



**ILLIMITY BANK S.p.A.
REPORT ON CORPORATE GOVERNANCE
AND OWNERSHIP STRUCTURE
FOR 2021**

Prepared pursuant to article 123-bis of Legislative Decree no. 58 of 24 February 1998 and the “Supervisory Provisions on the organisation and corporate governance of banks” issued by the Bank of Italy by way of Circular no. 285 of 17 December 2013 as amended.

Approved by the Board of Directors on 10 and 28 March 2022

Published on the Company’s website www.illimity.com

Summary

GLOSSARY	4
INTRODUCTION	6
1. GENERAL PROFILES AND METHODS OF APPLICATION	7
1.1 Legislative sources.....	7
1.2 The proportionality principle	8
1.3 Mission	8
2. PROFILE OF THE ISSUER	11
3. INFORMATION ON OWNERSHIP STRUCTURE AT 31 DECEMBER 2021	12
3.1 Share capital structure.....	12
3.2 Restriction on the transfer of securities.....	14
3.3 Material holdings in illimity’s capital	14
3.4 Securities that assign special rights	15
3.5 Employee shareholdings: means of exercising voting rights	15
3.6 Restrictions on voting rights	15
3.7 Shareholders’ agreements	15
3.8 Change of control clauses and provisions of the Bylaws on public tender offerings.....	15
3.9 Delegated powers to increase share capital and authorisations to purchase treasury shares (pursuant to article 123-bis, paragraph 1m) of the TUF)	15
3.10 Management and control	17
4. COMPLIANCE (pursuant to article 123-bis, paragraph 2a) of the TUF)	18
5. BOARD OF DIRECTORS	19
5.1 Role of the Board of Directors.....	19
5.2 Appointment and replacement	22
5.3 Composition.....	25
5.4 Functioning of the Board of Directors.....	33
5.5 Role of the Chair of the Board of Directors	33
5.6 Executive Directors.....	35
5.7 Independent Directors and Lead Independent Director.....	42
6. THE MANAGEMENT OF CORPORATE INFORMATION	44
6.1 Treatment of insider information.....	44
6.2 Insider List.....	44
6.3 Managers’ Transactions / Internal Dealing	44

7. INTERNAL BOARD COMMITTEES	45
8. SELF-EVALUATION AND SUCCESSION OF THE DIRECTORS – APPOINTMENTS COMMITTEE	46
8.1 Self-evaluation and succession of the Directors	46
8.2 Appointments Committee	48
9. DIRECTORS’ REMUNERATION – REMUNERATION COMMITTEE	50
9.1 Directors’ Remuneration.....	50
9.2 Remuneration Committee	50
10. RELATED PARTY TRANSACTIONS COMMITTEE	53
11. SUSTAINABILITY COMMITTEE	55
12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – RISKS COMMITTEE.....	57
12.1 Chief Executive Officer	57
12.2 Risks Committee.....	57
12.2 Internal control and risk management system	60
12.3 Chief Risk Officer Department (CRO Department).....	64
12.4 Compliance & AML Unit	66
12.5 Head of Internal Audit	67
12.6 Model per Legislative Decree no. 231/2001	68
12.7 Auditing firm	68
12.8 Financial Reporting Officer and other business roles and functions	69
12.9 Coordination between the parties involved in the internal control and risk management system ...	70
13. BOARD OF STATUTORY AUDITORS	71
13.1 Appointment and replacement	71
13.2 Composition and functioning	73
14. RELATIONS WITH SHAREHOLDERS.....	77
15. GENERAL SHAREHOLDERS’ MEETING AND SHAREHOLDERS’ RIGHTS.....	78
16. CHANGES SINCE THE END OF THE YEAR UNDER REVIEW	81
17. CONSIDERATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE ...	83
TABLES	84
TABLE 1.....	85
TABLE 2.....	87
TABLE 3.....	90

GLOSSARY

The following tables set out the main terms and definitions used in this Report, in addition to those indicated in the text. Unless otherwise stated, these terms and/or definitions have the meaning given below. Terms and/or definitions stated in the singular shall also be understood to hold in the plural and vice versa, if called for by the context.

Abbreviations	
BoD/Board	Board of Directors
Circular 285	The Bank of Italy's Circular no. 285 of 17 December 2013 as amended
Civ. Code/c.c.	The Italian civil code (Royal Decree no. 262 of 16 March 1942)
Lgs. Dec.	Legislative Decree
MD 169/2020	Decree of the Ministry for the Economy and Finance of 23 November 2020, no. 169
MTA	The Electronic Stock Market managed by Borsa Italiana S.p.A.
NPLs	Non-performing loans
RAF	Risk Appetite Framework
STAR	Segment of the MTA
TUB	Consolidated Banking Law
TUF	Consolidated Finance Law

Definitions	
Board	The Board of Directors of illimity Bank S.p.A.
Bylaws	The Bylaws of illimity Bank S.p.A. in force, most recently revised by way of the resolution of the Board of Directors of 15 December 2021
Consob Issuers' Regulation	The issuers' regulation issued by Consob by way of Resolution no. 11971 of 1999 (as subsequently amended)

Consolidated Banking Law/TUB	Legislative Decree no. 385 of 1 September 1993
Consolidated Finance Law/TUF	Legislative Decree no. 58 of 24 February 1998
Corporate Governance Code/CG Code	The Corporate Governance Code approved by the Corporate Governance Committee (promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria) in January 2020, effective – replacing the Self-Governance Code – for the first fiscal year beginning after 31 December 2020
Electronic Stock Market	The Electronic Stock Market managed by Borsa Italiana S.p.A.
Group	The illimity Bank Banking Group
Report	The report on corporate governance and ownership structure which companies are required to prepare pursuant to article 123-bis of the TUF
Year	The fiscal year to which the Report relates

INTRODUCTION

This purpose of this Report, approved by the Board of illimity Bank S.p.A. on 10 and 28 March 2022, is to provide a general and complete overview of the corporate governance system adopted by illimity Bank S.p.A. (“illimity”, the “Company”, the “Bank” or the “Issuer”).

The Report relates to Financial Year 2021 but, where considered appropriate, and where stated, more recent information, through to the date of approval, has been included.

illimity is an issuer listed on the Electronic Stock Market managed by Borsa Italiana S.p.A., formed on 5 March 2019 from the merger of SPAXS S.p.A. into Banca Interprovinciale S.p.A.. By way of Provision no. 8688 of Borsa Italiana of 2 September 2020, on 10 September 2020 the ordinary shares of illimity were admitted for trading on the STAR segment (“High-Requirement Securities Segment”) of Borsa Italiana’s Electronic Stock Market dedicated to companies meeting top-quality requirements in terms of transparency and communication, liquidity and corporate governance.

Corporate governance consists of a set of relationships between the Bank’s senior management, its Board, its shareholders and the other parties concerned.

It is the structure by which (i) the company’s objectives are set, (ii) the means for achieving these objectives are established, (iii) supervision is created to ensure that taken overall these are capable of achieving the corporate purpose and satisfying legal and regulatory requirements, (iv) detailed *ex ante* and *ex post* control procedures are performed to ensure practical compliance with strategies and laws and regulations.

Effective organisational and corporate governance structures represent an essential condition for pursuing a business’s objectives; these assume special relevance for banks, given the specific features of banking activities and the fact that the public interest involved is the subject of particular consideration by the law. As well as responding to a business’s own interests, the ownership structures and corporate governance of banks must ensure sound and prudent management, an essential objective of regulations and supervisory controls.

Consistent with the evolution of the rules, principles and guidelines drawn up at an international and European level, the provisions of the chapter on “Corporate Governance” found in Part One, Title IV of the Bank of Italy’s Circular no. 285 govern the role and functioning of the management and control bodies and the relations these have with the corporate structure. They form an integral part of a wider legislative system dealing with other important aspects of the organisation and corporate governance, such as controls on ownership structures and amendments to the bylaws, the internal control system, risk management, the requisites needed by company officers, related party operations and more generally conflicts of interest, combatting money-laundering and the requirements for disclosures to investors and the market and the special rules and regulations to be followed by listed companies.

The Issuer’s corporate governance system is substantially in line with the main recommendations contained in the Corporate Governance Code, definitively approved by the Corporate Governance Committee and published on 31 January 2020 and formally adopted by the Board of Directors on 22 December 2020.

As a result of the adoption of the Corporate Governance Code, in the year beginning 1 January 2021 the Bank began introducing the functional activities suitable and necessary for revising its own corporate governance, with the clarification that the amendments resulting from the adoption of the new Corporate Governance Code were subsequently approved on 22 April 2021, the date on which the Board of Directors was renewed by the Shareholders’ Meeting.

1. GENERAL PROFILES AND METHODS OF APPLICATION

The provisions of the above-mentioned chapter on “Corporate Governance” to be found in Part One, Title IV of the Bank of Italy’s Circular no. 285 are set out as general principles and methods of application. The former, by way of rules of a general nature, set the objectives of the discipline, remitting to intermediaries the practical identification of the most suitable solutions for achieving these, in accordance with proportionality criteria that take into account the size or complexity of the bank.

