with the potential to be an illimiter.

In particular, during 2020, 151 new recruits were employed in total, of whom 57 women and 94 men, with most below 31 years of age.

Incoming personnel turnover stood at 25.7% in total, compared to an outgoing turnover of 5.1%.

GRI 401-1⁶

| | Female employees recruited (n) | Rate of new female recruits (%) | Male employees recruited (n) | Rate of new male recruits (%) | Total number of incoming employees (n) | Rate of new recruits (%) |
|---------------|--------------------------------|---------------------------------|------------------------------|-------------------------------|--|--------------------------|
| <= 31 years | 32 | 30.8 | 37 | 37.4 | 69 | 34.0 |
| 32 - 39 years | 19 | 21.3 | 28 | 23.5 | 47 | 22.6 |
| 40 - 54 years | 4 | 7.5 | 28 | 26.9 | 32 | 20.4 |
| >= 55 years | 2 | 66.7 | 1 | 6.3 | 3 | 15.8 |
| Total | 57 | 22.9 | 94 | 27.8 | 151 | 25.7 |

| | Female employees whose employment contract has ended (n) | Turnover rate (women) (%) | Male employees whose employment contract has ended (n) | Turnover rate (men) (%) | Total employees whose employment contract has ended (n) | Turnover rate (%) |
|---------------|--|---------------------------|--|-------------------------|---|-------------------|
| <= 31 years | 6 | 5.8 | 6 | 6.1 | 12 | 5.9 |
| 32 - 39 years | 3 | 3.4 | 8 | 6.7 | 11 | 5.3 |
| 40 - 54 years | 0 | 0 | 5 | 4.8 | 5 | 3.2 |
| >= 55 years | 0 | 0 | 2 | 12.5 | 2 | 10.5 |
| Total | 9 | 3.6 | 21 | 6.2 | 30 | 5.1 |

Empowering and developing human capital

The personal and professional growth of each illimiter is guaranteed during their career, through two pillars, that involve all levels of the organisation: training and development. Training is focussed on three areas: **behavioural training** (based on illimity's competencies model), **mandatory training** and **specialist training**. Considerable attention is paid to English language training, to consolidate skills and increase people employability.

Besides the training planned for all staff members, illimity has created **illimity up**, a reference model for training initiatives that can be started on demand and tailor-made for the individual role and function. Each illimiter can choose from a range of training initiatives, together with their manager, to select priorities and a content close to their own and their team's needs.

At the start of the year, **individual development plans are defined**, based on the specific aspects of each role and individual growth requirements.

6 Disclosure is provided for the GRI 401-1 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. Outgoing staff (not due to retirement or the termination of contracts) are broken down as follows: illimity Bank S.p.A. (18), neprix s.r.l. (2) and IT Auction s.r.l. and Mado s.r.l. (total of 10). 9 temporary contracts undertaken by IT Auction s.r.l. and Mado s.r.l. were not included, as they had ended at their natural expiry date.

illimity's training has a solid base in the **Workday Learning** platform. Each employee may follow digital courses as and when he/she prefers, also remotely, guaranteeing the utmost flexibility and a balance with other professional and personal commitments.

2020 was defined as a disruptive year, in terms of training and developing talent, as aspects that are generally more under the radar for HR had to be considered. Support had to be provided for illimiters not only regarding their technical professional development, but also their own **internal resources to discover, and their strengths to be put in practice**. These considerations led to new training initiatives being added to the programme: full-immersion sessions to train and consolidate typical psychological abilities (such as determination, a positive attitude, resilience), that always make the difference when it comes to being and acting like an illimiter.

One of the key aspects involving employees is **accountability**. Management trusts people and promotes work by objectives, leaving each person free and responsible for organising their own work according to times and procedures that enable them to achieve results, as well as a balance with their own personal needs.

The possibility for each person to contribute to the development of an ambitious project makes it easy for each employee to identify with and see their value in the results, big or small alike, that illimity has in its sights.

Breaking down vertical and hierarchical structures brings employees closer to management and the rest of the organisation, making the contribution of each person to achieving common goals even more visible.

GRI 404-1

| Total training hours ⁷ | Women | Men | Total |
|---|----------------|----------------|-----------------|
| Senior Managers | 418.8 | 1,996.5 | 2,415.3 |
| Middle Managers | 2,482.6 | 3,586.2 | 6,068.8 |
| Professional Areas | 1,887.2 | 1,216.0 | 3,103.2 |
| Total | 4,788.6 | 6,798.7 | 11,587.3 |
| illimity training course categories | | | |
| <i>of which mandatory compliance training</i> | 1,817.8 | 2,201.3 | 4,019.1 |
| <i>of which technical/specialist training (Business Skills, IT)</i> | 983.0 | 1,560.0 | 2,543.0 |
| <i>of which behavioural training</i> | 598.3 | 551.4 | 1,149.7 |
| <i>of which language skills training</i> | 677.5 | 1,616.0 | 2,293.5 |
| <i>of which mandatory occupational health and safety training</i> | 712.0 | 870.0 | 1,582.0 |

| Average hours of training per employee | Women | Men | Total |
|---|-------|------|-------|
| Senior Managers | 52.4 | 42.5 | 43.9 |
| Middle Managers | 28.9 | 24.4 | 26.0 |
| Professional Areas | 22.2 | 17.1 | 19.9 |
| Average hours of training | | | 30 |
| Minimum hours of training suggested by the National Collective Bargaining Agreement for the credit sector | | | 24 |

⁷ The calculation considers the training hours of employees of illimity Bank S.p.A, neprix s.r.l. and illimity SGR. Since September 2020, employees of IT Auction and Mado have also benefitted from training and development initiatives proposed at a Group level. However, at present, activities are only partially recorded in the internal management programme (only for the last quarter of 2020). Full data based on the FTE of the entire Group will be provided in the next report. The calculations do not include details of hours used in the illimity Security Awareness programme (for more details, see the section "Data management & cybersecurity"), which is held on a platform managed by an external provider, and that will be reported in the next year, with details of course uptake.

Besides the training already reported, received by employees that, based on their own role and objectives, were selected to take part in the training sessions (e.g. Financial Statement analysis, recognition of receivables, etc.), illimity also holds a **Master's in Credit Management** for its interns (26) (**over 5,500 hours** with an average of **more than 210 hours per participant**).

Following the health emergency, nearly all training activities with classroom attendance went online, with webinars and digital courses held. Only some initiatives were replanned, to not waste effectiveness and train key expertise in remote work methods in order to maximise all the potential that the digital dimension can offer in terms of tools, interaction and the organisation of daily activities (see the section “illimity w.o.w.”).

Since March 2020, illimity has sponsored the **Fintech and Insurtech Observatory of Milan Polytechnic**, an advocate of digital innovation within the Italian financial and insurance ecosystem, with the aim of ensuring the best governance of changes taking place, through the continual creation of knowledge and competencies. Besides taking an active role in helping to define research areas, the partnership with the Observatory is a chance to take part in **themed workshops, be actively involved in workshops open to external users and attend webinars**. Events involved in particular Management from the Direct Banking Division, that took an active role, also benefitting from networking and benchmarking with managers of other partner companies and sponsors.

During 2021, illimity will introduce the “**Agenda 2030 and Sustainable Development Goals**” course, curated by ASviS, the Italian Alliance for Sustainable Development, with the aim of informing and raising awareness among colleagues of the 17 Sustainable Development Goals approved by the United Nations in September 2015.

Performance management and remuneration policies

The performance management process is fundamental in defining individual development areas. During the year at least two feedback sessions between managers and staff are scheduled. More generally, the process involves four stages during the year: **Goal Setting**, **Mid-Year Review** (an intermediate review, also of objectives), **Year End Evaluation** and **Feedforward** (feedback and the definition of individual development plans).

To promote equality, illimity's **performance appraisal system** has not only a traditional top-down evaluation (manager-member of staff), but also gives each illimiter the chance to conduct a self-evaluation and make a useful contribution to colleagues to “measure” the effectiveness of their conduct and consolidate development. In fact, the Performance Management process not only involves a self-evaluation of each illimiter's own conduct, but also an evaluation of the impact of the conduct of any colleague. (Table 1)

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

Table 1 – Performance Management 2019 – type of evaluations made.

| Evaluations | Type of evaluations | Number of evaluations |
|---------------------------|--|-----------------------|
| Evaluation Manager | Manager vs Manager | 50 |
| | Own area resources | 284 |
| | illimiters vs own Manager | 186 |
| Cross evaluation | illimiters vs illimiters | 794 |
| | illimiters vs Managers of another area | 73 |
| | Managers vs illimiters of another area | 88 |
| | Managers vs Managers of another area | 287 |

The Performance Management process is therefore connected with individual development, as it involves an evaluation that is not exclusively linked to the variable incentive system, but also offers the chance to identify areas to develop own skills, translating them into specific factors of professional development.

In fact, each illimiter and their manager receive evaluations from a number of players (themselves, the manager and other illimiters), in an anonymous and aggregate form. This makes it possible to reflect on own areas of development, considering different points of view.

In addition, the “Development Plan” is included in the evaluation stage, in which each illimiter involved in the process identifies the areas they would like to further explore and their own goals for improvement. During the *Feedforward* session, the manager, together with each member of her team, defines the individual Development Plan, identifying the training and development initiatives to carry out during the year.

GRI 404-3

| Employees involved in the Performance Management process | Women (%) | Men (%) | Total (%) |
|--|-----------|---------|-----------|
| Senior Managers | 100.0 | 97.9 | 98.2 |
| Middle Managers | 93.0 | 88.4 | 90.1 |
| Professional Areas | 81.2 | 76.1 | 78.8 |

The figures refer to the number of employees included in the Performance Management process for 2020, which does not include staff employed after 30 September 2020 and employees of IT Auction and Mado⁸.

These colleagues will however be included in the last stage of the process, in the *Feedforward* session, scheduled for April 2021. In this stage, a interview is held with the manager and staff member, to discuss:

- feedback on the performance and conduct of the staff member;
- the individual development plan (choice of training and development initiatives for the staff member in the year or over several years).

In conclusion, by April 2021, all employees working for the company at 31/12/2020 will have received feedback.

⁸ Employees of IT Auction and Mado will be a part of the Performance Management process, from 2021, when the merger with neprix becomes effective.

illimity carries out a salary review each year, comparing remuneration with benchmarks from external providers.

illimity's incentive strategy is based on the alignment of investors' and all stakeholders' interests. Firstly, all illimiters are shareholders and take part in the company's growth, as they are beneficiaries of a **broad base shareholder plan**, designed to steer all employees towards creating value in the long term.

Management and illimity's key resources instead receive incentives to create long-term value from long-term incentive plans, with the aim of aligning their interests with those of shareholders.

Moreover, all illimiters are encouraged to maintain an excellent performance, as they are part of an **annual incentive system (Management by Objectives - MBO)**, linked to the Performance Management system.

Diversity & 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 hail from over 15 sectors and 200 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*, from 25 to 32 years old. **20 different countries** are represented at illimity.

During 2020, illimity, through the CEO, signed Valore D's "**Manifesto for women's employment**", based on which signatories commit to establishing clear, measurable goals, over time and in keeping with their own specific contexts, with performance indicators and periodic monitoring, to share within the organisation.

illimity has a long-term partnerships with **Jobmetoo**, the main recruitment portal for special categories of workers, to include people with disabilities on its team, that share the same passion and talent as illimiters.

