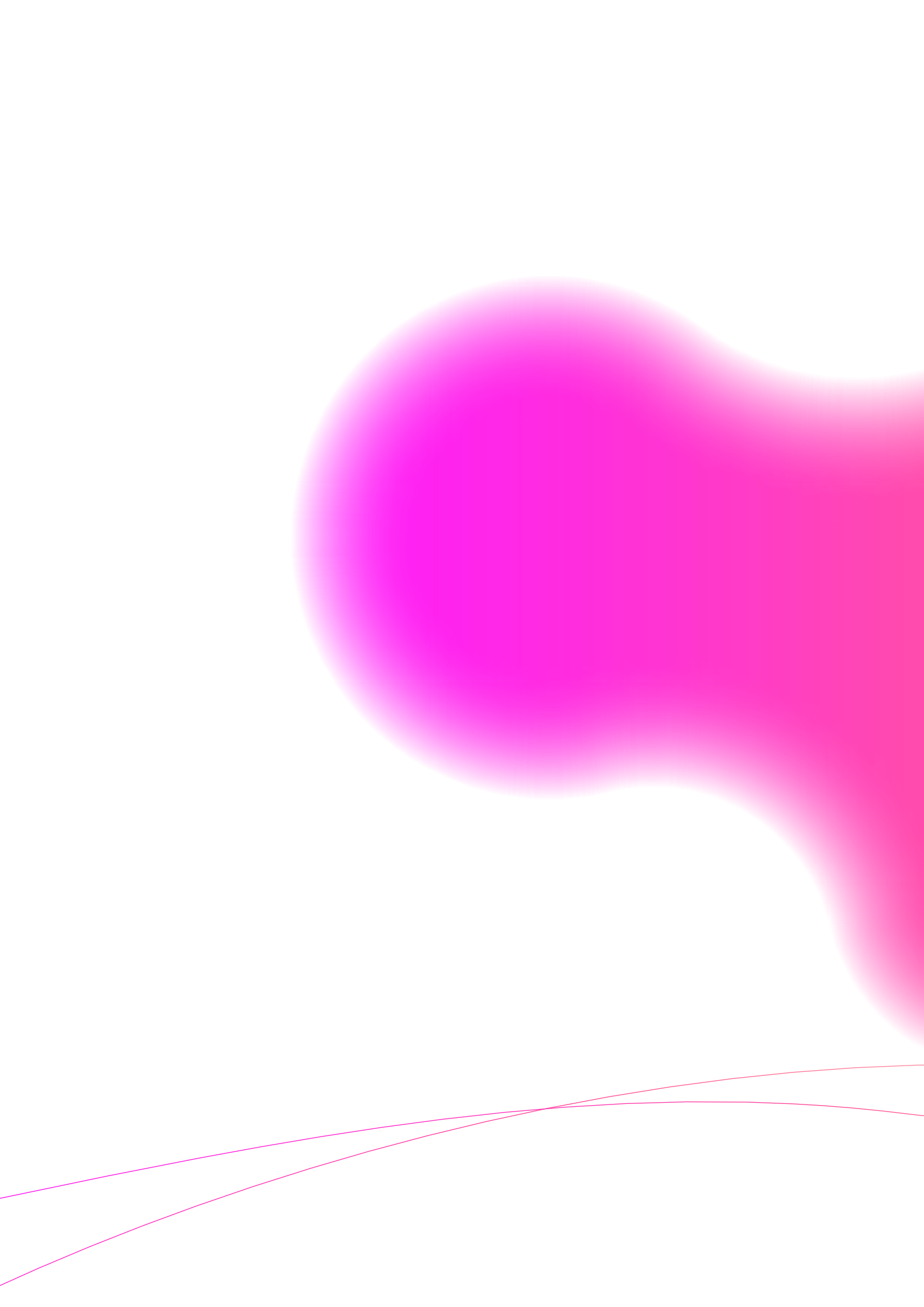


# 2022 Sustainability Report





# 2022 Sustainability Report

as of 31 December 2022

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

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# **Main ESG achievements**

**4.6%**

**Gender Pay Gap**

among the lowest  
of our sector

**76%**

of the economic value  
generated distributed  
to stakeholders

**51**

**average hours of training**

above the sector  
average

**2023-2025  
Sustainability  
Plan**

approved by the Board  
of Directors  
of illimity

**Great Place  
to Work and Best  
Workplace Europe**

GPTW for the 4<sup>th</sup> year  
running and Best Workplace  
Europe for the 2<sup>nd</sup> year  
running

**Gender Equality  
Certification**

UNI PdR  
125:2022  
Certification obtained

**Scope 3**

Expansion of emissions  
reporting including  
financed emissions

**Carbon  
Neutrality**

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

**Principles  
for Responsible  
Investment**

Membership through  
illimity SGR

**Rating  
ESG**

Upgrade of main  
ESG ratings  
assigned to illimity

# Message from the Chair and Chief Executive Officer

GRI 2-22

## Dear illimity friends,

We present to you the Group's 2022 Non-Financial Statement, at the end of the Group's fourth year of operation.

We are highly satisfied with what we have done in these years, as we have been capable of expressing significant growth, while continuing to invest in the future and, since the beginning, fully integrating ESG issues into our values, our business model, and organisation and into company culture.

The year just finished was marked by unforeseeable events: from the war in Ukraine to the energy crisis, to the sharp increase in inflation.

We implemented a strong, effective approach and reaction to the changes around us. We remained faithful to our commitment: being a Bank that funds the growth of SMEs and works with them in restructuring situations, with the goal of ensuring that they prosper once again, also in specific moments of difficulty, intervening in complex situations that other financial operators might see as a restriction. A Bank that dialogues with entrepreneurs to finalise recovery plans and out-of-court agreements that speed up resolution times and contribute to the entrepreneur's recovery. This is the model we have conceived, which we are pursuing now more than ever: produce profits, but also be useful to the community that we feel a part of.

Significant results were also achieved this year. We achieved highly satisfying profitability, with a low risk profile, and launched new tech initiatives that we believe will create significant development and value for the Group in the medium term: b-ility, the first lendtech offering for small and medium-sized enterprises, and Quimmo, the digital proptech for property brokerage. These initiatives join our joint venture with Banca Sella HYPE, a leader in the Italian fintech market for retail customers.

During the year, we successfully acquired and integrated AREC into neprix, giving rise to an operator – ARECneprix – which positions itself as

a new, innovative end-to-end model for managing distressed corporate credit, covering the entire value chain.

We have completed our IT infrastructure, which will enable us to exploit new data and augmented and artificial intelligence technologies. On the positive results achieved to this point, we will continue to grow, remaining focused on supporting SMEs, to which we have disbursed loans for more than EUR 2.6 billion, and asset management of non-performing loans, specifically UTP, making our maximum effort to favour their return to performing status.

All of this has been made possible by a team of talents, now composed of almost 900 people from 300 organisations in different sectors and 22 nationalities. Varying professional skills which, joined together, manage to go above and beyond, with an approach strongly focusing on innovation. And thanks to this united front and sense of belonging, the illimity Group was recognised as a Great Place to Work for the fourth year running, also at European level.

Our process of and commitment to sustainability issues are strong and deeply felt by the entire organisation, starting from the Board of Directors, to the management through to each illimitee. We are proud that this is reflected in the significant upgrades to our ESG ratings. But we are not about to stop: with the publication of this Non-Financial Statement, we present the new 2023-2025 Sustainability Plan, which comprises the ESG objectives we set in the 2021-2025 Strategic Plan, to ensure even better alignment with the best practices in the international banking sector, also in response to the guidance from the Regulator and the increasing expectations of the financial market and the ESG ratings agencies, with which we constantly interface.

We have also committed to carrying out data collection which, this year, resulted in an initial quantification of indirect emissions (Scope 3)

“ Being an illimiter  
also means  
behaving responsibly  
in the concrete  
choices we  
make every day ”



attributable to financing activities (financed emissions). A fundamental step in our journey, which will enable us to monitor the carbon footprint of our portfolio and define, along with the business structures, possible decarbonisation strategies.

With this same spirit, from this year we have added to our disclosure the climate-environmental reporting aligned with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD).

We have also renewed our full endorsement of the United Nations Global Compact, which, for illimity, is a commitment to help promote the Ten Fundamental Principles, through cooperation and partnerships with various stakeholders.

We are proud to have reached this point after four years of operations, creating a sound banking group that is useful to Italy, and we are ready to capture new challenges and opportunities, guided by our principles and continuing to create and share value.

Rosalba Casiraghi  
Chair of illimity

Corrado Passera  
CEO of illimity

# Morato Pane

A company that industrialised the process  
of production of soft bread



Frame the cover photo to watch the video  
"The Morato Pane Story" using the ARIA App



Find out more:

**illimity, Morato Pane**



# Principles of Governance

# 01. illimity. Bank beyond form

## The Group

GRI 2-1

GRI 2-2

GRI 2-6

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

Since September 2020, the ordinary shares of illimity have been admitted to trading on the STAR – *Segmento Titoli con Alti Requisiti* (High Requirements Securities Segment) of the Electronic Stock Market (*Mercato Telematico Azionario* – "MTA"), dedicated to businesses that excel in terms of transparency and communication, liquidity and corporate governance.

illimity is a **bank of the new order**, specialised in financing for **small and medium-sized enterprises (SMEs)** through the Growth Credit, Distressed Credit, b-ilty and Investment Banking Divisions, with a business model that is extremely innovative and highly technological. illimity provides funding for high-potential companies with a low or no rating, including the UTP (Unlikely-To-Pay) segment. illimity supports companies in structuring market and private operations to meet their needs for capital, debt and strategic growth, also through consultancy on operations such as mergers, demergers, incorporations, acquisitions and corporate restructuring.

It purchases **distressed corporate credit**, with or without guarantees, and manages this credit through nexipr (since 1 January 2023, **ARECnexpris S.p.A.**), its proprietary servicing platform. Starting on 30 June 2022, **AREC** (Aurora Recovery Capital S.p.A.) entered the Group, a company through which illimity aims to strengthen its positioning and innovative approach to servicing distressed corporate loans. Moreover, through **Abilio** it manages and sells property and capital goods originating from insolvency proceedings and foreclosures.

Thanks to **b-ilty**, illimity provides financial and loan services to SMEs through a digital banking platform featuring an intuitive interface to streamline the business management of small companies.

It also offers innovative services for retail customers through its own digital bank **illimitybank.com**.

Lastly, the illimity Group also includes **illimity SGR**, which manages the assets of reserved closed-end alternative investment funds (AIF), established with own funds and the funds of third-party institutional investors.

Through the **fondazione illimity** (illimity foundation), established in 2021, the Group promotes innovative projects for the social regeneration of real estate assets, and impact financing, working with the third sector and experts in social design, to create value for the territory and local communities.

GRI 2-1

The Bank performs management and coordination functions for the Group and has its registered office at Via Soperga 9, Milan. It also operates an operational branch located at Via F. Lamborghini 88/90, Modena.

**GRI 2-6**

The Group's main activities are listed below.

**Growth Credit Division**

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

**Distressed Credit Division**

- **Investment:** purchase of secured and unsecured distressed corporate credit, allocated to three specific desks: *Special Situation Real Estate, Portfolio, Special Situation Energy, UTP Portfolios and PPC*.
- **Senior Financing:** the provision of senior financing services 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 Group performs those services through ARECneprix S.p.A., created through the merger by incorporation of AREC S.p.A. (acquired on 30 June 2022) by neprix S.r.l. with legal effect from 1 January 2023.
- **Prop-tech:** management and sale of property and capital goods originating from insolvency proceedings and foreclosure, through its own network of platforms/online auctions and a network of professionals operating nationwide. On 1 April 2022, Abilio S.p.A. became operational. This company was incorporated and is wholly-owned by the Bank and, through a partial proportionate spin-off, the neprix Sales Area and a portion of Neprix Tech, previously held by neprix S.r.l., were contributed to it.

**b-ilty Division**

Through its b-ilty Division, illimity offers digital banking and digital lending products and services to Business customers, i.e. small and medium-sized enterprises with turnover of EUR 2 million to EUR 10 million. The Division's purpose is to define, develop and manage the offering of products and their commercial and pricing characteristics through an innovative offering of dedicated products (e.g. Digital credit, which also includes factoring and green loans), in line with illimity's mission, which aims to develop the potential of businesses.

**Investment Banking Division**

- **Capital Markets:** which provides solutions that are complementary to the offering of the Growth Credit Division for SMEs to access the capital market, geared towards the development, organic and non-organic growth and optimisation of the financial structure.
- **Corporate Solutions:** which invests in corporate bonds and alternative debt and offers solutions to SMEs and Mid Caps to hedge market risks.
- **Structuring:** which takes care of implementing complex financial transactions for both companies and financial companies and for the Bank.

## illimity SGR

- **UTP & Turnaround Funds:** AIFs with strategies of investing in the turnaround market and, specifically, on businesses in financial difficulty with prospects for relaunch.
- **Private Capital Funds:** AIFs with strategies of investing in financial instruments issued by performing companies.
- **NPL Small Medium Tickets Funds Area:** AIFs with strategies of investing in the granular (typically unsecured) Non-Performing Loans (NPL) market, with potential counterparties both small corporates and retail businesses, and different areas of origination (utilities, consumer, commercial credit, etc.).

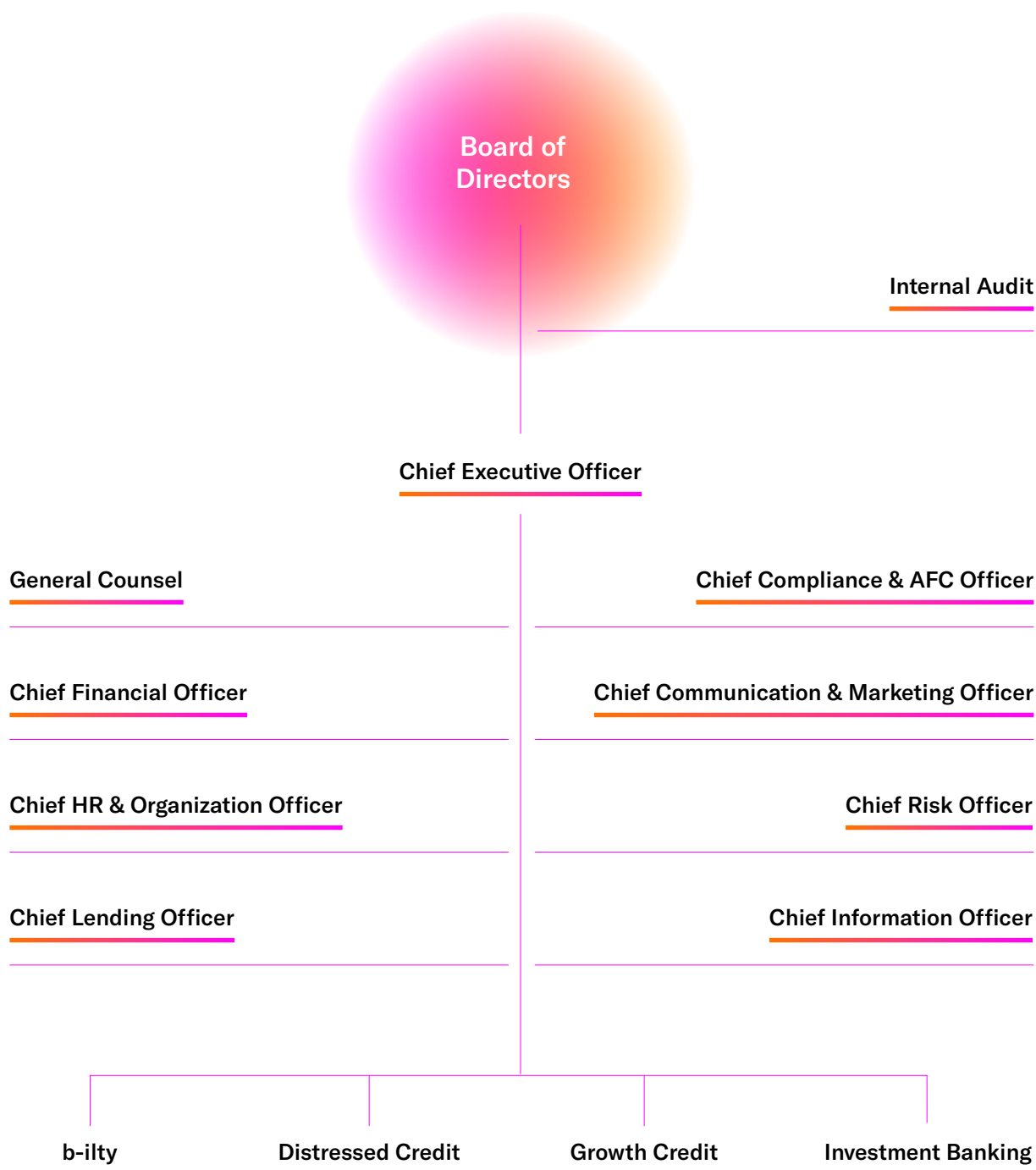
## Corporate Center

The organisation also monitors related activities through functions directly reporting to the Chief Executive Officer.

- **Chief Financial Officer (CFO):** responsible for coordinating the overall process of planning, control and administration, strategic allocation of capital, managing liquidity and funding, managing relations with the financial community, as well as developing and coordinating sustainability strategies and activities for the entire Group.
- **Chief HR & Organisation Officer:** responsible for procurement and facility management, managing human resources, as well as managing the organisational activities of supervision and transversal coordination for the Bank.
- **General Counsel:** responsible for legal and corporate support and managing the corporate secretariat, as well as general affairs and relations with authorities.
- **Chief Risk Officer (CRO):** responsible for guaranteeing the strategic oversight and definition of risk management policies. Risk Management, Risk Strategy & Group Controls and Risk Analytics deal with the management of risk, and the development of new strategies using quantitative models.
- **Chief Lending Officer (CLO):** monitors credit analysis and approval activities. The Credit Machine unit (assessment of creditworthiness in loan transactions) and Operations, Credit Monitoring & NPE unit (monitoring credit and managing “organic” non-performing loans) report directly to the CLO.
- **Chief Information Officer (CIO):** responsible for managing IT infrastructure, Back Office activities and the Contact Centre. The Chief Information Officer is also responsible for managing illimitybank.com, the digital direct banking platform for retail customers which offers current accounts, deposit accounts, payment services and innovative open banking services.
- **Chief Compliance & AFC Officer:** responsible for compliance risk management and oversight of money laundering and terrorist financing risk.
- **Chief Communication & Marketing Officer:** responsible for promoting and supporting the development of a single, shared identity of the Bank among the stakeholders and formulating the Bank’s communications plan and brand development strategy to ensure positioning, customer acquisition results and optimal customer management.
- **Internal Audit:** carries out assurance activities for the entire system of internal controls, advising Management.

# illimity's Governance and Organisational Model

(Updated as of 1 January 2023)



## GRI 2-1

As of 31 December 2022, the following companies were part of the Group, in addition to the Parent Company illimity Bank S.p.A. ("illimity"):

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

**AREC S.p.A. ("AREC")**, a company in which illimity holds 100% of the share capital, established to include the assets and liabilities sold by Aurora Recovery Capital S.p.A. as part of the acquisition of the business of that company, finalised on 30 June 2022. ARECneprix S.p.A. was created through the merger by incorporation of AREC into neprix, with legal effect from 1 January 2023.

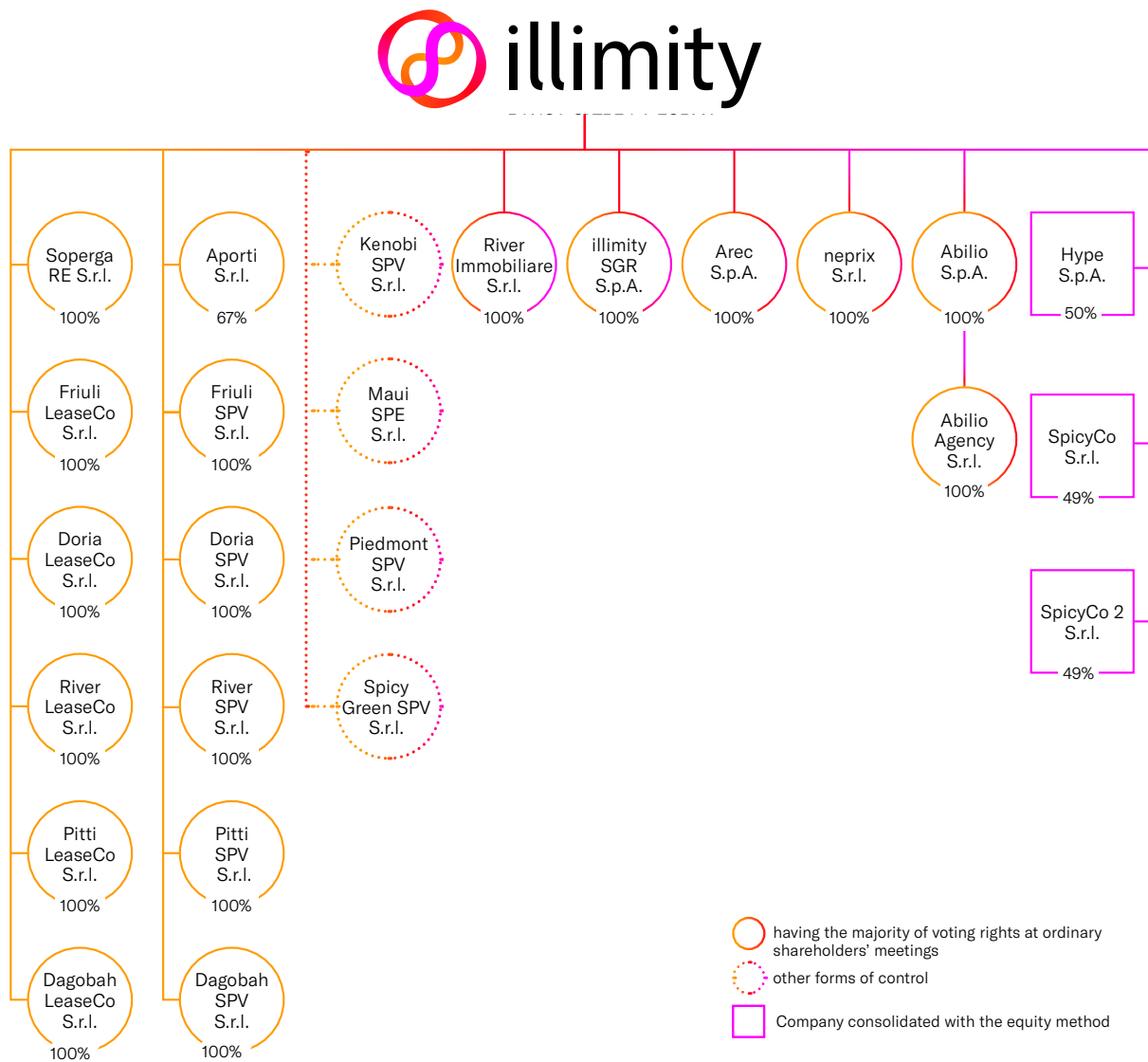
**illimity SGR S.p.A. ("illimity SGR")**, wholly-owned by the Bank, which manages the assets of closed-end alternative investment funds (AIFs), established with own funds and the funds of third-party institutional investors.

**Abilio S.p.A. ("Abilio")**, wholly owned by the Bank, and whose purpose is to execute real estate operations and develop and organise sales to the public through online and offline auctions.

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

The Group also includes a number of securitisation vehicles, which are used for the acquisition of portfolios of distressed loans.

## Corporate Structure of illimity Group as of 31.12.2022



# 2018

## January

Establishment of **SPAXS**, Italy's first Special Purpose Acquisition Company with the aim of creating a new banking operator

## April

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

## August

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

## December

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

# 2019

## March

**illimity Bank S.p.A.** is created on 5 March with its concurrent listing on the MTA of Borsa Italiana (Italian stock exchange)

## April

**neprix**, the servicer specialising in the management of distressed corporate credits, is presented

## June

Signed the contract for the **acquisition of IT Auction** which, together with neprix, creates the first end-to-end servicer specialising in distressed corporate credit

## September

**illimitybank.com** is established, offering direct digital banking services to retail customers

# 2020

## February

**illimity SGR** is authorised to establish and manage Alternative Investment Funds

## May

illimity acquired 100% of **IT Auction**

## June

Publication of the **first Sustainability Profile** to report on the Bank's commitment to ESG issues

## September

- Admission 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 receive a **Fitch rating**

## December

illimity's **first bond issue successfully** concluded

The main stages  
in illimity's  
story

2021

## March

Qualification as a **Euronext Growth advisor** on the Euronext Growth Milan market, expanding illimity's offering to SMEs

## April

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

## May

**Carbon Neutrality** (Scope 1 and Scope 2) achieved

## June

- **fondazione illimity** was created, to promote innovative projects for the social regeneration of real estate, and impact financing
- Approval of the **2021-25 Strategic Plan**
- **Placement of illimity's first Tier 2 subordinated bond** concluded

## November

"**Basket Bond - Sustainable Energy**" was created in collaboration, in partnership with ENI, Elite and illimity, as Arranger

## December

Endorsement of the **United Nations Global Compact**

2022

## February

Launch of **b-ilty**, the first Digital Business Store for financial and credit services for SMEs

## April

Launch of **Quimmo**, the Italian **prop-tech** platform created to meet the needs of both property buyers and sellers

## May

An agreement is reached for the **acquisition of AREC**, which, integrated into neprix, creates a leading operator in the **servicing of Unlikely-to-Pay ("UTP") loans**

## July

**Upgrading of ESG ratings from MSCI and Standard Ethics**, placing the bank at the top of the banking sector

## September

**iREC**, the second fund of illimity SGR, is launched, dedicated to **investments in distressed real estate loans**

## October

- **fondazione illimity** presents its first projects: **Albergo Etico Cesenatico** and **(RE)GENERATION CAMP**
- **Sustainalytics upgrades** illimity, bringing its ESG Rating to **Low Risk level**
- The Bank is **ranked in 58th** place globally, and **number five in Italy**, in the ranking of the **World's Most Socially Responsible Banks** of Newsweek and Statista, which identifies the 175 most socially responsible banks in the world.

## November

- **Gender equality certification** obtained
- Launch of a **liability management operation**

## December

- **Second senior bond issue successfully** concluded
- CDP **upgrades** illimity's ESG rating to **B**

## Purpose and values

GRI 2-23

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

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

### We are a bank, and we say it proudly

We offer next-generation lending services to companies through an innovative, highly-digital business model, to discover and optimise the extensive hidden potential in our economy and society:

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

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

### We live for innovation

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

### We believe in freedom

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

### We act responsibly

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

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

**We're illimity. Bank beyond form.**

# Associations and endorsements of international schemes

GRI 2-28

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 Lease Association)

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

## VALORE D

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

## UN Global Compact

The United Nations Global Compact encourages businesses the world over to create an economic, social and environmental framework that can promote a healthy, sustainable world economy which guarantees everyone has the opportunity to share the benefits.

Launched in 2000, the Global Compact requires endorsing companies and businesses to comply with 10 universally accepted principles in the areas of human rights, employment, the environment and the fight against corruption, and also act to support the UN's Sustainable Development Goals (SDGs).

Endorsing the Global Compact (since 2021) is an important step for illimity in its journey of sustainable development and a commitment to help promote the Ten Fundamental Principles, through cooperation and partnerships with various stakeholders.

Scope	Principles	Page reference
Human Rights	<b>Principle I.</b> Promote and respect universally recognized human rights within their respective spheres of influence.	49-50
	<b>Principle II.</b> Make sure that you are not, albeit indirectly, complicit in human rights abuses.	107-109
Labour	<b>Principle III.</b> Supporting freedom of association for workers and recognising the right to collective bargaining.	72-91
	<b>Principle IV.</b> Elimination of all forms of forced and compulsory labour.	72-91
	<b>Principle V.</b> Effective abolition of child labour.	72-91
	<b>Principle VI.</b> Elimination of all forms of discrimination in respect of employment and occupation.	72-91
Environment	<b>Principle VII.</b> Support a preventive approach to environmental challenges.	112-119
	<b>Principle VIII.</b> Undertake initiatives that promote greater environmental responsibility.	112-119
	<b>Principle IX.</b> Encourage the development and diffusion of environmentally friendly technologies.	112-119
Anti-Corruption	<b>Principle X.</b> Counter corruption in all its forms, including extortion and bribery.	50-51

## Principles for Responsible Investment

The PRI - Principles for Responsible Investment were developed through the partnership between UNEP-FI and the Global Compact, with the intention of disseminating sustainable and responsible investments among institutional investors. The principles aim to provide a framework for integrating ESG issues into investment decision-making. The illimity Group endorsed the PRI as a signatory in February 2023, through illimity SGR.

## illimity's Sustainability Strategy

Since the start of its operations in 2019, illimity **has placed significant focus on environment, social and governance issues (ESG)** and has innately undertaken a process to integrate them into its strategies, processes and governance.

The 2021-2025 Strategic Plan, presented in June 2021, confirmed the Group's commitment also to ESG issues. In publishing its 2022 Non-Financial Statement, the Bank deemed it necessary to evolve those commitments by integrating new, more extensively detailed qualitative and quantitative targets in order to better align with the best practices of the Italian banking sector, meet the growing needs of the market and ESG rating agencies and implement the feedback received from investors during engagement activities.

The new **2023-2025 Sustainability Plan**, approved by the Board of Directors in February 2023, is the result of a detailed analysis within and outside the Bank and the Group's increased expertise in non-financial reporting. It enabled us to start from a solid baseline aimed at defining significant, ambitious targets that integrate with the various aspects of the Bank's business and meet the requests from the various stakeholders, on the one hand, and comply with regulatory expectations regarding sustainable finance and governance of climate and environmental risk, on the other.

The **environmental** targets focus on the urgent issue of transitioning to a net-zero economy, in which illimity, plays and will play, a key role in supporting and assisting the financed businesses in that process. The **social** targets were reinforced through commitments regarding diversity and inclusion, including gender equality certification and initiatives to raise awareness among employees. Lastly, since its inception, illimity has aligned with the best practices regarding the integration of sustainability into the business strategies, processes, policies and **governance** of the Group, with the goal of consolidating that positioning.

The new Sustainability Plan with time horizon to 2025 is organised as follows:

### Environment



#### 2021-2025 Strategic Plan

- Maintain of the Group's carbon neutrality (Scope 1 and Scope 2 emissions); measure and address the so-called "financed emissions" (Scope 3)

- Reactivation of renewable energy plans through the Energy Desk

- Integration of ESG factors in the credit assessment and Risk Appetite Framework (RAF)

#### Target's integration of the 2023-2025 Sustainability Plan

##### Energy used

- Reach 100% of electricity used from renewable sources at the Group's main locations

##### FSC Paper

- Maintain 100% use of FSC paper throughout the Group

##### Environmental Policy

- Develop an environmental policy at Group level

##### Environmental KPIs in Real Estate

- Consider the environmental and climate impacts in the appraisal and management of Real Estate assets

##### Green Loans and sustainable finance

- Develop the offering and framework for sustainable finance products
- Develop ESG support/advisory services for SMEs
- Reaching 15% on cumulative origination volumes (disbursed/invested) for 2023-2025 for sustainable finance (Sustainability-Linked Loans, Green Loans/Investments and Taxonomy-Eligible Loans)

##### ESG Asset Management

- Launch of SGR fund with ESG characteristics

##### Climate Disclosure

- Reporting aligned with TCFD disclosure

## Social



### 2021-2025 Strategic Plan

- Double the number of women in managerial roles (Gender Equity)
- Maintain the balance between men and women in the formalised "talent pool" and a gender pay gap with a maximum deviation of 5%
- Maintaining the engagement index of Group employees above 70%
- Develop impact projects for the real estate sector, through the illimity Foundation

### Target's integration of the 2023-2025 Sustainability Plan

#### D&I Certifications

- Maintain the UNI\_PdR 125-2022 gender equality certification

#### Anti-Harassment Policy

- Develop a company policy to combat harassment, inappropriate sexual conduct and bullying

#### Training

- Maintain the average number of hours of training at 42 hours per employee, while guaranteeing 3 hours of ESG training per employee

#### Raising awareness on sustainable mobility

- Develop initiatives to raise awareness on sustainable mobility (commuting) for employees

#### Supply chain

- Reach more than 50% of total expenditure on goods and services as of 2025 assessed with ESG criteria

## Governance



### 2021-2025 Strategic Plan

- Enhance illimity's ESG Ratings
- Integrate ESG Goals in incentive plans

### Target's integration of the 2023-2025 Sustainability Plan

#### ESG Ambassadors

- Identifying the specific ESG Ambassadors in the key structures (10% of illimiters)

#### Endorsement to PRB

- Endorsement of the Bank to the Principles for Responsible Banking

#### Anti-Bribery and Compliance Certifications

- Obtain Anti-Bribery certification (ISO 37001)
- Obtain Compliance certification (ISO 37301)

#### ESG Investment policy & limits

- Developing an ESG Investment Policy (property financing) and reach 100% of Treasury and Investment Banking investments that consider ESG factors in the selection phase (ESG due diligence)

To achieve these strategic ESG objectives, **all the Group's business**, central and control **functions were involved**, to identify, organise and launch operational projects and actions necessary to achieve the targets. **The Sustainability Plan integrates the ESG** goals included in the 2021-2025 Strategic Plan and identifies the improvement and upgrading initiatives for the operational alignment with the Group's sustainability strategy.

## fondazione illimity

For the Bank, generating value means not only earning profits, but also being useful. With this spirit, **fondazione illimity** was created in March 2021, with the goal of **regenerating real estate assets for the purpose of creating new value for the community**.

fondazione illimity is a separate entity independent from the illimity Group, financed by the Bank to promote innovative projects of social regeneration of real estate assets. The foundation acts as a **driving hub** and enabler of a **synergistic ecosystem of social enterprises, no-profit organisations and public and private entities** keen to support projects connected with the **creation of new spaces for inclusion, cohesion and a shared well-being**.

Due to partnerships with professionals in social planning, as well as with research centres, institutes and universities, the foundation promotes an ecosystem of partnerships to create projects and initiatives of social impact, with a **strong focus on ESG sustainability topics**.

Moreover, the Bank promoted the **"Make It Double"** programme, which allows each employee of the Group to allocate a monthly amount from their salary through withholding in their payslips. Each month, illimity will double the amount donated by the employees and the amounts collected will be allocated to initiatives of the foundation.

Two processes are carried out to identify and select the projects: a top-down process, which involves selecting assets starting from specific requests of non-profit entities and a bottom-up process, which consists of scouting for cooperatives near the assets to establish the possible projects together.

In October 2022, the first project was presented: **"Albergo Etico Cesenatico"** (Cesenatico Ethical Hotel), with the partner Albergo Etico, a social enterprise based on a **tourism-hotel business model with a social impact**, which inserts people with disabilities into the working world and offers them training and independence. The objective is to revolutionise the concept of the hotel business, focusing it on experiences and on the connection with people.

Albergo Etico Cesenatico will thus promote the employment also of people with disabilities, to increase their personal autonomy, offering them social, training and work opportunities. Moreover, the redevelopment works on the building made it possible to develop large renovated spaces and high quality services, and create a multi-purpose room open to the entire town, for inclusion, cohesion and shared well-being activities.

Another project is **(RE)GENERATION CAMP**, a laboratory for creativity held in a space regenerated by the illimity foundation, at the Dima Shopping Bufalotta Shopping Centre in Rome. Its objective is to **promote the integration and socialisation of the younger generations**. Specifically, laboratories of art were organised for children and comics for teenagers, both with the partner "Programma Integra", a social enterprise that promotes the development of an inclusive community by implementing actions and services in the social, educational and psychological fields.

Moreover, following the launch of the foundation, several cooperatives and social enterprises in Italy demonstrated their interest in cooperating to define and manage projects with social impacts. These also include **Il Nodo Consorzio**, with which a project was launched to build **housing** to temporarily host people (*Care Leavers*) who have completed voluntary and involuntary temporary institutional medical and social assistance (who no longer receive loans) and require support to develop a project of independent living.

**The total contribution made by illimity to the foundation in 2021 and 2022 came to EUR 610 thousand**, used for the activities described above. The above costs, with the exception of the Make It Double programme, were incurred by illimity's Distressed Credit Division. These exclude the costs incurred for the renovation of Albergo Etico Cesenatico because it is reflected in the final value of the property, in addition to the cost incurred for the promotion and communication of the project.



For further information:

[www.fondazioneillimity.it](http://www.fondazioneillimity.it)

## 02. Corporate Governance

## GRI 2-10

## GRI 2-17

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

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

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

On 21 February 2022, the Extraordinary Shareholders' Meeting approved the new text of the By-laws for the adoption by the Bank of the "one-tier" system of administration and control. The changes to the By-laws also explicitly included **"sustainable success" for the purpose of creating long-term value** for the benefit of Shareholders, taking into account the interests of the key stakeholders.

In that regard, with the appointment of the new Board of Directors by the Shareholders' Meeting of 22 April 2021, the opportunity was taken to assess the adequacy of the traditional governance model, also in line with that requested by the Corporate Governance Code, examining its strengths and areas for improvement in light of: (a) the latest changes involving the Company, (b) the approval on 21 June 2021 of the 2021-2025 Strategic Plan and (c) the company's inclusion in the STAR segment of Borsa Italiana, which sets out the obligation to observe requirements of excellent corporate governance.

Therefore, in submitting the proposal to the Shareholders' Meeting, the Board decided that the one-tier governance model (i) favours ongoing dialogue between corporate bodies, facilitating the circulation of information among the strategic supervision, management and control bodies, (ii) optimises processes, maintaining the preliminary analyses and support to decision-making carried out by all Board Committees according to well-specified duties and functions, and (iii) can be more easily recognised by institutional investors that operate on international markets, facilitating the comparison with peers and investor engagement.

Lastly, the Board deemed the one-tier system to be in line with the medium and long-term strategic objectives and long-term company strategies, as identified on approving the 2021-2025 Strategic Plan.

The "one-tier" system of administration and control assigns strategic management to the Board of Directors, while the control functions are assigned to the Audit and Internal Control Committee, established within the Board. Both of these bodies are appointed by the Shareholders' Meeting. The independent auditing is assigned independent auditors appointed by the Shareholders' Meeting based on a justified proposal from the control body. The Board also operates with the support of the board committees, which make assessment, give advice and submit proposals.

The one-tier system took effect on 28 April 2022, with the appointment of the corporate bodies (Board of Directors and Audit and Internal Control Committee).

### Endorsement of the Corporate Governance Code

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

In its meeting of 22 December 2020, the Board of Directors decided to endorse the new Corporate Governance Code approved by the Corporate Governance Committee of Borsa Italiana and published on 31 January 2020. During 2021, illimity aligned with the recommendations of the new Code, publishing the Annual Report on Corporate Governance and Ownership Structure of 2021 and the Guidance Document on the Optimal Quali-

Quantitative Composition of the Corporate Bodies (the “**Guidance**”), approved by the Board at the meeting of 25 February 2022, prior to the notice of call of the Annual Ordinary Shareholders’ Meeting.

In the Guidance, the Board confirmed the policy on diversity in the Board composition considered optimal for it to carry out its functions as effectively as possible and ensure a sufficient diversity with the perspectives and expertise necessary for a proper understanding of current affairs, risks and long-term opportunities of company operations. For this purpose, the composition of the Board must reflect an adequate level of diversification in terms of the expertise, experience, age, gender, education and professional background of its members.