The latter facilitate the implementation of the general rules on certain specific aspects of the subject, without removing the substantive content which must be calibrated on the basis of the organisational and operational features of individual banks.

With the aim of strengthening the minimum standards of organisation and corporate governance of all the intermediaries, the principles indicated regard: a clear distinction between roles and responsibilities, a suitable balancing of powers, a balanced composition of the corporate bodies, the effectiveness of controls, supervision of all business risks, the adequacy of information flows.

1.1 Legislative sources

The matters covered by this Report are regulated, *inter alia*, by the following provisions of the TUB:

- article 53, paragraph 1d), which in accordance with the resolutions of the CICR (Interministerial Committee for Credit and Savings) assigns responsibility to the Bank of Italy for issuing provisions of a general nature with administrative and accounting organisation and internal controls as their subject;
- article 67, which, for the purpose of achieving consolidated supervision, assigns the possibility to the Bank of Italy, in accordance with the resolutions of the CICR, of issuing provisions to the parent company of a general or specific nature concerning the banking group as a whole or its members, with administrative and accounting organisation and internal controls as their subject;
- article 56, which requires the Bank of Italy to ensure that the provisions of the bylaws of banks do not contrast with the principles of sound and prudent management;

and in addition:

- the emergency decree of 5 August 2004, no. 1419, issued by the Minister of Economy and Finance as chair of the CICR.

The following amongst others are also of importance:

- CRD IV – Directive 2013/36/EU;
- the guidelines of the European Banking Authority “EBA Guidelines on Internal Governance” (EBA/GL/2017/11);
- the guidelines issued by the Basel Committee on Banking Supervision regarding “Principles for Enhancing Corporate Governance”, October 2010; “Core Principles for Effective Banking Supervision”, September 2012;
- the Bank of Italy’s Circular no. 285 of 17 December 2013 as amended (hereinafter also “Circular 285”); and
- Decree no. 169/2020 of the Ministry of Economy and Finance (MEF).

To these legislative sources should also be added the Consolidated Finance Law, the Consob Issuers' Regulation and the Corporate Governance Code as defined in the Glossary.

1.2 The proportionality principle

On the basis of the proportionality principle, banks apply the provisions on corporate governance by means suited to their features, size and operating complexity, to ensure that there is full compliance with the provisions themselves and that the objectives they intend to achieve are reached.

The following definitions apply for the purpose of applying these provisions:

- a) larger banks or those with a greater operational complexity:
 - banks considered significant within the meaning of article 6 of Regulation (EU) no. 1024/2013, which assigns specific responsibilities to the European Central Bank on matters of the prudent supervision of credit institutions;
 - listed banks;
- b) medium-sized banks: banks with assets of between 3.5 and 30 billion euro;
- c) smaller banks or those with a lesser operating complexity: banks with total assets equal to or less than 3.5 billion euro.

Circular 285 provides further specifics for identifying the reference class, if those given in the above sub-paragraphs a), b) and c) are not sufficient.

Given that its shares are listed on the Electronic Stock Market, illimity qualifies under the requirements listed at sub-paragraph a).

1.3 Mission

illimity was formed with the mission of recognising and enhancing the potential of people, families and businesses, fostering a style of growth attentive to the sustainability of results over time and the creation of a virtuous circle based on the trust that arises from customer and shareholder satisfaction, a sense of belonging by staff and a closeness to the needs of society.

Through a prudent management of savings, the Bank undertakes to extend access to credit and financial instruments for the benefit of everyone, as well as for the sustainable growth of the entrepreneurial system, aware of both the direct and indirect effects on the natural environment and society brought about by the decisions it takes.

Its growth strategy, inspired by the values expressed in its Code of Ethics and Code of Conduct, has as its aim the creation of solid and sustainable value from an economic, financial, social and environmental standpoint, built on the trust of all its interlocutors and based on the following principles:

Identity and values

illimity is a new paradigm company created by listening to the real need of businesses and people whose desire is to discover and enhance the various forms of potential hidden in our economy and our society. It acts responsibly towards shareholders, customers, employees, partners, companies and the environment.

Commitment

illimity is committed to understanding the real needs of customers so that it can work alongside them in their everyday challenges, these ranging from entrepreneurial ideas to solutions for investing savings and making payments. It is also committed to adopting a sustainable growth approach and puts transparency at the basis

of its action, communication and the preparation of contracts to enable all its interlocutors to take autonomous and informed decisions.

People

illimity develops human potential in every direction, following a leadership model that reflects mission and values and directs the conduct of each illimiter and gives particular emphasis to continuous training as the driver of individual and collective development. illimity is committed to the elimination of all discrimination arising from conduct and respect for differences in gender, age, race, religion, political belief, membership of trade unions, sexual orientation and identity, language and ability or disability.

Resources

illimity sets itself the goal of using its resources carefully and considerately, encouraging conduct based on optimisation and the avoidance of waste and ostentation, privileging choices directed towards sustainability over time.

Integrity

illimity ensures activities based on the maximum transparency. It is actively committed to combating any form of corruption and preventing money-laundering risks and terrorist financing.

Action

illimity Way (of which more below) is the name it has been given, and it is applicable to all the companies of the Group subject to the management and coordination of the parent company. Group companies are accordingly required to adapt their internal regulations, where necessary, to the principles and contents of illimity Way. In contractual relations with third parties, counterparties are required to acknowledge that they have reviewed illimity Way so that they can be informed on a timely basis about the commitments and obligations underlying the relationship or partnership with the Group. Training and informative events are organised on a regular basis with the aim of making people at all levels in the Company aware of the contents of illimity Way.

Code of Ethics, Code of Conduct, and the evolution of the governance of the system of values and behaviour: approval of illimity Way

By way of a resolution of the Board of Directors of 14 September 2017, the Issuer adopted the Code of Conduct designed to inspire, regulate and control the conduct and behaviour of its recipients (i.e. board members, executives, senior management and all those subject to the management or control of these persons and external collaborators). By way of a resolution of the Board of Directors of 26 July 2018, the Bank introduced a Code of Ethics which includes a statement of the rights, duties and responsibilities of the various business divisions/functions; this is extended to all the parties with whom the Bank comes into contact in achieving its corporate purpose (customers, debtors, suppliers, employees and/or external collaborators, shareholders, supervisory bodies and institutions).

Effective 9 June 2021, the Code of Ethics and the Code of Conduct were combined into a new single document called illimity Way, which has the aim of simplifying and making the communication of the Bank's system of values and conduct more immediate, with the commitment to foster this approach and disseminate it on a continuous basis to all levels of the organisation. This document represents the Group's commitment to customers, shareholders, suppliers and commercial partners and the Supervisory Authorities and the Public Administration and towards the media and the country as a whole, expressing the Group's values and commitment and describing the business culture of responsibility, legality, transparency and value creation that it has undertaken to promote and disseminate at all levels of the organisation by means of sustainable

growth. Being the foundation of the principles and rules that crystallise the values in which the Group recognises itself, it additionally expresses the Group's commitment towards respect for the environment and care for its human capital and business assets, also safeguarding the Bank and the reputation of the Group as a whole.

Addressed to the members of the Group's corporate bodies, managers, employees and collaborators whose services it uses and who contribute in any way at all to illimity's activities - also through a graphic, captivating and immediate rendering – it is a daily tool for guidance, also for the purpose of distinguishing acceptable and unacceptable behaviour.

illimity Way gives increasing emphasis to the Bank's commitment to full achievement of the human rights and fundamental freedoms proclaimed in the Universal Declaration of Human Rights approved by the General Assembly of the United Nations in 1948.

illimity Way is an integral part of the Organisation, Management and Control Model drawn up in accordance with Legislative Decree no. 231/01 and is therefore brought to the attention of all illimiters, who must comply with its principles and provide an active contribution to its dissemination.

2. PROFILE OF THE ISSUER

illimity is organised under the traditional management and control model pursuant to articles 2380-*bis* and following of the Italian civil code, which without prejudice to the responsibilities of the Shareholders' Meeting assigns strategic management to the Board of Directors and supervisory duties to the Board of Statutory Auditors⁽¹⁾.

illimity is a “*sustainable native*” bank that has built ESG issues into its business and decision-making processes, these acting as a guide and representing one of the main objectives of the 2021-2025 Strategic Plan. Further details about seeking sustainable success can be found in the specific chapter of this Report.

illimity has published a Non-Financial Statement pursuant to Legislative Decree no. 254/2016, which can be consulted on the Bank's website (www.illimity.com).