GRI 405-1⁹

| Composition of corporate bodies ¹⁰ | Women (%) | Men (%) |
|---|-------------|-------------|
| Total percentage of BoD members | 44.4 | 55.6 |
| Division by age | | |
| <= 31 years | 0.0 | 0.0 |
| 32 - 39 years | 0.0 | 11.1 |
| 40 - 54 years | 11.1 | 22.2 |
| >= 55 years | 33.3 | 22.2 |

Gender diversity on the board of directors breaks down as 44.4% women, and 55.6% 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, Paola Elisabetta Galbiati as Chair of the Remuneration Committee and Maurizia Squinzi s Chair of the Committee for Related Party Transactions, and Nomination Committee.

⁹ 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.

¹⁰ The indicator was updated on 10 February 2021, when the Board of Directors of illimity co-opted the non-executive Directors Paola Elisabetta Galbiati and Marcello Valenti to the board.

| Breakdown of personnel by employment category, gender and age | Women (%) | Men (%) |
|---|-------------|-------------|
| Senior Managers | | |
| <= 31 years | 0.0 | 0.0 |
| 32 - 39 years | 0.0 | 12.8 |
| 40 - 54 years | 100.0 | 74.5 |
| >= 55 years | 0.0 | 12.8 |
| Total Senior Managers | 14.5 | 85.5 |
| Middle Managers | | |
| <= 31 years | 31.4 | 24.5 |
| 32 - 39 years | 38.4 | 40.6 |
| 40 - 54 years | 27.9 | 31.0 |
| >= 55 years | 2.3 | 3.9 |
| Total Middle Managers | 35.7 | 64.3 |
| Professional Areas | | |
| <= 31 years | 49.7 | 44.9 |
| 32 - 39 years | 36.1 | 36.8 |
| 40 - 54 years | 13.5 | 15.4 |
| >= 55 years | 0.6 | 2.9 |
| Total Professional Areas | 53.3 | 46.7 |

Since its foundation, the Group's policies have advocated for the empowerment of all types of diversity, in the selection of new illimiters, with the goal of identifying the best candidates from shortlists as diverse as possible, in terms of gender, education, experience and nationality.

As indicated previously, the breakdown of personnel shows an objective diversity in terms of origin (15 sectors, 200 companies), nationalities (20), age (36 years the average age, but with recent graduates working alongside illimiters with considerable experience).

This approach for a start up such as illimity comes from:

- investments in new illimiters (GRI 401-1 figures);
- investments in the 40 team leaders (the "third lines") who represent the Group's managerial pipeline.

In particular, considering junior profiles, of the 151 new recruits, 116 were under 40 years, with women accounting for 44% and men for 56%.

For more senior figures, a path has been created to develop the managerial skills of team leaders, a category with an equal gender balance (15 women and 17 men), net of the IT component. It is still hard to recruit technological profiles for this sector, and there is a strong commitment to empowering female talent in younger staff and encouraging STEM paths in school leavers.

These investments in illimity's "present" and "future" go hand in hand with other specific initiatives - described in later sections - that aim to consolidate and develop a working ecosystem based on nurturing diversity in all its forms, which forms the basis for a progressive better representation of women in lead positions.

GRI 405-2

| Ratio between the basic salary and other types of remuneration for women compared to men, by professional category | Women/Men (%) |
|--|---------------|
| Top Management (CEO and division/department heads) ¹¹ | - |
| Other Managers | 100.7 |
| 3rd/4th level middle Managers | 93.7 |
| 1st/2nd level middle Managers | 95.6 |
| Professional Areas | 95.8 |
| Weighed average¹² | 96.4 |

The figure is an average that considers the basic salary and benefits such as Welfare and Benefit Allowances (the total of the annual budget of each employee for company welfare regulated in contracts).

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.

GRI 102-38

| Rate of total annual remuneration | |
|--|-------------|
| Rate of total annual remuneration of the individual with the highest remuneration and mean values of total annual remuneration of all other employees. | 12.6 |
| Benchmark ¹³ | 42.4 |

Additional indicators

| Top Management to Worker Compensation Ratio ¹⁴ | |
|---|------|
| CEO remuneration to average employee remuneration ratio | 12.0 |
| Average remuneration of the CEO and Top Management to average employee remuneration ratio | 11.1 |

11 The only incumbent is male (6).

12 Excluding the first ratio (CEO and division/department heads) due the absence of female incumbents.

13 Benchmark calculated on the average of the main Italian Banks (3) that currently monitor and report on the GRI Standard 102-38.

14 The CEO pay ratio is calculated using the following metric: CEO Actual TDC 2020/Average cost of 2020 Group remuneration, whereby:

- CEO Actual TDC: Fixed remuneration + welfare + Actual variable remuneration, including any deferred amounts and estimate of the LTI value.
- Average cost of 2020 Group remuneration: average cost of personnel, excluding welfare charges, as indicated in the 2020 consolidated financial statements, considering HC as of 31/12/2020.

From 2021 onwards, listed banks will disclose in full the CEO Pay ratio, and it will therefore be possible to have a reference benchmark.

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 programme conceived to empower the potential of young women. The stars of illimitHER are **inspiring young role models under 35, with STEM backgrounds:** scientists, entrepreneurs, innovators and opinion leaders. Speakers share their professional experience and digital skills, and engage with the 18 to 24-year-old community members, from a single viewpoint: **generational closeness.**

illimitHER has an **open ecosystem of partners** (currently 16), thanks to whom the project is having a considerable 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 and the Alberi Milano Library. There are also editorial partners including HarpersCollins, Unstoppable Women of StartupItalia, Most Powerful Women of Fortune Italia and partners with innovation at their core, such as Plug & Play and Fintech District.

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, Digitally, Young Women Network and SheTech.

Stakeholders include **under-30's**, various project partners and illimity employees. A mainly female target, but the male component also plays an important role, giving voice to men who believe in and support gender equality.

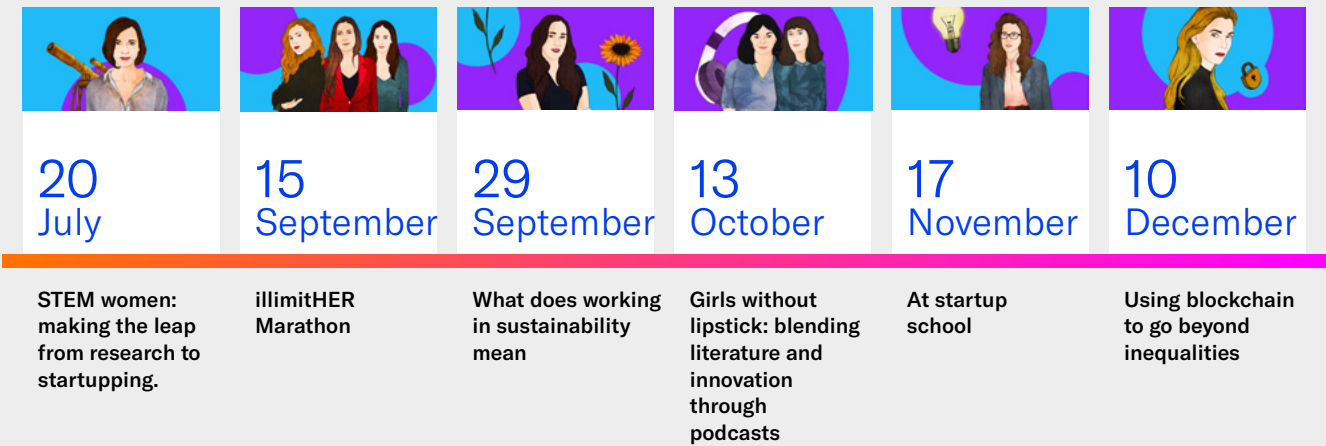
illimitHER is a unique project of its kind, focussed on **Brand Activism**, where the company champions the **elimination of stereotypes and the inclusion of young women in the workplace, with strength, talent, contribution and vision.**

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.

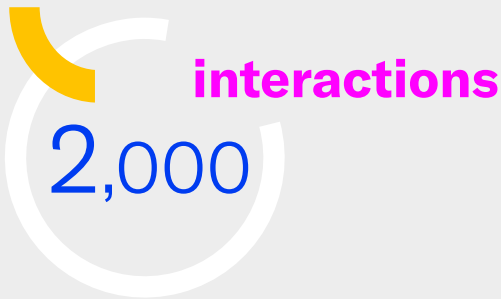
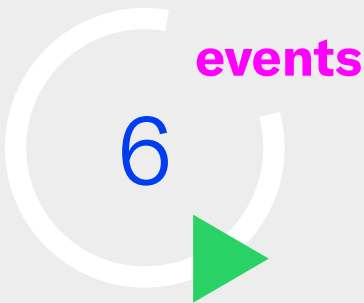
Engagement with the public is preceded by Newsletters dedicated to the Community. During talks, questions can be asked through live streaming, and interactive Instagram quizzes are held afterwards.

The **illimitHER Marathon** was a highly innovative, first *phygital* meeting, held in September at Alberi Library in Milan, with the Deputy Minister for Education and a chemist specialised in glaciology.

Timeline of 2020 events



illimitHER events in 2020



Work/life balance and Welfare

As part of its **integrated 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.

The following benefits are currently available in the system:

- professional and non-professional accident insurance (basic insurance paid by the company + possible integration with the welfare budget);
- life insurance plus total permanent invalidity insurance (basic insurance paid by the company + possible integration with the welfare budget);
- Long Term Care insurance (paid by the company);
- healthcare assistance with possible extension to family members (only with the welfare budget);
- supplementary pension;
- Flexible Benefits plan with services that are reimbursed and direct access to education, recreation and assistance;
- meal vouchers.

In 2020, faced with the health situation caused by the COVID-19 pandemic, some new services were added to the education and health area of the **Flexible Benefits Plan**, including the reimbursement of technological equipment for home schooling and of all medical devices (also protective equipment), with CE marking.

An **agreement was signed with trade unions** in 2020 providing for paid leave for times when children start school/nursery; leave for medical tests and check-ups; leave for new fathers in addition to statutory leave.

During 2020, 10 male and 8 female employees took parental leave. A 100% rate of return after maternity/paternity leave was recorded, as well as 100% of male and female employees keeping their job 12 months after returning.

GRI 401-3

| | | Women | Men | Total |
|--|-----|---------------|---------------|---------------|
| Number of employees entitled to parental leave | no. | 8 | 10 | 18 |
| Number of employees taking parental leave | no. | 8 | 10 | 18 |
| Number of employees who would have returned to work after parental leave | no. | 8 | 10 | 18 |
| Number of employees who actually returned to work after parental leave | no. | 8 | 10 | 18 |
| Number of employees who actually returned to work after parental leave during the previous reporting period (2019) | no. | 6 | 6 | 12 |
| Number of employees who returned to work after taking parental leave and who are still employees of the organisation in the 12 months following their return | no. | 6 | 6 | 12 |
| Rate of return after maternity/paternity leave | % | 100.00 | 100.00 | 100.00 |
| Rate of job retention after maternity/paternity leave | % | 100.00 | 100.00 | 100.00 |

During the health emergency, employees with children or relatives to care for, had two **hours of paid leave** a day.