At the meeting of 28 April 2022, the Board also approved the regulations of the board committees, assigning them duties, responsibilities and a specific operational budget, as provided for both by applicable regulations and the new Corporate Governance Code. Those Regulations were then further updated and finalised at the end of 2022 and beginning of 2023, considering the experience acquired in applying the one-tier administration and control system.

With the approval of the 2021-2025 Strategic Plan, illimity has planned a number of areas for action, initiatives, indicators and objectives, with the aim of consolidating the Group’s role as an innovator, not only in terms of supporting economic development and meeting the needs of businesses and households, but also by playing an active role and supporting the process of transition towards a low carbon economy.

At the Shareholders’ Meeting of 21 February 2022, which approved a change to By-laws 16, paragraph 1 of the By-laws, the concept was included which requires the Board of Directors to steer the Company to achieving **sustainable success** in order to create long-term value benefiting shareholders, while considering the interests of stakeholders that are significant for illimity.

## Appointment and election of the Board of Directors

The laws and regulations in force shall apply to the appointment of the Board of Directors. Specifically, illimity is a listed bank, and therefore, its corporate bodies are elected pursuant to the regulations on list voting set out in the Consolidated Law on Finance.

The concrete methods of appointment are governed by Article 14 of the Bank’s By-laws, to which reference is made (*Governance > Governance System* section on the website [www.illimity.com](http://www.illimity.com)).

In compliance with the supervisory provisions and the Corporate Governance Code, on expiry of its term of office, in view of the appointment of the Board of Directors, the outgoing Board, with the support of the Nominating Committee and the Remuneration Committee, to the extent of their respective responsibilities, approves and makes available to shareholders (suitably in advance) Guidance on the Optimal Quali-Quantitative Composition of the Corporate Bodies (the “**Guidance**”).

In this sense, the Nominating Committee provided and provides advice in the phases of analysis and determination of the optimal quali-quantitative composition (the Remuneration Committee provides advice as regards the overall remuneration of the Board of Directors and the Directors with Key Functions).

Specifically, in terms of quantity, the number of members must be suited to the size and complexity of the bank’s organisational structure, in order to effectively oversee all company operations in terms of management and control, but not an excessive number. Considering the provisions of the Supervisory Provisions for Banks and Article 16 of the Bank’s By-laws – which sets out an odd number of members of the Board of Directors that is not less than nine and not greater than fifteen Directors – the outgoing Board hypothesised a total of 13 members (including the members of the Audit and Internal Control Committee, a total of three Directors). That proposal was approved by the Shareholders’ Meeting.

In terms of quality, the Guidance states that – in addition to considering compliance with the requirements by individual members pursuant to Article 26 of the Consolidated Law on Banking, of Italian Ministerial Decree DM 169/2020 and of Article 16 of the By-laws – the composition of the management body must as a whole express the know-how, skills, abilities and experience needed to understand the Bank’s activities, including the main risks to which it is exposed. The collective composition must also be suitably diversified – from the standpoint of age, training, professional path, personal qualities and skills of the Directors, gender, diversity and the period for which Directors have held the position.

The Guidance makes references to the main aspects of the above rules and the recommendations of the outgoing Board on the professionalism and expertise requirements, aptitude and diversity profiles, and the integrity requirements and criteria of propriety, independence and incompatibility, the interlocking prohibition, time availability and maximum number of positions that can be held by directors.

It is verified that the quali-quantitative composition of the Corporate Bodies match the profile identified in the Guidance following the appointment of those Bodies by the Shareholders' Meeting, as required by the regulations set out by the Supervisory Authorities. That verification was conducted by the Board at its meeting of 27 May 2022.

Where the outgoing Board of Directors resolves to submit its own List, as provided by the By-laws, the procedure specifically set up and published on the Company's website shall apply<sup>1</sup>.

In the above case, dialogue may be established with the stakeholders in accordance with best market practice and in compliance with applicable laws and regulations, including the principle of equality of treatment of shareholders in the dissemination of information, and with the stakeholder dialogue and engagement policy approved by the Bank. In line with that set out in the Policy for managing Dialogue with the generality of Shareholders, as part of the process of preparing the list of candidates, dialogue may be initiated between the Chair of the Board, the Chair of the Nominating Committee and/or the Chief Executive Officer and the main shareholders, on renewal of the corporate bodies (both in the case of co-opting and the Shareholders' Meeting proposing appointments), in accordance with the best market practices and in compliance with applicable regulations. For the purpose of defining the list of candidates, the Nominating Committee and/or Board may request the support of independent third party advisors, where needed suitable.

On publishing the list of the outgoing Board (within the 30 days prior to the date of the Shareholders' Meeting, as stated), a specifically report, made available to the public, shall illustrate the process concretely followed to identify the candidates.

We also note that there is a policy entitled "*Succession Planning Policy for Company Officers*", desired by the Board, which defines the emergency plan for renewing the top management in the event of a hypothetical sudden need for replacement. With reference to the termination of office due to the natural expiry of the term of the members of the Board, the policy outlines the process for defining and submitting a list of candidates, involving the Chair, the Chief Executive Officer and the Nominating Committee, pursuant to the *pro tempore* By-laws in force (only for the Group entities to which the mechanisms of appointment of officers through list voting applies, as governed by the Consolidated Law on Finance). The policy states that the process of defining the candidates must also consider that set out in the *pro tempore* document reporting the "*Guidance of the Board of Directors of illimity Bank S.p.A. on the Optimal Quali-Quantitative Composition of the Board of Directors*", which outlines the guidance on diversity with regard to the optimal quali-quantitative composition of the Board.

The establishment of the Board Committees (other than the Audit and Internal Control Committee) and the appointment of their members are approved by the Board, considering the role assigned to each Committee and the skills and experience held by each member of the Board.

The composition of each Committee varies from three to five members, all non-executive, with a majority of independent directors. The Committees must differ by at least one member, and each member must be part of at least one Committee. The Chair of each Committee is selected from the independent members. The Related-party transactions Committee Transactions is composed exclusively of Independent Directors.

The Chair of the Board of Directors or the Chair of other Board Committees cannot be appointed as Chair of the Risks Committee.



For further details:

**illimity Bank S.p.A. By-laws**

1. A specific "*Procedure for the presentation by the Board of Directors of a list of candidates for the renewal of the corporate bodies*" is available, in line with that required by CONSOB in its notice no. 1/22 of 21 January 2022.

## Composition of the Board of Directors and the Board Committees

GRI 2-9

GRI 2-11

The Board of Directors plays a key role in our corporate organisation and it is responsible for setting out strategic and organisational guidelines, as well as ensuring the existence of the necessary controls to monitor the progress of the Company and the Group companies. The composition of the Board of Directors and the Board Committees following their appointment by the Shareholders' Meeting of 28 April 2022 and the Board Meeting held on the same date is shown below.

### BOARD OF DIRECTORS

#### Chair

Rosalba Casiraghi

#### Chief Executive Officer

Corrado Passera

#### Directors

Filippo Annunziata

Marco Bozzola

Massimo Brambilla

Patrizia Canziani

Stefano Caringi

Elena Cialliè

Nadia Fontana

Paola Elisabetta Galbiati

Francesca Lanza

Giovanni Majnoni D'Intignano

Marcello Valenti

### BOARD COMMITTEES

#### Audit and Internal Control Committee

Marco Bozzola, Chair

Stefano Caringi

Nadia Fontana

#### Risks Committee

Elena Cialliè, Chair

Filippo Annunziata

Patrizia Canziani

Stefano Caringi

#### Sustainability Committee

Rosalba Casiraghi, Chair

Massimo Brambilla

Patrizia Canziani

Elena Cialliè

#### Remuneration Committee

Paola Elisabetta Galbiati,  
Chair

Francesca Lanza

Marcello Valenti

#### Nominating Committee

Marcello Valenti, Chair

Rosalba Casiraghi

Giovanni Majnoni D'Intignano

#### Related-party transactions Committee

Giovanni Majnoni

D'Intignano, Chair

Nadia Fontana

Paola Elisabetta Galbiati

illimity's Board of Directors provides for significant representation of independent members and members with high standing, with significant, complementary skills and experience, also at international level. The average tenure of the members of the Board Directors is 2 years.

Name and surname	Office	Gender	Classification	Executive/ Non-executive	In office since	Term of office (years)
<b>Rosalba Casiraghi</b>	Chair	Woman	Independent	Non-executive	20 September 2018	4
<b>Corrado Passera</b>	CEO	Man		Executive	20 September 2018	4
<b>Filippo Annunziata</b>	Director	Man	Independent	Non-executive	28 April 2022	0
<b>Marco Bozzola</b>	Director	Man	Independent	Non-executive	28 April 2022	0
<b>Massimo Brambilla</b>	Director	Man		Non-executive	20 September 2018	4
<b>Patrizia Canziani</b>	Director	Woman	Independent	Non-executive	22 April 2021	1
<b>Stefano Caringi</b>	Director	Man	Independent	Non-executive	28 April 2022	0
<b>Elena Cialliè</b>	Director	Woman	Independent	Non-executive	20 September 2018	4
<b>Nadia Fontana</b>	Director	Woman	Independent	Non-executive	28 April 2022	0
<b>Paola Elisabetta Galbiati</b>	Director	Woman	Independent	Non-executive	10 February 2021	1
<b>Francesca Lanza</b>	Director	Woman	Independent	Non-executive	15 December 2021	1
<b>Giovanni Majnoni D'Intignano</b>	Director	Man	Independent	Non-executive	22 April 2021	1
<b>Marcello Valenti</b>	Director	Man	Independent	Non-executive	10 February 2021	1

During the year ended 31 December 2022, the Board of Directors held 29 meetings. The average duration of the Board Meetings was approximately 3 hours, 20 minutes, and the average participation was 94%. In detail:

Meetings	2022	2021	2020
Board of Directors	29	26	29
Control body	AICC <sup>2</sup>	-	-
	Board of Statutory Auditors <sup>3</sup>	20	27
Risks Committee	17	20	18
Sustainability Committee	12	12	4
Remuneration Committee	8	14	7
Related-party transactions Committee	7	9	6
Nominating Committee	9	13	3
Induction meetings	6	5	2

Average duration	2022	2021	2020
Board of Directors	3 hours, 20 min	3 hours, 30 min	3 hours, 20 min
Control body	AICC	-	-
	Board of Statutory Auditors	2 hours, 29 min	2 hours, 24 min
Risks Committee	4 hours, 50 min	4 hours, 30 min	4 hours, 30 min
Sustainability Committee	1 hour, 50 min	1 hour, 50 min	1 hour, 20 min
Remuneration Committee	1 hour, 15 min	1 hour, 30 min	1 hour, 5 min
Related-party transactions Committee	1 hour, 15 min	1 hour, 35 min	49 min
Nominating Committee	1 hour, 10 min	1 hour, 30 min	50 min

<sup>2</sup> The Audit and Internal Control Committee was established on 28/04/2022 following the change to a one-tier administrative system.

<sup>3</sup> The Board of Statutory Auditors, appointed by the Shareholders' Meeting of 18 January 2019, remained in office until the Shareholders' Meeting of 28 April 2022.

# Governance of Sustainability and management of its impacts

GRI 2-12

GRI 2-13

GRI 2-14

The issues of sustainability and the management of ESG impacts are overseen, in accordance with international best practice and each according to its responsibility, (i) by a Board Committee specifically established in January 2020 and composed of four Directors (the Sustainability Committee) and (ii) the Risks Committee. The Chief Executive Officer, CFO, Head of IR & Sustainability, Secretary of the Board of Directors and the Chair of the Audit and Internal Control Committee (or other member designated by him/her) are asked to permanently participate in the Committee meetings.

illimity's **Sustainability 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 IR & Sustainability Department, and promotes a responsible, sustainable culture within the Group, establishing medium/long-term sustainability goals.

The Committee receives periodic (quarterly) reporting on the progress of sustainability projects involving the Bank and the Group.

The **Risks Committee**, through a process involving the identification of ESG risks by the CRO is also responsible for assessing and analysing the risks and opportunities climate-related and a correct system of internal control so that the Board may correctly and effectively determine the RAF (Risk Appetite Framework) and the ESG risk governance policies.

The Sustainability Committee and the Risks Committee, coordinating with each other, express an opinion on the integration of climate and environmental risks and their assessment and management, into the company culture, strategy and processes, as well as the risk appetite and limits, and in the supervisory reporting and reporting to the market on exposure to climate and environmental risk, which inform all stakeholders of the Group's positioning in the process of transitioning to a more sustainable economy. They also assess the trend in exposure to climate-related risks, and their management. Lastly, the Risks Committee examines and assesses the technological innovation initiatives and applications of artificial intelligence to company processes.

The **Audit and Internal Control Committee** performs the control functions and duties provided for by the applicable supervisory and regulatory framework, and reports to the Supervisory Authorities pursuant to the regulations in force.

**The Board of Directors steers the Company**, pursuing sustainable success in order to create long-term value benefiting shareholders, while considering the interests of stakeholders that are significant for the Company (Article 16 of the By-laws).

As regards the development, approval and update of the sustainable development targets, it performs the following activities:

- revision and steering of the sustainability strategy, also through the support of the Sustainability Committee and the Risks Committee, each to the extent of its responsibility;
- revision and steering of main action plans;
- revision and guidance of the climate risk management policies;
- definition and monitoring of the sustainability performance targets;
- monitoring and supervision of the progress achieved in relation to the objectives and milestones in handling with issues linked to the climate.

The Board of Directors also plays a key role in the management and control of climate-related risks, in defining the strategic guidelines, objectives and limits of risk, in assessing the degree of efficiency and adequacy of the Internal Control System and in approving the policies related to those activities. Lastly, the Board of Directors is responsible for approving the materiality matrix resulting from Stakeholder Engagement activities, as well as the annual Consolidated Non-Financial Statement, which represents and conveys the Bank's commitment, results and goals for improvement in terms of sustainability issues.<sup>4</sup>

<sup>4</sup> For more details, see Chapter 3 "Materiality analysis and stakeholder engagement".

The **CFO**, through the **IR & Sustainability Department** and the ESG Governance operating area, monitors the Group's sustainability activities, coordinates the implementation of the Sustainability Plan and the process of monitoring and reporting on these issues, working at all times with the Group's various Departments and Divisions. The CFO reports to the Sustainability Committee at least every two months, and to the Board of Directors at least annually.

illimity has **ESG Ambassadors** in various Divisions and Departments, responsible for the development of specific ESG initiatives and the promotion of a culture of sustainability within their own teams.

## Evaluation of the performance of the Board of Directors

### GRI 2-18

The Board of Directors and Board Committees (including the Audit and Internal Control Committee) annually conduct a self-assessment of its composition and functioning, according to that set out in Circular 285 of the Bank of Italy, the Board of Directors Regulation and the Corporate Governance Code. Moreover, at least every three years, and, in any event at the end of the term of office of the directors, that activity is conducted with the assistance of an external independent professional.

As stated, the self-assessment process regards the Body as a whole (including the Board Committees) and the contribution that single Directors make to its work. On election of new directors, the self-assessment also focuses on defining an optimal composition of the corporate bodies regarding their functioning and representative objectives. That process is conducted by the personnel identified by the Chair of the Board of Directors.

The areas that are subject to assessment are: (i) the quali-quantitative composition; (ii) functioning of the body as a whole; (iii) induction activities; (iv) the Chair; (v) the Chief Executive Officer; (vi) approaches to shareholders; (vii) composition and functioning of the Board Committees.

The self-assessment considers the checks required pursuant to Article 26 of the Consolidated Law on Banking and the additional requirements of the law and the By-laws for taking on offices (such as, for example, compliance with the prohibition on interlocking directorships set out in Article 36, Italian Decree Law no. 201 of 6 December 2011, converted into Law no. 214 of 22 December 2011). Where possible, the self-assessment is conducted at the same time as those checks.

The analyses conducted are formalised in a specific document approved by the Board and submitted, where requested, also to the Bank of Italy. The results of the self-assessment for 2022 are mentioned in the Annual report on corporate governance and ownership structure, to which reference is made.



For further information:

**Corporate Governance Report 2022**

## Risk management and ESG risks

The illimity Group has a structured **Risk Management Process** (hereinafter, also "RMP"), with the aim of contributing to the sustainable process of value creation, ensuring at the same time legal compliance.

The **Board of Directors** of the Parent Company plays a fundamental role in risk management, including ESG risks and opportunities, specifically regarding the assessment and management of climate-related risks and opportunities. It sets the strategic guidelines, objectives and limits for risk, assesses the level of efficiency and adequacy of the **Internal Control System** and approves relevant risk management policies.

The Board of Directors uses the assistance of:

- the **Risks Committee**, for the activities relating to internal control and monitoring, as well as performing the analysis/support function so that the Board of Directors may correctly and effectively determine the RAF (Risk Appetite Framework) and the risk governance policies;
- the **Sustainability Committee** which, jointly with the Risks Committee, expresses an opinion on the integration of climate-related and environmental risks, and their assessment and management, into the company culture, strategy and processes, as well as the risk appetite and limits, and in the supervisory reporting and reporting to the market on exposure to climate-related and environmental risks (which inform all stakeholders of the Group's positioning in the process of transitioning to a more sustainable economy) for the Bank and Group Companies concerned. The two Committees also assess the trend in exposure to climate-related and environmental risks, and their management;
- the **Audit and Internal Control Committee**, which monitors the adequacy and concrete functioning of the Company's organisational structure and internal control system. It also supports the Board of Directors in defining the guidelines for the internal control and risk management system, in line with the Bank's strategies and in assessing, at least annually, the adequacy of that system with respect to the characteristics of the Bank and the risk profile assumed, as well as the efficacy of the system.

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

1st level controls	The <b>operating structures</b> carry out "line controls", to ensure that operations under their responsibility are carried out correctly.
2nd level controls	The <b>CRO</b> (Chief Risk Officer) ensures constant oversight of the risks assumed by the Group, governing the process of identification, analysis, modelling, assessment and measurement, control and reporting, while the <b>Chief Compliance &amp; AFC Officer</b> prevents, manages and mitigates compliance risk as well as the risk of money laundering and terrorist financing. The Department meets legal obligations on personal data protection at a Group level, and appoints the Chief Compliance & AFC Officer as the Data Protection Officer.
3rd level controls	The <b>Internal Audit Department</b> monitors the regular performance of operations and the evolution of risks, and assesses the completeness, adequacy, functionality and reliability of the organisational structure and the internal control system, notifying the company bodies of possible improvements, with specific regard to the RAF, the risk management process and the risk measurement and monitoring tools.

In the Process to Manage Risks that are significant, current and forward-looking, traditional and ESG-related, and, in compliance with supervisory regulations, the Group has implemented:

- a system of risk limits and objectives of the **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 Company, Business Division and business segment, and covers escalation processes, metrics and quantitative limits, as well as qualitative guidelines, indicated annually in the Risk Appetite Statement (**RAS**). The formalisation of the risk management process is fundamental to ensure a sound and prudent company management;
- the Internal Capital Adequacy Assessment Process (**ICAAP**) and the internal liquidity adequacy assessment process (**ILAAP**), which have the objective of providing an internal assessment of the assets with respect to exposure to the risks that characterise their operations and the operational and structural liquidity profile, under ordinary and stressed conditions, also on a forward-looking basis on achievement of the objectives of the Strategic Plan and the Budget;
- the process to assess *ex ante* Material Transactions, with a prior opinion on their sustainability at a credit and income level and consistency with the RAF.

In conjunction with these processes to manage and control risk under normal operating conditions, the Group has implemented a process connected with drawing up the **Recovery Plan**, which governs the management of crisis situations, and strategies and options for intervention designed to restore ordinary operations, as well as the **Contingency Funding Plan** procedure (emergency plan to manage liquidity in crisis situations).

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

## ESG risks and opportunities

### GRI 2-25

ESG topics as a whole and risk management applications fall within a medium/long-term ESG risk process being developed and implemented, a significant portion of the 2021-2025 Strategic Plan, and are also represented in the expectations of the Bank of Italy.

This section illustrates the results of the structured process of identifying and assessing the illimity Group's exposure to ESG risks.

In compliance with the requirements of Legislative Decree 254/2016, the Group has identified - through a process led by the CRO Department, assisted by the IR & Sustainability Department - the main environmental, social and governance (ESG) risk factors also for 2022, related to each material topic reported on, attributing these factors to existing risks. Specifically, the process consists of a preliminary analysis of ESG risk factors, 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 2022 ICAAP. The table below shows the **main ESG risk factors** (classified as generated or incurred)<sup>5</sup> to which the illimity Group might be exposed.

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

## Areas of Legislative Decree 254/2016:

## ENVIRONMENT

Topics	Opportunities	Specific risk <sup>6</sup>	Risk classification	Management procedure
<b>Environmental impacts and climate challenges</b>	Strengthening of the Group's reputation through compliance with environmental regulatory requirements in force	Non-compliance with environmental regulations (e.g. Italian Legislative Decree 152/2006)	<b>Generated</b>	Safeguards in place in terms of the Compliance function and ex post controls
<b>Environmental impacts and climate challenges</b>	Strengthening of the long-term resilience of the business	Operational and credit losses related to an increase in climate/environmental risks, both physical and transitional	<b>Incurred</b>	Safeguards in place during origination (policies, ESG rating and business sector/model analysis) and the management of guarantees (prudential pricing strategies and credit recovery and insurance process management)
<b>Value chain and business relationships</b>	Selection of a supply chain focused on ESG issues, with specific regard to environmental aspects	Signing of agreements with counterparties that do not meet environmental sustainability requirements	<b>Generated</b>	In selecting and evaluating suppliers, the Bank adopts conduct where it shares and supports the core principles of safety and environmental regulations and corporate social responsibility, in line with the Group's sustainability strategy, as well as requiring its suppliers to accept illimity Way and the Code of Conduct.

## Areas of Legislative Decree 254/2016:

## SOCIAL

Topics	Opportunities	Specific risk	Risk classification	Management procedure
<b>Customer satisfaction</b>	Improve customer satisfaction to incentivise attracting new customers	Little ability to attract new customers	<b>Generated</b>	Safeguards in place regarding marketing, development and customer care, that have ensured and are ensuring a continual increase in the customer base and customer satisfaction.
<b>Customer satisfaction</b>	Strengthening of the system of listening, insight activities and surveys to identify and manage customer needs	Customer dissatisfaction, with a consequent negative turnover	<b>Incurred</b>	Safeguards in place regarding marketing, development and customer care, that have ensured and are ensuring a continual increase in the customer base and customer satisfaction. Expert personnel work at contact centres, on hand to help customers at any time, from onboarding to the operational management of services offered.
<b>Cyber Security and Data Protection</b>	Creation of relationships of trust and respect of the sensitive data of customers and parties that interact with the Bank	Non-compliance with applicable regulations and laws on privacy (e.g. the GDPR)	<b>Generated</b>	Safeguards in place for controls, such as the activities of the Compliance Function, with regard to the requirements defined by the GDPR and prudential regulations, and IT systems with access profiling. A system is in place to monitor the conduct of users connected with the bank system. Training of personnel involved in personal data processing.
<b>Cyber Security and Data Protection</b>	Maintenance and expansion of the security of IT systems, with benefits in terms of company reputation and as the creation of stable relationships of trust with customers and parties that interact with the Bank	Loss and theft of sensitive data due to cyber attacks	<b>Incurred</b>	Safeguards in place for control, such as access protocols and protection systems. Activation of the illimity Security Awareness Program. Monitoring of quantitative indicators (see the section "Cyber Security") useful in understanding the security measures implemented by the Group. Vulnerability Assessments and Penetration Tests (VAPT) carried out to identify any security vulnerabilities in the Bank's applications and systems, with the aim of preventing and tackling cyber attacks. Publication of guidelines to take into account correct security measures to adopt in various cases of processing classified data, according to increasing criticality levels. Monitoring of a dual operational risk indicator in the Risk Appetite Framework: business operating losses and ICT operating losses identified in the year.

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

Cont. >> Areas of Italian Legislative Decree 254/2016: **SOCIAL**

Topics	Opportunities	Specific risk	Risk classification	Management procedure
<b>Sustainable Finance</b>	Outlining of a sustainable finance strategy, implementation of regulatory requirements in advance and strengthening of the Bank's reputation	Transactions with companies operating in sectors with negative social/ environmental impacts	<b>Generated</b>	Exclusion of loans to those sectors set out in internal regulations; Checks on endorsement of ESG standards on analysing the offering of deals (by Growth Credit, the CLO and Risk Strategy)
<b>Support to entrepreneurs and financial inclusion</b>	Support SMEs, guiding them through a process of recovery, relaunch and growth	Insolvency or worsening of the creditworthiness of counterparties to which the Group is exposed	<b>Incurred</b>	Effective safeguards are in place for the selection, assessment, risk opinions and monitoring/controls (of ratings and other indicators) during origination and on a continual basis
<b>Support to entrepreneurs and financial inclusion</b>	Limiting of the sector concentration of businesses	Lack of diversification in the SME portfolio, with resulting potential impacts on the Group's business	<b>Generated</b>	Effective safeguards in place in terms of limits to sector and single name concentration
<b>Innovation</b>	Development of sound IT platforms that guarantee IT security that favours a positive digital experience for customers and a company culture of innovation	Inadequate level of IT security management on technological platforms (e.g. illimitybank.com app)	<b>Generated</b>	Safeguards in place for control, such as access protocols and protection systems. Activation of the illimity Security Awareness Program. Monitoring of quantitative indicators (see the section "Cyber Security") useful in understanding the security measures implemented by the Group. Vulnerability Assessments and Penetration Tests (VAPT) carried out to identify any security vulnerabilities in the Bank's applications and systems, with the aim of preventing and tackling cyber attacks. Publication of guidelines to take into account correct security measures to adopt in various cases of processing classified data, according to increasing criticality levels. Monitoring of a dual operational risk indicator in the Risk Appetite Framework: business operating losses and ICT operating losses identified in the year.
<b>Innovation</b>	Monitoring of the outsourcing of IT infrastructure to facilitate customers' digital experience and the company culture of innovation	Lack of contractual power deriving from the outsourcing of the IT infrastructures essential for certain Group processes (e.g. predictive models of the credit process)	<b>Incurred</b>	With regard to the essential outsourcing in the IT field (Essential or Important Departments - FEI), the following activities are performed: - Verification and control of the outsourcer's requirements indicated in the contract - Monitoring of the SLAs in the contract - Preparation of reporting on RTO - Alignment of processes and procedures with the reference regulatory standards
<b>Value chain and business relationships</b>	Strengthening of the value change and reduction of possible reputational risks linked to suppliers	Partnerships with third parties not aligned with the same social responsibility objectives of the Group	<b>Incurred</b>	In qualifying suppliers for the Group's suppliers list, suppliers must read and accept illimity Way and the Sustainable Supply Chain policy, which illustrate the sustainability principles through which the illimity Group operates

## Areas of Legislative Decree 254/2016:

## PERSONNEL

Topics	Opportunities	Specific risk	Risk classification	Management procedure
<b>Diversity, Equity and Inclusion in the company</b>	Consolidation of an inclusive company culture, reducing any discrimination and increasing awareness of employees	Low level of effectiveness of programmes focused on Diversity, Equity & Inclusion topics	<b>Generated</b>	HR Policy, which adopts the value of diversity (in terms of gender, education, experience and nationality) from recruitment onwards, up to the professional development of employees Group policies targeting the empowerment of all types of diversity (in terms of gender, education, experience and nationality) Plans for programmes and initiatives on the topic (i.e. illimitHER) Issue of a specific Policy on Diversity, Equity & Inclusion topics Monitoring activities specifically requested to maintain the Gender Equality Certification
<b>Diversity, Equity and Inclusion in the company</b>	Adoption and consolidation of an inclusive company culture that ensures equal opportunities for wages to incentivise female personnel and reduce any discrimination	Increase in the gender pay gap, with consequent discouragement of female personnel	<b>Generated</b>	“Gender neutral” process guaranteed by the Group internal HR, DEI and corporate governance policies and the Remuneration Policy In particular: - Extract from the Diversity, Equity & Inclusion Policy: “We define remuneration based on the principle “equal pay for equal work”, guaranteed by safeguards to ensure that remuneration decisions are diversity neutral”; - Extract from the Remuneration Policy: “illimity has introduced the annual involvement of the Board of Directors, with the support of the Remuneration Committee, which is required to analyse the gender neutrality of the remuneration policies and check the Gender Pay Gap and its evolution over time”; - Monitoring activities specifically requested to maintain the Gender Equality Certification.
<b>Empowerment, involvement and well-being of illimiters</b>	Promotion of processes of professional growth and a stimulating organisational ecosystem where the potential of each individual can be developed and converged into superior collective performance	Inability to attract and retain talent	<b>Generated</b>	Definition of a framework to attract and develop human resources based on company values and the “illimity leadership model”, aimed at guaranteeing a working environment steered by inclusion, collaboration, accountability and meritocracy The appeal of this framework is continually monitored through continual check points of managers/HR with each illimiter, and also by the annual Great Place to Work certification process and analysis of independent bodies, such as Universum
<b>Empowerment, involvement and well-being of illimiters</b>	Inclusion of sustainability criteria in the incentive systems for Bank employees in order to achieve ESG objectives	Failure to achieve sustainability objectives, due to the absence of appropriate criteria in management performance measurement and incentive systems	<b>Generated</b>	The rules underlying illimity’s sustainability plans are defined consistent with the purposes of alignment with the company objectives and values, through the commitment to achieving the ESG objectives in addition to the economic-financial objectives. For 2022, the inclusion of ESG KPIs in the 2021-2025 Long-Term Incentive Plan for the Chief Executive Officer, the remaining Top Management and other key personnel of the Group (accounting for 20% of the objectives plan) are confirmed, including measurable elements regarding the issues of Diversity, Equity & Inclusion and an improvement in the Bank’s positioning in terms of ESG ratings issued by independent agencies. ESG KPIs were also included (accounting for 15% of the plan), in line with those set out for the long-term plan, also regarding the objective plans for all managers of the group, connected with the MBO short-term incentive plan. The conduct leadership model (accounting for 25% of the plan) was also integrated with specific topics connected to ESG and the Digital Mindset.

## Areas of Legislative Decree 254/2016:

## HUMAN RIGHTS

Topics	Opportunities	Specific risk	Risk classification	Management procedure
<b>Safeguarding of human rights</b>	Strengthening of the promotion of respect of human rights by applying the principle of non-discrimination within the Group	Failure to adopt the principle of "non-discrimination" within the Group, in relations with staff and associates and in internal policies and procedures (e.g. concerning access to work, training and professional promotion)	<b>Generated</b>	Safeguards in place for control at a policy and process level. In particular, attention is paid to the principle of non-discrimination in illimity Way (the Group's Code of Ethics), and Diversity, Equity & Inclusion Policy, defining the commitment to tackling any discrimination, and promoting a culture of diversity and inclusion in compliance with applicable regulations and international best practices at all levels of the organisation, and also by the Group's stakeholders. Recruiting and human resources management are also focused on a fair, consistent conduct, avoiding favouritism, abuse or discrimination based on gender, ethnic background, religion, political and trade union affiliation, sexual orientation and identity, language, age or disability. Respect for human rights and fundamental freedoms is also guaranteed in third-party relations, which are based - in terms of contracts and relations - on the principles and values in illimity Way, and in internal relations. The safeguarding of human rights at illimity is also guaranteed by the national collective bargaining agreements as well as the specific rules on Occupational Health and Safety, within the framework of national regulations.
<b>Safeguarding of human rights</b>	Supporting companies that respect human rights, including the application of the principle of non-discrimination in a manner to guarantee equity and individual freedom	Failure of companies which the Group finances and/or invests in, to comply with principles of non-discrimination	<b>Incurred</b>	Oversight of operational controls at an application level (business, risk opinion). Consolidated Credit Procedure which governs the impossibility to grant loans to some types of parties from "excluded sectors" by the Business Growth Credit and Distressed Credit Departments (this principle excludes portfolios and individual positions managed as a gone concern), taking account of the UN's principles on the approach to business and human rights, and in keeping with the Bank's strategic guidelines and guidance on credit strategies. In the case of counterparties potentially belonging to these sectors, it is necessary to carry out in-depth checks during the investigation, paying particular attention to the purposes of the Bank's credit intervention and taking into account the weight of the excluded activity with respect to the overall operations of the entity (company or group) to be financed.

## Areas of Legislative Decree 254/2016:

**ANTI-CORRUPTION**

Topics	Opportunities	Specific risk	Risk classification	Management procedure
<b>Integrity in company conduct</b>	Guarantee the actual compliance with the laws and regulations in force and the principles and values of the Group	Internal and external fraud	<b>Incurred</b>	<p>Internal fraud: The Bank's rules and regulations define periodic controls to mitigate risks in various company processes, including the risk of internal fraud. In this regard, both manual and automatic controls are put in place to guarantee the "segregation of duties" of people who perform/request an operation, and people who control/authorise it, based on defined powers and authorities. Aside from strictly operational rules, personnel must observe the general principles of integrity and transparency defined in illimity Way, in performing their duties.</p> <p>External fraud: assessments during <i>onboarding</i>, on request of the Smart Care unit and Branch, using intelligence tools. Ongoing quantitative assessment of all customers in relation to the single transaction and conduct of the customer as regards own current account transactions.</p>
<b>Integrity in company conduct</b>	Guarantee the actual compliance with the laws and regulations in force and the principles and values of the Group	Group operations concerning money laundering and terrorist financing	<b>Generated</b>	<p>Internal Policies and Procedures which describe the safeguards adopted to manage/mitigate the risks in question and related rules of conduct to observe (above all the Anti-Money Laundering Policy and Anti-Money Laundering Manual), the Organisation and Management Model (231), and illimity Way (Group Code of Ethics); training courses delivered through e-learning, dedicated webinars and specific training programmes/initiatives for personnel involved, also with on-the-job training; controls during processes (e.g. during customer pre-screening and onboarding) and <i>ex post</i>, carried out both manually and using automated tools; periodic risk assessment).</p>
<b>Transparent communication and company reputation</b>	Improvement of the reputation among stakeholders	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	<b>Incurred</b>	<p>Transparency Policy; the Organisation and Management Model (231), and related Code of Ethics and illimity Way; dedicated webinars and specific training programmes/initiatives for personnel involved, also with on-the-job training; training material as "mini" educational sessions sent by email; support for business/marketing functions in assessing compliance with consumer protection requirements in advertising, to avoid unfair business practices.</p>
<b>Transparent communication and company reputation</b>	Building of solid relationships with customers by transparently sharing corporate and business information	Lack of transparency in disclosure with the resulting impacts on the relationship of trust with customers	<b>Generated</b>	<p>Specific safeguards in place such as selection and training policies; first and second level controls as well as surveys conducted on customer satisfaction.</p>

(not covered by Italian Legislative Decree 254/2016)

## BUSINESS TOPICS

Topics	Opportunities	Specific risk	Risk classification	Management procedure
<b>Robust results and creation of shared value</b>	Adoption of effective strategic choices that create and distribute long-term economic value to the Bank's stakeholders	Ineffectiveness in strategic choices for long-term stability	<b>Generated</b>	Safeguards in place regarding processes, resources, and tools in the area of the various levels of the internal control system.
<b>Robust results and creation of shared value</b>	Monitoring and maintenance of the risk management process to maintain good capitalisation levels and the ability to conduct sound, profitable transactions	Ineffectiveness of risk monitoring and management processes	<b>Generated</b>	Safeguards in place regarding processes, resources, and tools for second and third level controls.
<b>Integrity in company conduct</b>	Provision of policies and controls to guarantee the actual compliance with the laws and regulations in force and the principles and values of the Group in order to maintain a good reputation in relation to stakeholders and avoid any financial losses	Considerable financial loss or harm to reputation due to failure to comply with laws and regulations	<b>Incurred</b>	Safeguards in place regarding processes, resources and tools for Compliance Function activities. Compliance policy: the purpose is to describe the organisational model adopted by the Banking Group to manage compliance risk, and the proper oversight of legal compliance issues. Promotion of a company risk compliance culture, through initiatives and specific training programmes delivered based on e-learning, dedicated webinars and specific training programmes/initiatives for personnel involved and more exposed to risks. Preparation of and continual updates to a control system that is adequate for ensuring, as regards compliance risks, that the activities of various areas are in line with applicable internal and external regulations, and with company strategies and policies, based on the principle of sound and prudent management. The Chief Compliance & AFC Officer Area monitors compliance risk management for all company activities and services/products, maintaining ongoing dialogue with the personnel of the Bank's entities 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.
<b>Integrity in company conduct</b>	Provision of policies and controls to guarantee the actual compliance with the laws and regulations in force and the principles and values of the Group in order to reduce any legal or administrative penalties	Legal or administrative sanctions as a result of violating mandatory regulations	<b>Incurred</b>	Safeguards in place regarding processes, resources, and tools for second and third level controls Definition of company internal regulations/ Organisation and Management Model (231) and illimity Way (Group's Code of Ethics) Promotion of a company compliance risk culture, through initiatives and specific training programmes Periodic reporting to competent bodies (for example: Tableau de Bord).

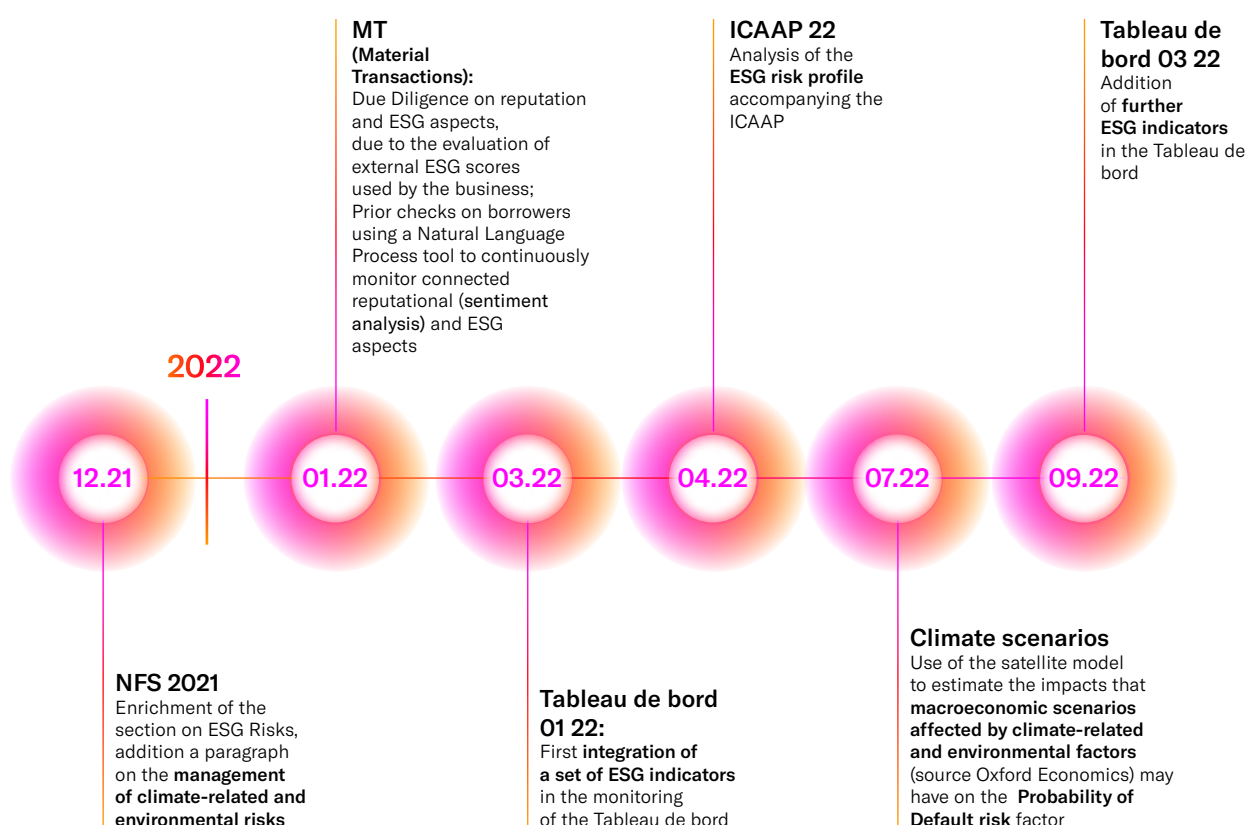
Climate-related risks and opportunities have been identified by the Bank **over the short, medium and long-term** in order to create a strategy that protects the Group from the various types of events.