The Bank qualifies as an “SME” pursuant to and for the purposes of the transitional regulations as per paragraph 2 of article 44-*bis* of Decree Law no. 76 of 16 July 2020, coordinated with Conversion Law no. 120 of 11 September 2020, which provides for the following: “*Issuers that at the effective date of the law converting this decree qualify as an SME on the sole basis of turnover will continue to qualify as such for the two years following that in course*”. In application, therefore, of the transitional regulations and the above-mentioned legislation in force before the effective date of said conversion law, i.e. before the requirement for turnover provided by article 1, paragraph 1w-*quater*.1), of the TUF and the calculation criterion of the same pursuant to article 2-*ter*. 1b) of the Issuers' Regulation (stated, for banks, at paragraph 1.1 of the Appendix to the Regulation on the Sanctioning Procedure adopted by Consob by way of resolution no. 18750 of 19 December 2013), illimity is an SME, since at 15 September 2020 it qualified as such on the sole basis of turnover (not exceeding EUR 300 million).

Lastly, it is noted that illimity does not fall under the definitions of “*large company*” or “*company with concentrated ownership*” set out in the Corporate Governance Code.

⁽¹⁾ It is recalled that the Shareholders' Meeting of illimity Bank S.p.A. of 21 February 2022 approved the adoption of the new “one-tier” governance model, which will come into effect on completion of the Shareholders' Meeting of 28 April 2022 called, among other things, to appoint the new corporate bodies. Further details in this respect can be found in Chapter 16 “Changes since the end of the year under review”.

3. INFORMATION ON OWNERSHIP STRUCTURE AT 31 DECEMBER 2021

3.1 Share capital structure

At 31 December 2021 illimity had a share capital of EUR 54,189,951.66 (of which EUR 52,619,881.24 subscribed and paid), consisting of 79,300,100 Ordinary Shares and 1,440,000 Special Shares, all of which without nominal value.

The Issuer's Ordinary Shares (code ISIN IT0005359192), listed on the MTA since 5 March 2019 and on the STAR segment ("High-Requirement Securities Segment") since 10 September 2020, are registered, freely transferable shares with no nominal value, with regular dividend rights and subject to the materialisation regime pursuant to articles 83-*bis* and following of the TUF and the relative implementation regulations. The assignment rights lie with the bearer and are admitted to the centralised administration system managed by Monte Titoli under the dematerialisation regime pursuant to articles 83-*bis* and following of the TUF and the relative implementation regulations.

All the Ordinary Shares have the same features and assign the same rights. Each Ordinary Share entitles the holder to one vote at the Company's ordinary and extraordinary Shareholders' Meetings, as well as all the other ownership and administrative rights to which the holder is entitled under the applicable provisions of law and the Bylaws. Assignment rights include the right to receive a number of converted shares free of charge determined on the basis of the assignment right under the terms and conditions established by the relative Regulation.

The Special Shares are not listed and do not entitle the holder to any voting rights.

The following paragraphs set out the rights obligations arising from the Special Shares, as provided by article 6, paragraph 4 of the Issuer's Bylaws:

- (a) they are non-transferable for the maximum term established by law, except for transfers to direct and/or indirect subsidiaries by the holder of the Special Shares and/or by said holder's shareholders or by their successors; a transfer for these purposes includes any transaction or event which, for whatsoever reason, results in a transfer to third parties of the ownership, bare ownership or enjoyment rights of/over the securities or subjecting the same to charges or encumbrances or restrictions of any nature, whether in rem or otherwise, in favour of third parties;
- (b) they do not have voting rights at ordinary or extraordinary Shareholders' Meetings, without however prejudice to the cases envisaged by law and/or the Bylaws for special Shareholders' Meetings of the holders of Special Shares;
- (c) they are excluded from the right to receive profits, while they entitle the holders to receive distributable reserves;
- (d) if the Bank is dissolved, they provide their holders with the right to settlement of their share of liquidation equity;
- (e) they are automatically converted into Ordinary Shares, providing that each Special Share will be converted into 8 (eight) Ordinary Shares, if within 20 September 2022 (the "Term") the average price of the Ordinary Shares traded on the Electronic Stock Market (MTA) organised and managed by Borsa Italiana S.p.A. is equal to or greater than EUR 13.9663866 (thirteen/9663866) per Ordinary Share for at least 22 (twenty two) consecutive days of stock market trading;

If there are adjustments to the value of the Company's Ordinary Shares following notification from Borsa Italiana S.p.A. ("Borsa Italiana"), the amount of EUR 13.9663866 referred to under this point (e) will be consequently adjusted in accordance with the "K coefficient" notified by Borsa Italiana;

- (f) if the conditions for the automatic conversion referred to under previous point (e) (taken from article 6, paragraph 4 of the Bylaws) have not been met within the Term, each residual Special Share will be converted into 1 (one) Ordinary Share, without change to the amount of share capital;
- (g) the automatic conversion of the Special Shares will occur without the need for holders to state their intention and without change to the amount of share capital. As a result of the automatic conversion of the Special Shares into Ordinary Shares, the Board of Directors shall: (1) record the conversion in the shareholders' register, noting the cancellation of the Special Shares and the issue of the Ordinary Shares; (2) file the text of the Bylaws with the Companies' Register, pursuant to article 2436, paragraph 6 of the Italian civil code (x) by changing the total number of shares and, more specifically, the number of shares in the various categories – if applicable – into which share capital is divided and/or (y) by deleting the clauses of the Bylaws that have been superseded as a result of the conversion of all the Special Shares into Ordinary Shares pursuant to article 6 therein; as well as (3) disclose the conversion by press release published on the Company's website and provide all other communications and statements that may be necessary or appropriate.

STRUCTURE OF SHARE CAPITAL AT 31 DECEMBER 2021			
	Number of shares	Listed (state markets) / unlisted	Rights and obligations
Ordinary Shares	79,300,100	MTA – STAR	As per the Bylaws, these are ordinary shares with full voting and administrative rights
Special Shares ⁽²⁾	1,440,000	N/A	As per the Bylaws, these are special shares with no voting rights but with certain other rights if converted to ordinary shares
Other	N/A	N/A	N/A

At the date of this Report, the Issuer has not issued any participating financial instruments not representative of share capital.

In addition, on 10 August 2020, illimity completed the own share repurchase plan ("**Buyback**") announced by way of a press release on 5 August 2020. The maximum total of 87,951 of illimity's own shares envisaged by the Buyback was purchased through the broker appointed by law exclusively on the MTA market under the

⁽²⁾ The Special Shares are held by Tetis S.p.A., controlled by the Chief Executive Officer Corrado Passera (1,425,600 Special Shares), and by AC Valuecreation S.r.l., controlled by the Head of the Distressed Credit Division Andrea Clamer (14,400 Special Shares).

terms authorised by the Shareholders' Meeting of the Bank on 22 April 2020 and in compliance with the law, at a total price of EUR 736,322.97. The shares purchased as part of the Buyback have been set aside to service the Long-Term Incentive Plan created for the Bank's Top Management and approved by the above-mentioned Shareholders' Meeting of 22 April 2020. As the result of these purchases, and given that it already has 10,554 shares in its portfolio, as of today the Bank holds 98,505 treasury shares, equal to 0.12% of its share capital. The Bank's subsidiaries do not hold any of its shares.

Reference should be made to the Report on Remuneration prepared pursuant to article 123-*ter* of the TUF for details of the stock-based incentive plans that lead to increases, also free of charge, in share capital.

3.2 Restriction on the transfer of securities

There are no restrictions on the free transfer of the Ordinary Shares and the assignment rights circulate separately from the shares and are freely transferable. The restrictions on the transfer of the Special Shares are stated in the previous paragraph.

3.3 Material holdings in illimity's capital

The Issuer is classified as an SME and accordingly, pursuant to article 120, paragraph 2 of the TUF, the relevant threshold for the requirement to disclose significant holdings is 5%.

On the basis of the entries in the Shareholders' Register and taking into consideration the communications received pursuant to law as well as all the other information at the Bank's disposal, such as the notification of significant holdings in shares and the statement of intentions pursuant, respectively, to articles 117 and 122-*ter* of the Consob Issuers' Regulation, as of 10 March 2022, the shareholders that directly or indirectly held significant investments in illimity's share capital are those indicated in the following table (as stated, with the percentages calculated by the Bank on the basis of the number of shares resulting from the most recent information available and the number of shares issued):

MATERIAL HOLDINGS IN ILLIMITY'S CAPITAL	
Declarant	% of voting capital
Maurizio Sella S.A.p.A.	10.00%
LR Trust ⁽ⁱ⁾ – FIDIM S.r.l. ⁽ⁱⁱ⁾	8.12%
FermION Investment Group Limited	7.26%
Tensile-Metis Holdings S.à r.l. ⁽ⁱⁱⁱ⁾	7.01%
AMC Metis S.à r.l. ^(iv)	6.56%

Notes:

(i) Through Spafid Trust S.r.l. as trustee

(ii) Company controlled by LR Trust

(iii) Company controlled by Tensile Capital Management LLC

(iv) Company controlled by Atlas Merchant Capital Fund LP

3.4 Securities that assign special rights

No securities have been issued that assign special control rights.