To achieve a work/life balance and promote physical and mental wellbeing, **illimity Fitness** was launched, a programme with Total Body, Pilates and Yoga courses. The lessons, with a limited number of participants and exclusively for illimiters, were held ensuring social distancing (over Zoom); they were effective and appreciated by colleagues who had the chance to share non-work activities, away from the office.

A series of webinars was also proposed, delivered by **Jointly**, with qualified professionals providing advice and useful information to better tackle the new everyday issues of resilience, self-care and parenting.

As technology and the digital dimension have now become an invaluable part of the daily life of every employee, some colleagues with school-age children were selected to take part in the **Digital Parents** initiative promoted by Jointly, with the aim of identifying the basic digital skills that can help redefine our new parenting dimension.

Additional indicators

Percentage of welfare out of the average RAL

10%

illimity w.o.w.

During this particular historic time, responsibility to employees has been fundamental in all company choices: first and foremost the decision for everyone to work from home, from as early on as February 2020, to safeguard the health of the Bank's staff and associates. In this context, the **Group's Management decided to not freeze the headcount**, with recruitment continuing throughout lockdown and *onboarding* taking place remotely. Similarly, **work placements were not interrupted**. In 2020, 23 work placements started in the Group (besides the 26 illimity academy internships still underway), with 9 people taken on at the end, under apprentice or permanent contracts.

With a view to returning to a new normal, illimity decided to develop a **new hybrid work model**, co-designed with its employees. During the summer, a first survey was held, to reflect on the impacts, the enablers and obstacles of this new way of working, according to different perspectives, experiences and also expectations. 72% of employees took part in the survey, demonstrating the considerable engagement with this issue.

And so **illimity w.o.w.** (*illimity way of working*) came into being. This new approach makes it possible to work from home or elsewhere for 10 days a month (compared to the previous 1 day a week), as preferred by the colleague (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 and switch from the concept of "my desk" to a desk in "my area".

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). The hybrid model will be further supported by a strategy, in the design stage, dedicated to managers to manage teams in this new scenario.

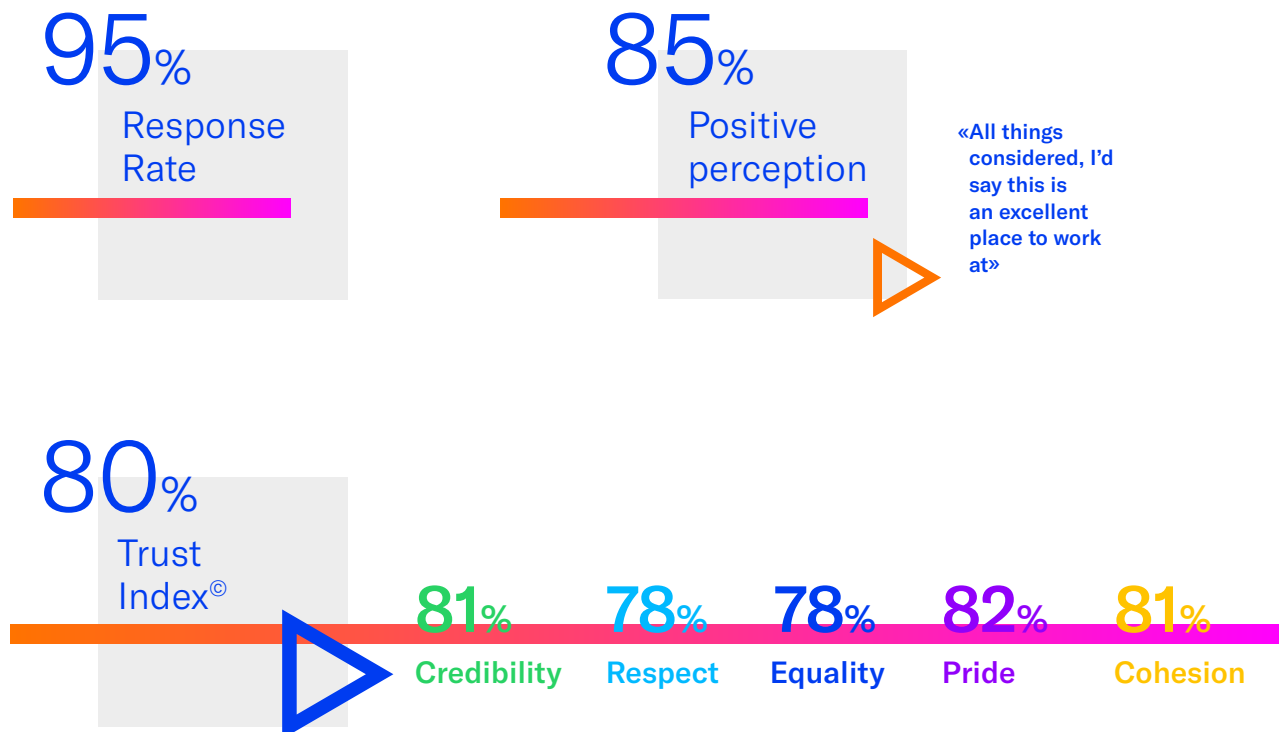
Great Place To Work

In January 2020, the illimity Group was recognised as a Great Place to Work® for the second year running. 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 95% of colleagues replied in November 2020.

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 85% of employees (+2% compared to 2019), and a Trust Index® of 80% (+1% compared to 2019). 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.



illimity academy and the Master's in Credit Management

In May 2020 **illimity academy** was 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. In October 2020, the **first edition of the Master's in Credit Management was held**, with the aim of training new Asset Managers. The Master's course, designed to meet the specific needs of neprix, the Group's servicing company, 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 of Milan Polytechnic. The course lasts for 6 months and has been designed with a Business School format: 50% classroom teaching and 50% on-the-job training at neprix.

The Master's is for recent graduates, with a degree or master's in the last year and in just over one month, 380 people applied for the course. The selection process, managed entirely online in several stages (recorded video interview, tests, group assessments and live interviews), ended with 26 students being chosen.

In October 2020, classroom lessons were held at the MIP site. With the fresh outbreak of the health emergency, teaching went online, using company technology (in particular Microsoft Teams). This guaranteed continuity and at the same time the utmost attention paid to the health of all participants.

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

Commitment to new generations

Despite the restrictions imposed by the pandemic, illimity took part in and organised initiatives, during 2020, related to new generations, to transfer technical and all-round skills important for their studies and career paths.

Thanks to illimitHER, illimity's Diversity & Inclusion project, the Bank supported a number of associations that work in the areas of training and innovation. These include Scuola di Politiche, which aims to build up the competencies of young people, with high-potential, making them the enablers of change and innovation, and 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 *networking*, *mentoring* and the *empowerment* of young women, and 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.

BAM, the inclusive public space involving the community in cultural projects inspired by sustainability, with a cycle of meetings inspired by the topics of the United Nations Sustainable Development Goals.

Initiatives related to universities continued, with the dual aim of guiding and selecting young talent with the spirit of illimiters.

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

Health and safety in the workplace represent a fundamental commitment for the illimity Group to be guaranteed to all employees and collaborators of the Bank.

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. During 2020, no accidents involving the Group's employees or staff and associates were reported.

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 the section "Combating the COVID-19 emergency" in Chapter 9 "Commitment to society and the environment".



Prosperity



06. Robustness of results and creation of shared value

GRI 102-7

The illimity Group pursues the goal of becoming 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 requirements¹⁵.

In November 2020, the international agency Fitch Ratings gave the Bank its first rating: “B+” for the Long-Term Issuer Default Rating (“IDR”) with a Stable Outlook and “b+” for the Viability Rating (“VR”).

| Additional indicators | 2020 |
|-----------------------------|--------|
| CET1 (Common Equity Tier 1) | 17.86% |
| ROE (Return on Equity) | 5.5% |
| Net Organic NPE Ratio | 1.7% |
| COR (Cost of Risk) | 52 |

► Main financial data on a consolidated basis:



¹⁵ Further information on the financial position, 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 Consolidated Annual Financial Statements of the illimity Group.

Share capital and ownership structure

As of 31 December 2020 the Bank's share capital amounted to EUR 45,503,237.77, of which EUR 44,006,566.43 subscribed and paid in, divided into 66,083,417 ordinary shares and 1,440,000 special shares, without indication of the par value.

Following the share capital increase for Fabrick S.p.A., finalised in January 2021, and consequent issue of 7,342,602 new ordinary shares for this increase, the share capital of illimity amounted to EUR 50,288,411.49, of which EUR 48,791,740.15 was subscribed and paid up, divided into 73,426,019 ordinary shares and 1,440,000 special shares, all without par value.

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 30 January 2021, are reported below.

| Declaring entity, i.e. subject at the head of the control chain | Direct shareholder | Share held | Share % of the ordinary capital | Share % of the voting capital |
|---|-----------------------------|------------|---------------------------------|-------------------------------|
| GRUPPO SELLA | GRUPPO SELLA | Owned | 10.00% | 10.00% |
| LR TRUST | FIDIM SRL | Owned | 8.77% | 8.77% |
| TENSILE CAPITAL MANAGEMENT LLC | TENSILE-METIS HOLDINGS SARL | Owned | 7.57% | 7.57% |
| ATLAS MERCHANT CAPITAL LLC | AMC METIS SARL | Owned | 7.09% | 7.09% |

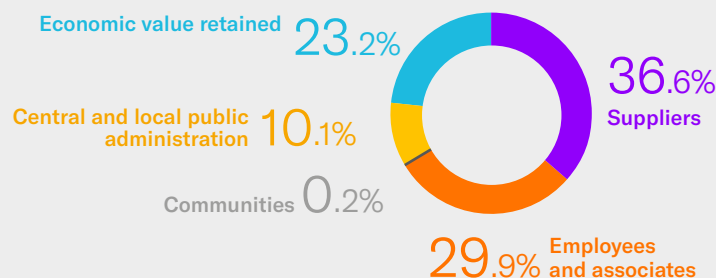
Economic value generated and distributed

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 2020, 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 174 million¹⁶.

Approximately 77% of the economic value generated in 2020 was distributed to stakeholders, mainly suppliers (36.6%), employees, staff and associates (29.9%), central and local public administration (10.1%) and communities (0.2%). Around 23.4% of the value generated was retained in 2020, to consolidate the Group's capital.

Breakdown of economic value generated



¹⁶ 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 106), 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 Area.

Given the complexity of tax legislation, the correct management of tax aspects is ensured by the adoption of internal control systems that guarantee the prompt monitoring of all tax-related activities and continual alignment with significant changes. These controls also involve the management and control boards, that are regularly informed about illimity's tax matters, to ensure full compliance with the requirements of laws, company policies and illimity's values.

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, and undertakes to establish constructive working relationships based on dialogue.

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.

07. Corporate and retail customers

Support for SMEs

illimity was set up with the aim of focussing 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, using increasingly sophisticated data analysis techniques. 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 SME 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; 59% 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 million¹⁷) and 41% 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 SME 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 (48%), Emilia Romagna (19.6%) 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.