Specifically, in the short-term (up to 1 year), the periodic (at least annual) execution of the process of identifying material risks for the Group is overseen by the CRO, together with the CFO, with the support of other organisational units of the Parent Company illimity Bank and the Subsidiaries ARECneprix (formerly neprix) and illimity SGR allows for, *inter alia*, the identification of ESG risks and opportunities. The results of this process represent the assessment and input measures used to develop processes related to the ICAAP and ILAAP, the Strategic Plan, Budget and RAF, and are therefore validated by the senior management, discussed and analysed by the Risks Committee, and subject to approval by the Board of Directors of the Parent Company. With regard to the medium-term (from 1 year to 3 years) and the long-term (beyond 3 years), the Sustainability Committee carries out its role of promoting a responsible and sustainable culture within the Group, submitting proposals to the Board of Directors to define the targets over that time horizon. Among these, ESG objectives have been integrated into the long-term incentive plans, in line with the provisions of the 2021-2025 Strategic Plan.

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, as a result, also potential **emerging risks** connected with ESG profiles, to which the Group might be exposed. The identification of those types of risk is significant with a view to continuously updating the processes of identifying risks, modelling, assessment/measurement and management that includes them.

For example, the emerging trend of increasing digitization of technological infrastructure, as well as greater automation of processes by leveraging machine learning and artificial intelligence techniques, have led to a change in the assessment of several risks, such as IT risk, cyber security and third party risks (regarding the increased dependence on systems and services offered by third parties, to which not only processes, but also cloud or IT services are outsourced). For more details, refer to the section “Cyber Security”.

Lastly, the Bank continued its efforts in 2022 to **integrate ESG factors in its overall risk management**, mainly focussing on climate-environmental issues. The initiatives started by illimity's CRO involve a number of analyses, development and implementation based on evidence taken from regulatory guidelines, indications from interbank work groups and the 2021-2025 Strategic Plan, thus intervening on the risk assessment system (composed of processes, databases, assessment frameworks, models and reporting) which is still being defined, developed and implemented, as follows:



Lastly, as per the objectives of the Strategic plan, the update of the 2023 RAF **will also introduce Risk Appetite/Tolerance thresholds** on several of the ESG indicators that were developed and monitored during 2022 within the Risk Tableau de bord.

# 03. Materiality analysis and stakeholder engagement

## Methodological Note

GRI 2-3

GRI 2-4

GRI 2-5

The illimity Group has drawn up its third Consolidated Non-Financial Statement (NFS) and its second pursuant to Article 4 (*Consolidated Non-Financial Statement*) of Italian Legislative Decree 254/2016. From as early on as 2020, illimity opted to prepare its first 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.

Also this year, as the scope of Directive 2014/95/EU and consequently Italian Legislative Decree 254/2016 apply, illimity has disclosure obligations concerning its own economic activities considered to be eco-sustainable. This reporting is contained in the Non-Financial Statement pursuant to Article 8 of Regulation (EU) 2020/852 on European Union Taxonomy, as described in Chapter 12 “European taxonomy and eco-sustainable activities”.

This statement has been drawn up in compliance with the “GRI Sustainability Reporting Standards” published by the Global Reporting Initiative (GRI), as indicated in the attached table “GRI Content Index” under the “in accordance” option in the 2021 version. Moreover, in order to provide complete disclosure on the Group’s performance to the financial community and all other stakeholders, additional qualitative and quantitative indicators on some material topics produced according to an independent methodology, were added, alongside the GRI Standards. For more information on the correlation between the chapters of this NFS and reference indicators (GRI and additional indicators), reference is made to the tables in the GRI Content Index.

The NFS is prepared through the annual coordination of the IR & Sustainability Department, that is responsible for defining the work plan, and meeting the deadlines indicated in the Decree, i.e. aligned with the financial reporting process. In particular, the Department is tasked with starting and supervising the entire process to collect data and qualitative information, using software developed to manage the entire reporting chain through a collaborative approach, and with preparing the draft version of the NFS, assisted by all structures involved, to submit to the Sustainability Committee which, possibly through additions or requests for changes, presents it to the Board of Directors for approval by the same deadline set out for presenting the draft financial statements.

The reporting boundary of the document corresponds to the 2022 Consolidated Financial Statements and considers all entities consolidated on a line-by-line basis that are part of the illimity Group, as described in Chapter 1. Compared to the previous year, the reporting also includes AREC S.p.A., which was acquired during the year<sup>7</sup>.

In order to ensure the comparability of the information included in this document with that reported in the NFS 2021, a comparison of the information for the three-year period is provided. The qualitative and quantitative data and information in this document refer to activities carried out by the Group regarding the year ended 31 December 2022, and were compared with those referring to the two previous years. In order to correctly represent the performance and ensure the reliability of the data, the use of estimates was limited as much as possible. If present, they are founded on the best methodologies available and suitably noted.

<sup>7</sup> The reporting of AREC S.p.A refers only to the second half of the year, as it joined the Group on 1 July 2022. Any changes to the data published in the previous reports have been suitably emphasised in the document.

The 2022 NFS was approved by the Board of Directors in the meeting of 9 March 2023.

The reporting boundary of the Group for 2022 changed compared to 2021, as AREC S.p.A. was acquired. Nonetheless, the information included in this document is considered comparable to that reported in the NFS 2021 and, thus, a comparison of the information for the three-year period is provided.

Since 2021, illimity has endorsed the United Nations (UN) Global Compact, which is why the information for the purpose of preparing the Communication on Progress (COP) required by the Global Compact has also been included in this Non-Financial Statement.

The Statement was audited on a limited basis by KPMG S.p.A. The results of audits, conducted pursuant to Article 3, paragraph 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 Non-Financial Statement, please write to: [sustainability@illimity.com](mailto:sustainability@illimity.com).

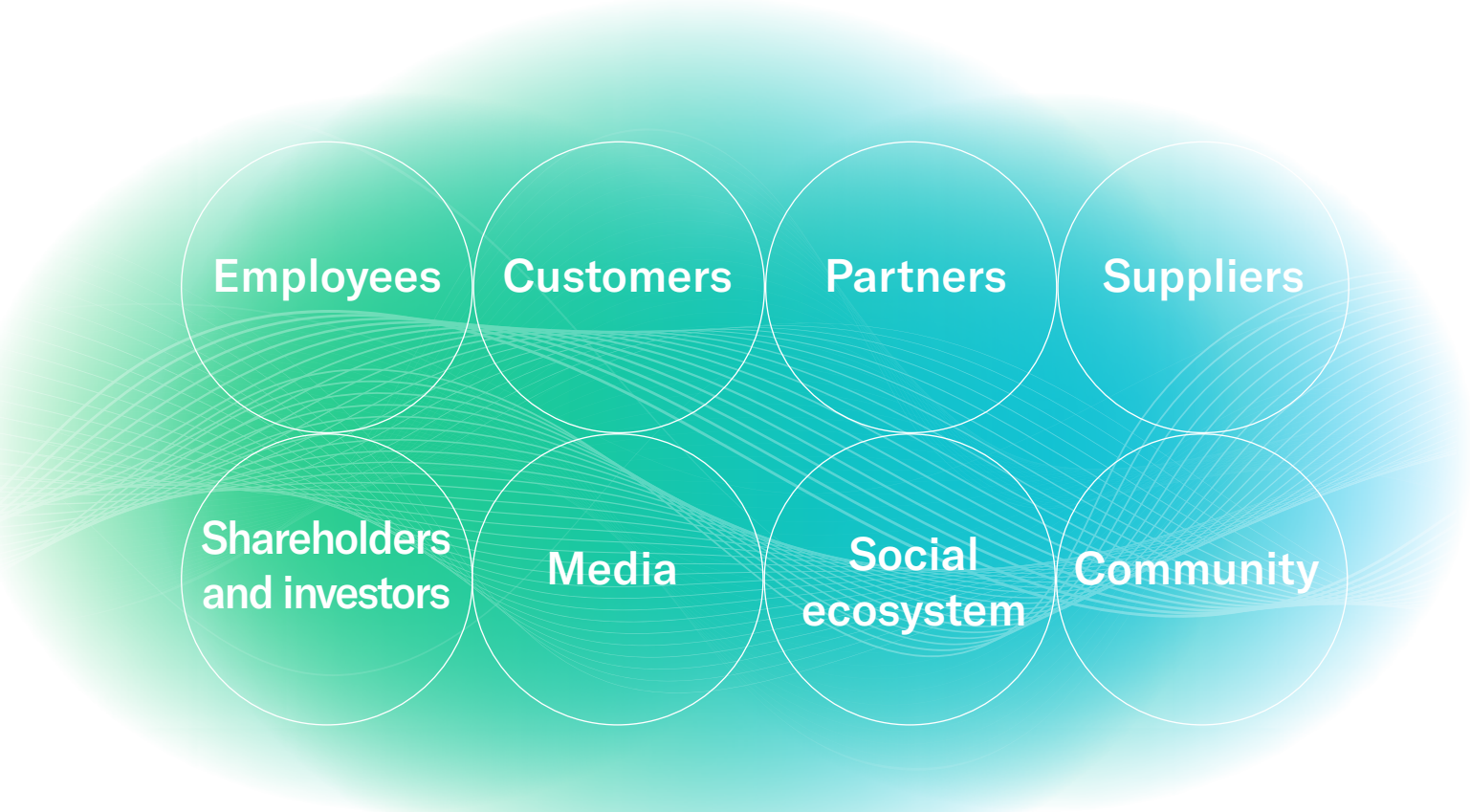
## Stakeholder identification and engagement

### GRI 2-29

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

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

In developing its business, the illimity Group interacts with a multitude of categories of stakeholders that are directly and/or indirectly influenced by its activities, services and products, or which actively influence the Group's operations. In 2022, the categories of illimity stakeholders identified based on their significance are presented below:



It is fundamental to engage these categories in order to understand their interests, expectations and disclosure needs. The parties identified are engaged mainly as part of the normal course of business. Communications are constant and transparent, allowing the Group to maintain a stable, proactive dialogue.

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



In line with the 2021 NFS, for the 2022 NFS, stakeholder engagement involved almost 1,300 illimity stakeholders, as described further in the next section.

# Materiality analysis

GRI 2-29

GRI 3-1

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

In 2022, coordinating with the IR & Sustainability Department and involving the Sustainability Committee, illimity further updated its materiality analysis to confirm the significance of the topics identified so far.

The new materiality analysis, with the purpose of defining the matrix of material topics for 2022, was structured in three stages according to the methodology suggested by the GRI Standards:

1

## Internal analysis to support the process of updating the material topics of the Group.

The approach firstly involves examining the various useful sources of information to update the range of potentially material sustainability topics.

2

## Stakeholder engagement.

With a view to ongoing transparency and greater involvement of the key players involved in the business, the process of assessing the topics involved internal and external stakeholders by setting up an online questionnaire.

3

## Update of the Matrix.

By processing the results obtained through stakeholder engagement it was then possible to establish the positioning of the material topics within the Matrix.

### 1. Internal analysis to support the process of updating the material topics of the Group

The process to identify and select potential material topics was driven by the Bank's purpose and values. This process involved a careful internal analysis, with the consultation of internal documents, media publications, benchmarks, best practices in sustainability reports, aspects of sustainability that are material for the sector, external trends and legal developments.

### 2. Stakeholder engagement

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 Bank also proposed the revision of the nomenclature of some topics, to improve their disclosure and how they are presented.

The topics identified were submitted to voting by stakeholders and the management, based on the impact generated, on which the illimity Group will guide its sustainability initiatives. Through an online questionnaire, the internal and external stakeholders were able to assess the positioning of the topics in the matrix for 2022.

Material topics 2021	Material topics 2022
Environmental impacts and climate challenges	Environmental impacts and climate challenges
Support for SMEs	Support to entrepreneurs and financial inclusion
Innovation and digital transformation	Innovation
Customer focus	Customer Satisfaction
Robustness and creation of shared value	Robustness and creation of shared value
Diversity, equity and inclusion	Diversity, Equity and Inclusion in the company
People empowerment, engagement and well-being	Empowerment, engagement and well-being of illimiters
Sustainable finance	Sustainable finance
Partnership development & consolidation	Value chain and business relationships
Integrity, legal compliance and the fight against fraud, money laundering and corruption	Integrity in company conduct
Clear, transparent communication, brand and reputation	Transparent communication and company reputation
Safeguarding of human rights	Safeguarding of human rights
Cyber Risk, Data Management & Security, Privacy	Cyber Security and Data Protection

### 3. Positioning of material topics through the Involvement of the Board of Directors, Top Management and stakeholders

The positioning of topics in the materiality matrix entailed:

- The assessment of internal materiality in light of the impacts generated on the environment and the company, which involved the **CEO**, the **Board of Directors**, the **Sustainability Committee**, the **Management Team** and the **Second Line**, through an on-line questionnaire to assess the positioning of the material topics for this year;
- The assessment of external materiality in light of the impacts generated on the environment and the company, which instead involved **Group Personnel**, **SME customers**, **retail customers**, the **“Vai Oltre la Forma” Community**, **partners and suppliers**, **shareholders**, **investors**, **the social ecosystem** and the **media**, through an on-line questionnaire to collect new information on external stakeholders' expectations for each topic identified.

Stakeholder assessments were weighted, considering the impact of each stakeholder class on illimity.

The final materiality scores for internal and external stakeholders, for all topics assessed, were presented in a matrix, with the axes representing the two aspects investigated.

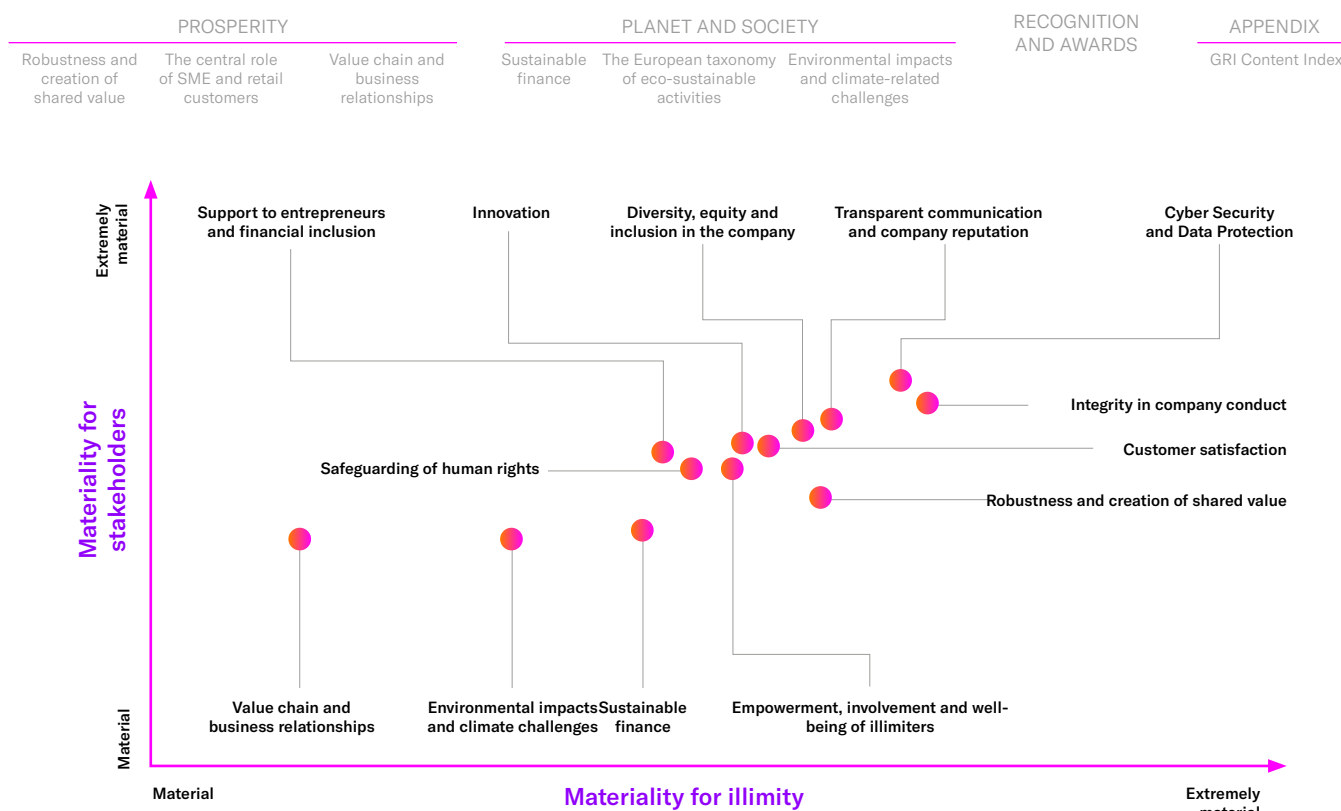
## illimity's materiality matrix

### GRI 3-2

The process to update materiality was completed with the confirmation of the materiality threshold, corresponding to a score equal to 2.5 out of 5, in line with the previous year.

The chart therefore shows the topics considered material, i.e. the topics which exceeded the materiality threshold, and which are presented in the NFS.

Those material topics are the result of the strategic importance attributed by illimity to those topics (represented on the x axis) and the expectations of stakeholders regarding material topics (represented on the y axis).



The materiality matrix was presented to the Sustainability Committee at the meeting of 25 November 2022 and approved by the Board of Directors at the meeting of 28 November 2022.

The material topics have a dual function of guiding the company in choosing individual disclosures to report and of guaranteeing compliance according to the areas contemplated by Italian Legislative Decree 254/2016.

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

Environment	Environmental impacts and climate challenges
Sustainable finance	Sustainable finance
Social	Support to entrepreneurs and financial inclusion
	Customer satisfaction
	Value chain and business relationships
	Transparent communication and company reputation
	Innovation
	Robustness and creation of shared value
Personnel	Empowerment, involvement and well-being of illimiters
	Diversity, Equity and Inclusion in the company
Anti-corruption	Integrity in company conduct
	Cyber Security and Data Protection
Human Rights	Safeguarding of human rights

## 04. A culture of rules

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

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

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

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

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

The Group's compliance model is described in a specific internal policy ("*Compliance risk management and the Compliance model*"), which establishes a structure 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);
- 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 compliance risk culture, through initiatives and specific training programmes, together with the Chief HR & Organization Officer (*Compliance Culture*);
- actively managing, together with the legal functions of the Bank and subsidiaries, as well as any other subjects involved, feedback on claims received from customers, also to identify attention points and areas for improvement to include in the plan of activities and controls.

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

- ensure and promote strict compliance with applicable laws and regulations, and establish that pursuing the Bank's interests can never justify a conduct that goes against the principles of loyalty, honesty and fairness;
- guarantee transparent relations with stakeholders, through the dissemination of information that is complete, accurate and comprehensible, enabling readers to always make informed decisions regarding the relations they have with the Bank;
- promote strict compliance with all organisational and procedural rules adopted, with a particular focus on rules aimed at preventing the commission of crimes;
- promote compliance and also require staff, associates and commercial partners to comply with all laws, regulations, principles and organisational rules;
- refrain from adopting a conduct that is unlawful, or does not conform to the Bank's principles, in relations with the authorities, partners, employees, staff and associates, customers, suppliers and, more generally, the community at large;
- guarantee compliance with principles of transparency, honesty and reliability in dealing with partners, customers, counterparties and the community, and also 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 also prevent the use of confidential information for purposes not directly related to the performance of professional activities.

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

- to base their own conduct on the utmost honesty, transparency, fairness and independence;
- to 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;
- to 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 to carry out activities that may harm the interests of the Group or pursue own or third-party interests, even if only in potential conflict and/or potentially harmful for the Bank and, if acting otherwise, to inform competent internal functions in compliance with the Bank's regulations;
- to guarantee that all their team members understand and adopt the Group's principles, set out in the document *illimity Way* and in relevant internal regulations.

#### GRI 2-15

In **managing conflicts of interest**, the *Conflict of Interest Management Policy* identifies the main cases of conflict and describes the process to identify and assess them, as well as the measures necessary to prevent and manage them, also clarifying the roles and responsibilities of the various departments involved. Specifically, the document identifies relevant parties for the purpose of identifying conflicts of interest, as well as the various types of conflict that may arise between these parties, and sets out the criteria for identifying concrete situations that can generate a conflict of interest. It also defines the safeguards and organisational and control measures to prevent, manage and monitor conflicts of interest, and establishes the activities to be carried out in the event that the safeguards and measures adopted are insufficient to neutralise the effects of the conflicted detected.

The Board of Directors is responsible for approving and revising the internal policies on conflicts of interest on a regular basis, identifying - in relation to the operating characteristics and the strategies of the Bank and the Group - the business sectors and types of financial relationships in which conflicts of interest may arise. The Board is also tasked with identifying, assessing and managing the most significant conflicts of interest, with the support of the Chief Compliance & AFC Officer.

The Chief Compliance & AFC Officer maintains and ensures the periodic update of a specific register of situations that have caused an actual or potential conflict of interest. The data in the register remain available for any requests received or put forth by the Supervisory Authorities, and are also used for the periodic review of the *Conflict of Interest Management Policy* by the Board of Directors. Regarding MiFID Conflicts of Interest, the Chief Compliance & AFC Officer submits to the Board of Directors annual written reports on the conflicts of interest that arose during the reference period.

## The Organisation, Management and Control Model

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

The Model was developed, considering first and foremost the regulations, procedures and internal control systems intended to prevent crimes and unlawful conduct in general, including the crimes and offences contemplated in Italian 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;
- illimity Way and the Anti-Corruption/Bribery Policy;
- the internal controls system;
- the system of powers and authority;
- the internal whistleblowing system and sanctions system.

The effective, concrete implementation of the Model is also guaranteed by the Supervisory Board, appointed by the Board of Directors, vested with autonomous powers of initiative and control on the correct application of the Organisation Model. The Bank’s Supervisory Board is also tasked with:

- verifying the adequacy and effectiveness of the Model;
- monitoring company operations, carrying out audits and controls at regular intervals and identifying follow-up;
- overseeing updates to, the dissemination and knowledge of the Model by its addressees, 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;
- 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 parties 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 the competent bodies of activities carried out, relative results and planned activities, as well as proposing suitable measures in the event of violations of the Model;
- providing necessary information to audit bodies, in the case of controls by the Authorities.

In July 2022, the Board of Directors approved the update to illimity Bank’s Model, in order to integrate, among others, new legal developments - including changes to internal regulations - occurring on a provisional basis, and align with the changed organisational structure of governance and the Parent Company.



For further information:

**Organisation, Management and Control Model**

## The illimity Way

### GRI 2-24

illimity Way, illimity's **Code of Ethics and Conduct**, is an integrity manual created as the Group's "charter of relations", describing its commitment to customers, shareholders, suppliers and business partners, the Supervisory Authorities and the public administration, the media and country, expressing the values and conduct of the Group and its corporate culture of responsibility, lawfulness, transparency and value creation it has committed to promoting and disseminating, at all levels of the organisation, through sustainable development.

illimity Way also sets out illimity's commitment to respecting the environment, caring for its own human capital and company assets, as well as protecting the Bank and the reputation of the entire Group, as it forms the basis for principles and rules that put into practice the values the Group recognises.

Working with company bodies, managers, employees, associates partnering the Group that contribute in any way whatsoever to illimity's activities, is a way to provide guidance each day, to make a distinction between conduct that is permitted and conduct that is not accepted.

The document was also updated in June 2022 to include the references and international principles expressed by the United Nations, the OECD and the EU, which guide the Group in pursuing its objectives and the values expressed by the relevant internal regulations, with specific consideration of those regarding environmental and social sustainability and governance (ESG) and ethics in the use of artificial intelligence, in line with market best practices.

illimity Way is an integral part of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001, as it prevents the commission of relevant crimes, and is thus disseminated to all recipients, who comply with its principles and make an active contribution to its circulation, as well as being published on illimity's website.



For further information:

**illimity Way**

## Safeguarding human rights

illimity is aware of the importance of values of fairness and safeguarding human rights, and is committed to eliminating all discrimination, and to respecting differences in gender, age, ethnic background, religion, political and trade union association, sexual orientation and identity, language or disability. The Group works for the full observance of the fundamental freedoms proclaimed in the Universal Declaration of Human Rights, approved in 1948 by the General Assembly of the United Nations, as explained in the Group's illimity Way. During 2021, the Bank also endorsed the United Nations (UN) Global Compact, undertaking to respect and promote the ten universally accepted principles, including those regarding the safeguarding of human rights by companies (principles 1 and 2).

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

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

- safeguarding 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 the Group does so of his or her own free will in a healthy, 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, paying a great deal attention to these issues also when identifying the parties it has dealings with;
- ensuring gender equality;
- respecting labour laws and promoting sustainable working hours.

Moreover, due to the importance given by the Group to issues related to Diversity & Inclusion, the gender pay gap and absence of discrimination, further information is given in Chapter 3 of “illimity Way” - “People” and in Chapter 7 “Diversity, Equity and Inclusion” of this document. 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.

#### GRI 406-1

No cases of discrimination at work were reported during 2022.

## The fight against fraud, money laundering, corruption and violations of Financial Sanctions

The Group promotes the principles of the United Nations, the OECD and EU, in the development of policies on the fight against corruption, safeguarding human rights, workers’ rights and environmental protection. Compliance with rules and integrity in company conduct are also ensured by compliance activities dedicated to monitoring corruption, money laundering, terrorist financing risk and managing embargoes.

### Anti-corruption

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

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

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

Applicable regulations are the document *illimity Way*, the “Anti-corruption Policy”, the “Expenditure Procedure”, the “Audit Management Procedure” and the “HR Procedure”.



For further information:

**Anti-corruption**

**GRI 205-2**

Anti-corruption policies and procedures are notified to the entire company population, in a document pack that each employee receives when hired, 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 the HR & Organization Department. illimity's policies and procedures are instead sent to business partners on their request, and are also published on illimity's website.

The obligatory training provided by the Chief Compliance & AFC Officer is a dynamic offering, essentially focused on webinars dedicated to current business topics, including the participation of highly specialised third party trainers, provided to specific target populations, accurately identified based on their degree of involvement and responsibility in the topics covered in each case. The Chief Compliance & AFC Officer focuses the initiatives on the internal needs and specific characteristics based on a gradual approach, with the objective of significantly impacting the conduct engaged in by illimiters. Alongside the standard training, provided through online courses, the Chief Compliance & AFC Officer provides educational meetings/initiatives that guarantee greater interactivity and meet the specific training needs of the operational and business departments.

For the Christmas holidays, the Chief Compliance & AFC Officer sent a training notice to all employees of the Group to remind them of the principles set out in the *Anti-Corruption Policy* regarding gifts. At the same time, employees were asked to track and report any gifts received and/or given by filling in a form specifically prepared, including the information regarding the nature and purposes, beneficiary, type and value of such gifts.

Employees who have received training on anti-corruption	2022		2021		2020	
	Number	% <sup>8</sup>	Number	%	Number	%
Senior managers	77	N/A	65	97.0	45	81.8
Middle managers	350	N/A	288	95.1	201	83.4
Professional areas	426	N/A	323	90.7	98	33.7

**GRI 205-3**

During 2022, 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 ensures prevention consistent with the corporate structure, complexity and scale, the type of services and products offered, and characteristics of customers served, through:

- the definition of strategic guidelines and policy for the overall management of money laundering risk at Group level;
- the organisational systems and procedures suitable for guaranteeing compliance with customer due diligence obligations, suspicious activity reporting and the retention of data;
- the clear definition of roles, duties and responsibilities of each organisational oversight entity;
- the establishment of the anti-money laundering department as a control function supervising money laundering risk prevention and management;
- continual control of compliance by personnel, internal procedures adopted and legal and regulatory obligations on money laundering.

<sup>8</sup> As this is a training notice sent to the Group's personnel, the percentage value of "uptake" of the initiative is not applicable (different from the participation in training events such as webinars), considering, in any event, that that notice was sent to all employees of the illimity Group.

illimity is committed to preventing and mitigating the risk, even when unaware, of being exploited for money laundering and terrorist financing purposes, and adopts measures in proportion to the risk depending on the type of customer, type of product or service requested, the geographic reference area and distribution channels used.

To avoid involvement in money laundering and terrorist financing, illimity adopts general principles of conduct, above all concerning bans and obligations of applicable external and internal regulations, and in keeping with the values of company codes of ethics.

illimity's governance system to combat money laundering and terrorist financing is set out in the Anti-Money Laundering Policy and related Operating Manual - documents that define a systematic and functional reference framework, based on the principle of the Group's active cooperation, and that describe at a granular level the safeguards adopted by each Group company - also in terms of processes and information systems - for preventing these types of unlawful activity. In fact, specific processes and procedures are in place regarding customer due diligence, suspicious activity reporting, the registration of relations and transactions, the retention of documents, risk assessment and management, internal control and guarantees of compliance with all relevant provisions to prevent transactions connected with money laundering, terrorist financing and the violation of embargoes.

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

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

During 2022 the Group carried out monitoring to identify phenomena of money laundering and terrorist financing, using specific tools, namely: (i) the Transaction Monitoring system to identify potential suspicious transactions, making it possible to intercept "anomalous transactions" in relation to the standard of conduct of the cluster that the customers belong to and anomalous transactions in relation to the information provided by the customer during due diligence "consistency"), with a specific focus on Italian retail-individual customers acquired through multi-channel digital platforms (web, apps); (ii) the Information Monitoring System, which monitors the subjective profile of corporate customers of the Group, to identify and steer potential non-compliance situations, identify trigger events in risk management (e.g. Change in corporate structure, change in business conducted, participation in public tenders) or to intercept significant relationships (e.g. New directors, beneficial owners or partners/shareholders in common with other companies) by enriching the database using reliable, independent public sources (e.g. Infocamere or specialised info providers).



For further information:

[Anti-money laundering policy](#)

## Financial Sanctions

illimity ensures suitable oversight of the regulations in force on financial sanctions, in line with the type of customer, type of product or service offered and the specific geographical area, through:

- the definition of strategic approaches and policies to guarantee compliance with the provisions on financial sanctions;
- suitable organisational systems and procedures to guarantee the correct management of transactions directly or indirectly involving counterparties and countries subject to restrictive measures;
- the clear definition of roles, duties and responsibilities of each organisational oversight entity;
- the appointment of a Sanction Compliance Officer, specifically charged with overseeing the preventing and management of risks of breach of financial sanctions;
- the exercise of continual control of compliance by personnel, internal procedures adopted and legal and regulatory obligations on money laundering.

Where necessary, the financial restrictions established by the reference national or international organisations, set out by the regulations in force at the time.

illimity is strongly committed to guaranteeing compliance with the laws and regulations applicable on financial sanctions, adopting control and oversight measures based on the risk associated with each country that is the target of financial sanctions.

During 2022, illimity established a Sanction Compliance Program at Group level, to integrate safeguards on financial sanctions, formally assigning responsibilities for those sanctions to the department dedicated to anti-money laundering, which already effectively oversaw the management thereof, given the proximity of the two matters in terms of processes and procedures. As a result, the name of the head of that organisational structure was changed from the Chief Compliance Officer to Chief Compliance & AFC Officer, appointing this officer as the Sanction Compliance Officer, with the related assignment of responsibilities for the activities that the structure carries out in the area of financial sanctions. Among these, the following are noted, by way of example:

- ongoing verification of the adequacy of the process of managing the risk of breach of financial sanctions and the suitability of the internal control system and procedures;
- the assessment of risks relating to non-compliance with financial sanctions through the Self Risk Assessment outlined based on Framework defined by OFAC;
- the issue of opinions on the execution of operations involving countries exposed to greater restrictive measures in order to assess the actual exposure to the risk of breach of the financial sanctions in force against those countries.

Safeguards to prevent, mitigate and manage the risk of breach of financial sanctions are outlined in the *Financial Sanctions Policy*, implemented at Group level, which defines the general principles to be applied to conducting company business and sets out provisions regarding:

- the roles and responsibilities of the company bodies and departments of the illimity Group;
- safeguards for compliance with and management of restrictive measures and embargoes;
- safeguards for control over transactions;
- assessment of the risks associated with financial sanctions imposed for breaches of embargoes and restrictions defined at international level.

Lastly, the Group has set up a catalogue of second level controls dedicated to financial sanctions, to assess, on a continuous basis, compliance with the reference regulations, as well as the correct application of the processes defined within the ongoing controls, to oversee the risk of breach of financial sanctions.



For further information:

[Financial Sanctions Policy](#)

## A culture of compliance

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

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 of the organisation, pursuant to Italian 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, and on-the-job training, with classes welcoming a small number of participants, as well as live webinars, to promote continual interaction and engagement with participants, as well as opportunities to analyse case histories presented by operating or business functions.

## Compliance Risk Assessment

Starting in the first quarter of 2022, illimity updated its compliance risk assessment methodology, fully replacing that regarding the Compliance Risk Assessment used up to the previous year, which consisted of the aggregate view of the controls conducted on each Business Division.

To ensure greater intelligibility of the risk associated with anomalies/shortcomings detected – also in terms of impacts (and the related probability of occurrence) on the Group's income statement results – the new compliance risk assessment methodology requires that, along with the results of the most significant controls in terms of situations of non-compliance detected, a summary indicator of the underlying risk be provided, calculated based on four specific factors, i.e.:

- the presumable impact of the administrative sanctions that can be imposed by the competent supervisory authorities;
- the presumable adoption of other, non-sanction measures, by those authorities (and/or the judicial authorities) impacting the current or future business of the Group companies;
- the possibility of disputes with customers, also in terms of class actions, each time damage incurred by customers can be identified (business conduct risk);
- the effects on reputation caused by measures of the authorities or clear situations of non-compliance.

With the goal of supporting the company bodies in the decisions and actions to be taken regarding situations of non-compliance arising in each case, each of the above factors is assigned a preset weight that expresses the (relative) significance of each of these in the overall measurement of compliance risk and enables weighted calculation of the total value of the risk indicator. As this is a hypothetical assessment, featuring a necessary discretionary component, a key element is the assessment by the analysis of the existence and significance of each single factor, which considers numerous elements, such as, for example, the nature of the breach, the existing supervisory practices, the amount of the sanctions imposed for equivalent or similar non-compliance, the number of parties involved and the duration of the non-compliant situation.

With specific reference to the factor assessing the administrative sanctions that can be imposed by the competent supervisory authorities, in addition to the expert assessment, other elements are considered which, if detected, will result in an increase in the compliance risk indicator.

Those elements are:

- repetition of the breach, where non-compliance conduct is detected that has already been challenged and sanctioned by the authorities;
- the behavioural nature of the breach, determined by concrete conduct of the interested parties in breach of the processes and related procedures adopted; as well as
- its significance for the purposes of Italian Legislative Decree 231/2001, every time that a breach is verified of the processes/procedures codified in the Organisation, Management and Control Model implemented pursuant to the mentioned regulations in order to avoid the administrative liability of the company for (predicate) crimes committed by its employees.

Lastly, as in force under the previous methodology, faced with the second rescheduling (deemed not adequately justified) of the corrective measures agreed with the risk owners, the final value of the compliance risk indicator will be increased by an additional notch as a result of the continuation of the non-compliant situation.

A flowchart of the method described is shown below.



# Whistleblowing

GRI 2-16

GRI 2-26

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 through suitable escalation mechanisms. 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 of a Digital Room for each Group company, called **"@Whistleblowing"**, where disclosures can be sent and are managed. 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 identity of the whistleblower, who may opt to proceed also in a totally anonymous manner.

The platform allows personnel and members of the Corporate Bodies and any external party 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 reports also include grievances and all conduct that violates the Code of Ethics. The whistleblowing system guarantees the **confidentiality** and **protection of personal data** of the whistleblower and, as applicable, the person the disclosure refers to. The system is set up in such a way that disclosures are received, reviewed and evaluated through specific, autonomous, independent channels that differ from ordinary reporting lines.

In fact, the Whistleblowing Officer displays reported information from a dashboard in the tool that can also be accessed (in read-only mode) by members of the Audit and Internal Control Committee and the Supervisory Board. If reported information concerns the Whistleblowing Officer, an "alternative" management process is used, where reporting is visible (in read/write mode) to the Chair of the Audit and Internal Control Committee and (in read only mode) to other members of that Committee and to members of the Supervisory Board. In this case, the activities usually overseen by the Head of the Whistleblowing System shall be carried out by the Chair of the Audit and Internal Control Committee of the Bank.

Besides the IT platform, information can be reported in writing, and sent in hard copy from the company post box. The keys for this post box are kept by the Chair of the Audit and Internal Control Committee. In that case, the Chair immediately informs the Head of the Whistleblowing System and the Supervisory Board, tracking the report in the IT tool.

Disclosures may be sent anonymously or otherwise, with the confidentiality of personal data guaranteed in any case. The Bank has adopted special protection measures for parties involved, in compliance with Italian Legislative Decree no. 196 of 30 June 2003, Regulation (EU) 2016/679 on personal data processing and subsequent rulings issued, adequately protecting the reporting party "from retaliation, discrimination or in any case unfair conduct as a result of reporting information" in a climate that respects their dignity.

For each report acquired by Head of the Whistleblowing System, a procedure of analysis is launched, whose result is communicated to the whistleblower within a period of no more than three months from the confirmation of receipt of the report.

During 2022, no violations were reported, and so no investigations of this kind were conducted.