There are no special powers (those pursuant to Law no. 474/94) and there are no shares assigning several or increased numbers of votes.

3.5 Employee shareholdings: means of exercising voting rights

At the date of this Report no employee holds a significant number of illimity shares. Further details can be found in the above-mentioned Report on Remuneration.

3.6 Restrictions on voting rights

There are no restrictions on voting rights.

3.7 Shareholders' agreements

At the date of this report there is one single agreement between shareholders pursuant to article 122 of the TUF, which was registered in Milan on 18 March 2019 and entered by AMC Metis S.a.r.l., Metis S.p.A. and Corrado Passera to govern the terms and conditions of the investment in participating financial instruments of Tetis S.p.A. by the investor AMC Metis S.a.r.l. and certain rights and obligations connected with the direct and indirect holdings in illimity (PRA/99096/2019).

3.8 Change of control clauses and provisions of the Bylaws on public tender offerings

There are no relevant change of control clauses pursuant to article 123- *bis*, paragraph 1h) of the TUF, nor do any provisions of the Bylaws relate to public tender offerings that derogate from the passivity rule envisaged by article 104, paragraphs 1 and 1-*bis* of the TUF or that contemplate the application of the neutralisation rules set forth in article 104-*bis*, paragraphs 2 and 3 of the TUF.

3.9 Delegated powers to increase share capital and authorisations to purchase treasury shares (pursuant to article 123-bis, paragraph 1m) of the TUF)

The Extraordinary Shareholders' Meeting of illimity held on 29 July 2021 unanimously resolved, *inter alia*, (i) to increase share capital – an increase then carried out – by a total amount of EUR 57,535,660.00 (fifty seven million five hundred and thirty five thousand six hundred and sixty/00) through the issue of up to 5,753,566 (five million seven hundred and fifty three thousand five hundred and sixty six) new ordinary shares with regular dividend rights and the same features as those outstanding at the date of issue, at a price (including share premium) of EUR 10.00 (ten/00) each, to be paid in cash, reserved, pursuant to article 2441, paragraph 4, second part of the Italian civil code, to ION Investment Corporation S.à r.l. and/or companies it controls and (ii) to issue 2,409,192 warrants, to be assigned, free of charge, together with the shares at point (i), and an indivisible increase in share capital that may be carried out in one or more tranches to service such warrants for a maximum total of EUR 30,114,900.00 (thirty million one hundred and fourteen thousand nine hundred/00) through the issue of up to 2,409,192 (two million four hundred and nine thousand one hundred and ninety two) new ordinary shares with regular dividend rights and the same features as those outstanding at the date of issue, at a price (including share premium) of EUR 12.50 (twelve/50) each, to be paid on exercising the warrants, through a contribution in cash, reserved, pursuant to article 2441, paragraph 4, second part of the Italian civil code, to ION Investment Corporation S.à r.l. and/or companies it controls.

In addition, on 15 December 2021 the Extraordinary Shareholders' Meeting resolved to revoke the indivisible capital increase for consideration in an amount of up to nominal Euro 1,496,671.34 (one million four hundred and ninety six thousand six hundred and seventy one/34) with the exclusion of option rights pursuant to article 2441, paragraph 8 of the Italian civil code through the issue of up to 2,100,000 (two million one hundred thousand) new ordinary illimity shares, resolved by the Shareholders' Meeting of 18 January 2019 and intended to service the "Stock Option Plan" reserved to the employees of the Bank and its direct and indirect subsidiaries, this too approved by the Shareholders' Meeting of 18 January 2019, and to delegate the Board of Directors, pursuant to article 2443 of the Italian civil code, for the maximum period of five years from the date on which the resolution of the Shareholders' Meeting becomes effective, to increase share capital free of charge, in one or more tranches and indivisibly, by an amount of up to nominal EUR 1,323,663.96 (one million three hundred and twenty three thousand six hundred and sixty three/96) through the issue of up to 2,031,094 (two million thirty one thousand and ninety four) new ordinary shares without nominal value, having the same features as those outstanding at the date of issue of the new ordinary shares and regular dividend rights, at a price equal to the implicit nominal value of the shares at the date of execution of the delegated powers, through the assignment of a corresponding amount of profits and/or retained earnings or distributable reserves, pursuant to article 2349 of the Italian civil code, to be assigned free of charge to the beneficiaries of the "Long-Term Incentive Plan" approved by the Ordinary Shareholders' Meeting of 15 December 2021 following the approval of the Report on the 2021 Remuneration Policy and the above-mentioned plan.

It is recalled that illimity's Extraordinary Shareholders' Meeting of 22 December 2020 unanimously resolved, *inter alia*, to increase share capital – an increase then carried out - by a total amount of EUR 44,670,596.42 (forty four million six hundred and seventy thousand five hundred and ninety six/42) through the issue of up to 5,358,114 (five million three hundred and fifty eight thousand one hundred and fourteen) new ordinary shares with regular dividend rights and the same features as those outstanding at the date of issue, settled through the contribution in kind of the investments representing 37.66% of the share capital of Hype S.p.A. (with the effective date of the contribution being 1 January 2021), with the possibility of conditional issues of a further (i) 1,034,170 (one million thirty four thousand one hundred and seventy) ordinary shares, settled by way of the same contribution, and/or (ii) 1,063,717 (one million sixty three thousand seven hundred and seventeen) ordinary shares, settled by way of the same contribution, subject to the need for Hype S.p.A. to reach the long-term objectives approved by the Bank's Shareholders' Meeting of 22 December 2020 by way of an earn out.

It is also noted that on 18 January 2019 the following increases in share capital were resolved by the Extraordinary Shareholders' Meeting for the purposes of the Bank's remuneration and incentive plans:

- by delegation, for a period of up to five years from the date on which the resolution of the Shareholders' Meeting becomes effective, to be carried out in one or more tranches and indivisibly for an amount of up to nominal EUR 498,890.45, but residual EUR 372,212.24, through the issue of up to 700,000, but residual 509,651, new ordinary illimity shares without nominal value, having the same features as the ordinary illimity shares outstanding at the date of issue of such new ordinary shares, regular dividend rights, at a price equal to the implicit nominal value of the illimity shares at the date of execution of the delegated powers, through the assignment of a corresponding amount of profits and/or retained earnings or distributable reserves, pursuant to article 2349 of the Italian civil code, to be assigned free of charge to the beneficiaries of the "Employee Stock Ownership Plan";
- by delegation, for a period of up to five years from the date on which the resolution of the Shareholders'

Meeting becomes effective, to be carried out in one or more tranches and indivisibly, a free of charge increase in share capital for an amount of up to nominal EUR 85,524.08 through the issue of up to 120,000 new ordinary illimity shares without nominal value, having the same features as the ordinary illimity shares outstanding at the date of issue of such new ordinary shares, regular dividend rights, at a price equal to the implicit nominal value of the illimity shares at the date of execution of the delegated powers to be attributed wholly to capital, through the assignment of a corresponding amount of profits and/or retained earnings or distributable reserves, pursuant to article 2349 of the Italian civil code, to be assigned free of charge to the employees of illimity and its direct and/or indirect subsidiaries who are beneficiaries (i) of the “2019 MBO Plan”, (ii) of any compensation recognised on the early termination of the employment relationship in line with the requirements of the remuneration policies approved by illimity in the maximum period of duration of the delegated powers, taking into account any applicable *pro tempore* regulatory provisions.

3.10 Management and control

No party exercises management and control over the Issuer pursuant to article 2497 of the Italian civil code.

4. COMPLIANCE (pursuant to article 123-bis, paragraph 2a) of the TUF)

The Issuer adheres to the Corporate Governance Code approved by the Corporate Governance Committee of Borsa Italiana in January 2020. The Corporate Governance Code is available to the public on the website of the Corporate Governance Committee at the following URL: <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

The corporate governance structure of illimity and its subsidiaries of strategic importance is not affected by the provisions of non-Italian laws.

5. BOARD OF DIRECTORS

5.1 Role of the Board of Directors

The Board of Directors has a central role in the Company's organisation. The functions all report to the Board and the Board is responsible for strategic and organisational guidelines as well as for ensuring the existence of the controls required to monitor the operations of the Issuer and the Group companies it heads.

Members of the Board are required to come to their decisions knowledgeably and autonomously, pursuing the objective of the creation of value for shareholders, and are committed to dedicating the necessary time to the position they hold in the Company to ensure that they perform their duties diligently and independently of any positions they may hold outside the Group, being aware of the responsibilities inherent in the position they hold.

The Board is convened at the Registered Office or elsewhere in Italy or abroad, by the Chair or by his/her representative, as a rule once a month and, in any case, whenever the Chair deems it necessary or whenever at least 2 (two) Directors request a meeting in writing. The Chair shall draw up the agenda. Meetings of the Board of Directors may be also called at the initiative of the Board of Statutory Auditors or by at least 2 (two) members of the Board of Statutory Auditors, subject to prior notification to the Chair of the Board of Directors.