¹⁷ The definition derives from that relating to SMEs given in the European Commission recommendation of 2003/361/EC and enacted in Italy with the Ministerial Decree of 18/4/2005.

| SME portfolio segment distribution | % |
|------------------------------------|------|
| Food & Beverage | 12.3 |
| Metallurgy | 8.5 |
| Mechanics | 6.3 |
| Engineering | 5.7 |
| Automotive | 5.7 |
| Fashion System | 5.4 |
| Shipping | 5.2 |
| Construction Products | 5.1 |
| Services | 4.5 |
| Pharma | 4.4 |
| Energy | 4.1 |
| Retail | 3.8 |
| Real Estate | 2.8 |
| Other | 26.2 |

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

AUTONOMOUS INDICATOR

| Conversion rate: ratio between transactions analysed and financed | % |
|---|------|
| Turnaround | 21.8 |
| Crossover | 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 an intuition Ferretto Group

This story encompasses more than **60 years of business experience** and many generations of workers from the Veneto area: it is a tale that begins in Vicenza and travels to India, China, passing through nearby Bosnia and then coming back to where it all started. It is one of those stories that often go unnoticed, because there are no heroes or revolutions that change the world, but just a tale **about what Made in Italy is**, what it means to build up a company and a brand that can last over time and that can be a reference point for an area, a city, and for hundreds of families. This is the story of the Ferretto Group.



Frame the image with the Aria App,
and looks at the SME video



Frame the image with the Aria App,
and looks at the
SME video

A circular adventure that looks to the future FECS Group

The story of the FECS Group is about **innovation and tradition**; a story of more than twenty years which portrays an insight that anticipates the times and lays the foundations for becoming a leader in a sector that is now strategic. FECS Group deals with the **circular economy**: with the recovery, processing and recycling of scrap metal. At the Group's sites, one of the most precious materials of the modern world is processed: **aluminium**.

Retail customer relations

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.

illimitybank.com is committed to a communication language that is **direct and immediately comprehensible**, and that is presented in a simple way.

Commercial communication is overseen by an internal process and aligned with applicable regulations. Two levels of controls are in place for each type of communication. These controls are 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**.

Clarity and transparency in the offer

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, strongly inspired by the *compliance by design* principle. This principle guides and guarantees a **correct configuration of commercial processes** and related procedures that supplement the Bank's offering, related commercial channels as well as the customer communication and relations model.

The *compliance by design* principle translates into the prior involvement, starting from the design and development stage, of the Compliance & AML Function, 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 Bank pays considerable attention to guaranteeing **transparent relations with its customers**, 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. 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 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 Bank.

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, for all stages of the product/service life cycle. Moreover, the Compliance & AML function carries out controls and themed reviews, on a regular basis, to continually monitor the compliance of choices/solutions adopted.

GRI 417-2 GRI 417-3

During 2020, 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 function that intercepts any anomalies in time and corrects them.

The frequency and contact channels chosen by customers

The Bank sends notices to its customers, based on consent for privacy and commercial purposes given by customers, 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 *home banking*, in the dedicated section.

Useful communication

Commercial communication not only concerns the characteristics of illimitybank.com's offering, but also focuses on the company purpose, with the aim of providing value content to users.

To unleash the potential of people, financial tools alone are not sufficient. Financial literacy is necessary, that can give value to time and which is useful for the future. For this reason, illimitybank.com has organised a number of video clips and webinars to transfer the skills to operate in the digital employment market to its customers, from user experience to the architecture of banking micro-services, with weekly slots, showcasing the main skills and daily work of 12 illimiters.

Financial education and transferring useful skills to customers is a fundamental part of all Bank communications. By using a simple, colloquial language, illimitybank.com wants to give people the tools necessary to better understand new aspects of the financial community and the innovations that will change their spending and money management habits. This is an editorial choice, which stems from a belief that better money management, and complete, evolved accounts, are based first and foremost on user awareness.

With this in mind, the Christmas campaign **"#NoPanicXmas"** was created and launched. This digital campaign highlighted the functions of illimitybank.com's Expenditure Projects, digital piggy banks - included free of charge with the Bank's accounts - to configure a budget and the most effective way to save. In particular, the #NoPanicXmas Expenditure Project, developed specifically for the campaign period, was created with the aim of helping customers set up a personal budget for their Christmas shopping. Continuing with the theme of education, the **"Non farti pescare" ("Don't get caught")** campaign was launched in July 2020, to clearly explain in a timely way the risks of *phishing* and *smishing* attempts and how to recognise and be protected from them.

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 regarding *community management* and Smart Care activities, illimitybank.com can provide personalised, one-to-one assistance based on customer needs.

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

The service works in various areas (commercial, operational and technical), and assistance is managed on two levels: information overseen by a dedicated team which channels more complex cases to a specialist team. The technologies used also allow for “get to know your customer”, automatically steering them towards the most adequate support for their needs, improving service times and customer relations.

illimity Smart Care not only listens to customer needs, but also shows “who it really is”. Customers can chat to an operator by video link, so they don’t miss out on human contact, which is a mainstay of illimity’s values. Personal assistance is available every day, through a multi-channel approach. The aim is to provide digital and innovative services, combined with the **human component**, from people for people.

In 2020, a **Service Level**¹⁸ (capacity to respond to calls) of **99%** was recorded, and a **Service Level with replies within 30 seconds of 92%**.

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 20% at December 2020, as well as a customer satisfaction rating, based on the level of recommendation indicated (**NPS – Net Promoter Score**¹⁹). In particular, illimity achieved an NPS of 48 in December 2020, showing customers’ considerable appreciation of the Bank, well above the market average (equal to 9).

illimity’s strength is also confirmed by the assessment of some specific areas, such as **innovation**, **ability to listen** and **a clear and transparent**, where illimity has very positive ratings both in absolute and average market terms.

| Net Promoters Score ²⁰ | illimitybank | Performance illimitybank vs average market performance |
|--|---------------|--|
| Net Promoters Score | 48 pts | +39 pts |
| <i>Innovation</i> | 49 pts | +44 pts |
| <i>Ability to listen</i> | 18 pts | +26 pts |
| <i>Clear and transparent communication</i> | 32 pts | +32 pts |

18 Calls managed/incoming calls.

19 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 NPS 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.

20 illimity processing of DOXA data – Data from December 2020 (for illimity, interviews conducted on the customer base as of 31/12/2020).

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

With over **40,000 participants**, **6,000 readers** of the Newsletter and over **200 ideas** gathered in 2020, the “Vai Oltre la Forma” Community is an important reality, not only for innovation and improving customer experience, but also for promoting *illimity brand awareness*.

Through surveys, interviews, meet ups, focus groups and questionnaires, people are given a voice and a direct listening channel, to create day by day a Bank that is tailor-made to customer needs.

The community is an open, shared space. More than 200 ideas were presented in 2020 by participants, making it possible to test out new market ideas, identify emerging needs and explore new solutions in terms of technology and the offered product.

Plus, more than **70 surveys** were sent in 2020, with over **20,000 replies** gathered. Despite the restrictions related to the COVID-19 emergency, illimity continued to involve community members in testing activities during online sessions, with the aim of assessing the usability of new web/app functions or new pages, before they are launched.

PSD2 for Open Banking

PSD2 (the “Payment Services Directive (EU) 2015/2366”), is a European directive to make the payment account system more secure, convenient and open. Compared to the previous Payment Services Directive, this new version aims to promote innovation by opening up to new subjects, who are also independent of the traditional banking system. The PSD2 is changing approaches to money management: better banking services, better control of expenditure, greater protection of payments. In fact the Directive enables and promotes innovation opportunities and more open payments systems, and also aims to make this system more secure, by consolidating security oversight, and increasing market competition and transparency.

From the outset, illimitybank.com has taken up the **spirit of innovation, opening up and streamlining services** which are embedded in the objectives of the regulation.

The Bank was set up with PSD2 services already as a part of its offering, enabling customers to immediately access information about their accounts also held with other banks from a single platform and track their own financial situation.

During 2020, it consolidated its *open bank* profile, expanding the perimeter of services and functions made available to customers, to become the **first bank in Italy providing access to the PIS (Payment Initiation Service)**, which enables customers to make payments from the accounts of other banks aggregated on its platform.

With this continual evolution, illimitybank.com can offer its customers a single platform that combines various services to promote **new and more informed savings routines**, that can provide, thanks to evolved data analysis and artificial intelligence systems, personal advice based on matching customers’ financial activities with their habits and preferences.

With an open banking and open platform logic, **illimity hubs** were created in 2020, which the Bank provides to customers, with partner functions fully integrated with their home banking, to use alongside banking transactions.

illimity hubs debuted in June 2020, with the first two partners: **MiMoto**, the first mover in electric scooter sharing, and **Fitbit**, the company that helps people to lead a more healthy and active life.

The value for customers is two-fold and offers:

- **An informative value:** each customer can display information about partner apps from their home banking, in a fully integrated way. For example in the MiMoto hub, customers can have a complete, updated overview of their trips, consumption and savings. In the Fitbit hub, they can see their total daily steps, kilometres and hours of sleep.
- **A use value:** customers can use partner functions and activate services that are complementary to banking transactions. For example in the MiMoto hub, customers can quickly book a scooter thanks to the geomapping function, get expense documents of their trips and have a customised MiMoto electronic debit card. In the Fitbit hub, customers can create expenditure projects related to steps counted and measured using Fitbit, with the aim of achieving the number of steps necessary to achieve their dreams or make certain purchases.

The user experience is unique and integrated: for the first time, it starts and ends on the illimitybank.com platform, for a simplified user journey with bespoke suggestions that combine the customer's activity with their spending and daily habits.

Protecting privacy

illimity promotes and is continually committed to protecting the privacy of its customers and all other natural persons who relate to the various Group companies, in compliance with Regulation (EU) 2016/679 and national laws, as well as rulings of the Italian Data Protection Authority.

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.

The Group guarantees necessary updates to policies and procedures that set out the principles and guidelines that all personnel must observe, and that also describe the processes and organisational and technical oversight for the correct management of issues concerning personal data processing, such as obligations to provide appropriate information and consent management; requests of data subjects, data protection impact assessments, data protection by design & by default principles, the appointment of a Data Protection Officer, and the management of data breaches.

To guarantee an integrated Group approach and consistent management of relations with the Authorities and individual parties, illimity has appointed a **Data Protection Officer** (DPO) at Group level, who is the Head of the Bank's Compliance & AML Function, and acts as the single, official contact point for all Group Companies, for the Regulators, and for individual data subjects.

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 2020, 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 the same year, two incidents of unauthorised access to personal data were reported by Bank customers, which did not pose a risk to the rights and freedoms of the parties involved, therefore it was not necessary to inform the Data Protection Authority. The two incidents were promptly solved and appropriately registered in the Banks 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 an adequate level of data processing and protection throughout the Group.

The platform guarantees that the Group's websites display an appropriate, updated cookie banner on the cookies and trackers present. So site visitors are given the utmost visibility and transparency about cookies that use various websites and about the nature and purpose of technologies present. Through simple interaction, the cookie banner also enables users 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 that illimity's websites fully comply with the GDPR, protecting users' privacy.

Further consolidation of privacy oversight concerning cookie management in the Group will be evaluated in the light of recent guidelines issued by the Data Protection Authority.

Responsibility in activities and products

The achievement of business goals must be capable of directly and indirectly producing positive outcomes, capable of driving sustained and sustainable growth for the business in which illimity operates.

Responsibility to distressed credit customers

The Distressed Credit Investment & Servicing 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 indicators

| | |
|---|-----------------|
| 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 ²¹ . | 80.8% |
| Time to solve | |
| Average time recorded to solve out-of-court proceedings ²² . | 7 months |

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.