For further information:

[Whistleblowing Policy](#)

## PROSPERITY

Robustness and creation of shared value

The central role of SME and retail customers

Value chain and business relationships

## PLANET AND SOCIETY

Sustainable finance

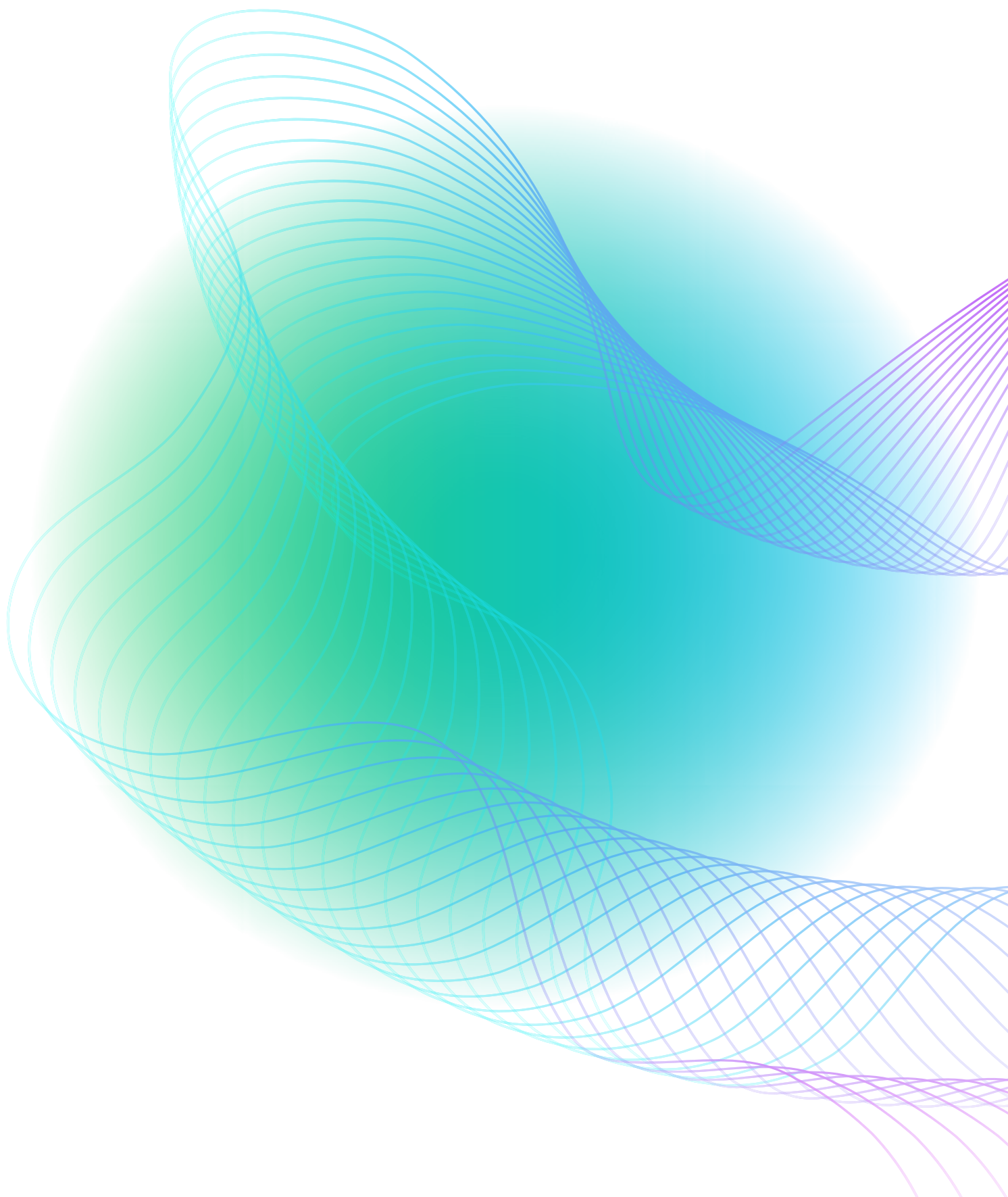
The European taxonomy of eco-sustainable activities

Environmental impacts and climate-related challenges

## RECOGNITION AND AWARDS

## APPENDIX

GRI Content Index



# L'Orto di Jack

The innovative start-up to  
digitalise the fruit and vegetable sector



Frame the cover photo to watch the video  
"The Orto di Jack Story" using the ARIA App



Find out more:

illimity, L'Orto di Jack



# Innovation

## 05. Innovation

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 that enable illimiters to work in cross-cutting teams, honing their expertise, generating ideas and identifying new opportunities.

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

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

### An overview of innovation at illimity

99.00%

Digital communication out of total  
customer communication

100.00%

End-to-end digital onboarding of  
consumer customers

65.90%

Active consumer customers (at  
least one login a month)

100.00%

Proprietary cloud banking  
systems

8.08%

Customers using PSD2/Open Banking  
functionalities

100.00%

Employees who have the  
resources to do smart working

85.07%

Logins from apps vs desktops

Investments in Research and  
Development in 2022:

15,5  
million euros

## Digital Mindset Revolution

The **Digital Mindset Revolution**, launched in 2022 and promoted by the senior management of illimity, is one of the strategic projects of the Group, with the goal of **favouring a significant internal digital revolution, both in terms of mindset and of skills.**

**A project that promoted innovation, using innovation.**

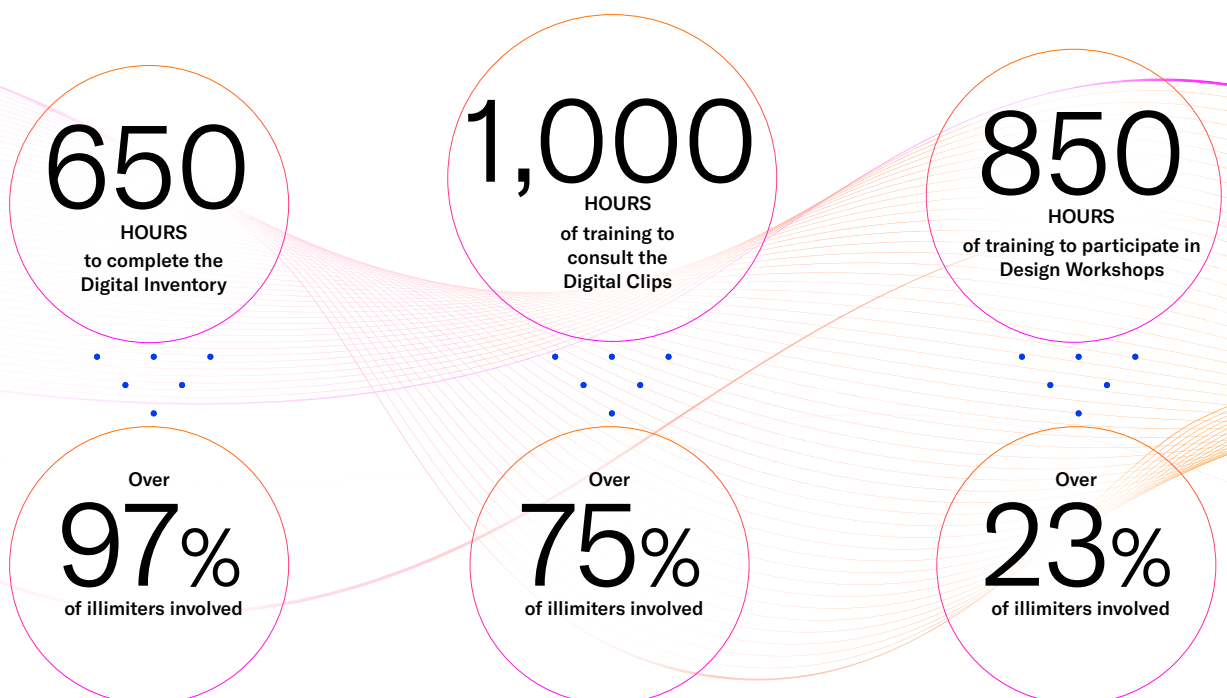
The initiative integrates a creative, fresh approach with a hybrid work group where IT, HR and Design come together to disseminate innovative **Edutainment** (Education + Entertainment) learning methods to provide training activities and collaborative tools of Design Thinking and Workshops to implement internal processes using a digital approach.

The significant investment in mindset and skills made it possible to launch, in the last few months of 2022, the first work groups for the digital redesign of several processes, in the **Digital Design Process** area, overseen by internal Digital Advisors.

An initial pilot phase was important to test tools, formats and initiatives of the DMR process. Synergic daily work resulted in the completion of specific activities over time:

- **Digital Inventory:** tests designed to map the levels of the digital mindset and practical skills of the entire company population, with individual reports available to illimiters and their supervisors. In support of this, in-depth sessions with certified trainers were provided;
- **Digital Clips:** dynamic training articles specifically drafted, which can be viewed at any time on a dedicated internal platform on issues of significant interest such as meeting culture in the digital age and effective communications in a hybrid context;
- **Digital Mindset & Collaboration Design Workshop:** training and inspiration sessions for the target populations identified, to engage everyone and increase their awareness to disseminate effective digital collaboration, through mindsets, tools and processes;
- **Digital Coach and Card Game:** a system of personalised notifications on one's computer for constant memos and a personalised card game on the topics covered.

In 2022, colleagues demonstrated a significant commitment to these initiatives, with around 2,500 hours dedicated, broken down as follows:



The activities are monitored using numerous KPIs which reflect the two main drivers of the process: **Design Workshop Satisfaction** (average level of **satisfaction** with the Digital Mindset & Collaboration Workshop) and **Digitized Processes** (number of Group **processes** revised using a digital approach, with increased digital maturity).

Moreover, to effectively monitor the results of the Digital Inventory, an interactive dashboard was designed, made available to the work group in order to identify new training initiatives.

To support those indicators, illimity uses **Microsoft Viva Insights** technology as an observatory of information that the work group monitors, month after month, to capture employee work habits and analyse any changes.

2023 will feature numerous, increasingly personalised initiatives, training plans designed based on teams' needs and greater dissemination of good practices and approaches supported by the Digital Mindset Revolution process.

## Innovative and high-value projects

Through partners, collaborations and people with which the Bank shares values and visions, high-quality projects are developed with impacts on society.

### illimity Talks

A format of meetings created by illimity to look beyond patterns and shape possible futures. Alongside Corrado Passera, Founder and CEO of illimity, exceptional guests speak on the hottest issues of the moment: thought leadership, innovation, technology, the environment and corporate social responsibility. In November, the illimity Talk "Entrepreneurial Mindset" was held, with the goal of providing useful ideas for entrepreneurs and startupper on how to do business.

### Emozioni d'Impresa (Business Emotions)

Webinar sessions promoted by b-ilty, where illimity's Division managers offer points for reflection useful for the growth of SMEs, so that they can achieve their potential. The emotions and needs of SMEs are the key players in the dialogue, at a historical time characterised by extreme socio-economic changes. Each session covers different issues, including the relationship between the digital sphere and human relationships, or how to build a successful work experience.

### b-ilty talks

Meetings in local areas between experts in various sectors, focused on the various areas of interest (including, for example, company strategy and ethics and digital innovation) with the goal of continuing the ongoing dialogue established with entrepreneurs by investigating issues of common interest.

### Real Estate Observatory

The study promoted by Abilio and ARECneprix (formerly neprix), with the goal of studying the dynamics regarding judicial real estate sales in Italy, by analysing sales both as part of foreclosure proceedings and those triggered as part of bankruptcy proceedings, providing evidence of the single characteristics, critical issues and current opportunities for growth.

### Abilio Talks

A series of meetings on real estate and securities liquidation, dedicated to professionals and stakeholders in the sector. The objective of each meeting was to provide in-depth information and useful tools for professionals working in this area, by analysing the reference regulations and their updates, focusing on the status and evolution of judicial sales, identifying the best tools and most effective methods for managing liquidation. Through these initiatives, Abilio is continuing its process of development as an enabler of services for all professionals that orbit the world of the courts, judicial auctions and bankruptcy receivership.

## Projects through partnerships

### TECH.EMOTION

A podcast form Corriere della Sera and Emotion Network, supported by illimity, where important guests tell their stories: decisions and processes that best expressed the link between innovation, emotion and products and services Made in Italy. These also include Corrado Passera, Founder and CEO of illimity, and Andrea Clamer, illimity Head of Distressed Credit.



Find out more:

[illimity, Tech.Emotion](#)

### HabiSmart

illimity supports the project from CDP Venture Capital “HabiSmart”: the unique accelerator for the growth of start-ups that develop innovative solutions or services for the real estate sector. A programme that supports the growth of young companies specialising in high potential markets.



Find out more:

[illimity, HabiSmart](#)

### FT x Made in Italy Challenge

FT x Made in Italy is an initiative of FT Talent and of Sole 24 Ore, dedicated to the development of new business ideas for the relaunch of Italian manufacturing by young Italian innovators. Participants, supported by mentors and tutors, competed in teams to solve business and strategic challenges. In addition, there were moments of networking and training through Masterclasses on the world of business and entrepreneurship. The hackathon, which lasted 5 days, involved the participation of over 1,500 candidates and 100 people were chosen to participate in the programme.



Find out more:

[illimity, Challenge FT Project](#)

### Ambrosetti Research

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



Find out more:

[illimity, Ambrosetti](#)

## Cyber Security

The illimity Group's IT system was designed to maximise the new opportunities offered by the digital universe and innovate the traditional paradigms of IT management of banks.

As envisaged in legislation and regulations, illimity focuses its IT security policies on safeguarding the **confidentiality, integrity and availability** of its data, with regard to both its customers and to carrying out business and internal strategic activities, availing of experts in the fields of ICT Security, Compliance and Data Analysis, as well as of advanced artificial intelligence technology.

In that regard, it is noted that the ICT Security Area, in charge of defining and implementing the security policies of the Bank, in the last few years:

- strengthened its capacity to **predict threats** to the confidentiality, integrity and secrecy of data, investing in **Open Source Intelligence**, or consolidating analysis tools that use the most modern algorithms of artificial intelligence and machine learning. This made it possible to fine tune customer due diligence procedures during onboarding, starting a process to assess the **security posture** of networked entities;
- improved **control over transactions on Internet Banking channels** which, using algorithms based on artificial intelligence techniques, conduct risk assessments on individual transactions. In the event of an anomalous transaction, the procedures implemented ensure, in more than 90% of cases, that the customer will not lose the capital subject to the transaction, due to the capacity of the prediction mechanisms to intercept the transaction type. These prevention and protection mechanisms were particularly impactful in Open Banking, where illimity implemented onboarding protocols, based on the use of advanced digital technology to identify customers, capable of predicting potentially fraudulent conduct with significant accuracy, blocking or monitoring the suspicious prospect, and on the due diligence performed by the Bank's internal departments;
- increased the **monitoring capacity of the Bank's infrastructures**, to prevent different and new types of attack;
- developed its own **operational governance procedures**, optimising the Business Continuity Management system, which increased the resilience of the bank's system to the occurrence of crisis events;
- strengthened the internal procedures of **selection and prior evaluation of suppliers** and outsourcers, setting up a third party management system that aims to analyse and assess the ICT security measures of IT service providers. That process strengthens the preventive screening of suppliers, by verifying and measuring the exposure to cyber risk;
- made ongoing investments in preparing and providing **IT security training courses**, targeted to employees as well as managers, to increase the company's awareness of cyber attacks. The courses were followed by campaigns simulating attacks (e.g. phishing), or other methods of attack, which verified the effectiveness of the training provided.

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

## Risk assessment of the Group's ICT assets

The protection of company data, business continuity, information integrity and the availability of IT systems are further overseen within the Group by the second and third level control functions:

- *Risk Management*, responsible for defining IT risk governance and the resulting methods of analysis, processing, monitoring and reporting;
- *Compliance*, which provides support in designing the processes of analysis, processing, monitoring and communication of IT risk;
- *Internal Audit*, which provides assessments of the main technology risks that can be identified and the overall management of Group IT risk.

The main actions taken in 2022 to manage and monitor IT risks concerned in particular:

- **Risk assessment of the Group's IT assets.** Through six-monthly assessments of potential risk, residual risk and specific risk, with the support of the competent departments, the exposure to IT risk of the single assets of the Group was estimated. Updates and customised assessments were also carried out

of the risk associated with assets, at the time of structural changes to the Group's organisation, inclusion of new applications in the catalogue, or to ensure the correct, ongoing update of the assessments, also outside of the set six-month schedule;

- **Operational risk indicators – RAF.** Approved by the Board of Directors, the Risk Appetite Framework and the Risk Appetite Statement included, starting in 2021, a dual operational risk indicator that distinguishes between business operating losses and **ICT operating losses identified in the year**;
- **Collection of IT incidents.** Information on **IT incidents**<sup>9</sup> reported by users of the Parent Company illimity and its Subsidiaries ARECneprix (formerly neprix) and illimity SGR was gathered and analysed for prompt identification, to monitor possible IT and operational risk situations.

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

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

## Management of systems, evolutions and IT incidents

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

Also based on the regulations in Bank of Italy Circular no. 285, in 2020, the Group set up enhanced internal ICT management and its own policy for IT development.

In fact the Group has put its guidelines for secure planning, developed and updated in relation to OWASP<sup>10</sup> best practices and related to changing threats which are monitored by the dedicated Cyber Security team on the company intranet.

The applications developed by the Group are subject to white box static application security testing and black box testing, through dynamic application security testing.

The tools and procedures create a classification of potential vulnerabilities within the management illustrated in the company vulnerability management process, which links the classification of the vulnerabilities detected by the continuous monitoring with specific remediation periods, agreed on and accepted by the Risks Committee.

<sup>9</sup> For further details see the next section "Management of systems, evolutions and IT incidents".

<sup>10</sup> Open Web Application Security Project.

Vulnerabilities are classified and assigned to the application or infrastructure owners, who are charged with correcting them according to a well-defined schedule, linked to the criticality of the vulnerability.

The resolution times (RT) reported below for the vulnerabilities are expressed as number of calendar days, while indicating:

- the maximum time for which the Bank deems it can remain exposed to the risk;
- the maximum time in which the Bank intends to have the competent teams resolve the vulnerabilities.

#### Resolution Times Table

ASSET RATING \ VULN RATING	CRITICAL	HIGH	MEDIUM	LOW
CRITICAL	7	15	45	90
SENSITIVE	15	45	70	acceptance or delayed planning or best-effort
RELEVANT	45	70	acceptance or delayed planning or best-effort	acceptance or delayed planning or best-effort

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

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

Additional indicators	2022	2021	2020
Number of serious IT security incidents out of the total of IT security incidents reported <sup>11</sup>	0	0	0
% of software covered by security application checks in the process to manage application vulnerability	100%	100%	100%
% of vulnerabilities resolved, identified by the new <i>Vulnerability Management</i> process	90%	98%	100% <sup>12</sup>

During 2022, no serious IT incidents occurred that had negative, significant impacts on the integrity, availability, confidentiality, authenticity and/or continuity of services with consequence financial loss, harm to the company's image or prolonged, significant poor service for customers and other parties.



For further details:

[IT Security Policy](#)

<sup>11</sup> Classified according to the guidelines in the Bank of Italy Circular no. 285.

<sup>12</sup> The figure refers to Vulnerability Assessments and Penetration Testing (VAPT). During 2021, this process, which manages the vulnerabilities of subjects continually monitoring defects of applications used by the Bank and their developments, was further consolidated.

## IT security awareness and training

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

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

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

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

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

The illimity Group is aware that the use of artificial intelligence and machine learning algorithms may entail potential ethical implications, depending on the methods of use and objectives pursued. For this reason, in 2021, the *Policy on the Governance of Internal Risk Models* formally set out the reference framework for ethical aspects related to the use of artificial intelligence and machine learning techniques. The framework indicates the zero or negligible risk of models in illimity's perimeter, in ethical terms, as these are not sold, they are not used for commercial products but instead only for internal risk assessments, and they are not included in AI systems prohibited or defined as high risk under Articles 2 and 6 of the Proposed Regulation of the European Parliament on artificial intelligence.

In June 2022, given the increasing significance of issues regarding the use of artificial intelligence and machine learning techniques, illimity was one of the first banks to set up a customised **Artificial Intelligence (AI) Policy**. The Policy aims to implement, in coherence with the characteristics of illimity Group's business model, the voluntary indications regarding ethical profiles as defined from time to time by the European Union and the Organisation for Economic Co-operation and Development (OECD), specifically regarding the governance of the AI (Artificial Intelligence) models used by the Group, which also undertakes to implement them in compliance with the Information Security rules. In particular, referring to the European Commission Communication of 25 April 2018 on Artificial Intelligence for Europe, and taking into account the fact that the General Data Protection Regulation (GDPR) became effective on 25 June 2018, as well as the Proposal for a Regulation of the European Parliament and of the Council establishing harmonised rules on artificial intelligence (Law on Artificial Intelligence) of 21 April 2021, the illimity Group recognises the importance of addressing the challenges associated with the use of AI and the ethical implications that derive from it.

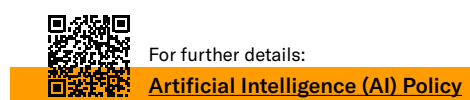
In this regard, the illimity Group continuously monitors regulatory developments, also in terms of regulations and guidelines, for accurate and timely implementation and adaptation of its internal regulations, where deemed appropriate. Furthermore, with regard to the OECD Council Recommendation on Artificial Intelligence, the Group undertakes to comply with the application of the best standards in the field of Artificial Intelligence, extending to all the AI models used by the Group the principles set out for "high risk" models by the Proposal for Regulation of the European Parliament.

It is important to note that the models of interest to the Group include additional characteristics: the underlying data are traditional, meaning public (e.g. Financial statements) or derive from private regulated credit bureau, whose codes of ethics are contractually applicable to the Group. For models applied to individuals: (i) the underlying data do not include sensitive data; and (ii) the prediction features of the model do not include sensitive data or data that make direct or indirect identification possible. If a new model, a change to an already approved model, or a new type of model does not meet the above characteristics, their production is subject to specific, ethical-based assessments, and to the approval of relevant Bodies.

Also for the purpose of monitoring the adoption of high-risk artificial intelligence systems applied to individuals, the Group has implemented an **internal catalogue relating to all the AI models used** (developed internally or by external suppliers) which lists characteristics and purposes, illustrates the protection of the principles adopted by the Group, and contains a risk assessment by the first and second level functions, including compliance assessments for high-risk models.

Lastly, the specific indicator - **number of applications of “high-risk” AI models** - was included in the Group’s Risk Appetite Framework. It is calculated by measuring the number of applications of “high-risk” AI models used by the illimity Group (both models developed internally and those acquired from third parties).

The indicator aims to limit the use of high-risk AI models, in line with the illimity Group’s voluntary endorsement of the principles adopted in relation to high-risk models for individuals in the Proposal for Regulation of the European Parliament. It is also noted that the level of risk limits defined reflects the choice to restrict those models to internal use and to the first and second level risk controls, with a “zero or minimum” appetite for that risk.



## Data management and data protection

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

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

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 benefiting the correct and transparent configuration of all activities that involve the processing of personal data, starting from the creation and design stages, and has also effectively defined and continually manages the (technical and organisational) safeguards for this purpose.

To guarantee an integrated Group approach and consistent management of relations with all stakeholders, illimity has appointed a **Data Protection Officer (DPO)** at Group level, who is the Chief Compliance & AFC Officer and steers the organisational model adopted for the proper oversight of personal data processing issues and legal obligations, acting as the single, official contact point for all Group companies and third parties, as well as for the Regulators, and for individual data subjects.

The Group guarantees necessary, periodic updates to the internal policy, which all personnel must observe, to guarantee the correct management of personal data processing issues. Periodic revision covers the safeguards adopted for compliance with obligations to provide disclosure to data subjects, as well

as the processes to obtain and manage data subjects' consent and requests to exercise their rights, the methodology to assess the impact of data protection, the correct adoption of data protection by design & by default principles, the procedures to manage and notify data breaches, as well as the functioning of information flows to the Data Protection Officer.

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

#### GRI 418-1

During 2022, 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 that year, three episodes of unauthorised access to personal data regarding several customers of the Bank occurred, which caused the accidental, unauthorised access to a very limited number of data and - after necessary internal assessments - did not pose a risk for the rights and freedoms of subjects involved. All violations were promptly solved and appropriately registered in the Group's internal records, in compliance with applicable regulations.

## Cookie Policy

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

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

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

Following the entry into force of the Guidelines on Cookies published by the Italian Data Protection Authority, additional privacy safeguards were set out in managing cookies on the Group's websites (e.g. implementing a specific button on the cookie banner to continue navigating without installing optional cookies and an additional button on the footer of the website to allow users to manage and change the cookies used in their browsing at any time).



For further details:

[Privacy Policy](#)

# Alessi

100 year old Italian design company inaugurating  
a new century of research and development



Ph.: Francesco Van Straten



Frame the cover photo to watch the video  
"The Story of Alessi" using the ARIA App



Find out more:

**illimity. The Story of Alessi**



# People

# 06. Empowerment, engagement and well-being of illimiters

## illimity Journey – The Value of Care

illimity's People Value Proposition is the set of actions that create the HR ecosystem, with the purpose of favouring the engagement, development and well-being of illimiters and their families.

Specifically, the illimity journey is a process that maps all the important moments and starts with the empowerment of people (the illimiters) right from the selection process, which aims to identify people with the skills, mindset and motivation that will add value to and, at the same time, receive value from the Group.



GRI 2-7

GRI 2-8

GRI 2-30

At the end of 2022, the Group had **853 employees** (+18% compared to 2021), 43% women and 57% men, of which 23 employees (2.7%) with disabilities, in addition to 66 staff and associates (41 internships, 6 seasonal workers and 19 collaboration agreements). Nearly all employees have a permanent contract and are in full-time employment.

The total includes 28 employees and 1 associate of AREC S.p.A., acquired by neprix S.r.l. on 30 June 2022 and merged by incorporation into ARECneprix S.p.A., with legal effect from 1 January 2023.

The employees of illimity Bank and illimity SGR are covered by the National Collective Bargaining Agreement for senior managers and personnel of professional areas, employed by credit, financial and operating companies, while ARECneprix employees are covered by the "Supplementary agreement for the credit sector", referred to in Article 3 of the aforementioned agreement. The National Collective Bargaining Agreement for the Services Sector was applied to the employees of AREC up to 31 December 2022. Following the merger by acquisition on 1 January 2023, the same National Collective Bargaining Agreement of neprix was applied to all AREC employees.

Employees by gender and region	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Lombardy	241	372	613	202	319	521	156	252	408
Emilia-Romagna	107	86	193	97	80	177	83	69	152
Lazio	8	13	21	0	0	0	0	0	0
Other Regions <sup>13</sup>	10	16	26	10	17	27	10	17	27
Total	366	487	853	309	416	725	249	338	587
of which employees with disabilities	11	10	21	9	7	16	5	5	10
of which employees in protected classes	1	1	2	1	0	1	0	0	0

<sup>13</sup> For 2022: Marche (2 Women and 4 Men), Sardinia (2 Women and 1 Man), Sicily (2 Women and 4 Men), Tuscany (2 Women and 2 Men) and Veneto (2 Women and 5 Men).

Employees by contract type, by gender and region	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Lombardy</b>	<b>241</b>	<b>372</b>	<b>613</b>	<b>202</b>	<b>319</b>	<b>521</b>	<b>156</b>	<b>252</b>	<b>408</b>
Permanent contract	236	372	608	202	318	520	155	252	407
Fixed-term contract	5	0	5	0	1	1	1	0	1
<b>Emilia-Romagna</b>	<b>107</b>	<b>86</b>	<b>193</b>	<b>97</b>	<b>89</b>	<b>177</b>	<b>83</b>	<b>69</b>	<b>152</b>
Permanent contract	106	86	192	89	79	168	76	63	139
Fixed-term contract	1	0	1	8	1	9	7	6	13
<b>Lazio</b>	<b>8</b>	<b>13</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Permanent contract	8	13	21	0	0	0	0	0	0
Fixed-term contract	0	0	0	0	0	0	0	0	0
<b>Other Regions</b>	<b>10</b>	<b>16</b>	<b>26</b>	<b>10</b>	<b>17</b>	<b>27</b>	<b>10</b>	<b>17</b>	<b>27</b>
Permanent contract	10	16	26	10	16	26	10	15	25
Fixed-term contract	0	0	0	0	1	1	0	2	2
<b>Total</b>	<b>366</b>	<b>487</b>	<b>853</b>	<b>309</b>	<b>416</b>	<b>725</b>	<b>249</b>	<b>338</b>	<b>587</b>

Employees by contract type, by gender and region	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Lombardy</b>	<b>241</b>	<b>372</b>	<b>613</b>	<b>202</b>	<b>319</b>	<b>521</b>	<b>156</b>	<b>252</b>	<b>408</b>
Full-time	241	371	612	202	318	520	155	252	407
Part-time	0	1	1	0	1	1	1	0	1
<b>Emilia-Romagna</b>	<b>107</b>	<b>86</b>	<b>193</b>	<b>97</b>	<b>80</b>	<b>177</b>	<b>83</b>	<b>69</b>	<b>152</b>
Full-time	104	85	189	94	79	173	81	67	148
Part-time	3	1	4	3	1	4	2	2	4
<b>Lazio</b>	<b>8</b>	<b>13</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Full-time	6	13	19	0	0	0	0	0	0
Part-time	2	0	2	0	0	0	0	0	0
<b>Other Regions</b>	<b>10</b>	<b>16</b>	<b>26</b>	<b>10</b>	<b>17</b>	<b>27</b>	<b>10</b>	<b>17</b>	<b>27</b>
Full-time	8	16	24	8	17	25	8	17	25
Part-time	2	0	2	2	0	2	2	0	2
<b>Total</b>	<b>366</b>	<b>487</b>	<b>853</b>	<b>309</b>	<b>416</b>	<b>725</b>	<b>249</b>	<b>338</b>	<b>587</b>

## illimity Onboarding – The Value of Embracing

Through an integrated process, illimity supports the entry of new illimiters, favouring their knowledge of the Group, its culture and its values. All players are asked to personally contribute to the onboarding of new illimiters, to emphasise the significance of this time, which enables new hires to feel that they are illimiters from their first day, breathing in our values and culture, and feeling free to explore.

The main channel used to identify candidates in line with illimity's needs is the Career Page on the website, which reflects a simple, integrated recruiting process. illimity also uses social media channels to support recruiting activities. Specifically, LinkedIn is used to directly contact potential illimiters and promote the searches under way, through posts with a photo of the face of an illimiter on the hiring team and a brief job description.

illimiters are selected for internships and junior positions working with numerous universities, publishing advertisements on dedicated portals and carrying out Employer Branding activities (e.g. Career day, round tables and presentations), in which we meet with young students and graduates interested in working for the Group.

illimiters are the main brand ambassadors, representing an important channel for finding applicants: in this sense, they are incentivised to mention open positions to potential illimiters, also through an internal programme which, where the applicant is hired, rewards the referring illimiter with a gift card or the choice of allocating double the amount to fondazione illimity.

Only in specific cases does illimity use headhunters, with which it has close, long-lasting partnerships, to identify new talent.

An innovating recruiting tool, which was successfully tested during 2021 and integrated into the selection process in 2022, is a recorded video interview. This is the digital evolution of cover letters, which allow candidates to tell us something about themselves beyond what they have written in their CVs, personalising their application and answering questions to expand on aspects of their personality and to verify their technical skills. Using video interviews makes it possible to create a shortlist for the management with less bias than simply reading CVs.

During 2022, **there were 187 new hires** (83 women and 104 men), mainly under age 31. There were 85 employees whose employment contract has ended (of which 7 involuntary exits). Turnover of incoming personnel came to a total of 21.9%, compared to outgoing turnover of 10%.

Since 2021, illimity has consolidated a process of onboarding new hires which is managed through three channels:

- **Buddies**, the contact persons in illimiters lives before they join the Group, which assists new hires in their first few weeks to favour their acclimation, helping to familiarise them with the way of working and to build effective relationships. During 2022 the community of Buddies was further expanded to welcome new hires;
- the **digital training programme** which, by combining theory and situation-based tests, introduces new hires to the illimity w.o.w. (way of working) and the pillars of its leadership model. The programme consists of over 25 hours of remote training to be done in the first two months with the Group. It is managed through the **Workday Learning** platform, also available on mobile, guaranteeing the utmost flexibility of use and conciliation with other professional and personal commitments;
- **onboarding day**, two half days dedicated to new hires to introduce them to the Group's business, through testimonials from colleagues from each Division/Department and to officially start the illimity journey, thanks also to the participation of the CEO and Chief HR & Organization Officer.

#### GRI 401-1

	UoM	2022	2021	2020
<b>Total employees hired</b>	<b>No.</b>	<b>187</b>	<b>186</b>	<b>151</b>
	<b>%</b>	<b>21.9</b>	<b>25.7</b>	<b>25.7</b>
<b>By gender:</b>				
Women	No.	83	81	57
	%	22.7	26.2	22.9
Men	No.	104	105	94
	%	21.4	25.2	27.8
<b>By age group:</b>				
≤ 31 years of age	No.	95	96	69
	%	36.1	40.9	34.0
32 - 39 years of age	No.	53	63	47
	%	16.3	23.0	22.6
40 - 54 years of age	No.	36	27	32
	%	15.1	13.8	20.4
≥ 55 years of age	No.	3	0	3
	%	11.5	0	15.8

	UoM	2022	2021	2020
<b>Total employees whose employment contract has ended</b>	<b>No.</b>	<b>85</b>	<b>36</b>	<b>30</b>
	<b>%</b>	<b>10.0</b>	<b>5.0</b>	<b>5.1</b>
<b>By gender:</b>				
Women	No.	34	13	9
	%	9.3	4.2	3.6
Men	No.	51	23	21
	%	10.5	5.5	6.2
<b>By age group:</b>				
≤ 31 years of age	No.	29	17	12
	%	11.0	7.2	5.9
32 - 39 years of age	No.	32	10	11
	%	9.8	3.6	5.3
40 - 54 years of age	No.	22	9	5
	%	9.2	4.6	3.2
≥ 55 years of age	No.	2	0	2
	%	7.7	0	10.5

## illimity Performance – The Value of Managing Goals

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

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

The Self and Cross Evaluations, as information made available to the appraisal manager, contribute to determining the final score of the evaluation. Moreover, in line with the previous year, also in 2022, the assessment of conduct of illimiters (**accounting for 25% of the objective plan**) maintained the specific importance of responsibilities linked to **ESG** and **Digital Mindset issues**.

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

### GRI 404-3

Employees involved in the Performance Management process	2022			2021			2020		
	Women %	Men %	Total %	Women %	Men %	Total %	Women %	Men %	Total %
Senior managers	100.0	98.4	98.7	92.3	96.3	95.5	100.0	97.9	98.2
Middle managers	95.9	98.2	97.4	96.3	92.9	94.1	93.0	88.4	90.1
Professional areas	96.1	97.5	96.7	87.4	94.0	90.4	81.2	76.1	78.8

The figures refer to the number of eligible employees included in the Performance Management process for 2022, i.e. hired by 30 September 2022.

illimiters that do not participate in the 2022 performance evaluation still have the chance to attend the feedforward session, receiving feedback on performance and conduct and defining their individual development plans (as part of a catalogue of training and development initiatives, to take part in during the year or over a longer period).

## illimity w.o.w. – The Value of Intelligent Working

illimity co-designed the way of working with its employees, continuously evolving it towards “how” instead of “where”, to move beyond the borders of space and time and enter a dimension focused on fluidity, efficiency and well-being.

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

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

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

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

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

## illimity Growth – The Value of Learning

illimity designs, implements and monitors an integrated training programme that favours the definition of professional development plans built based on the characteristics of each role, functional to the growth of the individual and the Group, to increase the skill set of illimiters, in order to handle the challenges of the present and future, thereby developing transversal talents and people that embody the company culture and values.

The personal and professional growth of each illimiter is guaranteed through two pillars: training and development, which contribute to ensuring that illimiters are well-rounded and embody the company values in their daily conduct.

Specifically, training is divided into four different categories.

### 1. Mandatory Training & Language Courses

**Mandatory training** is dynamic and is updated based on Group priorities, following a progressive logic, covering topics of specific interest in rotation. In addition to topics regarding compliance and occupational health and safety, in 2021, ESG topics were introduced, as well as an IT Security Awareness Programme to combat IT risk. Both of these are now included in the catalogue of mandatory training.

To favour a lasting revolution in our way of working in today's hybrid-digital context, the senior management sponsored a new strategic project that entails an intensive digital drive in internal processes and the conduct of colleagues. To trigger this change in viewpoint, it is necessary to start with people's mindsets and the development of their skills. Thus, the **Digital Mindset Revolution** was created, involving colleagues in various activities for a commitment of around 2,500 hours in 2022, which will continue in 2023.

Though it mainly targets the Italian market, the Group pays significant attention also to **language training**. With a view to reaching a medium-high level of English, each illimity accesses an individual programme assigned based on the results of the assessment conducted during onboarding. The Group implements a training cycle that uses different methods and approaches and increases in difficulty based on the progress measured, up to weekly individual sessions with native speaker trainers.

Italian lessons were also activated in order to be increasingly inclusive to foreign colleagues.

## ESG training

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

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

For this reason, starting in 2021, illimity has developed a training programme dedicated to ESG topics, included in the mandatory training programme, which is enriched and expanded annually, based on the emerging trends and the changes to regulations on sustainability issues. Within the 2023-2025 Sustainability Plan, the Bank has also committed to providing at least 3 hours of ESG training to each employee of the Group.

## Employee training

In 2021, the first course provided to employees, staff and associates of the Group – developed by ASviS, **Italian Alliance for Sustainable Development** – regarded the Agenda 2030 and the Sustainable Development Goals, with the objective of informing colleagues and raising their awareness of the 17 SDGs approved by the United Nations in September 2015.

During 2022, the Bank provided an additional two training programmes: the first, taken through e-learning (SCORM) by all company personnel, with a focus on measuring sustainability, social aspects and sustainable finance for banks and asset management companies; the second programme – provided via subject matter expert trainers and taken in synchronous mode – was divided into 7 workshops on ESG topics<sup>14</sup>, to which the Directors of the Group were invited, and which actively involved 47 key people, identified by each Group Department, based on their various areas of operation. The workshops were planned in small classes, with specific target populations depending on the topic discussed.

This second programme, included in Compliance training, aimed to illustrate the regulatory principles on corporate sustainability and provide the building blocks of practical knowledge on sustainable finance to define the Group's ESG strategy. It intends to provide specific skills to the key persons in the organisation who can positively influence the comprehensive management of ESG issues in strategic, design and operational terms, as well as acting as points of contact for on-the-job training of their colleagues within their respective structures.

14 "Introduction to sustainable development and ESG topics", "Sustainable finance policies", "Climate risk and financial risk", "The management of environmental and climate risk within the bank", "Strategies and products: Loan Origination & Monitoring", "Strategies and products: ESG bonds", "Strategies and products: ESG Funds".

## GRI 2-17

### Training of the Management and Control Body and the Senior Management

The Board of Directors is the annual target of a Board Induction programme, in accordance with the applicable regulations and best practices of the sector. The topics covered by the induction regard issues of interest to the Board and relate, *inter alia*, to ESG aspects and related risks, with specific focus on climate and environmental risks.

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

In June 2022, in addition to the above specific workshops also targeted to members of the Board of Directors, the Bank organised a periodic ESG Induction – which the Directors in the Board of Directors of the Parent Company and the subsidiaries neprix and illimity SGR, as well as the senior management of the Bank, participated in – during which various issues were analysed in depth, including: ESG Compliance (compliance with the EBA Guidelines on Loan Origination and Monitoring, the Expectations on Climate and Environmental Risk Supervision of the Bank of Italy, and changes to regulations), sustainability at illimity (non-financial reporting, ongoing projects, benchmarking, ESG ratings and petitions by investors, international sustainability frameworks) and a focus on opportunities and challenges to further integrate ESG topics into the various business lines of the Group.

## 2. Specialised Learning

In addition to the standard programme targeted to all employees, illimity created **illimity up**, a reference model for training initiatives that can be activated on demand, which define **individual professional development plans** built based on the specific features of each position and on the single needs for growth. In particular, as part of the Performance Management process, each illimiter can choose from over 50 training initiatives, together with their manager, to select priorities and content close to their own and their team's needs. On average, in 2022, each manager selected 4 initiatives for each illimiter. Among the initiatives most selected, we note the courses of Bank Financial Statements and Industrial Financial Statements.