Pursuant to article 22 of the Bylaws, for resolutions of the Board of Directors to be valid, a majority of the members currently in office must be in attendance. Resolutions are approved by a majority of those voting excluding abstentions. In case of a tied vote, the Chairman shall have the casting vote. Votes shall be cast openly.

Pursuant to article 19 of the Bylaws, the Board of Directors is vested with all the powers for the ordinary and extraordinary management of the Company, with the exception of the matters expressly reserved by law and the Bylaws to the Shareholders' Meeting. Pursuant to article 2365, paragraph 2 of the Italian civil code, the Board of Directors may by resolution approve mergers in the cases envisaged by articles 2505 and 2505-bis of the Italian civil code, the opening and closing of secondary offices, amendments to the Bylaws to align them to laws and regulations and transfers of the Company's registered office within Italy.

In addition to the duties and powers that cannot be delegated under applicable *pro tempore* laws and regulations, including those of a supervisory nature, the Board of Directors shall have exclusive authority for adopting resolutions concerning:

- (a) the determination of strategic guidelines and operations, general guidelines and risk governance and management policies, and their periodic review, as well as the adoption and amendment of the business and financial plans of the Company and of the Group;
- (b) the assessment of overall business performance, pursuant to article 2381 of the Italian civil code;
- (c) an assessment, at least on an annual basis, of the adequacy of the organisational, administrative and accounting structure of the Company and, in particular, of the functionality, efficiency and effectiveness of the internal control system;
- (d) the establishment of criteria to ensure that the Company and its subsidiaries included in the banking group carry out the instructions of the Supervisory Authority;

- (e) the drafting and approval of the draft annual financial statements (and consolidated statements where envisaged) and interim reports;
- (f) the purchase and sale of treasury shares and the purchase and sale of strategic investments as well as the purchase and disposal of businesses;
- (g) delegated increases in share capital pursuant to article 2443 of the Italian civil code and delegated issues of convertible bonds pursuant to article 2420-ter of the Italian civil code, including the faculty to adopt resolutions with the exclusion or limitation of the option right as per the fourth and fifth paragraphs of article 2441 of the Italian civil code;
- (h) the appointment and dismissal of the General Manager, as applicable, the possible suspension, removal and termination of the appointment and the establishment or modification of the powers, functions and duties of the General Manager as well as the determination of his/her remuneration. The appointment of one or more Deputy General Managers pursuant to paragraph 5 of article 21;
- (i) on the proposal of the risk management committee, which for this purpose avails itself of the appointments committee, the appointment and dismissal of the Internal Audit Manager, the Chief Risk Officer (CRO), the Compliance Manager and the Anti-Money Laundering Manager (AML Manager) after consulting with the Board of Statutory Auditors, ensuring an open and effective discussion with the heads of the control functions;
- (j) subject to the mandatory but non-binding opinion of the Board of Statutory Auditors, the appointment and dismissal of the Financial Reporting Officer pursuant to article 154-bis of the TUF and the provisions laid down below in article 27 of the Bylaws, selecting from among the persons having matured a qualified experience of at least three years in exercising administrative and control activities or performing management or consulting functions in listed companies and/or in the relative groups of businesses, or in companies, enterprises and businesses of significant size and importance, also with respect to the function of preparing and controlling accounting and corporate documents. In addition, it grants him or her suitable powers and means for performing the assigned duties and ensures that the appointed person has the requisites prescribed by *pro tempore* primary and secondary legislation, as well as by the Codes of Conduct and the Bylaws;
- (k) the approval and amendment of internal regulations, which are not deemed by these Bylaws or by law to be the competence of another corporate body;
- (l) the approval and amendment of the regulation governing the limits on the maximum number of directorships that members of corporate bodies may hold;
- (m) the establishment of the internal committees envisaged by applicable *pro tempore* laws and regulations, including those of a supervisory nature, and the Corporate Governance Code (including committees in charge of related and associated party transactions, remuneration, risk management, and appointments) and any other committees, determining, also by adopting specific regulations, the composition, powers and the functioning of these committees and any remuneration due to their members;
- (n) the opening, transfer and closing of branches, agencies, sub-branches, business addresses and representative offices in Italy and abroad;
- (o) transactions with related parties of greater importance or transactions of lesser importance falling within the competence of the board, including transactions of greater importance with related parties, where

the committee in charge of transactions with related and associated parties expresses a negative opinion, and submits to the Shareholders 'Meeting the transactions of greater importance with related parties when the committee in charge of transactions with related and associated parties has expressed a negative opinion, for the purpose of adopting the shareholders' resolutions referred to in article 9, paragraph 2, point (d) of the Bylaws;

- (p) the appointment and dismissal of the person responsible for the health and safety function, who assumes the position of Employer pursuant to Legislative Decree no. 81 of 9 April 2008 and is vested with the broadest decision-making, organisational and disposition powers to fully and comprehensively manage all the obligations concerning the protection of health and safety in the workplace, establishing the relative budget for the purpose of carrying out the duties assigned to him/her;
- (q) a periodic assessment, performed at least once a year, of the performance of the Board and its internal committees as well as their size and composition;
- (r) general guidelines for the structure and working of the Group and establishing the criteria for coordinating and managing the companies of the Group, as well as for implementing the instructions issued by the Supervisory Authority.

Pursuant to article 19, paragraph 4 and following of the Bylaws, in compliance with the provisions of such Bylaws and the law the Board may delegate part of its responsibilities to one or more of its members, determining the powers and related remuneration, within the limits and in execution of the resolutions adopted by the Shareholders' Meeting. The delegated bodies are required to report to the Board of Directors within the terms and under the procedures established by the Board of Directors, in compliance with these Bylaws and the law.

The Board of Directors reports on a timely basis to the Board of Statutory Auditors on the activities it has performed and on the major transactions of an economic, financial and capital nature carried out by the Company and its subsidiaries, also by way of delegated bodies; in particular, it reports on the transactions in which its members have an interest, either personally or on the behalf of third parties. This report is made, at least on a quarterly basis, either verbally at Board meetings or in writing to the Board of Statutory Auditors. Besides compliance with provisions under article 136 of the TUB, each Director is also required to inform the other Directors and the Board of Statutory Auditors of any personal interest or interest on behalf of third parties in a particular transaction of the Company by specifying the nature, terms, origin and size, and to refrain from decisions on issues where he/she may have a conflict of interest, either directly or on behalf of third parties, within the meaning of applicable laws and regulations. In the case of a Managing Director, he/she shall refrain from carrying out the transaction and assign this to the Board of Directors.

The Board:

- (a) may appoint an Executive Committee, establishing the related operating procedures, the frequency of meetings and the duration which, in any case, shall not be greater than the remaining term of office of the Board itself;
- (b) may appoint General Managers, establishing their relative powers, as well as resolve the appointment of attorneys for performing single acts or categories of act;
- (c) allocates among its members the compensation established by the Shareholders' Meeting for all the directors and allocates or determines the remuneration of directors vested with special duties, after

obtaining the opinion of the Board of Statutory Auditors.

On 30 November 2018, the Issuer's Board of Directors appointed Sergio Fagioli as the Financial Reporting Officer pursuant to article 154-*bis* of the TUF, with effect from the date on which trading began in the Company's Shares on the Electronic Stock Market operated by Borsa Italiana S.p.A., namely 5 March 2019, and with the favourable opinion of the Board of Statutory Auditors, granting him the powers and functions as per such legislation and the applicable provisions of other laws and regulations.

The Board has assessed the adequacy of the Issuer's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

In addition, during 2021 the Board approved the 2021-2025 Strategic Plan, consistent with seeking sustainable success. Reference should be made to paragraph 16 of this Report for a more detailed description of the initiatives taken to seek sustainable success, as well as to the Non-Financial Statement (NFS) prepared pursuant to Legislative Decree no. 254/2016 which may be consulted on the Bank's website (www.illimity.com).

It is also noted that during 2021 the Board considered it opportune to draw up reasoned proposals to be submitted to the Shareholders' Meeting to establish a system of corporate governance more functional to the Bank's needs. Details in this respect may be found in paragraph 16.

Lastly, the Board has adopted a policy for managing dialogue with shareholders for which details can be found in paragraph 5.5.

5.2 Appointment and replacement

Pursuant to the provisions of the Bylaws in force through 21 February 2022⁽³⁾, the Board of Directors is elected on the basis of the lists submitted in accordance with the requirements of article 14 of the Bylaws, according to which candidates may not exceed 11 (eleven) in number and are listed by means of a sequential number. Candidates' names may only be included on one single list, on penalty of ineligibility. In addition, the election is carried out under the requirement for gender balance pursuant to paragraph 304 of article 1 of Law no. 160 of 27 December 2019 in the text republished in the Official Journal no. 13 of 17 January 2020 which, with reference to the appointment of members belonging to the lesser represented gender, states that *"the criterion for allocating at least two fifths contemplated by paragraphs 302 and 303 is applicable from the first renewal of the management and control bodies of companies listed on regulated markets after the date on which the law becomes effective"*, accordingly leading to an increase from 1/3 (one third) to 2/5 (two fifths) of the seats reserved for the lesser represented gender on the management and control bodies of listed companies and also an increase from 3 to 6 in the terms of office for which the new regulations are applicable.