21 Excluding positions that were closed.

22 That is 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).

Commitment in the energy sector

illimity's DCIS Division, which operates in the distressed corporate credit segment, identified, in 2019, the energy sector as a possible specialisation area to create greater value compared to its competitors' strategies. Besides the potential offered by this segment, estimated to account for a distressed credit stock in Italy of at least EUR 5 billion, 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 and recover a value that is returned in part to the entrepreneur**.

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 operates through a dedicated securitisation vehicle, set up in May 2020, which purchased two loan portfolios in the first seven months of operations (7 borrowers, 14 photovoltaic plants, a total of 16.6 MWp), with the aim of investing EUR 2.5 million in CAPEX to revamp the plants, returning EUR 2.6 million to investors as value, **and thus return to the market fully, efficient performing facilities, capable of an annual production of over 20 GWh of renewable energy, corresponding to a total of 4,662.8 tCO₂e of avoided emissions²³**.

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 allows for an important recovery in value, remunerating illimity's commitment and also giving back the borrower a part of their original investment, rewarding a business initiative that was unlucky, but not disastrous. In the meantime, returning revamped plants to the production system increases the future environmental contribution (the residual life of plants is usually 10 years).

Experience in the first few months has confirmed the market's interest for this type of approach and effectiveness of negotiation logics, driving value creation in extremely rapid turnaround times. The acquisitions originated therefore support illimity's investment goal in the energy segment, set at EUR 100 million.

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, pro-environmental value.

23 kgCO₂e: 20GWh*1,000,000*0.23314 (conversion factor DEFRA). tCO₂e: kgCO₂e / 1,000.

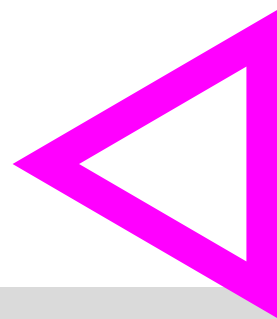
Case history

"In 2019, illimity purchased credit, for a gross book value of over EUR 20 million, from an important Italian property fund that was dealing with a growing tension between stakeholders, including suppliers, due to the failed development of a logistics site situated in an area with considerable commercial appeal. During 2020, illimity, in its role as creditor, facilitated the entry of a new, primary, fund management company, with the aim of developing and valuing the logistics site.

The main terms and conditions for repaying the debt, as reworked on the basis of agreements between illimity and the new fund manager, will make it possible to continue with the balanced development of the site, consistently with market trends, and also define relations with suppliers that have been involved for some time in this project, with consequent positive impacts in terms of protecting jobs and local businesses, as well as consolidating the central role of the area as an artery of national and European commercial traffic in the medium term."

"Vista Mar" operation

During 2020, illimity signed an agreement for the purchase of loans with an overall gross book value of approximately EUR 21 million, of Banco BPM S.p.A, with the construction and property development company Franco Barberis S.p.A.. The operation concerns the property project "Vista Mar" of the company Vista Mare S.r.l. (Barberis Group), situated in the municipality of Albenga (Savona), and which is for the urban redevelopment of the area concerned (the site of the former fruit and vegetable market of Albenga). Actions will be taken to streamline energy use and materials will be selected to reduce the environmental impact of the worksite and buildings throughout their lifecycle. illimity, believing in this project, has also committed to supplement the financing, disbursing an additional EUR 7.3 million. The initiative, with its considerable focus on sustainability, domotics and design innovation, will create a new residential area, retail areas and public communal areas including an auditorium and park of around 1000 m2, with link up to a future cycle lane. The agreement signed with Vista Mare is also important, because neprix is monitoring the progress of works, to support Vista Mare in developing and completing the project. Thanks to support from illimity as the financial partner, the Vista Mar operation will bring considerable benefits to the entire chain involved.



Responsibility to corporate customers

Financing for social purposes

GRI G4 FS7

The SME Division's Turnaround Area intervenes in situations of concrete difficulty for its business customers, helping them with its knowledge and expertise to optimise and streamline their existing financial structure, guiding them through a process of restructuring and recovery, with consequent social impacts, such as protecting jobs and developing the economic and social fabric of the areas where they are located.

The total of loans provided with the aim of restructuring companies in financial difficulty is equal to approximately EUR 247 million. In 2020, thanks also to support from state guarantees, companies in a turnaround phase were funded for approximately EUR 105 million, of which EUR 14 million from the public guarantee furnished by the Central Guarantee Fund for SMEs and approximately EUR 91 million from the "Garanzia Italia" (Italy Guarantee) fund from SACE. In the Crossover & Acquisition Finance Area, loans were provided with state guarantees for nearly EUR 87 million, of which EUR 60 million with the central Guarantee Fund for SMEs and approximately EUR 27 million with the SACE guarantee. Loans were also disbursed secured by the Fund for EUR 3.2 million regarding the legacy portfolio of the former Banca Interprovinciale.

Financing for environmental purposes

GRI G4 FS8

In 2020, illimity Group financing for environmental purposes disbursed to SMEs amounted to approximately EUR 29 million, corresponding to 3.4% of total Group loans.

| Category | Amount funded | % |
|----------------------|---------------|------|
| Circular economy | 14,131,255 | 48.7 |
| Green Transportation | 12,725,000 | 43.9 |
| Renewable Energies | 2,132,353 | 7.4 |

Loans in the Circular Economy category account for EUR 14 million and refer to two companies combining tradition and innovation: FECS Group, a leader in scrap metal recovery, processing and recycling, and AMUT, a Novara-based manufacturer of plastic extrusion and recycling plants. In the Green Transportation sector, illimity financed the Be Power Group which, thanks to the Bank's support, will put in place an ambitious and rapid plan to develop its own infrastructure for electric mobility - a sector that is gearing up, also in view of the current stage, through new finance supporting investments and liquidity needs. Specifically, the operation concerns the installation of electrical vehicle charging points. Lastly, in the Renewable Energies sector, illimity has financed the company Azienda Agricola Pabillonis which manages a plant that produces electricity (1MW) from the biogas produced from the anaerobic digestion of plant matter ("biomasses"). The Company is part of the Gruppo Fabbrica Energie Rinnovabili Alternative Srl (FERA), active in the development, production and management of plants for electricity production from renewable sources (installed capacity of approximately 115 MW).

Lastly, the Bank has been actively involved since the end of 2020 in purchasing tax credits from government subsidies for **energy efficiency**, seismic risk reduction, sustainable mobility and building renovation projects (the so-called Super Bonus 110%, Sisma Bonus and other types of subsidies), contributing to the process to modernise and develop Italy's property sector in a sustainable way, even financing in some cases the companies carrying out the activities, through work advances.

The ESG rating on credit assessments

Since the second half of 2020, the Credit Machine Area has started initial analysis and testing aimed at **including ESG parameters in more general credit assessment activities**, to supplement the risk map of businesses to finance with an assessment of their positioning in terms of sustainability. The project meets the expectations of climate and environmental risk management supervision of the ECB and the EBA's Discussion Paper on the management and supervision of ESG risks, physical transition risks and liability risks, for credit institutions and investment companies, both published in the autumn of 2020, and that are fundamentally aligned with EBA guidelines on Loan Origination and Monitoring published at the end of 2019. In this perspective, illimity signed a partnership agreement with Cerved, that has developed an ESG platform according to a proprietary assessment logic aligned with ESG analysis best practices and the definitions given in the European Regulation 852/2020.

Credit assessment is based first and foremost on the forward-looking analysis of the capacity of observed businesses to generate cash flows that are adequate for their financial commitments. **In this regard, the assessment of ESG parameters covers numerous variables**, that can have a significant impact on the medium/long-term sustainability of companies, starting from their ecological footprint related to production and commodity choices, to investments in using renewable energies, waste mapping with the possibility to increase reuse and recycling, and the adoption of certification for managing and monitoring the quality and environmental impacts of production choices.

Aspects concerning HR management are also significant for ESG rating purposes, from the choice of contracts that ensure continuity, to training, occupational health and safety management and the latest types of welfare provision. Lastly, in the context of corporate governance, aspects related to the business, composition of the Board of Directors, data security, risk management, compliance and tax transparency are all significant.

The introduction of ESG factors in *credit assessment* activities, since 2020, has been 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.

By analysing the specific aspects of the relevant industrial sector, including ESG risks, in light of regulations and changes in the European legal framework (Framework 2020-2030-2050), the Credit Machine Area supports the SME Division and Business areas and consequently businesses, by **providing specialist, tailor-made support**, suggesting corrective actions in order to adopt environmental impact assessment measures and procedures and systems to identify and manage ESG-related risks. These actions by financed companies and the consequent adoption of activities necessary to improve their ESG rating contribute to a company's sustainable development on a market that is increasingly "connected" and interdependent, promoting a vision of creating value in the medium and long term.

The ESG Rating was introduced in September 2020 with the launch of the first assessment requests in the Crossover and Turnaround Areas. In the first few months of 2021, some Factoring Area operations were also integrated.

At the end of 2020, a total of **15 reports** had been produced, with the Credit Machine Area starting audit checks for some of them, to guarantee full and consistent information provided by customer companies and an approach focussed on a transparent, efficient process.

Collecting this information will enable illimity to have a database to strategically adopt the **best investment choices**, and define plans to accompany businesses in their path towards sustainability, encouraging them to adopt policies that approach their sustainable approach to the business.

08. Developing quality 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 the 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 focussed on speed and scalability, illimity has a complete in 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** was born 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).

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 **American Express**, 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 since 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, the corporate business school designed to create higher-education economic and financial training courses by way of onsite training and educational programmes.

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. **MiMo**, 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 lifestyle by offering them data, encouragement and advice so they can achieve their fitness and wellbeing goals. Through the illimity hubs, customers can use partners services along with their home banking app.

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

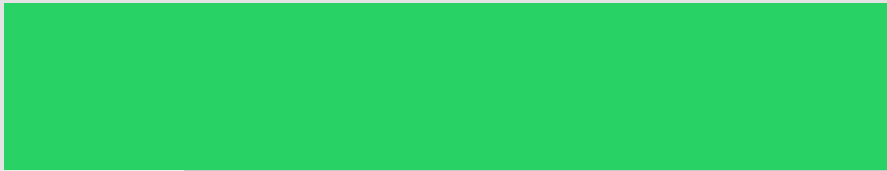
In 2020, illimity was part of an important industrial consolidation operation in Italy for Open Banking. illimity and Fabrick, a Sella Group company for the development of Open Banking and the Fintech ecosystem in Italy, signed an agreement for a joint venture in the company HYPE, a fintech leader on 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 is also intended 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.



Planet and Society



09. Commitment to society and the environment

Environmental footprint

The very nature of the illimity Group's business model, with a 100% digital infrastructure that is completely in cloud, is designed to minimise direct environmental impact and increase the efficient, responsible use of resources. Since its first Sustainability Report, 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 regulations (*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.

illimity's business model, which has no branches and instead has a digital, in cloud infrastructure, aims to intrinsically offset climate change. For the same reason, during 2020 the Group began a partnership with Carbonsink, a leading company in the development of strategies to mitigate climate change and offset climate-altering emissions, in order to define an effective project approach to shaping a **carbon neutrality strategy** from this year onwards, calculating 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.

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.

GRI 301-1

The services offered by illimity have, by their nature, a limited impact in environmental terms. The raw materials used by the Group are paper, toner cartridges and printer cartridges.

In compliance with its commitment to the environment, illimity only uses FSC (Forest Stewardship Council) certified paper, a practice that will be also adopted by IT Auction, which entered the reporting boundary last year and included a consumption of non-certified paper of 427.5 kg in 2020.