With the goal of transmitting these skills and using them in daily activities, illimity has set up the **Toolbox Academy**, an integrated training solution that combines internal know-how with the method and scientific coordination of **POLIMI Graduate School of Management of Milan Polytechnic**.

The Toolbox Academy is based on microlearning, a skill-based approach to learning that offers information in small, highly concentrated sections. This methodology is designed to meet technical needs in a short time, with just a click, which can be flexibly used in terms of time and space. The digital library created during 2022 offers content designed and created by illimiters for illimiters, with a focus on fundamental topics for banking.

The nature of learning is continuously evolving and, with this, the tools used to transmit content. In April 2022 **LinkedIn Learning** was activated. This is a digital library with over 10,000 courses in English (with the option to display subtitles in Italian), held by professional trainers. The e-learning platform, open to all illimiters and integrated with Workday, allows users to acquire fundamental skills in the world of work at any time, at a pace adapted to their specific needs.

In addition to promoting the culture of learning, this tool captures training needs and meets them in a timely manner, also developing interests and creativity, going beyond the scope of work activities.

## 3. Business Learning Projects

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

- the **Masters in Credit Management**, whose second course concluded in July 2022;
- the **b-ilty Academy, training dedicated to the b-ilty sales network**. By leveraging the digital platform [illimitybank.com](https://illimitybank.com) and the Group's outstanding expertise in loan management, training addressed both

technical aspects of selling the product portfolio and soft aspects of the relational positioning of the sales network, completed with content with a strong digital imprint. With a view to lifelong learning and ever increasing knowledge of the market sectors, b-ilty Academy involves all Relationship Managers on an ongoing basis regarding new products in the portfolio and market trends, which will be reposed cyclically to new hires in the network. Significant space was also dedicated to IVASS training and professional development for the management of insurance products.

## Master in Credit Management

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

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

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

The second course, launched in April 2022, kept expectations high: **452 applications were received** in slightly more than one month and over **300 teaching hours provided** by a faculty composed of **18 university lecturers** and **external consultants** in 32 courses, with an ongoing budding programme dedicated to students: specifically, buddies were selected from illimiters that participated in the first session and followed a customised training programme.

The programme is for both young professionals or practising lawyers in the NPE loan management sector, as well as for new graduates or students near to graduating who have been hired by the illimity Group at the start of the programme. The Master's course involved young employees of neprix under 30.

The courses (lasting from 4 to 28 hours) covered the main legal, economic and behavioural aspects of credit management. The multidisciplinary nature of the programme made it possible for other colleagues of the Group to actively participate, granting priority to more junior figures.

Compared to the second session, two new aspects were introduced: **the programme was entirely free of charge** and **it guaranteed selected candidates employment with neprix**, on a trainee contract from the very first day.

## 4. Development Programmes

An ever increasing portion of investment in managerial and behavioural training has been dedicated to developing the senior management pipeline.

Over the years, the organisation has built up its structure and, due to the increase in responsibility and/or oversight of activities of certain roles, customised programmes are implemented that provide the tools to cover the new position. This is promptly implemented on appointing a Team Leader or Manager with specific training that leverages coaching methodology, with the goal of measuring up to the challenges of the lead coach in developing own staff.

To improve the expansion of leadership and generate a motivated, resilient environment, by disseminating conduct, feelings and behaviour useful to the achievement of the corporate objectives, a new development programme was launched, dedicated to senior management.

In 2022, specific development initiatives were also implemented for a select target of high-potential illimiters, identified with the support of the managers of the various areas and using assessment tools. The initiatives, which also involved certified external coaches and the senior management of the Group, aimed at outlining an individual development plan and guarantee company sustainability with a view to succession planning.

To support the development of illimiters and promote cross team work, contributing to the general growth of the entire Group, the initiative of **cross mentoring** continued, with a (formal and informal) relationship between a person with more experience (the mentor) and a person with less experience (the mentee), aimed at developing the skills of the latter in a working and social environment, regardless of seniority. In 2022 the initiative involved 51 pairs (for a total of 102 illimiters), counting on the experience of 12 new mentors trained through the **Train the Mentor** programme.

In addition, illimity recognises the potential of its people, starting from the promotion of heterogeneous backgrounds that result in unique skills within the Group. With a view to increasingly promoting internal skills and placing them at the service of young resources, we consolidated the **Erasmus** experience, which consists of a period of continuous training and work within a target function, shadowing a more senior colleague in his/her daily work, to understand the needs of the position and put them into practice. This experience lasts from 6 to 12 weeks in a business area different from the employee's area, and involved 4 illimiters during 2022.

#### GRI 404-1

Total training hours	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Senior managers	1,149	2,817	3,966	696	2,534	3,230	419	1,997	2,416
Middle managers	5,530	10,187	15,717	5,105	10,972	16,077	2,483	3,586	6,069
Professional areas	11,454	12,840	24,294	8,004	8,505	16,509	1,887	1,216	3,103
<b>Total</b>	<b>18,133</b>	<b>25,844</b>	<b>43,977</b>	<b>13,805</b>	<b>22,011</b>	<b>35,816</b>	<b>4,789</b>	<b>6,799</b>	<b>11,588</b>

#### illimity training course categories

of which mandatory Compliance training	4,816	5,782	10,598	4,011	6,095	10,106	1,818	2,201	4,019
of which technical/specialist training <sup>15</sup>	5,350	8,543	13,893	4,381	8,626	13,007	983	1,560	2,543
of which behavioural training	4,747	7,004	11,751	2,890	3,670	6,560	598	552	1,150
of which language skills training	2,890	4,031	6,921	1,951	2,888	4,839	678	1,616	2,294
of which mandatory occupational health and safety training	330	484	814	572	732	1,304	712	870	1,582

Average hours of training	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Senior managers	72	46	51	54	47	48	52	43	44
Middle managers	45	45	45	48	56	53	29	24	26
Professional areas	50	65	57	42	51	46	22	17	20
<b>Average hours of training</b>	<b>51</b>			<b>49</b>			<b>30</b>		

Minimum hours of training suggested by the National Collective Bargaining Agreement for the credit sector

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The data consider the training provided to AREC personnel from the time they joined the Group (1 July 2022). The initiatives regarded the following areas: Compliance & AML (participation in webinars organised by the Chief Compliance & AFC Officer), technical training (e.g. negotiation skills, reform of the Italian Business Crisis and Insolvency Code), and behavioural training (specifically, a change management programme to support the integration, involving managers and other key figures).

<sup>15</sup> The total includes the hours provided as part of the following initiatives: b-ilty Academy, Master in Credit Management, Business Skills, ESG and Diversity, Equity & Inclusion, IT & Software.

As previously illustrated, to favour the entry of new colleagues, a dedicated onboarding programme was developed (see the section “illimity Onboarding”), with a total duration of around 9 hours, broken down into various sessions: an onboarding day, lasting a half-day to present the Group’s business Divisions, and four induction sessions on HR topics, with a duration of 60 or 90 minutes (company tools, complementary pension funds, welfare system and insurance policies, learning & development programmes). At the start of 2023 the onboarding programme was completed with onboarding regarding support functions and induction on the IT ecosystem and other company tools. Since the start of 2023, in addition to the training that new hires and other illimiters have access to, specific initiatives have been planned that fall within the scope of mandatory training, including those focusing on ESG principles.

Developing talent has always been one of illimity’s most important commitments. In this view, in October 2022, the internal newsletter **illimity Growth: The Value of Learning** was created. This monthly newsletter is targeted to all illimiters with the goal of confirming the aspect of professional development among priorities, with tips & tricks to stay up-to-date and capture learning opportunities also outside of one’s role in the Group. A topic of particular interest that the newsletter focuses on is **Diversity, Equity & Inclusion**, to which a digital training programme was dedicated during the year, and which will be reserved significant space in the mandatory training catalogue for 2023, in order to further emphasise the Group’s sensitivity to this highly important issue.

## illimity Total Reward – The Value of Recognition

The value of illimiters is recognised through a meritocratic, inclusive Total Reward approach, based on the behaviour demonstrated and the targets achieved, to support the professional growth and personal well-being of illimiters, thus promoting the achievement of short and medium/long-term targets, while respecting illimity’s values, and in line with the Strategic Plan.

Specifically, illimity’s total reward approach assesses the competencies expressed and performance in terms of results achieved and behaviour adopted, promoting internal benchmarks and market references, with the aim of guaranteeing a fair, diversity neutral remuneration system, which is sustainable over time.

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

More generally, in accordance with the provisions of law and regulatory and corporate governance requirements, the Remuneration and Incentive Policy is established as part of the annual cycle for the planning, management and control of remuneration in order to ensure that decisions are taken independently, thereby avoiding the risk of possible conflicts of interest and guaranteeing accurate disclosure. All of this, also taking account of the suggestions from year to year from institutional investors and proxy advisors, through periodic engagement activities<sup>16</sup>.

GRI 2-19

GRI 2-20

The annual cycle of revision of the Remuneration Policy involves the company bodies and functions, in line with the provisions of regulations and the By-laws, the organisational structure and the responsibilities assigned to the various functions, ensuring that each decision is taken by the bodies and functions specifically assigned<sup>17</sup>. For more details on the remuneration policies adopted by illimity, the process of defining them and the specific involved required from each body involved, refer to the Report on the 2022 Remuneration Policy and Compensation Paid in 2021, available on the corporate website (*Governance > Remuneration*).

<sup>16</sup> Note that illimity’s 2022 Remuneration Policy was approved by the Shareholders’ Meeting of 28 April 2022, with the vote in favour of 98% of the shareholders in attendance.

<sup>17</sup> For the purposes of drawing up the Remuneration and Incentive Policy, illimity used analyses and support from independent experts with specific experience in remuneration policies and practices, identified in Willis Towers Watson (WTW).

illimity's incentive strategy promotes the achievement of short- and medium-/long- term objectives, complying with illimity's values and the 2021-2025 Strategic Plan, contributing to the alignment of investors' and all stakeholders' interests. To support this model, all employees are shareholders and take part in the company's growth, as they are the beneficiaries of a **broad base shareholder plan (ESOP<sup>18</sup>)** designed to increase employees' sense of belonging, steering them towards creating value over the long term. Management and key resources are also the beneficiaries of a **Long-Term Incentive System (LTI)**, which consolidates the alignment of the interests of beneficiaries with the priority goal of creating sustainable value over time, in keeping with the Strategic Plan and through a commitment to achieving ESG objectives (**accounting for 20%** in the objectives plan) in addition to economic/financial objectives.

To encourage outstanding performance also in the short term, illimity's Remuneration Policy includes an **Annual Incentive System (Management by Objectives - MBO)** dedicated to all employees of the Group - connected to a wider-ranging Performance Management System - which awards the achievement of annual objectives and the adoption of a conduct in line with illimity's competencies model. Starting in 2022, ESG objectives were also included (accounting for 15%) in line with those set out for the long-term plan, also regarding the objective plans for all managers of the Group, connected with the MBO annual incentive plan.

## Work-life balance and company welfare

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

illimity's welfare policy guarantees in particular:

- professional and non-professional accident insurance (paid by the company, plus a possible integration with the welfare budget);
- life insurance plus total permanent invalidity insurance (basic insurance paid by the company, plus a possible integration with the welfare budget);
- Long Term Care insurance (paid by the company);
- a varying healthcare policy based on different needs (the individual/family), which may be purchased through the welfare budget, with a EUR 600 contribution paid by illimity, as provided for in the Second Level Contract;
- supplementary pension;
- the Flexible Benefits plan with services that are reimbursed and direct access to education, health, mobility, recreation, assistance and loans areas;
- benefits for families (to name just a few: 20 days' parental leave for new fathers, additional days' leave paid in full to assist children when starting school, assistance with voluntary work, study grants for illimiters who are students and for their children);
- a modular system of smart working, that provides multiple levels of flexibility, to guarantee illimiters a correct work-life balance and reduce their commutes;
- meal vouchers for all employees and interns, even for days when working from home, up to a maximum of 10 days per month;
- seasonal fresh fruit, delivered to the Group's various offices every Wednesday, to promote and incentivise a healthy, sustainable lifestyle;
- on 1 January 2023, a tele-medicine assistance service became available to all illimiters and their family members in the same household, completely free of charge, available 24-7, 365 days per year, through a call centre.

Also for 2022, in line with 2021, the **agreement** with trade union representatives was signed **on the Company Bonus**, which promotes the contribution, commitment and dedication of each illimiter, correlated with the economic soundness of the Group. In line with that defined in the conditions of the agreement, all staff in professional areas and middle managers of the Group companies may accrue a bonus to be paid in cash or converted into additional welfare credits, of up to a maximum of EUR 1,200 for office staff and EUR 1,700 for middle managers. The agreement is part of the overall "Reward & Total Value" strategy, adopted by illimity since its foundation and based on principles of meritocracy, inclusion and participation.

18 Employee Stock Ownership Plan.

During 2022, 30 male employees and 38 female employees took parental leave. A 100% rate of return after maternity/paternity leave was recorded, as well as 97% of female employees and 93% of male employees keeping their job 12 months after returning.

## GRI 401-3

Parental leave	2022			2021			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of employees entitled to parental leave	38	30	68	17	21	38	8	10	18
Total number of employees taking parental leave	38	30	68	17	21	38	8	10	18
Number of employees returning to work after parental leave	38	30	68	17	21	38	8	10	18
Total number of employees who are still with the company 12 months after returning from parental leave	37	28	65	16	21	37	8	10	18
<b>Return rate<sup>19</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Retention rate<sup>20</sup></b>	<b>97%</b>	<b>93%</b>	<b>96%</b>	<b>94%</b>	<b>100%</b>	<b>97%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Additional indicators	2022	2021	2020
Percentage of welfare out of the average Gross Annual Salary <sup>21</sup>	11% <sup>22</sup>	11%	10%

## illimity Engagement – The Value of Commitment

Within the Group, there is a significant focus on the engagement of illimiters, to favour the feeling of belonging, which plays an important part in their well-being and helps them do their best at their job.

Specifically, illimity Engagement is stimulated and measured through various initiatives:

- **Diversity & Inclusion** (e.g. illimitHER, dedicated training activities – see the chapter “Diversity, Equity and Inclusion” and the section “illimity Growth”);
- **Annual Surveys** (e.g. Great Place to Work, a survey on the satisfaction with professional development, materiality analysis questionnaire, commuting questionnaire – see the section “Great Place to Work”);
- **Work-life Balance** (see the section “illimity w.o.w.” and “Work-life balance and company welfare”);
- **illimiter as Ambassador**: Career Day, with the business, newsletters, cross-division projects, events and internal initiatives;
- **Recognition Actions** (e.g. Total Reward; Performance Management; dedicated growth programmes – see the sections “illimity Performance”, “illimity Total Reward” and “illimity Growth”);
- **Meetings at regular intervals**: staff meetings, company parties, off-site meetings.

As part of the engagement initiatives, virtual coffee breaks or those in person with the Chief HR & Organization Officer are organised. Specifically, the coffee breaks can be held at two different times, to collect feedback, ideas and suggestions on the Group: at the time of onboarding for all new hires, and one month from the transfer of an illimiter to another team.

<sup>19</sup> The return rate (%) is calculated as the total number of employees returning to work after parental leave out of the total number of employees taking parental leave x 100.

<sup>20</sup> The retention rate (%) is calculated as the total number of employees still working 12 months after returning from parental leave out of the total number of employees returning to work after parental leave in the previous reporting period x 100.

<sup>21</sup> To calculate the ratio, the mean value of welfare and the Gross Annual Salary (fixed only) of personnel entitled to welfare was considered. The Gross Annual Salary item exclusively includes the fixed gross annual salary, including that of Group staff on project-based contracts, to whom a welfare budget was assigned (according to that established in the internal Welfare Regulations).

<sup>22</sup> The total is net of AREC personnel, as the effective date of the merger is 1 January 2023 and AREC's policies do not allocate any welfare budget for 2022.

## Health and safety

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

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

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

The internal occupational health and safety system is supervised by the Employer, its delegate, the Safety Officer, the Company-appointed Doctor and Officers in Charge, with the support of the Workers' Safety Representatives, the 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 the Occupational Health and Safety Management System.

As required by Italian Legislative Decree 81/08, 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.

	2022		2021		2020	
	Employees	Staff and Associates	Employees	Staff and Associates	Employees	Staff and Associates
Occupational accidents	1	0	4	1	0	0
<b>Accident rate<sup>23</sup></b>	<b>0.80</b>	-	<b>3.8</b>	<b>7.0</b>	-	-
Serious accidents	0	0	0	0	0	0
<i>of which fatal accidents</i>	-	-	-	-	-	-
<i>of which accidents with serious consequences (excluding fatalities)</i>	-	-	-	-	-	-
<b>Rate of fatalities caused by occupational accidents</b>	-	-	-	-	-	-
<b>Rate of accidents with serious consequences (excluding fatalities)</b>	-	-	-	-	-	-
Total number of hours worked	1,253,451	-	1,043,079	28,400	-	-



For further details:

**Health & Safety Procedure**

<sup>23</sup> The rates are calculated as the number of accidents/total number of hours worked. To improve readability, the portion obtained is then multiplied by 1,000,000 (hours worked) for employees, and by 200,000 (hours worked) for other staff, as they number few people.

## 07. Diversity, Equity and Inclusion

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

Group employees come from over **20 sectors** and more than **300 different companies**, with more than half operating in non-finance sectors. The average age of employees is **36**, with the highest number of employees in the junior millennials category, i.e. from aged 26 to 33. **22 different countries** are represented at illimity.

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

During 2020, through the CEO, illimity signed the **"Manifesto for Women's Employment"** of Valore D, the first association of companies in Italy - to date more than 320 - which has been a pioneer, since 2009, in dealing with the issue of the gender balance and dissemination of a culture of inclusion to support innovation, progress and growth of organisations and the country of Italy. Through that Manifesto, the signatory companies commit, gradually and preferably in keeping with their own specific size and sector dimensions, to establishing clear, measurable goals, to share within the organisation. The Bank's Chief HR & Organization Officer is also on the Management Council of Valore D.

illimity also has a long-term partnership in place with **Manpower**, to include in the team persons with disabilities, which represented 2.5% of Group employees in 2022.



For further details:

**Policy Diversity, Equity & Inclusion**

GRI 405-1<sup>24</sup>

### Composition of the Board of Directors

	2022				2021				2020			
	Women (no.)	Women (%)	Men (no.)	Men (%)	Women (no.)	Women (%)	Men (no.)	Men (%)	Women (no.)	Women (%)	Men (no.)	Men (%)
<b>Members of the Board of Directors</b>	<b>6</b>	<b>46</b>	<b>7</b>	<b>54</b>	<b>5</b>	<b>56</b>	<b>4</b>	<b>44</b>	<b>4</b>	<b>44</b>	<b>5</b>	<b>56</b>
<b>Division by age</b>												
≤ 31 years of age	0	0	0	0	0	0	0	0	0	0	0	0
32 - 39 years of age	0	0	0	0	0	0	0	0	0	0	1	11
40 - 54 years of age	1	8	2	15	3	33	2	22	1	11	2	22
≥ 55 years of age	5	38	5	38	2	22	2	22	3	33	2	22

The Board of Directors breaks down as 46% women, and 54% men, with Rosalba Casiraghi as Chair of the Board of Directors and Chair of the Sustainability Committee, Elena Cialliè as Chair of the Risks Committee and Paola Elisabetta Galbiati as Chair of the Remuneration Committee.

<sup>24</sup> 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.

## Breakdown of personnel by employment category, gender and age

	2022				2021				2020			
	Women (no.)	Women (%)	Men (no.)	Men (%)	Women (no.)	Women (%)	Men (no.)	Men (%)	Women (no.)	Women (%)	Men (no.)	Men (%)
<b>Senior managers</b>												
≤ 31 years of age	1	6.3	0	0.0	0	0	0	0	0	0	0	0
32 - 39 years of age	3	18.8	9	14.8	0	0	7	12.9	0	0	6	12.8
40 - 54 years of age	12	75.0	44	72.1	13	100.0	40	74.1	8	100.0	35	74.5
≥ 55 years of age	0	0.0	8	13.1	0	0	7	13.0	0	0	6	12.8
<b>Total Senior managers</b>	<b>16</b>	<b>20.8</b>	<b>61</b>	<b>79.2</b>	<b>13</b>	<b>19.4</b>	<b>54</b>	<b>80.6</b>	<b>8</b>	<b>14.5</b>	<b>47</b>	<b>85.5</b>
<b>Middle managers</b>												
≤ 31 years of age	15	12.3	33	14.5	23	21.5	33	16.8	27	31.4	38	24.5
32 - 39 years of age	66	54.1	113	49.6	58	54.2	93	47.5	33	38.4	63	40.6
40 - 54 years of age	38	31.1	75	32.9	24	22.4	64	32.6	24	27.9	48	31.0
≥ 55 years of age	3	2.5	7	3.1	2	1.9	6	3.1	2	2.3	6	3.9
<b>Total Middle Managers</b>	<b>122</b>	<b>34.9</b>	<b>228</b>	<b>65.1</b>	<b>107</b>	<b>35.3</b>	<b>196</b>	<b>64.7</b>	<b>86</b>	<b>35.7</b>	<b>155</b>	<b>64.3</b>
<b>Professional Areas</b>												
≤ 31 years of age	104	45.6	110	55.6	92	48.7	87	52.4	77	49.7	61	44.9
32 - 39 years of age	82	36.0	53	26.8	66	34.9	50	30.1	56	36.1	50	36.8
40 - 54 years of age	38	16.7	31	15.7	30	15.9	25	15.1	21	13.5	21	15.4
≥ 55 years of age	4	1.8	4	2.0	1	0.5	4	2.4	1	0.6	4	2.9
<b>Total Professional Areas</b>	<b>228</b>	<b>53.5</b>	<b>198</b>	<b>46.5</b>	<b>189</b>	<b>53.2</b>	<b>166</b>	<b>46.8</b>	<b>155</b>	<b>53.3</b>	<b>136</b>	<b>46.7</b>

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

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

- recruiting activities, with a shortlist drawn up of the best candidates, diversified in terms of gender, education, experience and nationality. In particular, of the 187 new recruits in 2022, 148 were under 40 years of age, with women accounting for 45% and men for 55%;
- investments in new illimiters (see GRI 401-1), and the 72 team leaders (the "third lines") who represent the Group's managerial pipeline.

### GRI 405-2

Ratio of the basic salary to other types of remuneration for women compared to men, by professional category	2022	2021	2020
	Women/Men (%)	Women/Men (%)	Women/Men (%)
Senior Management	74.9	-	-
Other managers	78.7	95.1	100.7
3rd/4th level middle managers	94.1	92.9	93.7
1st/2nd level middle managers	99.2	96.6	95.6
Professional areas	97.3	97.1	95.8
<b>Average<sup>25</sup></b>	<b>95.4</b>	<b>95.4</b>	<b>96.4</b>

<sup>25</sup> For the years 2020 and 2021, the first ratio (senior management) was excluded, due to a lack of women incumbents.

Figures are calculated as an average which considers the basic salary and total remuneration of employees as of 31 December 2022, including the company welfare benefits, as per contracts, the MBO bonus and other variable parts of remuneration. The recruitment of the best resources for all roles at illimity, including the most strategic, is the result of a **gender neutral** process, guaranteed by the Group HR and corporate governance policies.

It is also noted that the Group uses the support of the external advisor WTW to analyse the neutrality of remuneration policies with regard to gender. Specifically, the methodology used follows an approach that measures differences in remuneration with the same role or roles of the same career level. Based on that approach, the Pay Equity Gap, meaning the average weighted gap for each position, examined by the Board of Directors in 2022, based on the actual remuneration data of 2021, came to -3%.

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 202-1

	2022		2021		2020	
	Women	Men	Women	Men	Women	Men
Ratios of standard entry level wage by gender compared to local minimum wage <sup>26</sup>	1.1	1.1	1.0	1.0	1.1	1.1

#### GRI 2-21

Annual Total Compensation Ratio	2022	2021	2020
Ratio of total annual remuneration of the highest paid individual to the mean total annual remuneration of all employees (excluding the highest paid individual) <sup>27</sup>	17.5	13.6	11.4
Ratio of the percentage increase in the total annual remuneration of the highest paid individual to the percentage increase of the mean total annual remuneration for all employees	16.2	4.2	0.3

#### Additional indicators

Top Management to Worker Compensation Ratio	2022	2021	2020
Average remuneration of the CEO and Top Management to average employee remuneration ratio	10.6	9.1	11.1
<b>Last benchmark<sup>28</sup></b>	<b>61.5</b>		

<sup>26</sup> The standard salary of a new recruit means the basic lower salary paid to the new recruit in the reference year. The minimum local salary means the minimum salary envisaged by collective bargaining or applicable law.

<sup>27</sup> The pay ratio is calculated using the following metric: CEO Actual Compensation 2022/Mean value of 2022 Group remuneration, where the Total Annual Remuneration includes the following items: Gross Annual Salary, Welfare, MBO pertaining to 2021 disbursed in 2022, Notice Period, Entry Bonus, Retention Bonus, Stability Agreement, Bonus Spot and ESOP. AREC employees were included in the scope of reference, with the fixed and variable items of remuneration accruing in 2022.

<sup>28</sup> Mean benchmark value of 8 banks of the FTSE Bank in 2022.

## Gender Equality Certification

In November 2022, the Group obtained Gender Equality Certification. This is part of the National Recovery and Resilience Plan (NRRP), whose criteria for achievement are governed by Decree of the Presidency of the Council of Ministers of 29 April 2022. Specifically, the topics covered by the Certification are defined in the UNI PdR 125:2022 standard (hereinafter also “standard”).

That standard defines the guidelines for promoting gender equality, which requires that a set of performance indicators be structured and adopted, broken down into six specific areas: (i) culture and strategy, (ii) governance, (iii) HR processes, (iv) opportunities for growth and inclusion of women, (v) gender equity in remuneration and (vi) protection of parents and work-life balance.

The Group undertakes to maintain and improve the KPIs and best practices regarding the gender equity management system, also setting shared, formalised objectives.

Monitoring activities will also be overseen annually by the Sustainability Committee, as the party responsible for overseeing the diversity, equity and inclusion policies.

## Great Place To Work

In 2022, the illimity Group was recognised as a Great Place to Work® for the fourth year running, and for the second time was ranked as one of the **Best Workplaces in Europe™**, in 13th place among large companies. 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 administered annually, to which 94% of total employees as of June 2022 replied.

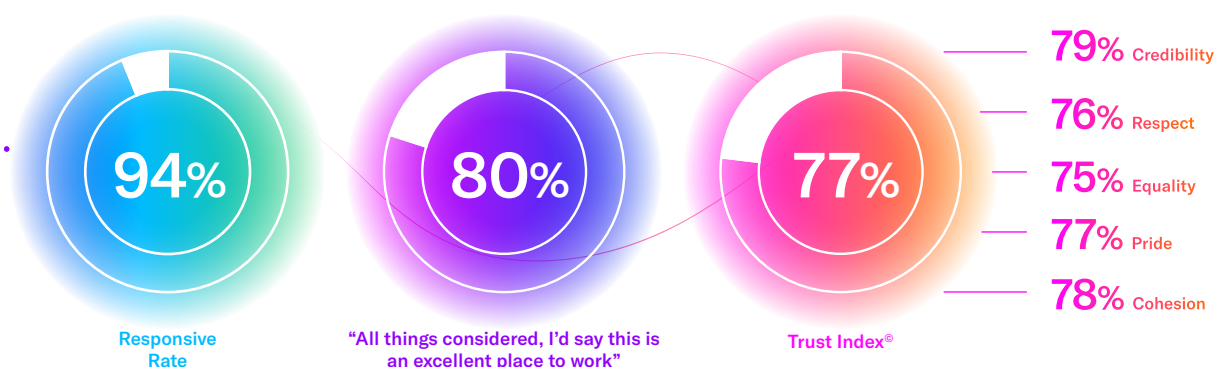
The online questionnaire revealed that illimiters appreciate above all the attention the company focuses on Diversity, Equity and Inclusion, they are proud to work for the company and have a strong team spirit.

Specifically, the figures show a particularly positive perception - above the sector benchmark - of the **work climate, considered to be excellent by 80% of employees** and a **Trust Index® of 77%**. 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, as, together with Universum's award as the Most Attractive Employer for business studies students and young professionals again this year, 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 well-being.

These annual surveys collected proposals of initiatives that may contribute to making the place we work more special. Specifically, 14 proposals were collected, with the goal of making interactions between colleagues more efficient, thus freeing up quality time to be productive and improving the way of working together. Specifically, the analysis of data and comments showed that we can improve the way in which we interact, better organising our activities and processes. The proposals were shared with and assessed by the management, and included in full within the DMR - Digital Mindset Revolution process.

As each year, the Great Place To Work® survey, which will be launched in 2023, and Microsoft Viva Insights analytics will make it possible to analyse the status and effectiveness of the initiatives implemented and outline any corrective actions for the current action plan.



## Commitment to new generations

To support the development of talent in very young people, in 2022 illimity consolidated various partnerships, involving its people in person:

- **ELIS**, a non-profit entity that trains people for work, with specific focus on the socially and financially disadvantaged. Specifically, this partnership gave rise to an orientation programme that involved a high school and a middle school in Lombardy and a technical college in Emilia-Romagna. In addition to increasing knowledge of the company, the issues covered focused on orientation, diversity and sustainability. Orientation was focused on STEM degrees, in particular for young women interested in a career in subjects which at present are predominantly chosen by young men. In addition, with the involvement of colleagues from neprix, students had the chance to consolidate their technical skills and, thanks to the development of project work, they tried out their skills in a learning-by-doing approach. At the end of the project, students of final-year classes were able to take part in a dedicated Career Day, which neprix dedicated to get-to-know-you interviews with the students.
- **YEP (Young Women Empowering Program)**: keeping the focus on safeguarding STEM subjects, also in 2022, illimity worked with the Fondazione Ortygia Business School, joining the YEP (**Young Women Empowering Program**) mentoring program, designed with the aim of including and empowering female talent and supporting economic and social growth in the South of Italy. The project, that will conclude in June 2023, involves 5 colleagues as Mentors to 5 university students studying economics and STEM in the South of Italy. Interaction is one-to-one and six individual mentoring sessions are held, to optimally steer students on their own professional and personal growth journey.
- **Tutored**, a platform with over 500,000 students and young graduates registered with the site (of whom 340,000 with a STEM background). Tutored provides a digital meeting place to link up with students from all faculties throughout Italy and thus address a wider group of possible, future illimiters, with a view to creating an increasingly inclusive environment, where contamination with different university scenarios (also in geographic terms) is a main ingredient when it comes to selecting high-potential, junior profiles.

During 2022, illimity consolidated its partnerships with the academic world and started new alliances, with the dual aim of guiding and selecting young talent with the spirit of illimiter. Firstly, the partnership with POLIMI, that curated the Scientific Management of the illimity Academy's Master in Credit Management, was extended, covering specific Master's courses of the Milan Polytechnic Business School.

The Group also took part in recruiting events, round table discussions, and business talks which were held with hybrid methods. Initiatives contributed not only to employer branding, but also to the direct employment of job seekers, met during events at universities and subsequently included in recruitment processes for job offers. illimiters are involved, in the first person, in recruiting/orientation activities, taking part as ambassadors, and also holding lessons and acting as testimonials at universities. For the second year running, colleagues from the design team held the Design courses for evolved services at Milan Polytechnic.

illimity also took part in and/or organised initiatives during 2022, related to new generations, to transfer technical and all-round skills important for their studies and career paths.

- **illimitHER**, a **Diversity & Inclusion (D&I)** programme of illimity, aimed at creating an "editorial" 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;
- **Young Women Network**, the first association in Italy dedicated to the networking, mentoring and empowerment of young women;
- **SheTech**, the non-profit organisation that aims to fill the gender gap in the technological, digital and business world through networking, empowerment and training, through the "quote sospese" project, that donated annual membership fees to young women who have excelled in their STEM studies;
- **Smart Future Academy**, the innovative project for high school students, that aims to help them discover their direction, by organising debates and inspiring meetings between students and leading players such as entrepreneurs, scientists and politicians;
- **Scuola di Politiche**, which aims to build up the competencies of young people, with high-potential, making them the enablers of change and innovation.

## illimitHER

### 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 programme, launched in July 2020, created to foster the potential of young women and go beyond gender stereotypes. **Diversity & Inclusion (D&I)**. The stars of illimitHER are inspiring young role models under 35, with STEAM backgrounds (scientists, entrepreneurs, artists and innovators), which have succeeded in their personal and professional paths.

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

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

illimitHER has an open ecosystem of **26 partners**, thanks to whom the project can increase its own social impact. Partners include associations that work on D&I issues, such as Valore D, GirlsRestart, STEM in the City and the Municipality of Milan, Young Women Network, SheTech, Scuola di Politiche, Digitaly, Ortygia Business School, Smart Future Academy, Ca’ Foscari University of Venice with the LEI project, Bocconi University, BAM - Alberi Library of Milan, the Prime Minister, Talents Venture, University Box, HarperCollins, Torcha, Unstoppable Women of StartupItalia, Most Powerful Women of Fortune Italia, Plug & Play, Fintech District, BIP Poliferie, Hacking Talents, Women at business and Develhope.

Within the network the “*quote sospese*” project has been developed, which provides employees of illimity and certain worthy external parties to sign up for one year at YWN or SheTech, free of charge.

In 2022, **5 events** were held, with around **100,000 views**, regarding digital tools applied to publishing, the mission to Mars 2020, gender bias in science and biotechnologies, art transforming spaces into places of value through murals, chemistry and synchronised swimming.

Two highly innovative “marathons”, **illimitHER Marathon** and **illimitHER South Marathon** were held. Phyigital meetings to inspire young generations to dream big, following their passions. The first took place at Alberi Library in Milan, with the Deputy Minister for Education and a chemist specialised in glaciology. The second took place on Ortigia island, with an Oxford-based astrophysicist, an entrepreneur and a cultural project manager.

Results were extremely positive, and illimitHER obtained **sponsorship from the European Commission**.

# Bedeschi

A company continuing to innovate  
to build a better future



Frame the cover photo to watch the video  
"The Story of Bedeschi" using the ARIA App



Find out more:

**illimity, Bedeschi**



# Prosperity

## 08. Robustness and creation of shared value

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

Profitability and robustness are the pillars 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.

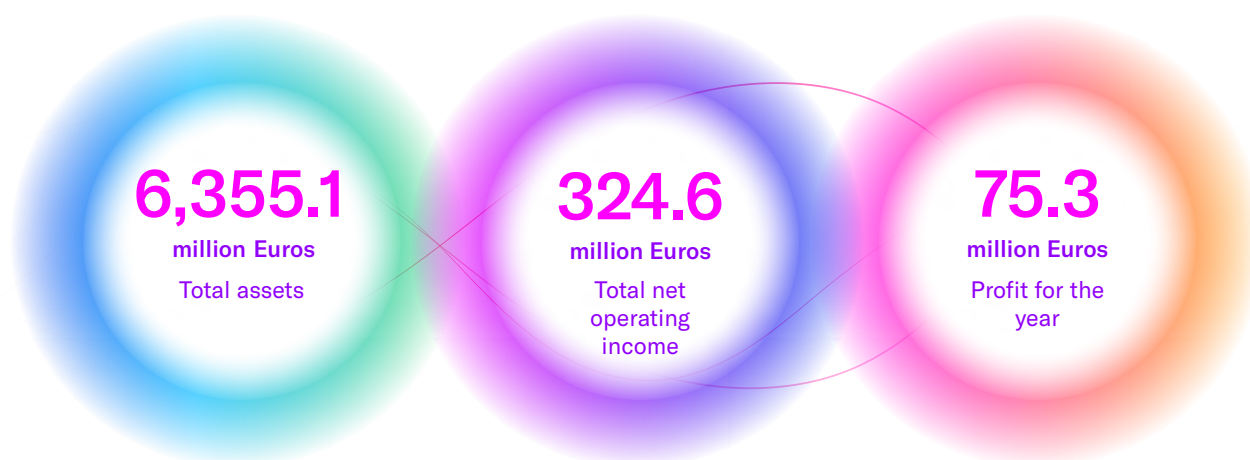
For this reason, the illimity Group is committed at all times to achieving an adequate profitability and shareholder remuneration, maintaining certain capital and financial solidity conditions, in compliance with prudential supervision requirements<sup>29</sup>.

In November 2021, the international agency Fitch Ratings give the Bank raised its Long-Term Issuer Default Rating ("IDR") of the Bank to "BB-" (previously "B+") and Viability Rating (VR) to "bb" (from "b+"), confirming the Stable Outlook. At the same time, Fitch Ratings improved its rating of the debts issued by the Bank, assigning its preferred senior bond a rating of "BB-" (up two notches from B), and its class 2 subordinated debt a "B" rating (up from B-).

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

Additional indicators	2022	2021	2020
CET1 (Common Equity Tier 1)	15.77%	18.83%	17.86%
ROE (Return on Equity)	9.3%	10%	5.5%
Net Organic NPE Ratio	1.8%	1.2%	1.7%
COR (Cost of Risk)	30 bps	4 bps	52 bps

### Main financial data on a consolidated basis



<sup>29</sup> Further information on the financial position and performance and cash flows of the Group, and on the identification and management of related risks is provided in the Report on Operations accompanying the Consolidated Annual Financial Statements of the illimity Group.

## Share capital and ownership structure

As of 31 December 2022, the Bank's share capital amounted to EUR 54,513,905.72, fully subscribed and paid up, divided into 83,645,108 ordinary shares.

The Ordinary Shares were admitted to trading on the Euronext Milan market organised and managed by Borsa Italiana S.p.A. on 5 March 2019. By order of the Bank of Italy no. 8688 of 2 September 2020, the ordinary shares were admitted to trading on the STAR (Securities with High Requirements) segment of the Euronext Milan market.

Consolidated shareholders' equity came to EUR 841.3 million, up on the end of 2021 due to the share capital increase destined for the acquisition of the business unit of AREC, the issue of shares as part of the ESOP program and, lastly, due to the contribution of the profit accrued in the year, net of the negative changes recorded in the valuation reserves.

Significant shareholders with a stake of at least 5% in the share capital with voting rights in illimity, with the percentages calculated by the Bank based on the number of shares resulting from the most recent information available and number of ordinary shares issued, updated at 31 December 2022, are reported below.

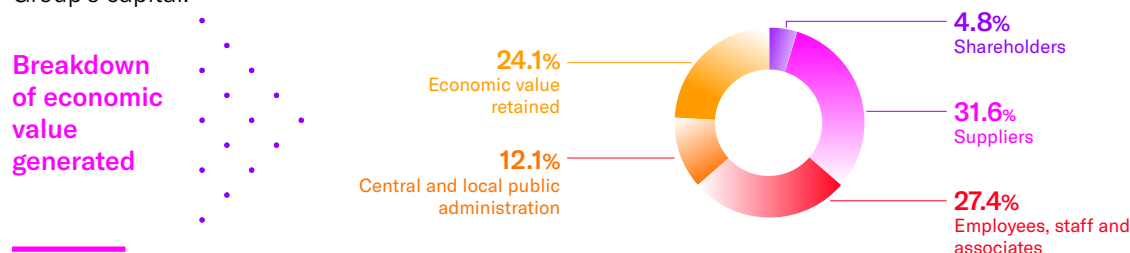
Declaring entity, i.e. subject at the head of the control chain	Share held	Portion held (%)
Banca Sella Holding S.p.A.	Owned	10.00%
LR Trust - FIDIM	Owned	8.12%
FermION Investment Group Limited	Owned	7.26%
Tensile - Metis Holdings S.à r.l	Owned	7.01%
AMC Metis S.à r.l	Owned	6.56%

## Economic value generated and distributed

### GRI 201-1

The illimity Group operates in the market to generate and distribute long-term economic value for all its stakeholders. In this regard, the economic value generated by the Group in 2022, 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 313.5 million<sup>30</sup>.