For the purpose of complying with the minimum number of Independent Directors, each list must identify among its members, expressly indicating them, a minimum number of candidates meeting the independence requirements stated in article 16, paragraph 2 of the Bylaws equal to at least the number of Independent Directors laid down in the same article 16. In order to ensure gender balance in compliance with applicable *pro tempore* laws and regulations, each list containing a number of candidates equal to or greater than 3

⁽³⁾ Reference should be made to paragraph 16 for further details about changes to the Bylaws approved by the Shareholders' Meeting of 21 February 2022.

(three) must include candidates of both genders, so that at least 2/5 (two fifths) – rounded up in case of a fractional number – of candidates indicated in the same list belong to the lesser represented gender.

The following persons are entitled to submit lists: (i) shareholders who, alone or together with other shareholders, in total hold shares representing at least the minimum interest in the share capital entitled to vote at the Company's Shareholders' Meeting set by Consob, (this was 2.5% in 2021 in accordance with Consob Determination no. 28 of 30 January 2021)⁽⁴⁾; (ii) the Board of Directors of the Company, subject to the favourable non-binding opinion of the Board's Appointments Committee which has competence as far as appointments are concerned. The ownership of the minimum shareholding entitled to vote at an ordinary Shareholders' Meeting of the Company is determined with respect to the shares that are recorded in the name of the individual shareholder, or in the names of several shareholders jointly, on the day on which the lists are filed at the Company's registered office. The ownership of the number of shares required for filing lists must be certified pursuant to applicable *pro tempore* laws and regulations; such certification may also be received by the Company after the filing of lists, provided that this is within the deadline set by applicable *pro tempore* laws and regulations.

In accordance with article 14, point 2.4 of the Bylaws, no entitled person may submit or participate in submitting more than one list, including by way of third parties or trust companies, or vote for more than one list. Shareholders belonging to the same group of companies – this being construed as the parent company, subsidiaries and companies under joint control – and parties to a shareholders' agreement as per article 122 of the TUF regarding the Company's shares, may not submit, nor may those with voting rights vote for, more than one list, not even by way of third parties or trust companies; in case of non-compliance their signatures shall not count for any of the lists.

Lists must be filed by persons entitled thereto at the Company's registered office – also by way of the remote means of communication established by the Board of Directors in accordance with the methods stated in the notice of call, so as to enable the persons making the filing of lists to be identified – at least 25 (twenty five) days before the date set for the Shareholders' Meeting and shall be made available to the public in accordance with the terms and conditions provided by applicable *pro tempore* laws and regulations. Any list submitted by the Board of Directors must be filed at the Company's registered office and published in accordance with the above methods at least 30 (thirty) days before the date set for the Shareholders' Meeting.

Article 14, point 2.6 of the Bylaws requires the following documentation, where applicable, to be filed together with each list at the Company's registered office within the relevant term of filing:

- information on the identity of the shareholders submitting the list, stating the total percentage shareholding having voting rights at ordinary Shareholders' Meetings;
- declarations of shareholders who submit, or jointly submit, a list, other than those that hold, also jointly, a controlling or relative majority holding, attesting the absence of connections with the latter qualified as relevant by *pro tempore* laws and regulations applicable to the Company;
- a comprehensive description of the personal and professional characteristics of each candidate, including information on offices held as director or statutory auditor in other companies, and a statement in which individual candidates accept their nomination and represent, under their own

⁽⁴⁾ Consob Determination no. 60 of 28 January 2022 set this at 1%.

responsibility, that there are no causes for ineligibility or incompatibility, and that they meet the directorship requirements established by laws, regulations and the Bylaws, and the independence requirements provided for in article 16, paragraph 2 of the Bylaws; as well as

- any further documentation and declaration required by applicable *pro tempore* laws and regulations, also of a supervisory nature, or that is useful for an overall assessment of suitability for the office, also in accordance with any information that may be publicly disclosed in advance by the Bank in the notice of call.

Submitted lists that do not meet the above requirements will be treated as not having been submitted. Nevertheless, the absence of documentation regarding individual candidates on a list does not automatically lead to the exclusion of the whole list but only to that of the candidates to whom the irregularity refers.

If more than one list is filed, Board members shall be elected as follows:

- (i) all the members of the Board of Directors except 2 (two) shall be drawn from the list obtaining the majority of votes cast, in the sequential order in which they are listed (the “**Majority List for the Board of Directors**”);
- (ii) the remaining 2 (two) Directors shall be drawn, being the first 2 in the sequential order in which they are listed, from the minority list (the “**Minority List for the Board of Directors**”) which obtained the second highest number of votes and is not in any way linked, even indirectly, through connections qualified as relevant by applicable *pro tempore* laws and regulations, with persons who submitted or voted in favour of the list under point (i).

If the Minority List for the Board of Directors fails to obtain a percentage of votes equal to at least half that required, in accordance with the above, for the purposes of submitting such list then all the Directors to be elected will be taken from the Majority List for the Board of Directors. If the Minority List for the Board of Directors contains only one candidate, the missing candidate for election shall be taken from the list that arrived third in terms of the number of votes received or, in the absence of other lists for which votes were cast, shall be taken from the Majority List for the Board of Directors, in the person of the first candidate excluded.

If several lists obtain the same number of votes, the Majority List for the Board of Directors is, for all purposes, the list submitted by shareholders holding the largest interest or, in second instance, the list voted by the highest number of shareholders (one vote per person). This applies also to the case whereby several minority lists obtain the same number of votes. Should the resulting composition of the Board of Directors fail to ensure the minimum number of Independent Directors as per article 16 of the Bylaws, the non-independent candidate elected as last in the sequential order on the Majority List for the Board of Directors shall be replaced by the independent candidate not elected on such list on the basis of the sequential order or, in the absence of such, by the first independent candidate in sequential order not elected on the other lists, depending on the number of votes obtained by each list. This replacement procedure shall be used until the Board of Directors contains the minimum number of Independent Directors required under article 16 of the Bylaws. Finally, if this procedure fails to produce the required result, replacement will be carried out by means of a resolution adopted by a relative majority at a Shareholders’ Meeting, following the presentation of candidates meeting the above-mentioned requirements.

Furthermore, should the resulting composition of the Board of Directors fail to comply with the applicable *pro tempore* laws and regulations on gender balance, the candidate belonging to the more represented gender who is elected with the lowest number of votes in terms of the sequential order on the Majority List

for the Board of Directors shall be replaced by the first candidate of the lesser represented gender not elected on such list on the basis of the sequential order or, in the absence of such, by the first independent candidate in sequential order not elected on the other lists, depending on the number of votes obtained by each list. This replacement procedure shall be used until the composition of the Board of Directors complies with applicable *pro tempore* laws and regulations on gender balance. Finally, if this procedure fails to produce the required result, replacement is carried out by means of a resolution adopted by a relative majority at a Shareholders' Meeting, following the presentation of candidates belonging to the lesser represented gender.

Article 14, point 4 of the Bylaws additionally provides that in the case where:

- (a) only one list is submitted, or if the minority lists do not get a percentage of votes of at least half of those required for the submission of lists, the Shareholders' Meeting shall express its opinion on such list by legal majority, without following the above procedure;
- (b) no list is submitted, the Shareholders' Meeting shall resolve by legal majority, without following the above procedure.

The removal of members of the Board of Directors is resolved by the Shareholders' Meeting by the means established by law.

If during the year for whatever reason one or more Directors ceases to hold office, the other Directors shall replace them with the first candidate not elected on the list to which the outgoing Director or Directors belonged, or with the subsequent candidates on the basis of the sequential order of the list if the first or subsequent persons do not accept the appointment or do not meet the independence requirements which may have been met by the Director to be replaced or if the composition of the Board of Directors is not such as to comply with applicable *pro tempore* laws and regulations on gender balance.

If for any reason it is not possible to effect the replacement on the basis of the procedure described in the above paragraph, the Directors remaining in office shall co-opt a Director, selecting the replacement or replacements from persons not included in any list, ensuring, if such is the case, that the independence requirements for the Director to be replaced and the *pro tempore* laws and regulations on gender balance are complied with. The Directors co-opted on this basis remain in office until the first Shareholders' Meeting.

Account shall not be taken of the list-based voting system at Shareholders' Meetings which must confirm or replace co-opted Directors, who only remain in office until the Shareholders' Meeting appoints Board members with the list-based voting system.