The volume of materials used in 2020, despite the significant increase in the number of Group employees, was particularly low as a result of working from home, encouraged by the Bank to offset the emergency caused by the pandemic.

| Total weight of non-recycled materials used for illimity operations (Kg) | |
|--|--------------|
| Paper ²⁴ | 427.5 |
| Toner cartridges ²⁵ | 60.0 |
| Cartridges | 14.0 |
| Total | 501.5 |
| Ratio per FTE (kg/FTE)²⁶ | 0.9 |

| Total weight of FSC/FSC Mix material used (Kg) | |
|--|------------|
| Paper | 1,847.5 |
| Ratio per FTE (kg/FTE) | 3.2 |

GRI 302-1

In 2020, overall energy consumption was equal to 4,976.0 Gj, of which renewable energy accounted for 383.2 Gj²⁷.

The main component of the Group's energy consumption was electricity, chiefly referring to lighting and air conditioning of offices, while natural gas consumption accounted for 307.5 Gj. Natural gas is only used to heat one of the Group's smaller sites, included in the scope as a result of the acquisition of IT Auction.

| Consumption of direct energy (GJ ²⁸) | |
|--|----------------|
| Heating fuel | 307.5 |
| Natural gas ²⁹ | 307.5 |
| Diesel fuel | - |
| GPL | - |
| Electricity used | 2,204.0 |
| Electricity purchased | 2,204.0 |
| <i>from renewable sources (purchased)</i> | 383.2 |
| Electricity from renewable sources produced and used | - |
| District heating/cooling | - |
| Total | 2,511.5 |

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.

²⁴ 1 ream = 2.5 kg.

²⁵ 1 toner cartridge = 0.75 kg.

²⁶ 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.

²⁷ The component of electricity purchased from renewable sources was calculated only for the consumption of illimity's sites (Milan and Modena) based on data on the energy mix used for the production of electricity provided by the electricity providers A2A (for Milan) and Illumia (for Modena).

²⁸ Source of conversion factors: Italian Greenhouse Gas Inventory 1990 – 2015 – National Inventory Report 2017 Annex 6 National Emission Factors – ISPRA (Istituto Superiore per la Protezione e la Ricerca Ambientale - Higher Institute for Environmental Protection and Research).

²⁹ The consumption of natural gas indicated requires the use of estimates due to the non-availability of some data.

All company cars are leased and are assigned to employees for work or for company/personal use. Specifically, there are 88 vehicles, generating a total consumption equal to 2,464.5 Gj.

| Use of vehicle fuel (Gj) ³⁰ | |
|---|----------------|
| Petrol | 134.6 |
| Diesel | 2,078.3 |
| GPL | 240.3 |
| Hybrid vehicles (petrol) | 11.2 |
| Total | 2,464.5 |
| | |
| Total energy consumption | 4,976.0 |
| Renewable energy | 383.2 |
| % of renewables out of the total | 7.7% |

Starting from 2021, the Bank has been committed to including renewable energy sources in its energy procurement mix.

GRI 305-1

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

| Direct greenhouse gas emissions (tCO2 equivalent) ³¹ | |
|---|--------------|
| Heating fuel | 18.2 |
| Natural gas | 18.2 |
| Diesel fuel | - |
| GPL | - |
| Vehicle fuel | 171.7 |
| Petrol | 9.2 |
| Diesel | 147.3 |
| GPL | 14.4 |
| Hybrid vehicles (petrol) | 0.8 |
| Total | 189.9 |
| Total emissions per vehicle | 1.5 |

30 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 on GRI (Global Reporting Initiative) Environmental Indicators, GRI standards – December 2020.

31 The source of the conversion factor is from ABI guidelines on the adoption by banks of GRI (Global Reporting Initiative) Environmental Indicators, GRI standards – December 2020. The gases included in the calculation - and indicated in the guide - are CO2, CH4, N2O.

GRI 305-2

Indirect greenhouse gas emissions (Scope 2) refer instead to the electricity consumption of buildings.

| Indirect greenhouse gas emissions (tCO2 equivalent) ³² | |
|---|--------------|
| Total indirect emissions - Location-based method | 182.4 |
| Total indirect emissions - Market-based method | 298.2 |

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.

The emissions calculated using the Market-based methodology are higher than those calculated using the Location-based approach, because at 31 December 2020 there weren't in place contracts with the energy supplier including specific conditions for procurement from renewable sources.

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. To limit the impacts of travel, also due to the Coronavirus emergency, illimity has adopted organisational solutions for smart and home working.

In addition, minor emissions refer to the supply of goods and services purchased and waste disposal management.

| Other indirect greenhouse gas emissions (tCO2 equivalent) ³³ | |
|--|-------------|
| Goods and services purchased - Procurement of paper/cardboard and toner cartridges | 2.0 |
| Business travel | 28.6 |
| <i>of which by car</i> | 14.1 |
| <i>of which by train</i> | 5.7 |
| <i>of which by plane</i> | 8.8 |
| Waste | 1.5 |
| Total | 32.1 |

In view of main trends on Sustainable Finance issues, illimity is also aware of the significance of the environmental impacts of its own business activities and own portfolios.

32 The source of the conversion factor is from ABI guidelines on the adoption by banks of GRI (Global Reporting Initiative) Environmental Indicators, GRI standards – December 2020. 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 2018, AIB (Association of Issuing Bodies), version 11.07 of 2019, were used.

33 In alignment with the ABI guidelines on the adoption by banks of the Environmental Indicators of the GRI (Global Reporting Initiative) standards version – December 2020, the sources used for the conversion factors are the DEFRA guidelines.

For this reason, to guarantee a better management of transition risk and be able to identify the associated opportunities, the Group has decided to start a process to gather data and information that will lead it, over the next few years, to quantify Scope 3 indirect emissions attributable to its financing activities (“financed emissions”).

GRI 306-2

The Facility Area, through the company which handles site cleaning, monitors and continually manages the volume of waste produced, while waste collection and disposal is entrusted to the local municipal non-hazardous waste collection service.

In 2020, 52% of waste generated was re-used or recycled while the remaining 48% was disposed of at landfill.

| Waste produced, recovered and disposed of (Kg) ³⁴ | |
|--|----------------|
| Total waste produced | 6,728.1 |
| <i>of which hazardous waste</i> | - |
| of which non-hazardous waste | 6,728.1 |
| <i>of which paper</i> | 2,428.5 |
| <i>of which plastic</i> | 773.8 |
| <i>of which glass</i> | 129.2 |
| <i>of which organic</i> | 162.0 |
| <i>of which non-sorted</i> | 3,234.6 |
| Total waste recovered (re-used or recycled) | 3,493.5 |
| <i>of which hazardous waste</i> | - |
| <i>of which non-hazardous</i> | 3,493.5 |
| Total waste disposed of (landfill or incinerator) | 3,234.6 |
| <i>of which hazardous waste</i> | - |
| <i>of which non-hazardous</i> | 3,234.6 |

In the case of waste production, the figures were affected by a considerable drop in the number of employees at offices, due to the Coronavirus emergency.

34 The volume of waste produced was only calculated for the illimity and neprix head offices. This analysis will also be extended to the Faenza offices following IT Auction's merger with neprix.

Combating the COVID-19 emergency

Following the spread of Coronavirus (Covid-19) cases in Italy, the Bank promptly put in place a number of initiatives to protect the health of everyone working at and with illimity, engagement activities, and set out guidelines to help all illimiters to live as well as possible at such a hard time.

At a company level, a **COVID-19 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.

The main initiatives taken for stakeholders and actions related to the COVID-19 emergency were as follows:

For illimiters

The smart native, innovative and technological nature of the Bank meant that it was one of the first companies to adopt **smart/home working all the time** as a standard way of working, from the outset of the emergency. For colleagues who needed to go into the office, a track and trace process was activated, notifying their presence to HR Area and Managers and an App used to "check in" to the office.

To promote the health of staff and associates, a **preventive screening campaign** was launched. Staff could go into the office if they had a negative COVID test result, taking the test twice a month, with the costs paid by the company. Protection devices were handed out at the entrances to offices, where people's temperatures were also measured using a heat scanner. **Specific COVID-19 insurance** was also taken out for all employees, staff, associates, interneers, 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 **e-learning** offer was expanded and online courses and webinars were launched on specific topics such as resilience, parenting, welfare & health and work/life balance. **Engagement and internal communication** projects were also promoted, such as the "Buone Notizie" (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 a second PC monitor.

For retail customers and the community

To limit movement and ease the pressure on hospitals, health services for the direct Bank's customers were stepped up, including **remote healthcare, diagnostics and 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.

In conjunction with StartupItalia, a kit called **#andràtutto bene (everything will be ok)** was created, offering an extensive assortment of services available on apps and over the Internet to help pass the time spent at home. An **illimitips** programme was also created - a weekly session during the first lockdown, when illimiters showcased their expertise, talking about their work in a simple, smart way.

Lastly, illimitybank.com's customer service continued to provide services, seven days a week, operating remotely.

For corporate customers

The Bank has always considered risk and several financial stress scenarios in all its financing operations, in order to deal with this type of situation. With the onset of the pandemic, channels were set up for all customers to share possible difficulties and to help them deal with changed conditions in a consistent way. illimity promptly acted to adopt the measures introduced by the legislator, setting up a lean, streamlined process for granting the suspensions contemplated in the "Cura Italia" ("Cure Italy") Decree Law (18/2020) and ABI moratoria, also setting up bilateral procedures to support customers that do not meet the formal requirements to access initiatives and benefits, thus expanding the scope of businesses supported during a difficult time marked by considerable uncertainty.

In September the suspension in place was extended from 30 September 2020 to 31 January 2021 for all counterparties who had not expressly waived the extension (a wholly residual number of cases). On 30 December 2020, the 2021 Budget (Law 178/2020) was published, confirming the suspension provisions of the SME Guarantee Central Fund, the SACE guarantee and extraordinary moratoria for micro, small and medium-sized enterprises, up to 30 June 2021.

In 2020, suspensions and moratoria were finalised for nearly 200 positions, for a total amount of **approximately EUR 86.5 million**; 52.5% of exposures in a moratorium were attributable to suspensions for companies provided for by article 56 of the Cura Italia Decree Law, with a further 43.9% referring to bilateral interventions, since the conditions required by law to activate legal suspensions had not been met; the remainder concerned ABI moratoria and positions with individuals pursuant to Article 54 of the Cura Italia Decree Law. Thanks to careful actions, at 31/12/2020 the amount of exposures with moratoria had decreased to EUR 57 million and this trend was confirmed in the first few months of 2021 as well.

For distressed credit customers

In the existing credit portfolio, investments were valued with a particularly prudent approach and pricing was validated by applying stress scenarios in order to deal with situations of this type.

As regards servicing, illimity continued to have direct contact with borrowers. 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.

As regards the Senior Financing segment, only in rare cases does the Bank have direct relations with the borrower of credit underlying the operation, but it maintains continual dialogue with subjects and financial investors to share possible difficulties that may occur and act accordingly. In one case, following a formal request from a borrower and checks on the requisites indicated in the Cura Italia Decree, a moratorium was granted as contemplated in the various decrees which have been enacted.

To deal with the health emergency

Considering the difficulties of the healthcare system, particularly during the first lockdown, illimity took prompt action, directly providing medical equipment necessary to deal with the emergency.