Approximately 75.9% of the economic value generated in 2022 was distributed to stakeholders, mainly suppliers (31.6%), employees, staff and associates (27.4%), central and local public administration (12.1%) and shareholders (4.8%). Around 24.1% of the value generated was retained in 2022, to consolidate the Group's capital.



<sup>30</sup> 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 140), to highlight how added value is generated and distributed to various categories of stakeholders.

## Approach to taxation

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

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

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

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

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

- prevention of operational-related tax risks, related to the correct and prompt payment of taxes and fulfilment of related obligations;
- prevention of interpretation-related tax risks, arising from uncertainty as to the actual spirit and letter of the law and qualification of concrete circumstances;
- refusal to adopt aggressive tax planning: illimity does not carry out operations or activities with the sole or chief purpose of obtaining tax savings and does not recommend customers purchase products or enter into transactions for such a purpose;
- refusal to use tax structures that lack commercial substance: illimity does not subscribe evasive or fictitious structures aimed at evading tax regulations or to hide the beneficial owner of the transactions;
- commitment to subscribe transactions, which may involve the Group at international level, at market values or aimed at the correct management of transfer pricing regulations, to avoid double taxation.

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 the bank knowingly fulfills all regulatory obligations, contributing to the country's economic development.

## Engagement with the financial community

In its four years of operations, illimity has demonstrated its ability to communicate with and meet the increasing expectations of the financial community. Taking informed decisions that result in responsible investments and loans requires profound knowledge of sustainability best practices at international level, awareness of the needs of shareholders and the market, and the ability to deal with increasingly challenging requirements from ESG rating agencies.

During 2022, illimity participated in a series of one-to-one and one-to-few meetings, dialoguing with its institutional investors, in view of corporate events including the Shareholders' Meeting and the Italian Sustainability Week organized by Borsa Italiana. These meetings demonstrated the gradual alignment with the market's expectations on environmental, social and good governance issues, and both parties benefited from an ongoing, transparent dialogue aimed at identifying the internal and external priorities of the Group.

In addition to the engagement activities and direct feedback from shareholders, illimity periodically maps its socially responsible investors, analysing not only their level of commitment to international frameworks or their responsible investment policies, but also the strategies<sup>31</sup> implemented in making investment decisions. The attention of illimity's institutional investors is demonstrated by the fact that almost all of the free float identified by illimity is held by shareholders that integrate ESG factors into their investment policies (SRI).

<sup>31</sup> The reference framework is the Eurosif classification scheme for responsible investments: <https://www.eurosif.org/wp-content/uploads/2022/07/FINAL-White-Paper-Eurosif-Classification.pdf>.

This awareness is confirmed by the **2023-2025 Sustainability Plan**, with which the Group continues its commitment to reaching the quali-quantitative objectives that fulfil the requests of its stakeholders.

As proof of this, after only four years of operation, illimity has gradually obtained significant results, also recognised by the opinions of ESG rating agencies, through ratings in line with the best market players, such as, for example, obtaining an **“A” rating from MSCI**, which upgraded illimity’s sustainability performance by three notches, recognising its leadership in the area of corporate governance. Another important result was that obtained with **Standard Ethics**, which upgraded illimity’s rating to “EE-”, deeming the Bank aligned with the indications of the UN, OECD and the European Union, while **Sustainalytics** improved its rating, lowering the Group’s exposure to material ESG risks from “High” to “Low”. Lastly, one of the latest upgrades in the score regarding climate-environment issues was the upgrade to “B” in the **CDP** questionnaire.

This recognition highlights illimity’s ESG Investment Case, whose main points are set out in the **ESG Investor Presentation** published on the company website.



For further details:

**Policy to Manage Dialogue**













For further details:

**ESG Investor Presentation**

## ESG scores and indices

The Bank is constantly interacting with institutional investors and ESG ratings agencies to ensure that environmental, social and governance issues are dealt with appropriately, in line with its commitment to providing the market with the utmost transparency.

		2022	2021
	<b>MSCI</b> Scale from CCC (laggard) to AAA (leader)	<b>A</b>	<b>B</b>
	<b>ISS ESG</b> Scale from 5 (Worst) to 1 (Best)	<b>E: 3 S:1 G: 1</b>	<b>E: 4 S: 3 G: 5</b>
	<b>SUSTAINALYTICS</b> Scale from 40+ (Worst – High Risk) to 0 (Best – Negl. Risk)	<b>15.6</b>	<b>35.4</b>
	<b>S&amp;P Global</b> Scale from 0 (Worst) to 100 (Best)	<b>49</b>	<b>12</b>
	<b>CDP</b> Scale from F (Worst) to A (Best)	<b>B</b>	<b>C</b>
	<b>Standard Ethics</b> Scale from F (Worst) to EEE (Best)	<b>EE-</b>	<b>E</b>
	<b>Integrated Governance Index (IGI)</b> Scale from 0 (Worst) to 100 (Best)	<b>60.55</b>	<b>49.5</b>
	<b>Refinitiv</b> Scale from D- (Worst) to A+ (Best)	<b>B</b>	<b>D+</b>
	<b>D-Rating</b> Scale from B+ (Worst) to A (Best)	<b>BBB+</b>	<b>N/A</b>
	<b>OPEN-ES</b> Scale from 0 (Worst) to 100 (Best)	<b>85</b>	<b>N/A</b>

# 09. The central role of SME 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.

### Credit, restructuring and relaunch

The **Growth Credit Division** targets those high-potential businesses with a suboptimal financial structure and/or with a low or no rating. These are companies that, more than others, struggle to fund themselves and which the Bank chooses to support after careful analysis that combines the financial and industrial expertise of Tutors and teams with considerable knowledge of the lending sector. Thanks to this mix, illimity guides SMEs in a development, restructuring and relaunch process, with consequent impacts and social effects, such as protecting jobs and producing value for the local business context.

The **Growth Credit Division's funding portfolio targets the mid-corporate segment** (businesses with a turnover between EUR 30 and 300 million), which represent the foundations of Italy's production system. 50% of volumes are represented by companies or groups with fewer than 250 employees and/or less than EUR 50 million in turnover, and the other half by structures companies that fall within the EU definition of "large" companies. The Bank's activities with the Large Corporate segment are entirely residual, but there are important effects on side industries, often comprising numerous small and medium-sized enterprises, in addition to a broad base of micro-businesses.

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

The Growth Credit Division's portfolio almost **exclusively 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 one-half of the portfolio concerns businesses with their registered office in the regions of Lombardy (39%), Veneto (10%) and Emilia-Romagna (9%). 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.

### Capital financial services for SMEs

Through the **Investment Banking Division**, illimity acts as a partner for companies, financial companies and public institutions, capable of structuring market and private operations to meet their needs for capital, debt and strategic growth, not only through IPOs, bond issues and securitisations, but also through consultancy on operations such as mergers, demergers, incorporations, acquisitions and corporate restructures.

The main solutions offered by the Division regard:

**Capital Markets:** solutions for access to capital markets, personalised for SMEs and mid-caps that intend to pursue a process of organic and non-organic growth and optimise their financial structures. As Global Coordinator, illimity also assists companies in structuring listing operations and, as Euronext Growth Advisor, assists companies that intent to be listed on the Euronext Growth Milan market.

**Corporate Solutions:** investments in the (primary and secondary) markets of corporate bonds and alternative debt to support companies and finance their current operations and growth, guaranteeing quick execution and time-to-market. Due to synergies with the Growth Credit, Distressed Credit and b-ilty Divisions, illimity offers customers a wide range of hedging solutions, providing them with the necessary instruments to reduce and limit the risks linked to their operations.

**Structuring and Alternative Finance:** efficient structured financing solutions that require extensive financial specialisation and expertise to achieve the objectives of diversifying funding sources, improving companies' financial positions and optimising the capital absorption of our customers. illimity operates as an **Arranger** and **Lead Manager** in structurings and placements on the market of securitisations, basket bonds and alternative debt operations.

## illimity NOVAS

illimity NOVAS, the Bank's first Equity Conference, was the event at which companies and investors had the opportunity to meet, discuss and share information.

At this event, the Capital Markets Team of illimity's Investment Banking Division promoted the incredible progress made in the target segment in just over a year. During illimity NOVAS, eight corporate customers were able to meet, in person, the most important Italian and foreign fund managers specialising in MicroCaps. Through group and one-to-one meetings companies presented their latest performance data. Specifically, illimity's first **Equity Conference** had 80 participants, 40 investors and 52 meetings.

## b-ilty: the 100% digital offering for SMEs

**b-ilty** is the first digital banking offering developed based on listening to the needs of small and medium-sized enterprises making EUR 2 million to EUR 10 million, offering them what they really need for the growth of their activities.

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

For this reason, the design of the platform was inspired by the most common models of digital solutions, to introduce for the first time ever relational and interactional models typically used on non-financial platforms to the world of loans and banking services.

b-ilty stands out due to several main characteristics:

**b-ilty is comprehensive.** It provides entrepreneurs with a complete range of banking products and services: from current accounts to loans, from debit and credit cards to POS. All of this to ensure that companies choose the products and services most suited to their businesses and their various needs.

**b-ilty is digital.** It has an intuitive, fast, internal digital platform, conceived with entrepreneurs for

entrepreneurs, with the aim of making the management of daily company operations simpler. It incorporates, in a single ecosystem, bank transactions, integrating the most cutting-edge tools to support the growth of customers with solutions that meet the needs of the individual company and various goods sectors. Entrepreneurs can operate and manage all their request internally online, without the need for hard copy documentation and without the need to go to the branch or depend on other's working hours.

**b-ilty is human.** In addition to its digital nature, b-ilty is also made up of people. The team of Relationship Managers, sector expert professionals, support b-ilty customers to assist them in the growth of their companies: a contact person with a name and surname, to guarantee a simple, immediate and long-lasting relationship with the Bank. In the event of operational needs, a professional call centre - Smart Care - is always available, 7 days a week.

During 2022, the b-ilty Internet Banking platform added numerous functionalities to simplify entrepreneurs' lives:

- **Profile Management.** To provide unlimited access to the internet banking platform to the key figures of the company, such as the CFO or Directors, but also to partners such as the certified public accountant, making it easy for entrepreneurs to choose which roles and powers these parties can operate with;
- **illimity connect.** To connect various current accounts, including those opened with other banks, and keep them under control in a single internet banking platform;
- **Aggregated analyses.** To see the company's financial situation, always up-to-date, in charts and a dashboard, displaying cash flows and the movements in all connected accounts.

In addition to quick, flexible credit solutions designed for the liquidity needs of SMEs, at the end of 2022, the b-ilty offering added new services, with the goal of supporting companies in the crucial process of digitisation or green transition. We launched **b-green**, the package designed for companies that intend to implement sustainable projects (e.g. Installing photovoltaic panels or increasing energy efficiency of plants) and **b-innovative**, for investing in the digitisation of business activities and company operations.

The offering also added **Cerca il Bando**, a service offered in partnership with Cerved, which identifies tenders available in Italy for the company, assigning to a consultant of the partner the entire process, support in preparing the documents for the tender request and assistance in the phase of administrative management and final reporting.

With regard to credit processes, at the end of the first year of operations, the parallel run phase of the credit engine was successfully completed, which made it possible to fine-tune the tool's credit assessment logics. The completion of the beta-phase resulted in the **definition and implementation of the new credit process** in December: this means that right from the initial months of 2023, loan applications are assessed in an automated manner based on a set of qualitative and quantitative parameters (including the company's economic-financial performance indicators, credit, financial statement and risk KPIs) and a forward-looking assessment to evaluate the sustainability of the loan. Thanks to this innovative tool, b-ilty will significantly reduce the activities required for approving an application and, as a result, the time needed to disburse loans, guaranteeing the scalability necessary and functional to the increased volume of disbursements expected in 2023.

## Responsibility to distressed credit customers

The **Distressed Credit Division** is one of the leading Italian operators specialised in distressed corporate credit. This Division deals with the purchase of non-performing credit, financing for third-party investors that purchase NPLs and, through the ARECneprix (formerly 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 <sup>32</sup>	2022	2021	2020
<b>Collaborative Agreement Index</b> Ratio of the number of positions closed through out-of-court proceedings to the total of positions successfully closed by the illimity Group <sup>33</sup> .	77.9%	85.5%	86.5%
<b>Time to solve</b> Average time recorded to solve out-of-court proceedings <sup>34</sup> .	5 months	13 months	10 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. The average period for settling out-of-court proceedings decreased due to the optimisation of the processes of the Distressed Credit Division during 2022, compared to 2021.

## BELIEVE

**"BELIEVE - Giving Credit To The Future"** is the first event of illimity regarding the world of credit, to encourage dialogue between finance and entrepreneurs and facilitate access to credit for SMEs. Open dialogue to create new solutions and collaborations, to discover the stories of entrepreneurs with a view towards growth and transformation. A door into a world looking to the future, today.

The objectives was to construct a virtuous ecosystem that facilitates SMEs' access to credit and to the tools that the financial sector can offer. Through the testimony of entrepreneurs, senior managers, opinion leaders and sector experts, the impact of the current situation on companies was analysed, as well as possible actions to support their recovery. During the event, significant space was given to the case history of innovation in the Real Estate sector as well as cases of the redevelopment of large buildings in disuse and the restructuring of buildings under stress in the Energy sector.

Moreover, during the event, the research fostered by illimity and carried out by McKinsey & Company, which explored the megatrends that will drive the evolution of Real Estate as well as the transformation of companies' business models, was presented. This research was followed by round table discussions that involved experts in the reference sectors and presented testimonials from two companies, Nespoli and Fintyre, which told their stories of transformation and relaunch, made possible with the support of the Growth Credit Division and illimity SGR.

## Quimmo

In the distressed corporate credit sector (UTP and NPL), the illimity Group has made waves through its end-to-end operating model unique in its nature, which also includes remarketing of assets.

With **Quimmo**, the Group also entered the "free" real estate market, an extremely large market (over EUR 100 billion in transactions annually), with a business model capable of covering all the phases of the value chain typical of property brokerage, from the initial online marketing phases up to the completion of the transactions.

On 5 April 2022, illimity launched Quimmo, the **Italian prop-tech** created to meet the needs of both private and institutional buyers and sellers. A cutting-edge platform created to **simplify the purchase and sale of properties** and cover the entire value chain.

<sup>32</sup> The analysis perimeter comprises cases obtained in the two years prior to when the NFS was published.

<sup>33</sup> Excluding positions that were closed.

<sup>34</sup> I.e. the difference between onboarding data (credit information uploaded to the system), and definition data (following the receipt of the last amount agreed in plans with several instalments).

Quimmo brings together, in one single place, everything that is needed to buy and sell a property, reassembling the fragmentation of the numerous estate agents, portals and services into a single platform, which can provide the visibility of the large portals, the assistance from estate agents and digital buying and selling processes led by the data.

The platform also includes, in a single interface, value-added services, since both the buyer and the seller need assistance in selecting all the professional skills required when buying and selling, from technical assistance to a network of affiliated notaries. Quimmo multiplies the possibilities because it enables access to all properties regardless of their reference market, including the judicial market. Each seller thus has the ability to interact with the single market, in which everything is actually placed for sale, not just displayed. With Quimmo each seller can interact with each buyer, thereby eliminating distance.

Quimmo was created the illimity Group's extensive investment in technology and its experience in the field accumulated in property brokerage. In 2022 it generated **21.1 million visits to the portals, 221,000 registered users** and almost **2,000 property transactions**, also due to the 200 professionals, both central and local structures.

## Retail customer relations

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

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

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

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

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

In terms of channels, illimitybank communicates with its customers through email marketing campaigns, push messages, text messages and cards in the user's Private Banking Area on internet banking.

## Clarity and transparency

### GRI 417-1

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

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

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

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

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

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

## GRI 417-2

## GRI 417-3

During 2022, no cases of non-compliance with regulations and/or self-regulatory 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 Chief Compliance & AFC Officer, who intercepts any anomalies in time and corrects them.

## The frequency and contact channels chosen by customers

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

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

## The importance of knowing how to listen: the human touch

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

Through its **Smart Care** services, [illimitybank.com](https://www.illimitybank.com) gathers requests from all channels made available to customers: free phone numbers, email, chat and social networks. The service, available from Mondays to Fridays, from 9:00 a.m. to 9:00 p.m., and Saturdays and Sundays from 9:00 a.m. to 6:00 p.m., offers an extremely flexible choice of service, enabling customers and prospects to choose the channel most in line with their needs.

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

In 2022, a **service level**<sup>35</sup> (capacity to respond to calls) of **98%** was recorded (as in 2021), and a **service level with replies within 30 seconds of 87%** (91% in 2021).

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 time, which came to 26.1% at December 2022 (28% in 2021), as well as a customer satisfaction rating, based on the level of recommendation indicated (**NPS – Net Promoter Score**<sup>36</sup>). During 2022, illimity reconfirmed the excellent level of satisfaction and recommendation of its retail customers, with an NPS of 43, a score substantially in line with the previous years. This value once again consolidated illimity's position as market leader, with a + 5pts edge over the second player and far above the average for the banking sector (equal to 6).

illimity customer satisfaction was additionally confirmed in various key areas, such as innovation (NPS = 41), ability to listen (NPS = 23) and clear, transparent communication (NPS = 37). On these issues, the excellent levels achieved by the brand, both in absolute terms and compared to the average of the Italian banking market were confirmed.

Net Promoters Score <sup>37</sup>	2022		2021		2020	
	illimitybank	illimitybank vs market average	illimitybank	illimitybank vs market average	illimitybank	illimitybank vs market average
<b>Net Promoters Score</b>	<b>43 pts</b>	<b>+37 pts</b>	<b>46 pts</b>	<b>+43 pts</b>	<b>40 pts</b>	<b>+36 pts</b>
<i>Innovation</i>	<i>41 pts</i>	<i>+46 pts</i>	<i>47 pts</i>	<i>+52 pts</i>	<i>45 pts</i>	<i>+49 pts</i>
<i>Ability to listen</i>	<i>23 pts</i>	<i>+39 pts</i>	<i>20 pts</i>	<i>+38 pts</i>	<i>17 pts</i>	<i>+33 pts</i>
<i>Clear, transparent communication</i>	<i>37 pts</i>	<i>+48 pts</i>	<i>34 pts</i>	<i>+45 pts</i>	<i>31 pts</i>	<i>+41 pts</i>

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

With over **50 surveys** conducted in 2022 and almost **15,000 replies** collected during the year, the "Vai Oltre la Forma" community has been confirmed, yet again, as a fundamental space for innovation, engagement and improving the experience of illimity customers. Almost **400 new ideas** were collected during the year, which made it possible to state emerging needs, identify new market trends and explore new solutions at technological level and also from the product offering.

In fact, the community has become an open, shared place, where more than **49,000** participants – customers and prospects – can find the space to express and share their points of view and experience with other users. In 2022, users shared more than **700 photos and videos** through the Community Gallery.

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

<sup>35</sup> Ratio between number of calls managed and incoming calls.

<sup>36</sup> Identifying the NPS from the question: "How likely is it that you would recommend this brand to a friend?". The answers, on a scale from 0 – 10, make it possible to classify respondents as promoters (a rating of 9 – 10), neutral (a rating of 7 – 8) and detractors (a rating of 0 – 6). The KPI indicator is given by the difference between the number of promoters and number of detractors of a brand, and is represented by an index that can range from -100 to +100.

<sup>37</sup> illimity processing of DOXA data – Data from FY 2022 (for illimity, interviews conducted on the customer base as of 31/12/2022), FY 2021 and FY 2020.

PROSPERITY

Robustness and creation of shared value

The central role of SME and retail customers

Value chain and business relationships

PLANET AND SOCIETY

Sustainable finance

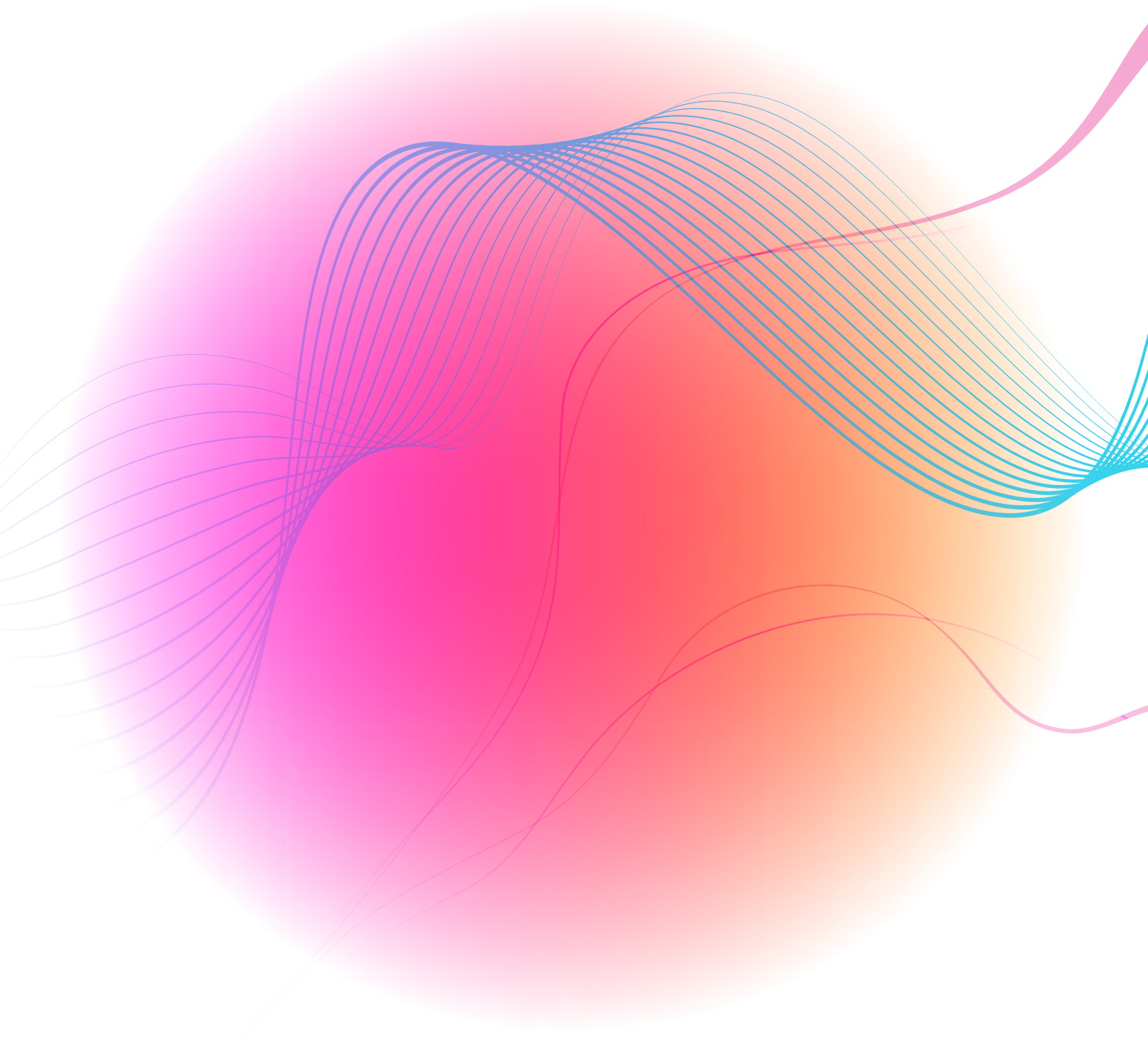
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RECOGNITION AND AWARDS

APPENDIX

GRI Content Index



# 10. Value chain and business relationships

## The ecosystem of partnerships

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

By following these drivers, illimity selects and works with the best partners in the Italian and international landscape, 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, fintech and financial operators.

The shared sentiment and partnership with **Fabrick** has been in place since the inception 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**, has been integrated to the offer of products and services of illimitybank.com the possibility for customers 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.

With an open business logic, illimity gives it 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 1%, in addition to the rate of 0.5% offered by illimity to customers for their savings projects.

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 can make secure payments, anywhere. This is possible because illimitybank.com has been created based on evolved protocols, with the support of the open banking platform, **Fabrick**.

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

Lastly, during the year, b-ilty continued to gradually enrich its range of offerings, activating numerous partnerships. In the insurance field, partnerships were activated with **Helvetia Vita S.p.a.** and **Italiana Assicurazioni S.p.a.** Due to the partnership with Italiana Assicurazioni, customers are offered various solutions to protect their businesses' assets and activities. Due to the partnership with Helvetia, the possibility of entering into a CPI (Credit Protection Insurance) policy is offered. The placement of CPI policies has been active since the second quarter.

To support daily operational needs, two partnerships were launched with **Zucchetti** and **Microsoft** to assist businesses in their digitalisation processes. Due to the partnership with Zucchetti, SMEs can benefit from special economic terms and conditions for Zucchetti applications (e.g. credit intelligence service, company check-ups for economic-financial monitoring of companies). Due to the partnership with Microsoft and **IWG** (a Microsoft Golden Partner specialising in solutions for SMEs), companies that are customers of b-ilty can use Microsoft products and the digital and consulting services of IWG to support their digital transformation processes.

In the area of sustainability, the **partnership with ENI** continued. Through the Open-es platform, it supports companies in sustainable development, first assessing their ESG score and then providing assistance in the processes of improvement and growth in their sustainability performance. To date, illimity is the first bank on board Open-es.

In the third quarter, b-ilty's offering expanded to include solutions for digital collection, strengthening the partnership with **Nexi**. As a result, customers can directly request online the POS most suited to their needs, choosing from among the best solutions on the market.

Lastly, in terms of training, illimity continued to participate in **Accelera con Amazon**, an initiative that supports the development of digital skills of SMEs for online sales and success in the world of e-commerce, through webinars with experts in the digital and financial sectors.

## Responsible supply chain management

### GRI 2-6

In supply chain management, the illimity Group acts responsibly, with the final goal of minimising its indirect environmental and social impacts and favouring, as much as possible, responsible management of its operations, of suppliers and of the initiatives in which it participates. The entire procurement process is regulated by the "Expenditure Procedure", as well as the Sustainable Supply Chain Policy of the illimity Group, approved in June 2022.

The Spend & Procurement Management Area, which is responsible for the process, guarantees that management of the procurement chain is in line with criteria of transparency and objectivity. It manages the flow, starting from the product purchase requests made by requesting units, and carries out required quality checks, assisting the requesting units in supplier sourcing, and in the planning and management of RFQ (Request for Quotation) and tender procedures. Moreover, as the main player in supplier governance activities, this Area oversees a perimeter of action that includes the supplier qualification process, management of commercial relations, related negotiations, management of tenders and, in general, of the phase of purchasing goods and services.

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

- General Counsel: for legal opinions on contracts and documentation shared with suppliers;
- Chief Compliance & AFC Officer: with reference to anti-money laundering legislation, privacy regulations and Legislative Decree 231/2001, Outsourcing and Related Parties;
- Administration, Accounting & Control: for controls on accounting, and invoice registration and payments;
- Strategy & Planning: for controls on the scale and consistency of budget items for expenditure allocations;
- IR & Sustainability: to favour the development of supply chain management processes that increase and improve the Group's levels of sustainability and periodically monitor the levels of indirect emissions relating to suppliers (Scope 3) based on the principles of proportionality and materiality.

Suppliers are an integral part of the Bank's organisational process and must therefore be selected so as to offer the highest guarantees possible (service reliability, technical/sector expertise, etc.). The Group undertakes to select suppliers and partners based on clear, transparent criteria, considering professional quality and adequate service levels, reputation, reliability and observance of rules, human rights and workers' rights, also requiring high ethical, environmental and social standards. Through its suppliers, the Group also promotes the principles sanctioned by the (UN) Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the Principles of the UN Global Compact, which the Group endorses.

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

- the absence of exclusion clauses (convictions or the adoption of penalties);
- the absence of convictions or the adoption of penalties, also which are not final, for one or more of the crimes contemplated in Articles 648 of the criminal code, 648-bis, 648-ter and 648-ter1;
- not having been declared bankrupt, or subject to creditor arrangements under 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;
- compliance with the technical product/service specifications requested.

Moreover, in the qualification process configured based on the Expenditure Procedure, as well as based on that set out in the Sustainable Supply Chain Policy, suppliers must:

- subscribe illimity Way (the Code of Ethics and Conduct of the Group);
- read the Sustainable Supply Chain Policy;
- submit their Single Insurance Contribution Payment Certificate (DURC);
- demonstrate, if available, that they hold international certifications on quality, the environment and anti-corruption (ISO 9001, ISO 14001, ISO 18001/45001, ISO 27001 and ISO 37001).

The supplier evaluation process may also comprise other criteria, including: past data, access to information databases, direct visits or meetings with the supplier, evaluation of the product/service, evaluation by third parties or the market or notification by the organisational structures.

It is also noted that during 2022, the illimity Group supplemented the services offered by **ABC - Procurement & Cost Management**, a non-profit Consortium with a Vendor Management portal for the management of supplier qualification and monitoring, which the Group signed up for in 2021. The Portal can be used to configure and manage the supplier qualification process in compliance with internal and external regulations, making it possible to mitigate economic and reputational risks arising from supplier relations. This portal can also be used to administer an ESG questionnaire to suppliers, described in detail in the section below.

During 2022, with over 3,000 Purchase Orders, the illimity Bank Spend & Procurement Management Area managed approximately 500 habitual suppliers.

The main goods' sectors were:

- Information and Communication Technology (ICT);
- Consulting;
- Legal expenses and due diligence expenses;
- Facility and security costs;
- Personnel expenses (rewards, policies);
- Advertising, marketing and entertainment.

## The ESG assessment of illimity's supply chain

The illimity Group believes that environmental sustainability, social responsibility and good governance (ESG) are key elements to be taken into consideration during supplier selection and management.

In that regard, as previously mentioned, a customised policy has been drawn up (Sustainable Supply Chain Policy) to introduce, from time to time and in line with the characteristics of the illimity Group's business model, best practices for the sustainability of the supply chain.

As part of tender procedures for the procurement of supplies within its assessment process, the Group is also committed to taking into consideration the information and data regarding the environmental sustainability and governance of the suppliers taking part in the tenders. Promoting the use of supplies that respect the environment, the Bank gives preference, all things being equal, to suppliers that possess guarantees on the sustainable management of their activities.

During 2022, the illimity Group conducted **an ESG analysis of its suppliers**, with the dual aim of identifying, **according to the principles of proportionality and materiality**, the commitment to ESG factors and the indirect environmental impact generated by the supply chain.

In that regard, the Bank launched an analysis aimed at assigning an ESG score to its suppliers, using a questionnaire administered through the portal of Consorzio ABC. The areas analysed in the questionnaire are:

- Corporate Governance;
- Environment;
- Correct Management Practices;
- Working relationships and conditions;
- Human Rights;
- Community engagement and development;
- Aspects regarding consumers.

After processing the responses received, along with the information collected using infoproviders, each supplier is assigned an ESG score, also calibrated based on the classification of the supplier's size.

In order to measure impacts in terms of **emissions of the supply chain**, data is collected (through the questionnaire of Consorzio ABC or through external infoproviders) on suppliers' Scope 1 and Scope 2 emissions. That data, combined with the expenditure volumes of the Bank, are used to calculate Scope 3 emissions, Category 1 - Purchased Goods and Services<sup>38</sup>.

At the end 2022, around 280 suppliers were qualified. All the most significant suppliers of the Bank (exceeding the materiality threshold) were also subject to ESG assessments. These suppliers account for around 45% of the Group's expenditure.

Moreover, it was found that a large part of the Group's commitment to expenditure was concentrated on suppliers with Medium-High ESG scores, meaning ESG-conscious suppliers.



For further details:

**Sustainable Supply Chain Policy**

38 For more details, see GRI 305-3 in Chapter 13 "Environmental impacts and climate challenges".

# Costa Edutainment

A company that teaches using fun,  
through edutainment



Frame the cover photo to watch the video  
"The Story of Costa Edutainment" using the ARIA App



Find out more:

**illimity, Costa Edutainment**



# Planet and society

# 11. Sustainable finance

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

## Integrating environmental and social factors into investment opportunities

During 2022, illimity described, in a more granular way, the **economic sectors excluded** from its investments. Considering the UN Guiding Principles on Business and Human Rights, and in line with the strategic guidance of the Bank and guidelines set out in credit strategies, the Growth Credit, Distressed Credit and b-ilty Divisions, excluding portfolios and individual positions managed with a view to being a gone concern, do not grant loans to counterparties belonging to some sectors.

For example, in general, illimity does not finance:

- political parties;
- companies that manufacture and/or sell:
  - “controversial” weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);
  - military weapons, common firearms and/or security or defence equipment destined for non-government entities outside of OECD countries and/or to private or state counterparties involved in violations of embargoes;
  - devices, equipment or goods whose export is prohibited pursuant to the current regulations of the European Union (Reg. EU 1236/2005, as amended);
- companies that manufacture and/or sell tobacco;
- activities linked to gambling, betting and similar activities;
- activities linked to the production and distribution of pornographic materials;
- activities that significantly worsen the environment and natural resources, including: the sector of coal and/or oil-burning power stations; the sector of gas and oil from unconventional sources (e.g. shale gas and tight oil, through fracking); production and/or sale of asbestos fibers and/or products containing PCBs (polychlorinated biphenyl); manufacture of phytopharmaceuticals or other chemical products for agriculture, limited to the activities falling within Annex I, Division 20.2 of Regulation (EC) No. 1893/2006; production, sale and/or use of drift gillnets, known as “trawling” (passive barrier nets); production of palm oil without Roundtable on Sustainable Palm Oil (RSPO) certification or compliance with sector practices promoted by the RSPO.

Instead, loans for counterparties operating in the above sectors, in cases where the Bank’s support is for production reconversion to environmentally friendly models and/or for improving the sustainability profiles of these activities is permitted.

The phase of **assessment of investment opportunities** identified by the various business structures of the Growth Credit, Distressed Credit, Investment Banking and b-ilty Divisions, which include performing loans originated as well as those acquired on the secondary market, with the sole exception of (non-organic) loans classified as bad loans as well as non-performing loans acquired *en bloc*, requires, in line with the Group’s sustainability strategies, an assessment of the ESG factors and the associated risks relating to business customers, thus pursuing the dual purpose of creating sustainable value over time, while improving the **overall management of sustainability risk for each portfolio**.

During the last two years, in the larger processes relating to lending activities regulated by the Consolidated Credit Procedure, the Bank introduced and adopted a **model for measuring company ESG risks**, with specific focus on environmental risk and on the impact on climate change, by acquiring granular information and ESG scores of counterparties, obtained through a leading third party supplier, which is reliable on a national scale.

That information and those ESG scores are requested from the external supplier during the preliminary analyses, based on the status of negotiations and the direct relationships with the borrowers. In the case of assessments that are particularly negative, regarding both the overall ESG score and one or more of its basic components (Environment, Social, Governance), the feasibility of the operation is subject to an action plan being presented, defined and or agreed with the borrower, with the aim of adopting useful measures, in a suitable timeframe, to adequately remedy the shortcomings identified. In this case, a monitoring and reporting process will be activated regarding the implementation of the action plan and the related impacts in terms of updating the ESG score, to be illustrated to the decision-making bodies with a frequency proportionate to the duration of the plan.

For Growth Credit positions, the process of verifying the validity of the ESG scores is conducted by the Credit Machine Area, which checks the validity of the ESG scores when an application is submitted and by the Business Operations & Credit Support Area (Loan Agency operating area), which ensures that the ESG score is updated on an ongoing basis, every 12 months of its validity.

For companies with a higher ESG risk, the Bank conducts a more in-depth analysis of their actual business models, the market context and the probable impact of ESG regulations on their financial position. More specifically, regarding the elements that the Bank considers in supplementing the assessments of the counterparty's creditworthiness, it may decide to acquire information on:

- the characteristics of the economic sector the counterparty belongs to, and the consistency of current and forward-looking technological profiles of the company in relation to processes for the transition towards a "low carbon economy";
- the presence and consolidation of components related to developments in the circular economy;
- ISO certifications (e.g. certifying the adoption of an environmental, social management system);
- other significant information inferred from the Non-Financial Statements of the counterparty, where available;
- potential reputational impacts connected with the significant aspects in the ESG area.

The outcome of analyses – including, if necessary, also an opinion on climate-environmental risks – and related supporting documentation are sent to the CLO Department and become part of the set of application information supporting the assessments conducted by the Bank's decision-making bodies.

Supplementing the detailed ESG assessments, due to the use of an automatic scoring method and the acquisition of granular data from an external provider, it was possible to analyse the ESG ratings of the Italian counterparties in the illimity loan portfolio, mainly of the Growth Credit Division and a portion from the Distressed Credit and b-ilty Divisions, to assess the **sustainability profile of the portfolio** of companies and counterparties financed, or to which the Bank is exposed.



For further details:

**Consolidated Credit Procedure**

## illimity SGR's ESG Investment Policy

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

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

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

**In February 2023, through illimity SGR, the Group endorsed the Principles for Responsible Investment (PRI)**, promoted by the United Nations for the purpose of developing a more sustainable global financial system. Through this endorsement, illimity SGR committed: (i) to incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes; (ii) to be an active owner and to incorporate ESG issues into our management policies and practices; (iii) to seek appropriate disclosure on ESG issues by the entities in which we invest; (iv) to promote acceptance and implementation of the Principles within the investment industry; (v) to work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles; and (vi) to report on our activities and progress towards implementing the Principles, of which illimity SGR will publish, according to the PRI Reporting Framework, on an annual basis, starting next year.

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

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

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

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

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

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

To achieve this strategy, illimity SGR uses tools to analyse the ESG profile of single target companies, also relying on the support of ESG Advisors and/or ESG data providers.

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



For further details:

[illimity SGR's ESG Investment Policy](#)

## Sustainable finance supporting businesses



## Structured finance and sustainability-linked loans

### Sustainable Energy Basket Bond

Access to the capital market is a significant constraint for SMEs, which may make it complex for them to start or expand suitable energy transition processes.

In order to support companies in obtaining the resources necessary to that end, in November 2021 the **“Sustainable Energy Basket Bond”** programme was begun, launched by **ENI** along with **ELITE** (launched by Borsa Italiana and now part of Euronext Group), and **illimity**, in the role of arranger and investor, to favour the growth and sustainable development of the supply chain.

This programme is the first innovative structured finance tool aimed at all companies, with a specific focus on SMEs, and dedicated to the Sustainable Development Goals (SDGs). Qualifying companies can access financial resources at favourable terms and conditions, according to their current and expected sustainability profiles. For greater inclusivity, in addition to companies with a robust ESG profile, the programme has also been opened to those companies willing to commit themselves, allocating a portion of funds collected to concrete sustainability initiatives.

The companies qualifying for the programme, based on their fulfilling specific ESG commitments, issued minibonds, which were included in a basket bond and placed with institutional investors, with illimity in the roles of arranger, lead manager and coinvestor.

During 2022, four issues were finalised, whose proceeds were largely allocated to investments to **support companies' energy transitions**. These minibonds were subscribed by illimity in favour of multi-utility companies in the energy and environment sectors, and, specifically, in power plants for generating energy from renewable sources.