In any event, the Board of Directors and the Shareholders' Meeting shall appoint Board members so as to ensure (i) the presence of Independent Directors in the minimum number required by article 16 of the Bylaws and (ii) compliance with applicable *pro tempore* laws and regulations on gender balance.

If the majority of Directors appointed by the Shareholders' Meeting ceases to hold office due to resignation or other reasons, the whole Board falls and the remaining Directors shall urgently call a Shareholders' Meeting to appoint a new Board of Directors.

Further details on the self-evaluation processes and appointment and succession of directors may be found in paragraph 7 below.

5.3 Composition

Pursuant to article 16 of the Bylaws in force until 21 February 2022, the Company is managed by a Board of Directors consisting of an odd number of members that is not lower than 7 (seven) and not greater than 11

(eleven) – as already stated – who must meet the applicable *pro tempore* independence requirements of primary and secondary legislation and may be re-elected. Of these, a number corresponding to at least the minimum provided by the applicable *pro tempore* primary and secondary legislation must hold the independence requirements set forth therein.

The current Board of Directors was appointed by the Shareholders' Meeting of 22 April 2021, on reaching the end of its term in office, as determined by the mandate granted to the Board that was appointed by the Shareholders' Meeting of 4 September 2018.

The Issuer's Board of Directors in office at the date of approval of this Report consists of 9 (nine) members and remains in office, on the basis of the relative shareholders' resolution, for three fiscal years, and accordingly up to the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2023.

The current members of the Board of Directors are as follows:

First and last name	Office held	Place and date of birth
Rosalba Casiraghi (*)	Chair	Milan, 17 June 1950
Corrado Passera	Chief Executive Officer	Como, 30 December 1954
Massimo Brambilla	Director	Milan, 9 January 1970
Patrizia Canziani (*)	Director	Trieste, 1 February 1967
Elena Cialliè (*)	Director	Turin, 7 September 1967
Paola Elisabetta Galbiati (*)	Director	Milan, 12 January 1958
Francesca Lanza (*)(**)	Director	Milan, 13 June 1976
Giovanni Majnoni D'Intignano (*)	Director	Rome, 18 January 1954
Marcello Valenti (*)	Director	Sassari, 1 July 1968

(*) *Independent directors pursuant to the TUF and the Corporate Governance Code, as well as pursuant to the laws and regulations applicable to banks.*

(**) *Director appointed by the Ordinary Shareholders' Meeting of 15 December 2021 on the resignation of Martin Ngombwa, notified by a letter dated 9 November 2021 and effective from 10 November 2021.*

By way of a letter received by the Bank on 9 November 2021 addressed to the Chair of the Board of Directors and the Chair of the Board of Statutory Auditors, Martin Ngombwa handed in his resignation from the office held with effect from the date of the Board of Directors' Meeting of 10 November 2021. On 15 December 2021, the Ordinary Shareholders' Meeting appointed the Director Francesca Lanza to replace Mr. Ngombwa and Ms. Lanza accepted the appointment.

More specific details of the current structure of the Board of Directors can be found in Table 1 in the appendix to this Report.

All board members hold the integrity and professional competence requirements in respect of the provisions of article 26 of the TUB and Ministerial Decree no. 169/2020. All members of the Board of Directors are domiciled at the Company's registered office.

Set out in the following is a brief *curriculum vitae* for each of the members of the Company's Board of Directors, from which, in the Bank's opinion, it emerges that all the members of the Board of Directors hold appropriate skills and professional competence and that, with specific regard to the non-executive directors, by virtue of their broad working and administrative/managerial experience such persons are able to bring the specific skills, suitable by sphere and professional competence, that are required to enable them to arrive at an attentive and precise opinion when assuming board decisions.

Rosalba Casiraghi

Rosalba Casiraghi graduated with a degree in economics from the Bocconi University in Milan in 1974. Her professional career began as a management controller, with responsibility for reporting and budgeting, at the Italian subsidiary of the Carrier Corporation, a member of the multinational UTC listed on the New York Stock Exchange, where in a short time she was promoted to a management position. She subsequently moved on to become head of finance of the Italian distribution company of Yamaha Motors Co..

In 1985, together with 5 other partners, she set up the financial company Miraquota, of which she became chair, and following this in 1986 founded Rating, a company specialising in financial analysis, in which she began working with the economic press. In particular, for several years she produced well-known editorial content and provided technical advice on economic and financial matters to *Il Mondo*, *l'Espresso* and *Il Corriere della Sera*.

In 1994 she was appointed member of the Privatisation Committee (the Draghi Committee), remaining in this position until 2001, enabling her to follow the sale of major state-owned companies such as Eni, Enel and Telecom.

In 1999 she began taking positions as director and statutory auditor in industrial and financial companies, mainly elected on the lists submitted by institutional investors. She firstly became a member of Pirelli's Board of Statutory Auditors, followed by that of Telecom in 2003, and then took a position on the Supervisory Board of Intesa Sanpaolo in 2007 where she remained for nine years.

In 2007 she was elected president of Nedcommunity, the association of non-executive and independent directors.

Amongst her main current roles she is Chair of ENI's Board of Statutory Auditors and a Director of Luisa Spagnoli and Autogrill.

In recent years she has contributed to the publication of various books on control systems and corporate governance.

Corrado Passera

In 1977, Corrado Passera graduated from the Business Economics faculty of the Bocconi University in Milan. Between 1978 and 1980 he took a Master of Business Administration degree at the Wharton School in Philadelphia. His professional career began in 1980 when he joined the consultancy firm McKinsey & Co, being involved inside and outside Italy with the restructuring and revival of banking, insurance and service companies. In 1985 he joined CIR and in 1988 became its general manager. In 1992 he was appointed joint chief executive officer of the Olivetti Group, while in 1996 he managed Banco Ambroveneto.

In 1998 he was appointed chief executive officer of Poste Italiane S.p.A.. He returned to the banking world in 2002 as managing director and chief executive officer of IntesaBci, the banking group resulting from the merger between Banca Intesa and Banca Commerciale Italiana. In the summer of 2006 he contributed to the

merger between Banca Intesa and San Paolo IMI, which led to the creation of Intesa Sanpaolo, of which he later became executive director and CEO. In November 2011 he was invited to become a member of the Monti government as Minister for Economic Development, Infrastructure and Transport, a position he held until the end of the legislature in 2013. Since 2015 he has dedicated himself to a project involving the revival of Milan having the aim of enabling the city to compete with the other dynamic European metropolises, although he did not stand in the local elections.

Awarded the Order of Merit for Labour by the President of the Italian Republic in 2006, he is a member of various advisory boards, such as the McKinsey Advisory Council, and has been on the board of various listed companies (including Finmeccanica and Credit Agricole in Paris) and non-profit bodies (Bocconi University, Scuola Normale Superiore di Pisa, La Scala Foundation, the Cini Foundation, the International Business Council of the World Economic Forum in Geneva, the Wharton School in Philadelphia and the International Institute of Finance in Washington).

In 2010, working with Umberto Eco, he set up Encyclomedia Publishers, a publishing project for the production of the first top-quality “History of European Civilisation”.

In 2017, together with Andrea Clamer, he founded SPAXS, the first SPAC (Special Purpose Acquisition Company), set up to create an operator working in the banking and financial sector, for which he was Chair of the Board of Directors.

Massimo Brambilla

Massimo Brambilla graduated with a degree in Business Economics from the Luigi Bocconi Business University.

Between 1996 and 1997 he worked as an analyst with the firm Tamburi & Associati. In 1997 he joined Reconta Ernst & Young as an auditor. Between 1997 and 2002, he held the position as vice president of mergers and acquisitions as well as head of the transaction team at Société Générale Investment Banking. From 2002 to 2004 he had a managerial role at Euromobiliare Corporate Finance and from 2004 to 2006 at Abaxbank.

Since 2006, Massimo works as Managing Director Europe for Fredericks Michael & Co, based at its New York and London offices.

He has also sat on the Board of Directors of SPAXS, Tetis S.p.A. (company holding an investment in SPAXS) and Ca' Zampa s.r.l. (which manages veterinary clinics by using technologically innovate tools).

Elena Cialliè

Elena Cialliè graduated (*cum laude*) from the Bocconi University in Milan in 1991 with a degree in Business Economics. Since 1994 she has been a professional accountant and an auditor. In 1994 she began her professional path in investment banking at the Milan branch of Citibank, after which she moved to the London branch, where she worked on the structuring of acquisition and leveraged finance transactions and in the management of credit portfolios.

In 1998 she joined Goldman Sachs, where, over a ten-year period, she held various positions in the Leveraged Finance and Advisory and Financing departments, initiating and successfully completing risk capital and debt funding operations and M&A transactions for both corporate and private equity clients. In 2009 she took part, as Partner, in the establishment of the advisory company Ondra Partners, which grew in size, thanks to her support, to the point of having 50 employees and revenues of around one million dollars per head, with offices in London, Paris, Milan and New York.