Financial resources for a total of **EUR 270 thousand**, were provided for the purchase of:

- 1 portable X-ray machine, for X-ray and lung diagnoses and follow-ups (Siemens Mobilett Elara Max) for the Milan-based **Fondazione IRCCS Ca' Granda polyclinic hospital**;
- 10 portable Nihon Kohden monitors, 12 pocket monitor, 100 saturation meters for the **Santi Paolo e Carlo hospital**;
- 5 Stephan EVETR ventilators for intensive care, for the **San Giuseppe (Multimedica Group) hospital**;
- Personal protective equipment kits for healthcare staff at the **Sacra Famiglia** health foundation.

These purchases were possible also thanks to generous contributions from employees who raised over **EUR 18 thousand** through a dedicated current account.

Rock No War Onlus

We continued the partnership with Rock No War Onlus, already a partner of Banca Interprovinciale. After the construction of the new hybrid operating theatre at Modena hospital in 2018, we supported Rock No War in the project to redevelop the former school "Scuola Carducci" at Formigine (Modena) and turn it into a Centre for people with disabilities without family support (Law 112/2016 "Dopo di noi"), with a total donation of EUR 145 thousand in 2019 and 2020.

10. Recognition and awards

Recognition and awards for illimiters, thanks to the trust placed in them by investors, partners and customers in 2020.

Best Workplaces Italy 2020

This award was given to illimity as one of the best companies in Italy, for its ability to create a work environment that is inclusive and considerate of personal wellbeing.

ABI Award for Innovation in Banking Services 2020

illimity came first in the ABI 2020 classification with its Personal Financial Manager, the innovative tool introduced for the first time by an Italian bank, in September 2019. Thanks to Personal Financial Manager, illimity customers have a user-friendly tool to help track their finances and effectively manage their money, also planning savings.

Universum Most Attractive Employer 2020

illimity was awarded as one of the best employers in Italy by business studies students and young professionals. The survey conducted by Universum, a leader in employer branding, reflects the perceptions of talented people on the job market. University students and young professionals in Italy feel they can train and become a future leader at a new-order bank.

ADCI Awards 2020

Two important awards were received from ADCI (Art Directors Club Italiano) Awards 2020, one of the most important accolades celebrating Italian creativity: a silver award for the photography in the video spot «The Glance» and a bronze award in the creative effectiveness category for the video campaign «*Sei pronto a guardare oltre?*» (*Are you ready to look further?*).

Webranking and .trust of Lundquist 2020

illimity ranked as the best new entry in Lundquist's Webranking and .trust classification, for the quality of its digital corporate communication. The Webranking classification values the transparency of companies' digital channels, while the .trust classification champions businesses' ability to inspire trust: in both cases, illimity ranked in the top 40 of the 120 companies selected, and came second in Webranking's best improvers category. A special mention also went to Corrado Passera as thought leader, for the narration of "the company's values" from his LinkedIn profile.

Milano Finanza Innovation Award 2020

illimitybank.com was awarded in the “Open Innovation” category at the Milano Finanza Innovation Award, organised by the Milano Finanza newspaper in association with Accenture. Live on Class CNBC, Carlo Panella, Head of Direct Banking, received the award and thanked illimiters for having contributed to creating a unique reality in the Italian banking sector.

Repubblica degli Stagisti 2020

The online publication Repubblica degli Stagisti gave the illimity Group two important awards. The «*Women in STEM*» award, acknowledging the company’s commitment to young women through illimitHER projects. The second award was for the direct recruitment of young professionals under the age of 30, without going through an internship. illimity was therefore recognised as one of the best companies for interns of the year, together with a network of 13 companies from various sectors. At the award ceremony, Francesca d’Amico, Team Leader Communication, thanked the publication and collected the two awards on behalf of illimiters and the illimitHER ecosystem.

CIO Italia Award 2020

CIONET awarded the Chief Information Officer of illimity Filipe Teixeira in «*The New Digital Bank*» category, for having created the first, fully digital, cloud Tech Bank in Italy, using API, Big Data and AI technologies, along with a modular, easily scalable architecture, thanks to the increasingly important role of IT as a business partner and enabler of new business models.

Businessperson of the Year in finance 2020

Fortune Italia nominated the CEO of illimity Corrado Passera as Businessperson of the Year 2020 in the finance sector, for having created a new type of hi-tech bank and for having completed the first industrial consolidation operation for open banking in Italy, through the joint venture between illimity and Fabrick in HYPE.

Italia Che Comunica 2020

The campaign «*Sei pronto a guardare oltre?*» (*Are you ready to look further?*) with The Glance won a gold award in the “Prima volta” (First Time) and “Premio Assoluto” (Top Award) categories for the results achieved and strategy adopted.

Financial Innovation Italian Awards 2020

illimitybank.com wins three important awards for innovation. The illimity project «*Cloud Tech-Banking Applied*» won a gold award in the Operations & IT category, thanks to its fully digital, in the cloud nature. illimity won two bronze awards in the New Services and Payments categories; the first for the illimity hubs project - the inclusive model of synergic services enabling users to access third-party services and products, also non-financial, from their illimity App; the second for the illimity connect project, where users can link up accounts from different banks on one App, to make payments from the same touchpoint.

Forbes Special 100 Responsibility 2020

Forbes Italia included illimity in the 100 companies (10 in the banking industry) that stood out in 2020 through their systematic contribution to affirming a culture of corporate social responsibility and sustainability.

Appendix

Annex

Reclassification of the income statement to determine the Economic value generated and distributed

(Amounts in thousands of euro)

| Income Statement items | 31.12.2020 |
|---|------------------|
| Item 10. Interest income and similar income | 145,983 |
| Item 20. Interest expenses and similar charges (-) | (42,205) |
| Item 40. Fee and commission income | 18,529 |
| Item 50. Fee and commission expense (net of expense for external networks - e.g. agents, financial advisors) (-) | (5,013) |
| Item 70. Dividends and similar income | - |
| Item 80. Net trading result | (389) |
| Item 100. Profits (losses) on disposal or repurchase of: | 7,699 |
| a) financial assets measured at amortised cost | 1,863 |
| b) financial assets measured at fair value through other comprehensive income | 5,837 |
| c) financial liabilities | (1) |
| Item 110. Profits (loss) on other financial assets and liabilities measured at fair value through profit or loss | 1,176 |
| a) financial liabilities designated at fair value | - |
| b) financial assets and liabilities subject to mandatory measurement at fair value | 1,176 |
| Item 130. Net losses/recoveries for credit risks associated with: | 40,264 |
| a) financial assets measured at amortised cost | 40,182 |
| b) financial assets measured at fair value through other comprehensive income | 82 |
| Item 140. Profits (losses) on changes in contracts without derecognition | - |
| Item 160. Net premiums | - |
| Item 170. Balance of other income/charges from insurance management | - |
| Item 230. Other operating income/expenses | 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 | - |
| Item 320. Net income (Loss) (+/-) from discontinued operations after taxes | - |
| A. TOTAL ECONOMIC VALUE GENERATED | 173,809 |
| Item 190.b Other administrative expenses (net of indirect taxes and donations/gifts and provisions for termination and deposit guarantees) (-) | (63,591) |
| ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS | (63,591) |
| Item 190.a Personnel expenses | (51,944) |
| ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES, STAFF AND ASSOCIATES | (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 (-) | (7,194) |
| Item 190.b Other administrative expenses: provisions for termination and deposit guarantees (-) | (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) | (8,431) |
| ECONOMIC VALUE DISTR. CENTRAL AND LOCAL ADMINISTRATION | (17,630) |
| 190 b) Other administrative expenses: donations and gifts (-) | (320) |
| Profit assigned to the charity fund | - |
| ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT | (320) |
| B. TOTAL ECONOMIC VALUE DISTRIBUTED | (133,485) |
| Item 200. Net provisions for risks and charges | (1,449) |
| a) commitments and guarantees given | (981) |
| b) other net provisions | (468) |
| Item 210. Net write-downs/write-backs on property and equipment | (2,719) |
| Item 220. Net write-downs /write-backs on intangible assets | (5,895) |
| Item 300. Income taxes for the year on current operations (for the portion relating to the change in deferred tax assets and liabilities) | 825 |
| C. TOTAL ECONOMIC VALUE RETAINED | 40,324 |

GRI Content Index

| GRI Standard | Disclosure | Page number | Notes / Omissions |
|---|--|-------------|-------------------|
| GRI 101: Foundation 2016 | | | |
| GRI 102: General disclosures 2016 | | | |
| Organizational profile | | | |
| 102-1 | Name of the organization | 8 | |
| 102-2 | Activities, brands, products and services | 8 | |
| 102-3 | Location of headquarters | 8 | |
| 102-4 | Location of operations | 8 | |
| 102-5 | Ownership and legal form | 8 | |
| 102-6 | Markets served | 8 | |
| 102-7 | Scale of the organization | 58, 76 | |
| 102-8 | Information on employees and other workers | 59 | |
| 102-9 | Supply chain | 42 | |
| 102-10 | Significant changes to the organization and its supply chain | 26 | |
| 102-11 | Precautionary Principle or approach | 21 | |
| 102-12 | External initiatives | 92 | |
| 102-13 | Membership of associations | 20 | |
| Strategy | | | |
| 102-14 | Statement from senior decision-maker | 4 | |
| Ethics and integrity | | | |
| GRI 102: General disclosures 2016 - Ethics and integrity | | | |
| 102-16 | Values, principles, standards and norms of behavior | 14 | |
| 102-17 | Mechanisms for advice and concerns about ethics | 41 | |
| Governance | | | |
| GRI 102: General disclosures 2016 – Governance | | | |
| 102-18 | Governance structure | 16 | |
| 102-38 | Annual total compensation ratio | 66 | |
| Stakeholder engagement | | | |
| 102-40 | List of stakeholder groups | 27 | |
| 102-41 | Collective bargaining agreement | 58 | |
| 102-42 | Identifying and selecting stakeholders | 27 | |
| 102-43 | Approach to stakeholder engagement | 27 | |
| 102-44 | Key topics and concerns raised | 29 | |
| 102-45 | Entities included in the consolidated financial statements | 26 | |
| 102-46 | Defining report content and topic boundaries | 26 | |
| 102-47 | List of material topics | 30 | |
| 102-48 | Restatements of information | 26 | |
| 102-49 | Changes in reporting | 26 | |
| 102-50 | Reporting period | 26 | |
| 102-51 | Date of the most recent report | 26 | |
| 102-52 | Reporting cycle | 26 | |