Through this programme, it was possible to finance sustainable development plans of the issuer companies, linking the terms and conditions to the commitment on various ESG goals and projects, including: (i) works on plants to increase energy efficiency and access renewable sources, (ii) sustainable mobility or circular economy initiatives, (iii) protection of workers' health and safety, and (iv) development of workers' skills. Thus, illimity enhanced its commitment to support SMEs in their sustainable transitions.

### Loans with social benefits

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

At 31/12/2022, overall investments of the Turnaround portfolio amount to €692 million, of which approximately **€351 million with the specific aim of restructuring companies in economic/financial difficulty**, whose relaunch, as mentioned, also creates benefits in the social sphere.

More generally, illimity supported the liquidity needs of its customer companies in dealing with the effects of the pandemic crisis, also using tools made available by the law, to support Italian businesses during this delicate stage. In 2022, in line with the previous year, the lending activity of the Growth Credit Division featured a considerable use of public guarantees, designed to enable companies to obtain financial resources to make up for their liquidity shortcomings, remodulating the capital structure and supporting investments necessary for relaunch and future development.

Overall, up to 2022, the Growth Credit Division provided loans secured by public guarantees for more than EUR 1,022 million, of which more than EUR 185 million with the guarantee furnished by the Central Guarantee Fund for SMEs, more than EUR 80 million guaranteed by the European Investment Fund and approximately EUR 750 million from the guarantee issued by the Italian State Institute SACE.

## Loans with environmental benefits<sup>39</sup>

In 2022, the Growth Credit Division granted loans and credit lines to support specific projects with the aim of achieving environmental benefits, for a total of approximately EUR 40 million. Considering the amount of these operations in 2020 and 2021 (for nearly EUR 66 million), overall, loans with “environmental” objectives were granted for EUR 106 million.

Specifically, in 2022 loans were concentrated primarily on the Green Transportation and Renewable and Sustainable Energy segments, also due to the structuring of the Bond Basket, supporting investments and cash flow needs of companies that are on the front lines of innovation, with a significant commitment to the sustainable transition of their business models.

Category	2022		2021		2020	
	Amount funded (millions of euros)	%	Amount funded (millions of euros)	%	Amount funded (millions of euros)	%
Circular economy	3.0	7.4	28.9	78.3	14.1	48.7
Green transportation	17.4	43.1	0.0	0.0	12.7	43.9
Renewable/sustainable energy	20.0	49.5	8.0	21.7	2.1	7.4
<b>Total</b>	<b>40.4</b>	<b>100.0</b>	<b>36.9</b>	<b>100.0</b>	<b>28.9</b>	<b>100.0</b>

In this regard, the aggregate was identified based on management criteria focussed on the purpose of the loan, as an aspect for the disclosure of some specific initiatives generating positive returns for the environment, even though, in strictly regulatory terms, these loans are not classified as “environmentally sustainable lending”, pursuant to the Guidelines on loan origination and monitoring (EBA/GL/2020/06), or as “specialised lending” relevant to the environmental objectives outlined in EU Taxonomy (Regulation (EU) 2020/852).

## The new b-ilty offer

2022 saw the development and launch of b-ilty, the first offering dedicated exclusively to SMEs. A complete range of digital financial services that are easy to use with transparent terms and conditions: a current account, debit and credit cards, but also digital tools for collecting payments, credit to fund working capital and investments, insurance cover products, and the services of the best partners on the market to support entrepreneurs in developing their business.

In December 2022, the value proposition of b-ilty was further expanded with new products that focus on initiatives to support companies in the crucial processes of green transition and digitalisation.

## b-green: support to companies' ecological transitions (Green loan)



**b-green**, the offer designed for companies that intent to implement sustainable projects, which makes it possible to apply for special-purpose loans for up to EUR 2 million, with particularly favourable interest rates and structuring commissions. The beneficiary companies can thus obtain funds to invest in targeted works, such as installing photovoltaic panels, purchasing low-emission vehicles and their charging stations, machinery for the smart processing of waste, and expenses for increasing the energy efficiency of plants.

<sup>39</sup> As regards EU taxonomy-eligible exposures, reference is made to the next chapter.

## b-innovative: support to companies' digital transitions



**b-innovative**, the offer that aims to assist companies in their digital development, thereby increasing their competitiveness in their market segments. Loans dedicated to small and medium-sized enterprises to incentivise and support investments in innovative projects that have a positive impact in terms of sustainability (e.g. management and mitigation of cybersecurity risks, activation of broadband services and digital training). The loan aims to support digital transformation projects that contribute to a positive, concrete impact on the Sustainable Development Goals set in the UN Agenda 2030 (specifically, on Goals 8 and 9)<sup>40</sup>.

## Ecosystem of ESG services: Open-es

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

Open-es offers an innovative, inclusive tool, with the goal of forging an alliance of businesses committed to involving their own value chains (suppliers, customers and stakeholders in general), in improving sustainability performance.

Using this platform, **businesses that are customers of illimity can measure their ESG performance** by filling out a questionnaire of simple questions based on international standards, to index their level of integration of sustainability into their business models and **obtain a customized development plan** to identify the solutions to adopt to improve their process of sustainable transition.

The platform also provides **specific analyses and reports** for their business sectors, and a **development hub** in which the businesses in the community can identify services and products useful in implementing their Development Plans and closing the gaps found, offered at economic terms and conditions more favourable than the market.

## Commitment in the energy and real estate sector

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

A dedicated desk was created, with professionals, not only from financial sectors, but also from energy and environment-related technical and legal backgrounds. The business model, initially based on the partnership with an industrial company, evolved at the end of 2022 with a view to the Bank's full autonomy, as it has acquired consolidated know-how also in directly managing plants, for the purpose of recovering their **full contribution to green production**.

The desk operates through a dedicated securitisation vehicle, set up in May 2020, which to date has completed acquisitions for EUR 122 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. In particular, illimity's approach in this sector aims to forge relationships of trust with acquired borrowers, identifying together the quickest way to remedy the causes of their financial difficulties, and in the meantime providing necessary resources, with an agreement where the revamped plants are sold in the shortest time possible. **The sale of revamped plants makes it possible to recover considerable value, remunerating illimity's commitment, as well as to give back to the borrower a part of their original investment.** In the meantime, **returning revamped plants to the production system increases the future environmental contribution** (the residual life of plants is usually 10 years).

<sup>40</sup> UN Agenda 2030: Goal 8. Decent work and economic growth (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all); Goal 9. Industry, innovation and infrastructure (build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation).

In 2021, agreements were reached with 4 borrowers, which made it possible to return their credit positions to performing status and to repossess seven photovoltaic plants, some of which were sold. In 2022 the same goal was achieved with 6 borrowers and just as many plans, for aggregated energy generation of around 3.8 GWh of renewable energy, equal to **a total of 1,002 tCO<sub>2</sub>e of emissions avoided**.

## Regeneration of real estate assets

illimity's Distressed Credit Division and ARECneprix (formerly neprix) are committed to promoting the development of a sustainability culture, also when managing distressed assets. In fact, buildings and the construction industry are responsible for 36% of CO<sub>2</sub> emissions in Europe and 38% at global level<sup>41</sup>, and so have a central role in the EU's decarbonisation goals. Requalification is an opportunity to reduce emissions, besides producing clean energy through installing photovoltaic plants. To achieve this goal, ARECneprix real estate works closely with illimity's energy desk, to identify real estate assets in its portfolios that can potentially be exploited in energy terms, through the development of photovoltaic plants.

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

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

## Integration of sustainability criteria in real estate evaluations

In addition to the ESG analyses, while monitoring distressed portfolios with regard to the carbon footprint (financed emissions) of exposures and their eligibility for the EU Taxonomy, on origination all the valuations of the Distressed Credit Division, with the support of ARECneprix, are carried out in line with the International Valuation Standards and the "Red Book" standards of RICS<sup>42</sup> referred to in Bank of Italy Circular 285<sup>43</sup> and in the ECB Guidelines for banks regarding non-performing loans<sup>44</sup>.

These standards recommend that valuers pay particular attention to aspects related to sustainability (including energy efficiency, the environment and risk related to climate change, health, well-being and business accountability), that have or may have an impact on the assessment of an asset. In particular, in RICS standards, with reference to analyses of the implications on value, it is recommended, where appropriate, to assess the extent to which the property being valued actually conform to sustainability criteria<sup>45</sup>. The RICS Guidance Note "Sustainability and ESG in commercial property valuation and strategic advice" - in effect since 31 January 2022 - provides relative indications, and specifically for the valuation of non-residential assets.

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

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

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

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

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

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

# 12. The European taxonomy of eco-sustainable activities

## EU Taxonomy Eligibility Reporting

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

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

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

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

Regulation (EU) 2020/852 also defines the criteria for determining whether an economic activity can be considered environmentally sustainable, i.e. aligned with the Taxonomy, starting with identifying 6 environmental objectives:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystem.

### Legal framework

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

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

- the proportion of exposures to Taxonomy-eligible and Taxonomy-non-eligible in economic activities;
- the proportion of exposures to central governments, central banks and supranational issuers<sup>46</sup>;
- the proportion of exposures in derivatives<sup>47</sup>;
- the proportion of exposures in companies not subject to the NFS obligation<sup>48</sup>;
- the proportion of the trading portfolio;
- the proportion of on demand interbank loans.

The EU Taxonomy Eligibility Reporting was processed at Group level with an approach coordinated between the central function and business functions involved. The methodology to calculate quantitative KPIs is based on the harmonised FINREP supervisory reporting data and exposures are indicated in terms of the gross carrying amount with the reporting date 31 December 2022. Referred to Annex IX to Commission Delegated Regulation 2021/2178, quantitative KPIs are accompanied by qualitative information, to support the disclosure of and markets' understanding of these KPIs.

<sup>46</sup> In compliance with Article 7, paragraph 1, of Del. Reg. 2021/2178.

<sup>47</sup> In compliance with Article 7, paragraph 2, of Del. Reg. 2021/2178.

<sup>48</sup> In compliance with Article 7, paragraph 3, of Del. Reg. 2021/2178, exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19 bis or 29 bis of Directive 2013/34/EU shall be excluded from the numerator of key performance indicators of financial undertakings.

The KPIs reported herein are not comparable with those of 2021, either for the mandatory disclosure or the voluntary disclosure, as the valuation methods applied are different and have evolved in relation to both that set out by the EU Commissions in its clarification note only for the first year of reporting (for the voluntary part) and the choice to exclusively apply the reference perimeter set out in the current regulations and the EBA technical standards (also with a forward-looking view to the valuation for aligning the banking book in subsequent years). Therefore, last year's perimeter limits were not applied, with a view to voluntary revision, with the resulting expansion of the denominator (Total Covered Assets), with a more or less stable numerator year-over-year.

**Voluntary Disclosure** (data relating to the Group's scope of consolidation as of 31/12/2022)

Indicator	KPIs out of Total Assets	KPIs out of Total Covered Assets
<b>Taxonomy-Eligible Exposures in economic activities (undertakings subject to an NFS obligation)</b>	<b>3.0%</b>	<b>3.4%</b>
Taxonomy Non-Eligible Exposures in economic activities (businesses subject to an NFS obligation, mortgage lending and other assets)	23.9%	27.0%
Proportion of exposures in non-trading derivatives	0.5%	0.5%
Proportion of exposures in undertakings not subject to the NFS obligation	58.7%	66.2%
Proportion of the portfolio of on demand interbank loans	2.6%	2.9%
Proportion of the trading portfolio	0.5%	Not included in Total Covered Assets
Proportion of exposures to central governments, central banks and supranational issuers	10.8%	Excluded from the KPIs

The proportion of Taxonomy-Eligible exposures to economic activities subject to non-financial reporting obligations reflects illimity's specific business model, focused on supporting high-potential businesses and companies in complex situations. Above all, it supports small and medium-sized enterprises which, in almost all cases, are not subject to non-financial statement obligations, and therefore, are not assessed for eligibility. The proportion of Taxonomy-Non-Eligible exposures in economic activities includes, in addition to those to businesses subject to non-financial reporting obligations (9.1% of Total Assets and 10.3% of Total Covered Assets) also mortgage lending (3.1% of Total Assets and 3.5% of Total Covered Assets) and other assets (i.e. goodwill, fixed assets, commodities, in addition to cash-related assets; equal to 11.7% of Total Assets and 13.2% of Total Covered Assets). In order to provide greater information on Taxonomy-eligible assets, the following information is provided on a voluntary basis.

**Voluntary Disclosure** (data relating to the Group's scope of consolidation as of 31/12/2022)

Indicator	KPIs out of Total Assets	KPIs out of Total Covered Assets
<b>Taxonomy-Eligible Exposures in economic activities (undertakings subject to an NFS obligation and undertakings not subject to an NFS obligation)</b>	<b>15.2%</b>	<b>17.1%</b>
Taxonomy Non-Eligible Exposures in economic activities (undertakings subject to an NFS obligation and undertakings not subject to an NFS obligation)	58.8%	66.3%

On a voluntary basis, Taxonomy-eligible and non-eligible exposures are shown, referring to both companies subject to the NFS obligation and those not subject to that obligations. Moreover, this was determined net of (i) exposures to central administrations, central banks and supranational issuers and derivatives and (ii) the trading portfolio, which are excluded from the calculation of the numerator and the denominator of the fundamental performance indicators of financial companies and (iii) other assets (i.e. goodwill, fixed assets), on demand interbank loans and cash/cash-related derivative instruments, as the assessment of eligibility for those items was not provided for in the year in question (total complementing percentages: around 26% of Total Assets and around 17% of Total Covered Assets).

## Qualitative information

An integrated approach to sustainability and the disclosure of non-financial information is a cornerstone of the Group's strategy, in order to guarantee conformity to reporting requirements, promoting transparency and the integration of non-financial considerations in existing processes. The ESG targets of the Group's Strategic Plan and Sustainability Plan are also part of that approach, relating to the Group's commitment on environmental topics with stakeholders, aimed at finalising the integration of ESG factors in the processes of granting and monitoring credit and, specifically, in designing and developing sustainable finance products.

The Group has carried out actions necessary to implement the Taxonomy eligibility assessment of its assets and planned the subsequent measurement of the aligned assets within regulatory deadlines. These alignments will be based on a careful assessment of technical screening criteria, using data on counterparties with a level of granularity that is consistent with required disclosure.

Specific projects have been started for the purpose of obtaining the accurate data publicly available and the information necessary for the disclosure required by the regulations in force, managing reporting in an automated manner. In that sense, a market solution was adopted, integrated into the suite used to draw up the consolidated financial statements, which covers the disclosure requirements of the EU Taxonomy for credit institutions based on the current evolution of the regulatory framework. The data management process for Taxonomy Eligibility Reporting is based on data collection with granular information and data of individual exposures and counterparties (validated for reporting purposes also with additional reconciliation by external consultants). Information from proprietary environments of illimity is directly populated by the statistical reporting (FINREP), accounting and database systems (data ingestion). Following the data collection and data ingestion phases, the solution provides a data quality phase, in which checks are conducted on specific input fields in the data collection flows. Subsequently, the KPIs are calculated through the eligibility test conducted by a tool. The resulting output is represented through population of the disclosure template with data processed by the solution's analytical layer. The solution sets out the official reports (data reporting) that are part of Annex VI of Delegated Regulation 2021/2178 (Disclosure Delegated Act) and the Template under Article 10 of that Delegated Regulation as suggested by the Platform on Sustainable Finance to publish the aggregate data required for the reporting. The solution also managed the centralised consolidation operations using the same consolidation engine to generate the consolidated amounts required by EU Taxonomy reporting. Pursuant to Regulation (EU) No. 575/2013, the KPIs are posted on a prudential consolidation basis.

## Methodological Note

### Reference perimeter

Regulation (EU) 2020/852 (Taxonomy) and related commission delegated regulations require financial groups and undertakings to provide disclosure, in the 2022 Non-Financial Statement (NFS), of the qualitative indicators relating to the proportion of taxonomy-eligible and taxonomy non-eligible exposures compared to the total of covered assets (*Total Covered Assets*), and of specific indicators for banks. Those provisions were clarified by two sets of frequently asked questions (FAQs) published on the website of the European Commission.

Specifically, the following categories of activities were identified:

- Eligible activities: described in the Delegated Regulations, adopted to indicate the technical screening criteria irrespective of whether they meet one or all of the criteria.
- Non-eligible activities: economic activities that are not described in the Delegated Regulations.
- Enabling activities: activities that do not directly contribute to the achievement of the environmental objectives, but enable other economic activities to make a substantial contribution thereto.
- Transitional activities: activities for which there are currently no alternatives with low carbon emissions that can be technologically and economically implemented, but which support the transition towards a climate-neutral economy (only for the mitigation of climate change).
- Taxonomy-aligned activities: eligible economic activities which satisfy the conditions of environmental sustainability set by the Climate Delegated Act and specified by the technical screening criteria.

For 2022, the key performance indicators only concern objectives to mitigate climate change and adapt to climate change, as envisaged in Article 9 of Regulation (EU) 2020/852.

The illimity Group's prudential consolidation perimeter at 31/12/2022 was therefore considered, starting from the FINREP statistic supervisory reporting.

## Methodological approach to reporting

To calculate the quantitative indicators to report in the 2022 NFS, the notice on interpretation published by the European Commission<sup>49</sup> on implementation of Article 8 of the EU Taxonomy Regulation (2020/852) was considered. This notice allows Banks to create two sections of disclosure: (i) a mandatory section (Mandatory Disclosure), in which the assessment of Taxonomy Eligibility may only be carried out using the exact data of the counterparties subject to obligations deriving from the Non-Financial Reporting Directive (NFRD), obtained from the NFSs published by the counterparties; (ii) a voluntary section (Voluntary Disclosure), that permits the extension of the assessment of Taxonomy Eligibility also to counterparties not subject to obligations deriving from the NFRD. In the voluntary section, the eligibility assessment is conducted using the ATECO business code and NACE code, and verifying whether the counterparty's NACE code is included in the Delegated Acts on Climate Change Mitigation (CCM) or Climate Change Adaptation (CCA), in line with the definition of Taxonomy-Eligible of Regulation (EU) 2020/852.

In order to guarantee a sound methodological approach, the Bank implemented a series of actions to structure a process of holistic management of disclosure, streamlining the overall data lineage and guaranteeing constant quality of data in all of their phases. Specifically, this regards sustainability reporting governance according to the new EFRAG standards, with a data management framework that guarantees full visibility of the documentation required for audits. Specifically, the following processes were designed and implemented:

- Origin and collection of raw data from the source system, and enrichment of the data through other source systems and external providers;
- Normalisation of the data;
- Execution of calculations in line with the regulatory requirements on disclosure set out in Regulation (EU) 2020/852 and the related Delegated Regulations;
- Preparation and consolidation of the data according to the disclosure tables set out in Regulation (EU) 2020/852 and the related Delegated Regulations.

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

- **Mandatory Section** - in calculating the Taxonomy Eligibility KPIs, the exact eligibility data of the companies subject to NFRD obligations at individual level are included, also including companies in their scope of consolidation. That list of companies is sourced from the CONSOB list of Italian companies required to publish an NFS, according to the NFRD<sup>50</sup>. The Taxonomy Eligibility data were obtained directly from the NFS of the counterparties. The calculation methodology adopted is as follows:
  - Identification of all companies subject to the NFS obligation, including companies in their scope of consolidation.
  - Identification of the KPIs relating to the percentage of Taxonomy Eligibility of Turnover of the counterparty, directly from the company's NFS.
  - Inclusion in the numerator of the KPI of the Taxonomy Eligibility of the proportion resulting from the application of the percentage of Taxonomy Eligibility to the value of the exposure.

<sup>49</sup> European Commission, "Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01) published in the Official Journal of 6 October 2022.

<sup>50</sup> List of subjects that have published the Non-Financial Statement ("NFS") as of 31 December 2022 <https://www.consob.it/web/consob-and-its-activities/subjects-that-have-published-the-nfs>

- **Voluntary** Section - the calculation methodology is as follows:
  - for companies with an NFS obligation, the process follows the same steps illustrated in the mandatory section.
- for companies without an NFS obligation:
  - the ATECO business codes of each counterparty/issuer is obtained from leading national and international providers.
  - the single ATECO codes are converted to the corresponding NACE codes, to verify whether the latter are included in the delegated acts on CCM and CCA (available on European Compass);
  - for counterparties/issuers whose associated NACE code falls under the delegated acts on CCM and CCA, as per the regulations, the value of the exposer is considered fully eligible;
  - as benchmarks, the Bank also considered the sector-based Taxonomy Eligibility identified by the analyses published by the JRC of the European Commission<sup>51</sup>.

## Information requirements

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

1. proportion of Taxonomy-eligible exposures in relation to their total assets;
2. proportion of Taxonomy non-eligible exposures in relation to their total assets;
3. proportion of exposures to central administrations, central banks and supranational issuers in relation to their total assets;
4. proportion of exposures to derivatives in relation to their total assets;
5. proportion of exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19 bis or 29 bis of Directive 2013/34/EU in relation to their total assets;
6. proportion of the trading portfolio and on-demand interbank loans in relation to their total assets;
7. qualitative information.

## Calculation methodology

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

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

- **Total Covered Assets:** correspond to the denominator of Taxonomy Eligibility KPIs, based on definitions in Annex V to Commission Delegated Regulation (EU) 2021/2178. The calculation of Total Covered Assets shall cover the following accounting categories of financial assets including loans and advances, debt securities, equity holdings and repossessed collaterals: (a) financial assets at amortised cost; (b) financial assets designated at fair value through other comprehensive income; (c) investments in subsidiaries; (d) joint ventures and associates; (e) financial assets designated at fair value through profit or loss for the year and financial assets not held for sale, mandatorily measured at fair value in profit/(loss) for the year; and (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts. These exclude exposures to central administrations, central banks and supranational issuers and those relating to the trading portfolio.
- **Eligible Assets:** represent the perimeter of products to include in the numerator of Taxonomy Eligibility KPIs.
- **Eligibility perimeter:** defines the perimeter of companies to include in Taxonomy Eligibility KPIs, according to the distinction made between “Mandatory” and “Voluntary”.
- **Type of data used:** indicates the level of granularity of the data required by Regulation (EU) 2020/852 and related Delegated Regulations.

<sup>51</sup> Specifically, the Joint Research Center publication “Market’s Taxonomy alignment and Transition-exposure” provides an overview of the sector averages, by NACE code, of the Taxonomy Eligibility of debt securities and equity instruments of European companies (source: “JRC Working Papers in Economics and Finance, 2021/14 - Two sides of the same coin: Green Taxonomy alignment versus transition risk in financial portfolios”).

## Data underlying the Eligibility Analyses for Taxonomy purposes

	Mandatory	Voluntary
Type of Data Used	Exact data from the counterparty/issuer	Exact data collected and/or obtained from info providers
Reference perimeter	Counterparties subject to NFRD (NFS obligation)	Counterparties subject to NFRD (NFS obligation) Counterparties not subject to NFRD (NFS obligation)
Total Covered Assets	<b>Including:</b> <ul style="list-style-type: none"> <li>Total assets relating to FINREP statistic prudential supervisory reporting with consolidated perimeter</li> </ul> <b>Excluding:</b> <ul style="list-style-type: none"> <li>Exposures to central administrations, central banks, supranational issuers</li> <li>Financial instruments held for trading (<i>trading portfolio</i>)</li> </ul>	
Eligible assets	<b>Including:</b> <ul style="list-style-type: none"> <li>Customer loans (loans and advances)</li> <li>Securities and debt securities</li> <li>Equity investments (equity instruments not held for trading)</li> </ul> <b>Excluding:</b> <ul style="list-style-type: none"> <li>Exposures to central administrations, central banks, supranational issuers</li> <li>Trading portfolio</li> <li>Derivatives</li> <li>On-demand interbank loans</li> <li>Cash and cash equivalents</li> </ul>	

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

This KPI is calculated as the ratio of the overall value in the consolidated financial statements of exposures to central administrations, central banks and supranational issuers of illimity in relation to the value of "Total Assets". These exposures were identified considering exposures represented in the harmonised FINREP statistic reporting at consolidated level.

### Proportion of exposures in derivatives

This KPI is calculated as the ratio of the overall value in the consolidated financial statements of exposures in derivatives of illimity, in relation to the value of "Total Assets". The derivatives were identified considering exposures represented in the harmonised FINREP statistic supervisory reporting at consolidated level.

### Proportion of exposures in companies not subject to the NFS obligation

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

### Proportion of the trading portfolio and on-demand interbank loans

This KPI is calculated as the ratio between the overall value in the financial statements of exposures relating to the trading portfolio and interbank loans of illimity, in relation to the value of "Total Assets", as represented in the harmonised FINREP statistic supervisory reporting at consolidated level.

## 13. Environmental impacts and climate-related challenges

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

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

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

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

Thanks to its association with Carbonsink, the consulting company specialised in the development of climate strategies for businesses, the Bank joined the **"Maputo Clean Cookstoves"** project in 2021, which has the aim of improving the living conditions of the population, while also reducing emissions of greenhouse gases. Due to the purchase of new stoves, local households have improved their health and financial situations, avoiding the inhalation of toxic fumes and saving over USD 190 per year in the use of coal, in addition to reducing emissions produced by a total of 30,000 tonnes of CO<sub>2</sub> per year. In 2022 the Bank supported the **"Svilosa Biomass Bulgaria"** project, which aims to generate sustainable, alternative energy from vegetable waste and to create new jobs in the local areas. Specifically, the factory in Svishtov Town manufactures paper using a process that required a large amount of energy in all phases. This process now uses biomass as an ideal sustainable alternative fuel. Renewable energy is, in fact, generated by using biomass residues from the processing of wood, concretely reducing the environmental impact, leading to greater energy safety, greater air quality, an improvement of the means of subsistence in the surrounding communities and the development of new industries of sustainable renewable energy.

With a view to oversight of environmental sustainability issues with increasing attention, as set out in Legislative Decree 34/2020 (Relaunch Decree), illimity has also appointed a Mobility Manager for the illimity Group. Specifically, in line with that set out in the reference regulations, the Mobility Manager has drawn up the Commuting Plan ("**CP**") for 2022, with the goal of examining the methods of commuting used by employees, with a view to evolving towards types of sustainable mobility.

The CP 2022 illustrated the initiatives that the Group has already adopted to support the reduction/optimisation of commutes (e.g. company welfare) in addition to projects launched in 2022 that aim to reduce/optimize commutes, specifically:

- **"Green Fridays"**, the initiative launched at the Milan office, which on all Fridays and periods of lower attendance in the offices (i.e. the end of the year and the central weeks of August) the lighting and air conditioning systems on three floors are turned off, reducing the number of workstations, to incentivise smart working and reduce commutes, as well as to enable energy savings, reducing the environmental impact;
- **Modular smart working system**, which provides multiple levels of flexibility, to be agreed with one's manager, to guarantee *illimity* a correct work-life balance and reduce their commutes.

The effectiveness of those initiatives will be monitored during 2023 and reported in the CP 2023.

Moreover, at the beginning of 2023, *illimity* signed a partnership with Ogyre, a start-up whose mission is to protect the oceans and seas (contributing to the achievement of Sustainable Development Goal 14: "Conserve and sustainably use the oceans, seas and marine resources for sustainable development") by protecting biodiversity and supporting local communities that making a living from fishing activities. Ogyre collects waste in the oceans and seas through a fleet of fishing boats, operating both in Italy and abroad. The waste collected during normal fishing operations is weighed and recorded in a specific digital platform that tracks numerous items of information and associates the waste collected with a digital token to follow the recycling and disposal of that waste. The waste is handed over to the local disposal organisation.

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



For further details:

**Facility Management Procedure**

## Direct and indirect environmental impacts

### GRI 301-1

The services offered by *illimity*, due to their 100% digital nature, affect the environment in a limited way. The materials used by the Group in 2022 were paper and toner cartridges.

In observing its commitment to the environment, *illimity* exclusively uses FSC (Forest Stewardship Council) certified paper. This practice was also extended to *neprix* (AREC *neprix* from 1 January 2023) during 2021, while AREC was already using low-impact certified paper at the time of acquisition.

In 2022, the weight of paper decreased on 2021, while the use of toner was in line with the previous year.

For reporting purposes, *illimity* considers toner cartridges as a single, used non-renewable material.

The consumption of paper and toner during the last two years was in line with the return in-person working in the office, while the decrease observed in 2022 was, instead, attributable to the new modular system of smart working adopted by the personnel of *illimity*.

Total weight of materials used (kg)	2022	2021	2020
Paper <sup>52</sup>	2,426.2	3,014.4	427.5
Toner <sup>53</sup>	95.5	128.0	60.0
Cartridges	-	-	14.0
<b>Total</b>	<b>2,521.7</b>	<b>3,142.4</b>	<b>501.5</b>
<b>Ratio per FTE (kg/FTE)<sup>54</sup></b>	<b>3.0</b>	<b>4.4</b>	<b>0.9</b>

Total weight of FSC/FSC Mix material used (Kg)	2022	2021	2020
Paper	2,426.2	3,014.4	1,847.5
<b>Ratio per FTE (kg/FTE)</b>	<b>2.9</b>	<b>4.2</b>	<b>3.2</b>

#### GRI 302-1

The Group's energy consumption is considered equivalent to only the consumption of electricity and of fuel by the company fleet.

In 2022, overall purchased electricity consumption was equal to 3,359 GJ, of which 2,568 GJ covered by purchases of renewable energy, mainly certified with Guarantees of Origin. The Guarantee of Origin (GO) is an electronic certification issued by the Energy Services Operator (GSE) in compliance with Directive 2009/28/EC, to guarantee that energy consumed is actually produced by renewable sources.

During 2022, the Group gradually covered ever-increasing percentages of supplies of electricity with GO purchases, to mitigate the environmental impact associated with its consumption: to date, the GO cover all of the electricity needs of illimity, illimity SGR and ARECneprix (Via Soperga offices in Milan), representing 76% of consumption of energy purchased by the Group. illimity aims to extend the procurement of electricity from renewable sources also to Abilio and ARECneprix for the Rome offices, thereby reaching 100% coverage of the Group's offices from renewable sources.

Consumption of direct energy (GJ) <sup>55</sup>	2022	2021	2020
<b>Electricity purchased</b>	<b>3,358.7</b>	<b>2,887.9</b>	<b>2,511.5</b>
<i>from renewable sources</i>	<i>2,568.1</i>	<i>2,500.7</i>	<i>383.2</i>

Fuel consumption of Group companies is attributed to the use of the vehicles in the company vehicle fleet, leased and provided to employees for combined company/personal use. The criteria and rules governing the assignment and use of company cars are described in the "Car Policy" contained in HR Procedures. Cars for a combined company/personal use are cars that may be used for both work and personal reasons.

In 2022, a portion of the company fleet was sold, decreasing the total number of cars to 82 vehicles (from 107 in the previous year) with fuel consumption of 2,515 GJ.

Use of vehicle fuel (GJ) <sup>56</sup>	2022	2021	2020
Petrol	390.0	192.3	145.8
Diesel	2,125.9	4,719.6	2,078.3
GPL	-	71.6	240.3
<b>Total</b>	<b>2,515.9</b>	<b>4,983.5</b>	<b>2,464.5</b>
<b>Total purchased energy consumption (GJ)</b>	<b>5,874.6</b>	<b>7,871.4</b>	<b>4,976.0</b>
<b><i>of which renewable energy (GJ)</i></b>	<b><i>2,568.1</i></b>	<b><i>2,500.7</i></b>	<b><i>383.2</i></b>
<b>% of renewables out of the total</b>	<b>43.7%</b>	<b>31.8%</b>	<b>7.7%</b>

The percentage of renewable energy, 44% in 2022, up sharply on the previous years, is attributable not only to the maintenance of the coverage of electricity from renewable sources, but also to procurement of less fuel as a result of the decrease in the number of cars in the vehicle fleet. Energy consumption of this last driver, which is non-renewable, amounts to 43% of the total of consumption of the illimity Group.

<sup>52</sup> 1 ream = 2.64 kg (average figure 2022).

<sup>53</sup> 1 toner cartridge = 0.86 kg (average figure 2022).

<sup>54</sup> 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.

<sup>55</sup> Source of conversion factors: Italian Greenhouse Gas Inventory 1990 – 2020 – National Inventory Report 2022.

<sup>56</sup> Data on fuel consumption and greenhouse gas emissions for vehicles for company/personal use were reported for 70% of total consumption recorded, adopting ABI guidelines on the adoption by banks of GRI (Global Reporting Initiative) Standards concerning environmental indicators - December 2022.

**GRI 305-1**

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

Direct greenhouse gas emissions (tCO <sub>2</sub> e) <sup>57</sup>	2022	2021	2020
<b>Vehicle fuel</b>	<b>175.1</b>	<b>307.7</b>	<b>171.8</b>
Petrol	26.3	15.3	10.0
Diesel	148.8	288.1	147.3
GPL	-	4.3	14.5
<b>Total</b>	<b>175.1</b>	<b>307.7</b>	<b>171.8</b>
<b>Total emissions per vehicle</b>	<b>2.1</b>	<b>2.9</b>	<b>2.0</b>

**GRI 305-2**

Indirect greenhouse gas emissions (Scope 2) refer instead to the electricity consumption of buildings, used mainly for lighting and air conditioning of the offices.

Indirect greenhouse gas emissions (tCO <sub>2</sub> e) <sup>58</sup>	2022	2021	2020
<b>Total indirect emissions - Location-based method</b>	<b>243.8</b>	<b>224.0</b>	<b>185.1</b>
<b>Total indirect emissions - Market-based method</b>	<b>100.4</b>	<b>50.1</b>	<b>302.5</b>

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 utilities;
- Market-based: an approach that considers the specific emissions related to the type of electricity contract chosen by the organisation.

As a result of purchasing electricity mainly covered by Guarantees of Origin, emissions calculated using the Market-based methodology in 2022 were lower than those calculated using the Location-based approach. The latter are only associated with the utilities of Abilio and AREC, for its Rome offices, amounting to 24% of the Group's electricity.

**GRI 305-4**

The Group's emission intensity for total Scope 1 and Scope 2 emissions (Location-based approach) was calculated for both employees with a full-time contract (FTE) and for the total net operating income realised, reaching an intensity of 0.5 tCO<sub>2</sub>e/FTE and 1.3 tCO<sub>2</sub>e/mln€ respectively for 2022, down on the previous year, due to the decrease in fuel emissions due to the decrease in the number of vehicles in the fleet.

Emission intensity (Scope 1 and 2 Location-based)	UoM	2022	2021	2020
<b>For FTE</b>	<b>tCO<sub>2</sub>e/FTE</b>	<b>0.5</b>	<b>0.7</b>	<b>0.6</b>
Numerator	tCO <sub>2</sub> e	418.9	531.7	356.9
Denominator	FTE	844	718	580
<b>Total net operating income</b>	<b>tCO<sub>2</sub>e/mln€</b>	<b>1.3</b>	<b>2.0</b>	<b>2.0</b>
Numerator	tCO <sub>2</sub> e	418.9	531.7	356.9
Denominator	mln€	324.6	271.2	174.8

<sup>57</sup> The source of the conversion factor is DEFRA databases, updated for 2022. The gases included in the calculation are CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O.

<sup>58</sup> The source of the conversion factors is from ABI guidelines on the adoption by banks of GRI (Global Reporting Initiative) standards - Environmental Indicators - December 2022. The gases included in the calculation - and indicated in the guide - are CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O. To calculate emissions according to the market-based method, the conversion factors in the European Residual Mixes 2021, AIB (Association of Issuing Bodies), version 1.1 of 31.05.2022, were used.

### GRI 305-3

Additional sources of indirect emissions (Scope 3), after those related to property management, include the provision of goods and services purchased, staff business trips by car, plane and train, and waste disposal.

In order to carry out a full mapping of its GHG inventory, in 2022 illimity quantified its Scope 3 indirect emissions relating to all applicable, significant categories, as shown in the table below. Each Scope 3 category was quantified in accordance with the methodologies of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, the main international standard recognised for measuring emissions of organisations' value chains.

Specifically, with regard to Category 1 – Purchased Goods and Services, in 2022 the calculation included all purchases of goods and services incurred by the Group. The amount is significantly higher than the data reported in 2021 and 2020, due to the change in the calculation perimeter. Moreover, compared to the previous reports, the emissions referring to Category 7 (Employee Commuting) were also quantified.

For this calculation, in November 2022 a questionnaire was administered to the entire population of the company to find out about employees' commuting habits. The reply rate was around 78%. The remaining 22% was estimated proportionately, based on the results obtained from respondents.

Other indirect greenhouse gas emissions (tCO <sub>2</sub> e)		2022	2021	2020
Cat. 1	Purchased Goods and Services <sup>59</sup>	2,925.7	5.4	2.0
Cat. 5	Waste generated in operations <sup>60</sup>	4.2	3.2	1.5
Cat. 6	Business Travel <sup>61</sup>	125.6	51.0	28.6
Cat. 7	Employee Commuting <sup>62</sup>	521.5	-	-
<b>Total</b>		<b>3,577.0</b>	<b>59.6</b>	<b>32.1</b>

## Financed emissions (Scope 3 – Cat. 15)

To guarantee a better management of transition risk and be able to identify the associated opportunities, the Group decided, from 2020 onwards, to adopt a process to collect data and information that led, in 2022, to the first quantification of indirect emissions (Scope 3) attributable to its financing activities (“financed emissions”).

### Perimeter

With reference to 2022, illimity quantified the GHG emissions associated with its portfolio, including loans and securities of the Distressed Credit<sup>63</sup>, Growth Credit, b-ilty and Investment Banking Divisions, in addition to participation and proprietary investments and investments. Specifically, the measurement of financed emissions included around 90% of receivables from customers and around 25% of financial assets (HTC/HTCS/FVPTL) and investments, as of 31/12/2022. Those percentages of coverage are the best applicable in relation to the calculation methods available to date<sup>64</sup>.

<sup>59</sup> Spend-based calculation methodology, based on emissions data of suppliers from info providers and on sector data, where exact data is not available (source of sector intensity: Environmentally-Extended Input-Output (EEIO) of Eurostat). The figure reported considers the material suppliers of illimity, representing around 80% of expenditure incurred in 2022. For 2021 and 2020 the calculation scope was different and considered, instead, the supply of paper with supplier-specific calculation methodology.

<sup>60</sup> Average-data calculation methodology, based on the quantities of waste generated and the average methods of disposal, declared by the main waste disposal company in Lombardy (A2A) and Emilia Romagna (Hera). Source of emission factors: DEFRA.

<sup>61</sup> Distance-based calculation methodology. Source of emission factors: DEFRA.

<sup>62</sup> Distance-based calculation methodology, based on the results of a survey sent to all employees of the Group. Source of emission factors: DEFRA.

<sup>63</sup> With regard to the Distressed Credit Division, the emissions of inactive bad loans, inactive positions in liquidation and UTPs with available and “ended” legal status were accounted for as nil.

<sup>64</sup> The portion excluded from the calculation of financed emissions are those not explicitly attributable to an assets class set out in the reference standard or which are not associated with a calculation methodology to date.

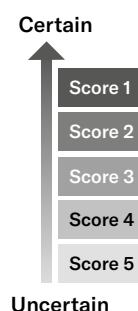
## Methodological approach

illimity calculated its financed emissions (Scope 3 - Category 15: "Investments" of the GHG Protocol) in accordance with the standard promoted by the PCAF (Partnership for Carbon Accounting Financials) "The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition", published in December 2022. This is the global standard most commonly adopted by financial institutions to measure and account for financed emissions.