cont. >

| GRI Standard | Disclosure | Page number | Notes / Omissions |
|---|---|------------------|---|
| 102-53 | Contact point for questions regarding the report | 26 | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 26 | |
| 102-55 | GRI content index | 107 | |
| 102-56 | External assurance | 112 -113-114-115 | |
| Material topic: Robustness of results | | | |
| GRI 103: Management approach 2016 | | 76 | |
| GRI 201: Economic performance 2016 | | | |
| 201-1 | Direct economic value generated and distributed | 77 | |
| Material topic: Integrity, legal compliance and the fight against fraud, money laundering and corruption | | | |
| GRI 103: Management approach 2016 | | 34 | |
| GRI 205: Anti-corruption 2016 | | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | 39 | |
| 205-3 | Confirmed incidents of corruption and actions taken | 39 | |
| GRI 419: Socioeconomic compliance 2016 | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | | No cases of significant non-compliance with laws and regulations in the social and economic area occurred in 2020 |
| Material topic: Environmental impacts and the fight against climate change | | | |
| GRI 103: Management approach 2016 | | 96 | |
| GRI 301: Materials 2016 | | | |
| 301-1 | Materials used by weight or volume | 96 | |
| GRI 302: Energy 2016 | | | |
| 302-1 | Energy consumption within the organization | 97 | |
| GRI 305: Emissions 2016 | | | |
| 305-1 | Direct GHG emissions (Scope 1) | 98 | |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 99 | |
| 305-3 | Other indirect GHG emissions (Scope 3) | 99 | |
| GRI 306: Waste 2016 | | | |
| 306-2 | Waste by type and disposal method | 100 | |
| Material topic: People | | | |
| GRI 103: Management approach 2016 | | 58 | |
| GRI 401: Employment 2016 | | | |
| 401-1 | New employee hires and employee turnover | 60 | |
| 401-3 | Parental leave | 69 | |
| GRI 403: Occupational health and safety 2018 | | | |
| 403-1 | Occupational health and safety management system | 73 | |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 73 | |
| 403-3 | Occupational health services | 73 | |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 73 | |
| 403-5 | Worker training on occupational health and safety | 73 | |
| 403-6 | Promotion of worker health | 73 | |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 73 | |
| 403-9 | Work-related injuries | 73 | The rates required by the indicator were not calculated as the number of accidents was equal to zero. |

cont. >

| GRI Standard | Disclosure | Page number | Notes / Omissions |
|--|---|-------------|-------------------|
| GRI 404: Training and education 2016 | | | |
| 404-1 | Average hours of training per year per employee | 61 | |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 63 | |
| GRI 405: Diversity and equal opportunity 2016 | | | |
| 405-1 | Diversity of governance bodies and employees | 64 | |
| 405-2 | Ratio of basic salary and remuneration of women to men | 66 | |
| Safeguarding human rights (an outright significant topic for illimity). | | | |
| GRI 406: Non-discrimination 2016 | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | 37 | |
| | | 38 | |
| Material topic: Customer relations and personalised response capacity | | | |
| GRI 103: Management approach 2016 | | | |
| | | 82 | |
| GRI 417: Marketing and labelling 2016 | | | |
| 417-1 | Requirements for product and service information and labelling | 82 | |
| 417-2 | Incidents of non-compliance concerning product and service information and labelling | 83 | |
| 417-3 | Incidents of non-compliance concerning marketing communications | 83 | |
| Material topic: Cyber Risk, Data Management & Security, Privacy | | | |
| GRI 103: Management approach 2016 | | | |
| | | 54, 86 | |
| GRI 418: Customer privacy 2016 | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 86 | |
| Material topic: Support for SMEs | | | |
| GRI 103: Management approach 2016 | | | |
| | | 79 | |
| GRI G4 Sector Disclosure - Financial Services Sector Supplement | | | |
| FS6 | Percentage of client portfolio by specific region, size and sector | 79 | |
| Material topic: Responsible activities and products | | | |
| GRI 103: Management approach 2016 | | | |
| | | 87 | |
| GRI G4 Sector Disclosure - Financial Services Sector Supplement | | | |
| FS7 | Monetary value of products and services designed to offer a specific social benefit for each business line, broken down by scope | 90 | |
| FS8 | Monetary value of products and services designed to offer a specific environmental benefit for each business line, broken down by destination | 90 | |
| Material topic: Innovation | | | |
| GRI 103: Management approach 2016 | | | |
| | | 46 | |
| Material topic: Developing and consolidating partnerships | | | |
| GRI 103: Management approach 2016 | | | |
| | | 92 | |

Additional indicators

| Indicator | Page number | Notes |
|---|-------------|-------|
| Material topic: Robustness of results | | |
| CET 1 (Common Equity Tier 1) | 76 | |
| ROE (Return on Equity) | 76 | |
| COR (Cost of Risk) | 76 | |
| Net Organic NPE Ratio | 76 | |
| Material topic: Integrity, legal compliance and the fight against fraud, money laundering and corruption | | |
| Compliance culture: training and awareness-raising activities | 40 | |
| Compliance Risk Assessment | 40 | |
| Material topic: People | | |
| CEO remuneration to average employee remuneration ratio | 66 | |
| Average remuneration of the CEO and Top Management to average employee remuneration ratio | 66 | |
| Percentage of welfare out of the average RAL | 70 | |
| Material topic: Customer relations and personalised response capacity | | |
| Service level - Capacity to respond to calls | 84 | |
| 30" service level - Capacity to respond to calls within a certain time | 84 | |
| NPS - Net Promoter Score | 84 | |
| Cookie Policy | 87 | |
| Material topic: Clear, transparent communication, brand and reputation | | |
| Net Sentiment Score | 84 | |
| Material topic: Cyber Risk, Data Management & Security, Privacy | | |
| Number of serious IT security incidents: Number of serious IT security incidents out of the total of IT security incidents reported | 55 | |
| Vulnerabilities in the Bank's applications and systems solved, compared to those detected through VAPT. | 55 | |
| Material topic: Support for SMEs | | |
| Conversion rate: ratio between transactions analysed and financed (Turnaround/Crossover) | 80 | |

cont. >

| Indicator | Page number | Notes |
|--|-------------|-------|
| Material topic: Responsible activities and products | | |
| 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 | 87 | |
| Time to solve: Average time recorded to solve out-of-court proceedings | 87 | |
| Material topic: Innovation | | |
| Digital communication out of total customer communication | 46 | |
| End-to-end digital onboarding of consumer customers | 46 | |
| Active consumer customers | 46 | |
| Proprietary cloud banking systems | 46 | |
| Customers using PSD2/Open Banking functionalities | 46 | |
| Employees who have the resources to work from home | 46 | |
| Logins from apps vs desktops | 46 | |
| Material topic: Developing and consolidating partnerships | | |
| Partnerships with external organisations | 92 | |



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(Translation from the Italian original which remains the definitive version)

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 2020 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 2021 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of illimity Bank S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS 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 an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, 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.

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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 NFS, 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 NFS 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 NFS 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 NFS 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 NFS, 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 NFS, 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 NFS 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 NFS 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 NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected 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 NFS.

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 NFS 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 and location, 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 2020

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 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.

Milan, 23 March 2021

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit

This year,
the design of illimity's Report puts
illimiters - our greatest resource -
at the centre of attention.



Due to social distancing, we led the illimiters through a “smart photo shoot”, directly in their homes. The illimiters were photographed in their favourite places, with their passions and were often helped by their families.



Despite the distance,
illimiters are
more united than before.



We would like to thank everyone who helped contribute to the 2020 Sustainability Report of Gruppo illimity Bank S.p.A..

For further information on sustainability activities: www.illimity.com/en/who-we-are/sustainability

Edited by:

Communication & Stakeholder Engagement

sustainability@illimity.com

Graphics layout and creative project in collaboration with:

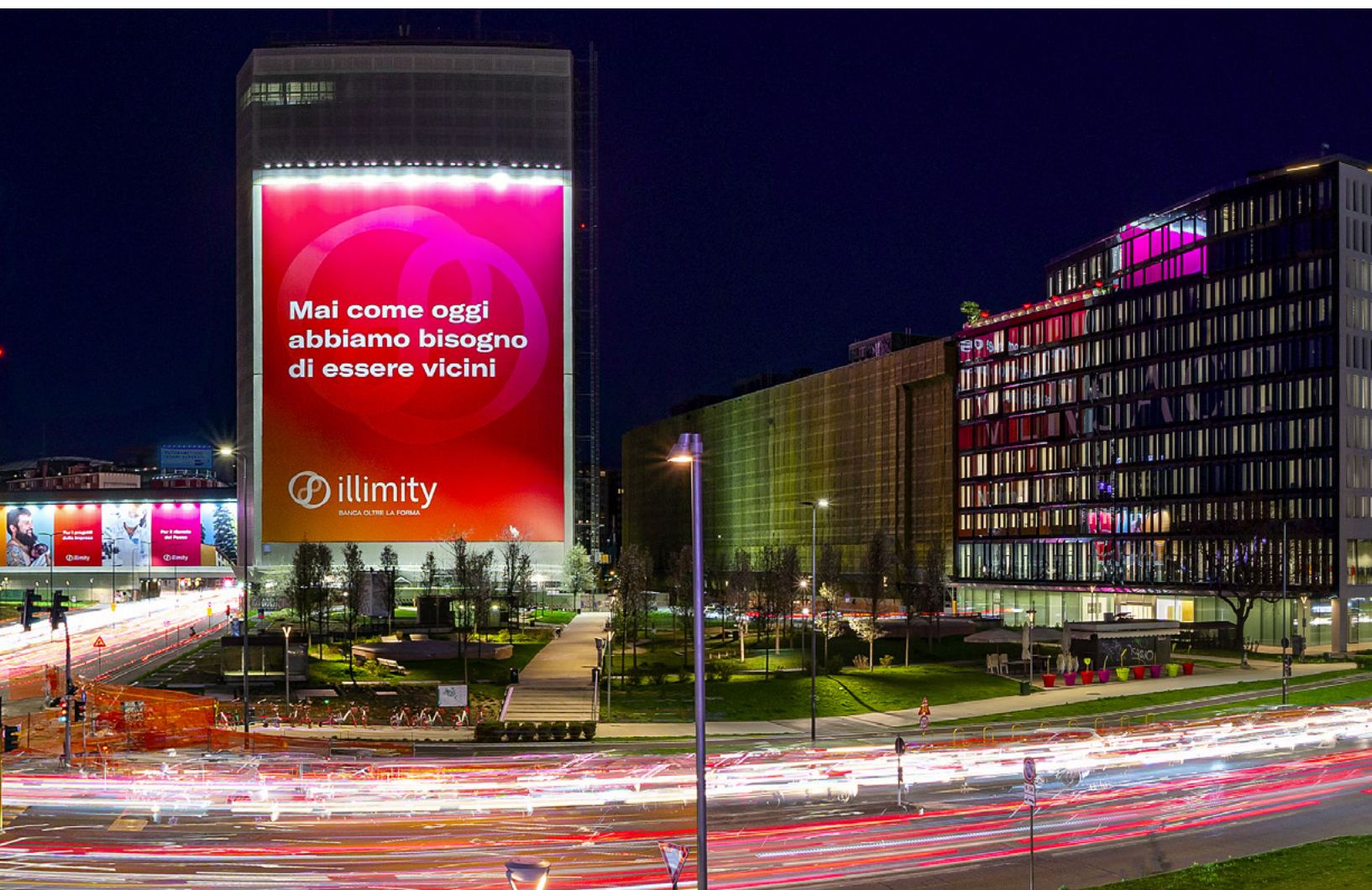
Redpoint Communication

illimity Bank S.p.A. Group

[illimity.com](https://www.illimity.com)



March 2021



illimity Bank S.p.A.

Head office: Via Soperga, 9 – 20127 Milan

Share capital: EUR 50,288,411.49 (of which EUR 48,791,740.15 subscribed and paid in)

Registered in the Register of Companies of Milan

Tax code: 03192350365

ABI code 03395 – Member of the Interbank Deposit Protection Fund

A registered bank no. 5710 – Parent Company of the illimity Bank S.p.A. Group a registered banking group no. 245

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