Firstly, the Group categorised its portfolio according to the asset classes and the related financial products set out by the PCAF.

Specifically, for each asset class, the PCAF sets out 5 different calculation methodologies, equal to 5 levels of quality, based on the data of the counterparty available, as reported below:

- Score 1: calculation based on emissions reported and verified by each counterparty;
- Score 2: calculation based on emissions reported but not verified by each counterparty, or emissions estimated based on energy consumption;
- Score 3: calculation based on estimated emissions from production data of each counterparty;
- Score 4: calculation based on estimated emissions from sector emission intensity;
- Score 5: calculation based on sector emission intensity (per asset unit or revenue).



To quantify financed emissions, illimity used the methodologies provided by the PCAF in a combined manner, enhancing the exact data of the counterparties (Scores 1 and 2), where available, and sector data (Scores 4 and 5) to cover the remaining part of the portfolio.

Measurement of financed emissions entailed using exact (verified and unverified) emission data (Scores 1 and 2) of counterparties, obtained through external providers<sup>65</sup>, internal master record databases, accounting records and ERP systems or, if not available, sector emission intensity.

Emission data were subject to specific analysis to understand their reliability. In some cases, these checks highlighted significant deviations between the different data provided, leading the Group to proceed using a prudential approach. In particular, emission data were selected by choosing the most cautious value or applying the sector data.

Instead, as regards the use of sector data, illimity, always in line with the PCAF, has used the Environmentally-Extended Input-Output (EEIO) tables<sup>66</sup> of Eurostat, which provide average emissions factors per NACE sector, expressed in terms of the average European emission intensity per turnover.

The emissions of counterparties, obtained as stated above, were allocated to illimity, through an attribution factor<sup>67</sup> calculated based on the Group's exposure as of 31/12/2022.

## Results obtained

The most important indicators in the reporting on financed emissions of illimity's portfolio are shown below, in accordance with the definitions of the ECB<sup>68</sup>:

- **Financed emissions:** total greenhouse gas (GHG) emissions of a debtor/issuer weighted by the exposure of the financial institution as a share of the company's total value.
- **Carbon Footprint:** financed emissions standardised by the total value of the financial institution's portfolio.

<sup>65</sup> Crif, Cerved and Bloomberg.

<sup>66</sup> Eurostat: Consumption-based accounting tool, 2022.

<sup>67</sup> The attribution factor is defined as the portion of the total annual emissions of the counterparties allocated to the relative exposures of the bank, and is calculated as the ratio of exposure to the total assets of the counterparty.

<sup>68</sup> European Central Bank, "Towards climate-related statistical indicators", January 2023.

The table below illustrates the breakdown of illimity's exposure as of 31/12/2022 by counterparty sector and, for each one, the result<sup>69</sup> of the calculation of financed emissions in terms of percentage and Carbon Footprint in tCO<sub>2</sub>/mIn€ financed/invested.

Sector	Measured Exposures (%)	Financed Emissions (%)	Carbon Footprint (tCO <sub>2</sub> /MIn Euro)
C Manufacturing	27%	52%	359
H Transportation and storage	19%	9%	94
F Construction	8%	9%	209
G Wholesale and retail trade; repair of motor vehicles and motorcycles	8%	6%	148
K Financial and insurance activities	12%	4%	65
D Electricity, gas, steam and air conditioning supply	3%	4%	223
M Professional, scientific and technical activities	7%	3%	91
I Accommodation and food service activities	2%	3%	229
L Real estate activities	7%	3%	75
A Agriculture, forestry and fishing	2%	3%	242
N Administrative and support service activities	2%	2%	168
B Mining and quarrying	0.3%	1%	619
E Water supply; sewerage, waste management and remediation activities	0.1%	1%	797
Q Human health and social work activities	0.7%	0.5%	127
J Information and communication	2%	0.5%	47
R Arts, entertainment and recreation	0.2%	0.2%	202
S Other service activities	0.3%	0.1%	38
O Public administration and defence; compulsory social security	0.01%	0.01%	151
P Education	0.09%	0.01%	17
	100%	100%	187

The table demonstrates that slightly more than 50% of the financed emissions are attributable to the “Manufacturing Sector”, in line with illimity's business. The sectors with the greatest Carbon Footprint are “Water supply; sewerage; waste management and remediation” and “Mining and quarrying”, in relation to which the Group has minimal economic exposure.

### Looking to the future

With the goal of respecting its commitment to sustainability, the Group commits to keep updated and monitor its Financed Emissions and the Carbon Footprint of its portfolio, in the short and long term, in line with the calculation methodologies available.

With a view to improvement, illimity undertakes to:

- ensure transparency in its methods of reporting the financed emissions;
- fine-tune the availability and quality of data relating to counterparties, to increase the level of representation and accuracy of the measurement of financed emissions;
- define possible decarbonisation strategies with the business structures, to focus on the sectors with the greatest impact, also during origination.

<sup>69</sup> The emissions reported in the table do not include the share relating to property assets / residential mortgages (Carbon Footprint of 21 tCO<sub>2</sub>/mIn€ exposure) or the share relating to sovereign debt, for which the methodology introduced by the second edition of the PCAF was applied (Carbon Footprint of 182 tCO<sub>2</sub>/mIn€ exposure).

**GRI 306-1** **GRI 306-2** **GRI 306-3**

The absence of branches and the digital, in cloud infrastructure of illimity's business model make it possible to limit the production of waste, which is related only to the activities of staff at sites and can be equated with non-hazardous municipal waste (e.g. paper, plastic, glass). For these reasons, the environmental impacts generated by the production of waste are not significant compared to other categories of interest for the Group - first and foremost energy consumption.

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

During the two-year period 2021-2022, the production of waste increased, due to the higher number of staff at the Group's offices, compared to 2020.

Waste produced, recovered and disposed of (t)	2022	2021	2020
<b>Total waste produced</b>	<b>17.3</b>	<b>13.6</b>	<b>6.7</b>
<i>of which hazardous waste</i>	-	-	-
<b>of which non-hazardous waste</b>	<b>17.3</b>	<b>13.6</b>	<b>6.7</b>
<i>of which paper</i>	6.2	3.0	2.4
<i>of which plastic</i>	1.4	2.1	0.8
<i>of which glass</i>	0.2	0.4	0.1
<i>of which organic</i>	0.6	1.2	0.2
<i>of which non-sorted</i>	8.9	6.9	3.2
<b>Recycled waste out of the total (%)</b>	<b>48.6</b>	<b>49.3</b>	<b>52.2</b>

## Water consumption

In 2022 the total water consumption of the companies in the Group came to 1.68 megalitres.

Considering the negligible amount of water consumed, the type of use (only for hygiene and sanitary purposes), and geographic locations of illimity's sites, the illimity Group's water consumption was deemed insignificant and its environmental impacts were considered negligible.

## Task Force on Climate-Related Financial Disclosures (TCFD)

Since its inception, the illimity Group has placed specific attention on environmental issues, in order to align with the commitments established in the UN Agenda 2030 and the Paris Agreement.

More specifically, starting from 2020, the Bank concentrated its efforts on **integrating ESG factors into overall risk management**, by integrating environmental risks to the RAF-RAS and defining a roadmap to enhance the risk control process from an ESG approach.

Those efforts continued over the years, through the CRO's continuous collaboration with the Bank's Sustainability Team and Business Structures. It will continue with the update of the 2023 RAF by introducing, as described, **Risk Appetite/Tolerance thresholds** for several ESG indicators which were developed and monitored during 2022 in the Risk Tableau de Bord.

In order to ensure greater alignment of the reporting of Group's commitments on climate-environmental issues with international best practices, this year illimity has introduced initial reporting, through the reconciliation table below, aligned with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). The table is useful to identify, within the document, the information relating to climate-environmental issues in line with the recommendations of the TCFD.

TCFD Pillar	TCFD Recommendations	Reference page
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	29-30
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	29-30
Strategy	a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	30-39
	b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	30-39
	c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	30-39
Risk management	a) Describe the company's processes for identifying and assessing climate-related risks.	135-137
	b) Describe the company's processes for managing climate-related risks.	135-137
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.	135-137
Metrics and Targets	a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.	135-137
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	129-132
	c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	21-22

## Governance, management and control of climate-related risks

Climate changes and environmental degradation give rise to structural changes that impact economic activity and consequently the financial system.

The CRO is responsible for the correct implementation of the risk management process, aimed at identifying, measuring, preventing and mitigating all risks that are or may be assumed by the Bank. Therefore, climate and environmental risks, which act as causal factors for other categories of risk (particularly with regard to credit, operational, market and liquidity risk, as well as risks not included in the first pillar, such as reputational risk), are also identified and assessed.

Climatic and environmental risks refer to two types of risk:

- **Physical risk** indicates the impact of climate change, including extreme weather events which are more frequent and gradual climate changes, as well as environmental degradation, i.e. atmospheric, water and soil pollution, water stress, loss of biodiversity and deforestation. These can be classed as **“acute” risks**, if caused by extreme events such as drought, floods, cyclones, storms, heat waves and forest fires; or as **“chronic”**, if caused by gradual changes such as rising temperatures, rising sea levels, water stress, changes in atmospheric precipitation levels, loss of biodiversity and scarcity of resources. Such a risk can directly cause, for example, material damage or a drop in productivity, or can indirectly cause subsequent events such as the interruption of production and logistical chains.
- **Transition risk** indicates the financial loss the Bank may incur, directly or indirectly, following the process to adjust to a low carbon emission economy, which is more sustainable from an environmental perspective. This situation could be caused, for example, by the relatively unexpected adoption of climate and environmental policies, technological progress, or changes in market confidence and preferences. This impact may occur directly, for example due to a lower profitability of companies or write-down of their activities, or indirectly through macro-financial changes.

In a context of uncertainty linked to both the scope of the effects of climate change and the time horizon of occurrence (which require a longer risk assessment compared to the traditional tests), the **scenarios drawn up by the NGFS<sup>70</sup>** are a useful tool for the Bank to develop a medium/long-term strategic vision that takes account of both the (physical and transition) risks and opportunities connected with climate change.

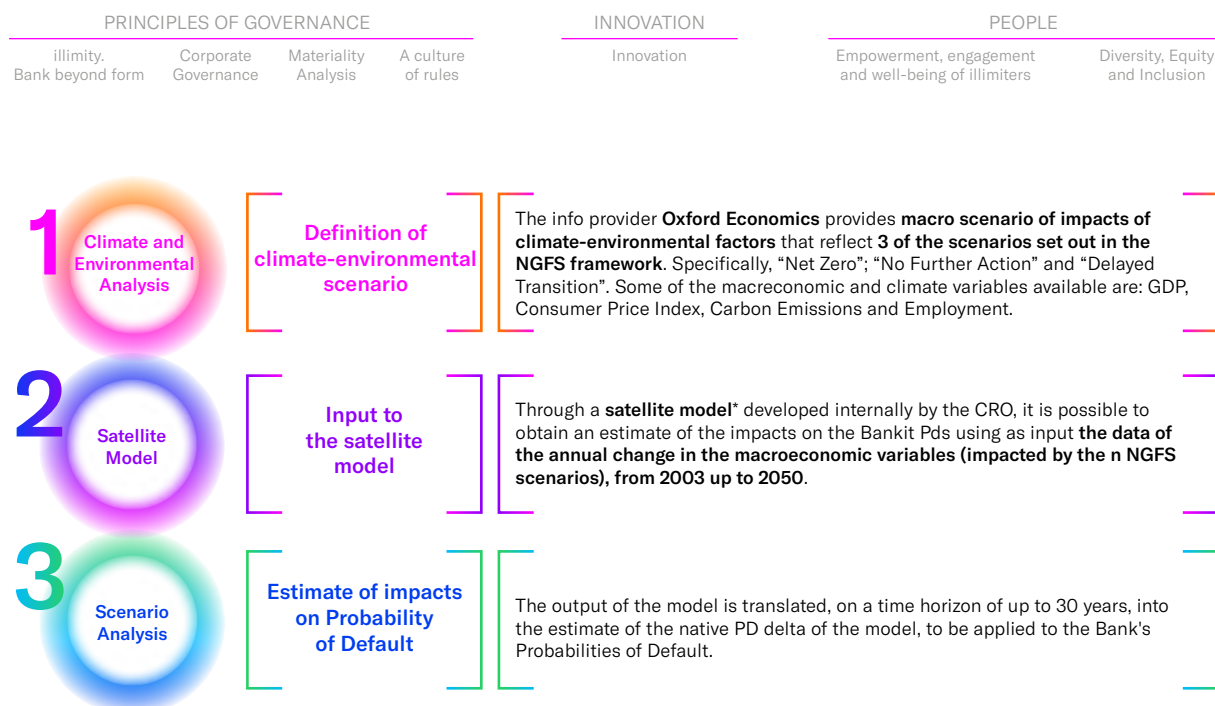
Specifically, during 2022, illimity used **scenario analysis** to start assessing the impact of climate-environmental scenarios on the credit risk profiles of exposures referring to counterparties of the Growth Credit Division.

Through the info providers that illimity uses to provide the macroeconomic scenarios to use in the strategic planning, budget, ICAAP-ILAAP, Recovery Plan and RAF processes, macroeconomic scenarios affected by climate-environmental factors were obtained, which reflect three of the scenarios provided in the NGFS framework for the analysis of physical and transition risk: Net Zero, Delayed Transition and No Further Action.

Moreover, using a satellite model<sup>71</sup> developed internally by the CRO, which correlates the performance of the macroeconomic variables and the risk of the credit portfolio, we obtained an estimate of the impact of climate-environmental scenarios on the PD (Probability of Default) of illimity's portfolio.

<sup>70</sup> Network for Greening the Financial System (NGFS), a global network of central banks and supervisory authorities that promotes the sharing of experiences and best practices on the management of environmental risks in the financial sector, with a specific focus on climate risk. In 2022, the Bank of Italy joined the Steering Committee of the NGFS, highlighting its central role in strengthening collective action to improve the resilience of the financial system to environmental risk.

<sup>71</sup> Summary of the model: machine learning (Elastic Net) model that transforms default rates into delta scores and models them using a linear relationship (General Additive Model) in relation to the changes in macro-variables (considering both the exact values and values with a time lag of up to 2 years, in order to incorporate medium/long-term relationships). For input, the adjusted default rates of the Bank of Italy and the historical macro-variables developed by info providers are used.



The application of these climate-environmental risk scenarios to the Probabilities of Default over a time horizon of 30 years translated into initial estimates with a **relatively limited impact**. This is the result of both macroeconomic scenarios affected by climate-environmental scenarios (NGFS) which are not significant differentiated from the baseline scenario, and of the medium/long-term horizon in which the greatest climate-environmental impacts will occur, which is not fully factored by the modelling currently used.

Lastly, for the purpose of complete analyses, the limits of this first test conducted during 2022 should also be considered:

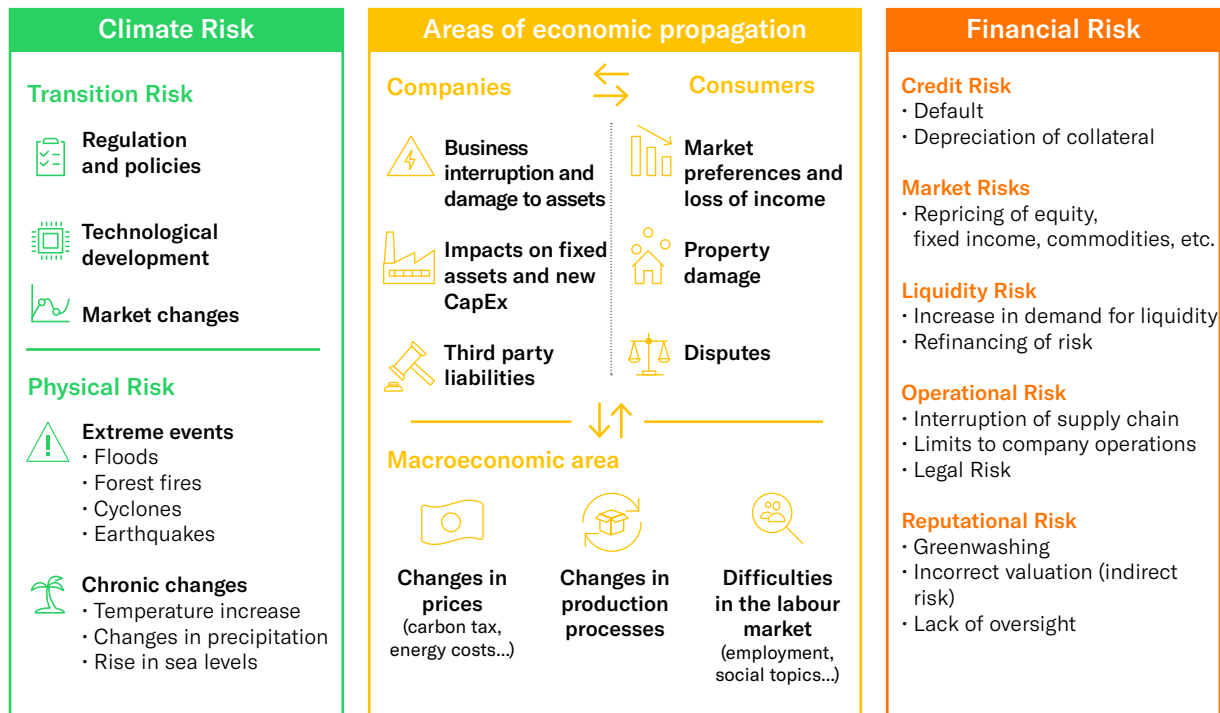
- model estimated based on historical relationships observed between the macro-variables and microeconomic figures (for ex. financial statements, historical data on climate-environmental scenarios that do not exist to date);
- uncertainty of estimates: the longer the time horizon, the less specifically reliable the estimates are;
- estimate of overall impact not differentiated, for example, by economic sector-NACE code and, therefore, by the counterparty's type of activity;
- impacts at the level of the Italian banking industry, then with application to illimity's portfolio.

Based on the scenario analysis conducted, considering the recommendations of the “Task Force on Climate-related Financial Disclosures” (TCFD) and analysing the materiality and impact of ESG risks for the 2023 ICAAP, the illimity Group assessed the materiality of these risks considering both the risks connected with the financial counterparties and/or counterparties served and those to which illimity is exposed.

Specifically, for each business area of the Bank (Growth Credit, Distressed Credit, b-ility, Investment Banking and CFO), the following were investigated: the **materiality of ESG risks** on the business model and current operations, strategies and outlook for development of the business, strategies and policies of risk assumption, management and control, risk management and risk controls and the macroeconomic and market context and reference regulatory framework.

Once the materiality of those risks was defined, an **impact analysis** was conducted, which took the form of the analytical mapping of:

- 1. ESG risk drivers** on the Bank's business (i.e. physical and transition risk in acute and chronic cases, governance policies and rules, technological evolution, changes in investors' preferences and changes in customers' preferences);
- 2. Transmission channels** of the risks (i.e. microeconomic or macroeconomic channels as impacts on counterparties, on operations of the Bank, on the funding capacity or on economic growth, interest rates or inflation);
- 3. Traditional banking risks impacted** (credit, market, liquidity, operational and reputational risk);
- 4. Impacts** in terms of time horizon of occurrence (short, medium or long term), areas/activities/portfolios (i.e. Secured loans to counterparties located in areas with high physical risk) or financial statement items;
- 5. Risk management**, as regards possible mitigation actions to be implemented based on the risk drivers identified.



Lastly, referring to the recommendation in the TCFD, it is clear that the efforts to mitigate and adapt to climate change can also lead to **opportunities**<sup>72</sup> for organisations, such as streamlining resources and cost savings, adopting low emission energy sources, developing new products and services, accessing new markets and building resilience over the entire supply chain.

72 See the risks and opportunities table in the section "ESG risks and opportunities" of Chapter 1.

# 14. Recognition and awards

Recognition and awards achieved by illimiters, thanks to the trust placed in them by investors, partners and customers in 2022.

## Best Workplaces Italy 2022

illimity was ranked in the Best Workplaces Italy classification for the third year running. This important milestone is proof of illimity's commitment and ability in creating an inclusive and dynamic working environment in which illimiters are listened to and valued. A workplace that is based on trust in the management, pride for the company, team spirit and a positive approach to colleague relations.

## 2022 Sustainability Leader

illimity is among the 200 companies classified as "2022 Sustainability Leader" according to the analysis conducted by Il Sole24Ore and Statista. This recognition was based on illimity's commitment and results achieved in the three aspects of sustainability: environment, social and corporate governance. illimity is continuing its process integrating ESG topics, in line with the 2021-2025 Strategic Plan, for the sustained and sustainable growth of its business.

## IUSVE Research & Innovation Award

The Salesian Institute of Venice (IUSVE) assigned illimity the Research & Innovation Award for b-ilty, the digital business store platform for managing financial and credit services for small and medium-sized enterprises. The project derived from the deep connection with the entrepreneurial fabric, the promotion of the local areas and the integration of digital innovation dynamics.

## Chief Compliance Officer of the Year

At the TopLegal Corporate Counsel & Finance Awards, the event created to celebrate the successes of Italian Legal Affairs Departments, tax teams, compliance teams and Human Resource Managers, Francesco Martiniello won the award of Chief Compliance Officer of the Year. This award aims to highlight company best practices, in order to grant the right weight to single professionals and teams that work to achieve company strategic targets, with the awareness that illimity's success depends on numerous factors and skills.

## Best Workplaces Europe 2022

For the second year running, illimity was included in the Best Workplaces Europe 2022 ranking, which selects the best companies to work for in Europe, obtaining thirteenth place overall and ranking first among Italian companies in the category of businesses with over 500 employees. This reward recognises illimity's effort to create a dynamic, formative and innovative working environment, focused on the issues of Diversity Equity & Inclusion, in a place that is capable of promoting illimiters.

## Inhousecommunity Awards Italy 2022

At the week-long event of the Inhousecommunity Awards Italy, illimity received two important awards: “Best Performer Award” and “HR Director of the Year”. The first was received by the Legal & Corporate Governance Team, rewarded for their sound, extensive expertise, as they are capable of finding solutions outside the box, resulting in the efficiency and soundness of company business. The second went to Marco Russomando, illimity’s Head of Human Resources & Organization, rewarded for his innovative approach implemented in personnel management and promotion.

## LC Sustainability Awards 2022

illimity was awarded the LC Sustainability Award for its consideration and implementation of sustainability and inclusivity initiatives. Due its business model and partnership with Microsoft, the Bank has set up digital and cloud infrastructure, minimising its direct impacts and increasing the efficiency and responsible use of resources. illimity also supported the “Maputo Clean Cookstoves” project, with the goal of offsetting emissions and achieving carbon neutrality, and demonstrated specific attention and sensitivity to gender equality issues, due to the illimitHER project, which aims to empower the potential of young women through role models that share their experience and professional skills.

## 2023 Growth Leader

illimity is among the 500 companies classified as “2023 Growth Leader” according to the analysis conducted by Il Sole24Ore and Statista. This award was assigned based on the financial results, in terms of turnover, which grew steadily in the three-year period 2018-2021. This reward highlights the Bank’s excellent performance on the market.

## IBS Global Fintech Innovation Awards 2022

Due to the b-ilty project, illimity received the Most Impactful Project award in the Best Digital Channel/ Platform Implementation category of the IBS Global Fintech Innovation Awards 2022, organised by IBS Intelligence, a research, consulting and media firm in the fintech sector with global coverage and a comprehensive portfolio of intelligence services. This recognition rewards banks and technology companies that did an exceptional job in implementing and innovating banking technology, using new technologies.

## Financecommunity Awards 2022

The b-ilty team received the a Financecommunity Award 2022 as “Innovation & Fintech Team of the Year” for its approach to innovation, due to the launch of the first digital business store platform for financial and credit services to small and medium-sized enterprises. The platform brings together specialist skills, cutting-edge technology and formidable user experience.

# Appendix

## Annex

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

(Amounts in thousands)		
Income Statement items	31.12.2022	31.12.2021
Item 10. Interest income and similar income	194.288	238.693
Item 20. Interest expenses and similar charges (-)	(61.223)	(74.558)
Item 40. Fee and commission income	40.283	65.701
Item 50. Fee and commission expense (net of expense for external networks - e.g. agents, financial advisors) (-)	(5.708)	(6.451)
Item 70. Dividends and similar income	-	200
Item 80. Net trading result	3.167	4.729
Item 100. Profits (losses) on disposal or repurchase of:	5.393	(467)
a) financial assets measured at amortised cost	302	11
b) financial assets measured at fair value through other comprehensive income	5.091	(174)
c) financial liabilities	-	(304)
Item 110. Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss	10.034	8.753
a) financial assets and liabilities carried at fair value	-	-
b) financial assets and liabilities subject to mandatory measurement at fair value	10.034	8.753
Item 130. Net losses/recoveries for credit risks associated with:	43.135	48.891
a) financial assets measured at amortised cost	43.505	50.183
b) financial assets measured at fair value through other comprehensive income	(370)	(1.292)
Item 140. Profits/losses on changes in contracts without derecognition	196	-
Item 160. Net premiums	-	-
Item 170. Balance of other income/charges from insurance management	-	-
Item 230. Other operating income/expenses	21.421	27.715
Item 250. Profits (losses) on equity investments (for the portion of "gains/losses from sale")	-	-
Item 280. Profits (losses) on disposal of investments	8.344	266
Item 320. Net income (Loss) (+/-) from discontinued operations after taxes	253	-
<b>A. TOTAL ECONOMIC VALUE GENERATED</b>	<b>259.583</b>	<b>313.472</b>
Item 190.b Other administrative expenses (net of indirect taxes and donations/gifts and provisions for termination and deposit guarantees) (-)	(67.705)	(99.102)
<b>ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS</b>	<b>(67.705)</b>	<b>(99.102)</b>
Item 190.a Personnel expenses	(73.563)	(85.871)
<b>ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES, STAFF AND ASSOCIATES</b>	<b>(73.563)</b>	<b>(85.871)</b>
Item 340. Profit (loss) for the period attributable to minority interests	-	-
<b>ECONOMIC VALUE ASSIGNED TO THIRD PARTIES</b>	<b>-</b>	<b>-</b>
Profit assigned to shareholders	-	(15.065)
<b>ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS</b>	<b>-</b>	<b>(15.065)</b>
190 b) Other administrative expenses: indirect taxes and duties (-)	(11.741)	(8.715)
Item 190.b Other administrative expenses: provisions for termination and deposit guarantees (-)	(4.700)	6.703
Item 300. Income taxes for the year on current operations (for the portion relating to current taxes, the change in current taxes for previous years and the reduction in current taxes for the year)	(20.917)	(35.850)
<b>ECONOMIC VALUE DISTR. CENTRAL AND LOCAL ADMINISTRATION</b>	<b>(37.359)</b>	<b>(37.862)</b>
190 b) Other administrative expenses: donations and gifts (-)	(10)	(14)
Profit assigned to the charity fund	-	-
<b>ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT</b>	<b>(10)</b>	<b>(14)</b>

(Amounts in thousands)

Income Statement items	31.12.2022	31.12.2021
<b>B. TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>(178.636)</b>	<b>(237.914)</b>
Item 200. Net provisions for risks and charges	(2.622)	(707)
a) commitments and guarantees given	(2.404)	(669)
b) other net provisions	(218)	(38)
Item 210. Net adjustments/recoveries on property and equipment	(3.132)	(4.201)
Item 220. Net adjustments/recoveries on intangible assets	(7.600)	(13.070)
Item 250. Profits (losses) on equity investments (for the portion of the valuation component: "write-downs/write-backs" "impairment/impairment reversals", "other expenses and income")	(7.758)	(7.633)
Item 260. Net gains/losses on the measurement at fair value of property and equipment and intangible assets	-	-
Item 270. Adjustments/recoveries of goodwill (-)	-	-
Item 300. Income taxes for the year on current operations (for the portion relating to the change in deferred tax assets and liabilities)	5.756	10.314
Profit allocated to reserves	(0)	-
<b>C. TOTAL ECONOMIC VALUE RETAINED</b>	<b>80.947</b>	<b>75.558</b>

# GRI Content Index

GRI Standard	Disclosure	Page number	Notes / Omissions
<b>GRI 2 General Disclosures 2021</b>			
<b>The organization and its reporting practices</b>			
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2-2	Entities included in the organization's sustainability reporting	10	
2-3	Reporting period, frequency and contact point	40	
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2-12	Role of the highest governance body in overseeing the management of impacts	29	
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2-15	Conflicts of interest	47	
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GRI Standard	Disclosure	Page number	Notes / Omissions
2-27	Compliance with laws and regulations	-	In 2022 there were no significant cases of non-compliance with laws and regulations.
2-28	Membership associations	19	
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<b>GRI 201: Economic performance 2016</b>			
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3-3	Management of material topics	46	
<b>GRI 205: Anti-corruption 2016</b>			
205-2	Communication and training about anti-corruption policies and procedures	51	
205-3	Confirmed incidents of corruption and actions taken	51	
<b>GRI 206: Anti-competitive Behaviour 2016</b>			
206-1	Legal action for anti-competitive behaviour, anti-trust and monopoly practices	-	No lawsuits for anti-competitive behaviour, antitrust, and monopolistic practices occurred in 2022.
<b>GRI 419: Socioeconomic compliance 2016</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	-	In 2022 there were no cases of non-compliance with social and economic laws and regulations.
<b>Material topic: Environmental impacts and climate-related challenges</b>			
<b>GRI 3: Management approach</b>			
3-3	Management of material topics	51	
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<b>GRI 306: Waste 2020</b>			
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306-2	Management of significant waste-related impacts	133	
306-3	Waste generated	133	
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403-6	Promotion of worker health	84	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	84	
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<b>GRI 404: Training and education 2016</b>			
404-1	Average hours of training per year	80	
404-3	Percentage of employees receiving regular performance and career development reviews	75	
<b>Material topic: Diversity, Equity and Inclusion in the company</b>			
<b>GRI 3: Management approach</b>			
3-3	Management of material topics	86	
<b>GRI 202: Market Presence 2016</b>			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	88	
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GRI Standard	Disclosure	Page number	Notes / Omissions
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405-2	Ratio of basic salary and remuneration of women to men	87	
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<b>GRI 3: Management approach</b>			
3-3	Management of material topics	49	
<b>GRI 406: Non-discrimination 2016</b>			
406-1	Incidents of discrimination and corrective actions taken	50	
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<b>GRI 3: Management approach</b>			
3-3	Management of material topics	98	
<b>GRI 417: Marketing and labelling 2016</b>			
417-2	Incidents of non-compliance concerning product and service information and labelling	103	
417-3	Incidents of non-compliance concerning marketing communications	103	
<b>Material topic: Cyber Security and Data Protection</b>			
<b>GRI 3: Management approach</b>			
3-3	Management of material topics	64	
<b>GRI 418: Customer privacy 2016</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	69	
<b>Material topics: Support to entrepreneurs and financial inclusion</b>			
<b>GRI 3: Management approach</b>			
3-3	Management of material topics	94	
<b>Material topic: Sustainable finance</b>			
<b>GRI 3: Management approach</b>			
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<b>GRI 3: Management approach</b>			
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GRI Standard	Disclosure	Page number	Notes / Omissions
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<b>GRI 3: Management approach</b>			
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## Additional indicators

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<b>Material topic: Customer Satisfaction</b>		
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<b>Material topic: Cyber Security and Data Protection</b>		
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Percentage of vulnerabilities resolved, identified by the new Vulnerability Management process	66	
<b>Material topic: Sustainable finance</b>		
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## SASB Index

The Sustainability Accounting Standards Board (SASB) standards reported in this document refer to the sector standards “Commercial Banks” (SASB code FN-CB), “Asset Management & Custody Services” (SASB code FN-AC) and “Consumer Finance” (SASB code FN-CF). All indicators belonging to the mentioned sectors were considered and evaluated. Those considered relevant to illimity’s business have been reported in the SASB Index of Indicators.

TOPIC	ACCOUNTING METRIC	OUR DISCLOSURE	SASB CODE	NOTES
<b>COMMERCIAL BANKS</b>				
<b>Data Security</b>	(1) Number of data breaches, (2) Percentage involving personally identifiable information (PII), (3) Number of account holders affected.	<b>2022 Sustainability Report:</b> Cyber Security” pages 64-69	FN-CB-230a.1	
	Description of approach to identifying and addressing data security risks.	<b>2022 Sustainability Report:</b> “Cyber Security” & “Data management and protection”, pages 64-69. <b>ICT Security Policy</b> <b>Policy Privacy</b>	FN-CB-230a.2	
<b>Incorporation of Environmental, Social and Governance Factors in Credit Analysis</b>	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.	<b>2022 Sustainability Report:</b> Risk management and ESG risks”, pages 30-39. “Integration of environmental and social factors into investment opportunities”, pages 112-115. <b>Consolidated Credit Procedure</b>	FN-CB-410a.2	
<b>Business Ethics</b>	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.	<b>2022 Sustainability Report:</b> “The fight against fraud, money laundering, corruption and violations of Financial Sanctions”, pages 50-53.	FN-CB-510a.1	During the year 2022 illimity did not receive any legal action or sanctions
	Description of whistleblower policies and procedures.	<b>2022 Sustainability Report:</b> Whistleblowing, page 56. <b>Policy Whistleblowing</b>	FN-CB-510a.2	
<b>Systemic Risk Management</b>	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.	<b>2022 Sustainability Report:</b> “Risk management and ESG risks”, pages 30-39. “Integration of environmental and social factors into investment opportunities”, pages 112-115. <b>Consolidated Credit Procedure</b>	FN-CB-550a.2	

TOPIC	ACCOUNTING METRIC	OUR DISCLOSURE	SASB CODE	NOTES
<b>ASSET MANAGEMENT &amp; CUSTODY SERVICES</b>				
<b>Transparent Information &amp; Fair Advice for Customer</b>	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers.	<b>2022 Sustainability Report:</b> “The relationship with retail customers”, pages 102-104. <b>Policy Transparency Fairness with Customers</b>	FN-AC-270a.2	During the year 2022 illimity did not receive any legal action.
	Description of approach to informing customers about products and services.	<b>2022 Sustainability Report:</b> “The relationship with retail customers”, pages 102-104. <b>Policy Transparency Fairness with Customers</b>	FN-AC-270a.3	
<b>Employee Diversity &amp; Inclusion</b>	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.	<b>2022 Sustainability Report:</b> “Empowerment, involvement and well-being of illimiters” pages 72-85; “Diversity, Equity and Inclusion”, page 86-91.	FN-AC-330a.1	96% of the employees have Italian nationality, the remaining 4% have origins from Africa, Central America, Eurasia and South America.
<b>Incorporation of Environmental, Social and Governance Factors in Investment Management &amp; Advisory</b>	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies.	<b>2022 Sustainability Report:</b> “Sustainable Finance”, pages 112-119. <b>Consolidated Credit Procedure illimity SGR - ESG Investment Policy.</b>	FN-AC-410a.2	
	Description of proxy voting and investee engagement policies and procedures.	<b>2022 Sustainability Report:</b> “Engagement with the financial community”, pages 96-97. <b>Engagement Policy.</b>	FN-AC-410a.3	
<b>CONSUMER FINANCE</b>				
<b>Customer Privacy</b>	Number of account holders whose information is used for secondary purposes.	<b>2022 Sustainability Report:</b> “Data management and protection”, pages 64-69. <b>ICT Security Policy Policy Privacy.</b>	FN-CF-220a.1	
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy.	<b>2022 Sustainability Report:</b> “Data management and protection”, pages 64-69. <b>ICT Security Policy Policy Privacy.</b>	FN-CF-220a.2	During the year 2022 illimity recorded no losses for legal proceedings in the field of privacy

# Independent Auditors' Report



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Vittor Pisani, 25  
20124 MILANO MI  
Telefono +39 02 6763.1  
Email [it-fmauditaly@kpmg.it](mailto:it-fmauditaly@kpmg.it)  
PEC [kpmgspa@pec.kpmg.it](mailto:kpmgspa@pec.kpmg.it)

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

## **Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018**

*To the board of directors of  
illimity Bank S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2022 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 9 March 2023 (the "consolidated non-financial statement").

Our procedures did not cover the information set out in section 12 "EU taxonomy for eco-sustainable activities" of the consolidated non-financial statement required by article 8 of Regulation (EU) 852 of 18 June 2020.

### ***Responsibilities of the directors and the Audit Internal Control Committee ("Comitato di Controllo sulla Gestione") of illimity Bank S.p.A. (the "parent") for the consolidated non-financial statement***

The parent's directors are responsible for the preparation of a consolidated non-financial statement in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the consolidated non-financial statement, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in

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Euro 10.415.500,00 i.v.  
Registro Imprese Milano Monza Brianza Lodi  
e Codice Fiscale N. 00709600159  
R.E.A. Milano N. 512867  
Partita IVA 00709600159  
VAT number IT00709600159  
Sede legale: Via Vittor Pisani, 25  
20124 Milano MI ITALIA



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the consolidated non-financial statement, the group's policies and the identification and management of the risks generated or borne.

The *Comitato di Controllo sulla Gestione* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

### **Auditors' independence and quality control**

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Auditors' responsibility**

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the consolidated non-financial statement with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the consolidated non-financial statement is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the consolidated non-financial statement are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the consolidated non-financial statement, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the consolidated non-financial statement, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the consolidated non-financial statement with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
  - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;



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- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the consolidated non-financial statement and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the consolidated non-financial statement.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed limited procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the consolidated non-financial statement.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and subsidiaries level:
  - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the consolidated non-financial statement and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited illimity Bank S.p.A., which we have selected on the basis of its business, contribution to the key performance indicators at consolidated level and location, to meet its management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

## **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2022 consolidated non-financial statement of the illimity Bank Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Our conclusion does not extend to the information set out in section 12 "EU taxonomy for eco-sustainable activities" of the consolidated non-financial statement required by article 8 of Regulation (EU) 852 of 18 June 2020.

Milan, 16 March 2023

KPMG S.p.A.

(signed on the original)

Alberto Andreini  
Director of Audit



**This year, Sustainability Report focuses on the work and values of illimity through the testimonials and faces of the companies we have supported.**

Through the “illimity for SMEs” project we wanted to narrate stories of companies, entrepreneurs, skills and passions in a shooting aimed at disseminating the concepts of relaunch, recovery and restart. Because illimity’s business model is designed not just to make profits, but also to be useful to the community of which we genuinely feel part.





We would like to thank everyone who helped contribute to the 2022 Consolidated Non-Financial Statement of Gruppo illimity Bank S.p.A.

For further information on sustainability activities: [www.illimity.com/en/sustainability](https://www.illimity.com/en/sustainability)

Edited by:

**Investor Relations & Sustainability Department**  
[sustainability@illimity.com](mailto:sustainability@illimity.com)

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**Redpoint Communication**

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March 2023

**illimity Bank S.p.A.**

Registered office: Via Soperga, 9 – 20124 Milan

Share capital: EUR 54.513.905,72 fully subscribed and paid up

Registered in the Milan Companies Register - Milan Economic and Administrative Register MI 2534291

Taxpayer identification number 03192350365

Representative of the “illimity” VAT group, VAT number 12020720962

Bankers' Association Code 03395 – A member of the Interbank Fund for the Protection of Deposits

A registered bank no. 5710 - A Parent Company of the Gruppo illimity Bank S.p.A. A registered Banking Group no. 245

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