From 2017 to 2020 she sat on the Board of Directors of GEDI Gruppo Editoriale S.p.A..

Currently she is the Executive Director of UK Government Investment, the English Government centre of excellence in corporate finance and corporate government activities.

Paola Elisabetta Galbiati

Professor Paola Elisabetta Galbiati was awarded a degree in Business Economics (*cum laude*) at the Bocconi University in Milan in 1982, subsequently participating in the International Teachers' Program at the London Business School in 1984. Since 1994 she has been a qualified chartered accountant (*Dottore Commercialista*) and registered auditor (*Revisore Legale dei Conti*) in Milan.

From 1987 to 1993 she was a lecturer in Corporate Finance for the MBA course at the Bocconi University in Milan, where, since 1996, she is a tenured lecturer of Corporate Finance and head of masters' degree courses in "Strategic Analyses and Financial Valuations" and "Business Crises and Restructuring Processes".

From 1982 to 2005 she carried out her professional activities in Brugger & Associati (formerly Finlexis) as project head and team leader in the fields of business restructuring, debt restructuring, the determination of the economic damage resulting from unfair competition/contractual non-fulfilment, business valuations, the valuation of intangible assets and the development of achievable business plans, working alongside the senior management of industrial companies (on occasions also taking temporary management positions – for example, she was Chief Executive Officer of Dianos S.p.A. between 2003 and 2005).

From January 2006 to December 2012 she worked as an independent consultant for AlixPartners in the financial advisory services sector (economic and financial expert in judicial and extra-judicial disputes, technical advisor in relation to penalties inflicted by the European Commission Competition Authority, appraiser of intangible assets) and in corporate turnarounds (the development of realisable plans for businesses in situations of temporary difficulty, working alongside companies renegotiating their debt or seeking an improvement in their economic performance).

She has also held management and control positions in numerous industrial companies, including those listed on regulated markets, such as independent director in Fullsix S.p.A. (2013-2014), Silver Fir SGR (2016-2017), Servizi Italia S.p.A. (2012-2018), Teze Mechatronics (2013-2018) and Banco BPM S.p.A. (2017-2020) and standing statutory auditor in Tamburi Investment Partners S.p.A. (2015-2018).

She is the author of several scientific publications, and in addition to being on the Board of Directors of Unieuro S.p.A., Mondadori S.p.A. and illimity SGR S.p.A., is also on the board of the Dr. Ambrosoli Memorial Hospital Foundation (since 2010).

Patrizia Canziani

Patrizia Canziani graduated in Monetary and Financial Economics (*cum laude*) at the Bocconi University in Milan and was subsequently awarded a Ph.D. in economics at the Massachusetts Institute of Technology, Boston.

Her professional career as an economist began at the International Monetary Fund, followed by a position held as lecturer and researcher at the London School of Economics. In 1998 she moved to the banking sector and gained a wealth of experience of over twenty years in international investment banks in London in the field of capital markets, credit and structured finance, working in J.P. Morgan, Deutsche Bank, Merrill Lynch, Nomura and MUFG.

In 2019 she specialised in Sustainable Finance at the University of Oxford and in 2021 obtained the CFA Certificate in ESG Investing.

Since 2020 she has been working as a lecturer at the European University Institute in Florence, where she currently holds the position as Co-Director of the executive Green Bonds and Securitisation courses.

Since 2016 she has been on the Board of Directors of SOGEFI and since 2021 has been a director of Kexim Bank UK Ltd..

Francesca Lanza

After completing a master's degree in engineering at Milan Polytechnic, Francesca Lanza began her investment banking career at JPMorgan in M&A and Structured Finance. She began working in Goldman Sachs in 2005, where she held several senior management positions across Europe, Asia, the Middle East and Africa in both the Investment Banking and Securities divisions, focusing mainly on structured financing strategies.

Since 2013 she has dedicated her career to executive coaching and is currently a senior partner of the Alexander Partnership. She coaches the C-suite, partners, boards and executives across many industries, with a particular focus on professional and financial services, technological companies, the luxury sector, entertainment and the media, spanning all geographies.

Giovanni Majnoni D'Intignano

Giovanni Majnoni D'Intignano graduated with a degree in economics and commerce from the Sapienza University in Rome and continued his studies at Columbia University and Princeton University. He began his career as an economist at the Bank of Italy where he dealt with monetary policy and financial markets and intermediaries.

In 1998 he joined the World Bank where he remained for 12 years, holding increasingly important positions over the years until appointed Executive Director with representation for Italy, Portugal, Greece, Albania, Malta, East Timor and San Marino. He returned to the Bank of Italy in 2010 as a Senior Manager in the Risk Management Department. From 2014 to 2015 he worked at the Italian Ministry of Economy and Finance as a Member of the Scientific Technical Council of Experts and of the Minister's cabinet for the organisation and management of the Italian EU Council Presidency. Following this he returned to the United States as Head of the Bank of Italy's Delegation in New York with responsibility for the North American Economies.

Concurrent with his policy making activities he has published books and articles on monetary policy, financial regulation and risk management of both a scientific and informative nature and is also an occasional contributor to the Italian economic newspaper *Il Sole 24 Ore*.

Marcello Valenti

Marcello Valenti graduated from Cagliari University in 1991 and joined the tax and legal firm Tremonti e Associati in 1993, becoming partner in 2000. He is enrolled in the Milan register of lawyers and is also a registered auditor.

Tax questions relating to finance are a key aspect of his work as a lawyer, which consists mostly of providing assistance in connection with banking operations, these including acquisitions, structured finance and capital markets.

He is also known for his work as transaction partner in various complex LBOs, as well as operations in the oil

and energy sectors.

Marcello Valenti has additionally expressed opinions on a number of securitisations, IPOs and property transactions.

He is currently a member of the Board of Statutory Auditors and Board of Directors of several Italian industrial and financial companies.

In addition, he has been court-appointed administrator and receiver for preliminary investigations carried out by the Bari Court and for preliminary investigations carried out by the Milan Court in relation to various companies, and currently maintains this role in certain cases.

Marcello Valenti also has vast experience in the judicial field, having personally represented his clients in discussions before the EU Court of Justice, the Italian Supreme Court, Tax Commissions of first and second instance and criminal courts in various cases relating to fiscal and bankruptcy offences.

Diversity criteria and policies in the composition of the Board and in corporate organisation

In connection with the Company's diversity policies, pursuant to its current Bylaws the composition of the Board of Directors must guarantee the 2/5 (two fifths) gender balance required by law, as set forth in article 1, paragraph 302 of Law no. 160 of 7 December 2019 in the text published in Official Journal no. 13 of 17 January 2020. At the date of this Report, the Bank complies with current laws and regulations on gender balance.

In addition, the composition of the management body reflects a suitable degree of diversification in terms of skills, experience, age, gender and educational and professional career.

in 2021, on the appointment of the Board, the outgoing management body made a report available to shareholders that discusses its orientation on the optimum qualitative and quantitative composition for the new Board, to which reference should be made. In its orientation, the Board establishes a diversity policy, in particular with regard to an optimum composition for enabling it to perform its duties in the most effective manner and ensuring the diversity of points of view and expertise that is needed for a good understanding of current affairs and the risks and long-term opportunities relating to business operations.

In addition to its indications on the overall composition and the requirements for professional competence, independence, expertise and propriety, the Board also formulates recommendations regarding age, seniority in office and geographical origin.

In addition, as announced to the market, given the matters established in the above-mentioned orientation, at its meeting of 19 March 2021 the Board of Directors resolved to submit its own list of candidates (List no. 1) for appointment to the new body with a strategic supervision function, and in this respect complete documentation on the candidates, together with a representation of the expertise held by the proposed Board as a whole, has been available to shareholders and the public since 23 March 2021.

Further, as announced to the market on 26 March 2021, a series of asset management companies and investment fund manager companies, representing approximately 9.1% of the Bank's share capital, submitted a list of candidates (List no. 2) for the appointment of the new Board of Directors, and in this respect full disclosures on the personal and professional characteristics of the candidates and the relative documentation has been made available to shareholders and the public in accordance with the procedures and time limits laid down by law.

As required by laws and regulations established for the sector (and further described below), at its meeting of 27 May 2021 the Board ensured that the “fit and proper” requirements for its members were met, including gender balance and an ex-post analysis of the overall composition of the management body, with the aim – amongst other things – of checking to ensure that there was compliance with the orientation principles and that the suitable diversification objectives had been satisfied. This check had a positive outcome.

In addition, at its meeting on 2 December 2021 the Board adopted the Diversity, Equity & Inclusion Policy (“**DEI Policy**”), as contemplated in the sustainability objectives included in the 2021-2025 Business Plan (which may be consulted on the website www.illimity.com).

In accordance with illimity Way (as stated above), the DEI Policy describes the Group’s commitment to diversity, equity and inclusion, determining the application of this approach in the “People Value Proposition” (our way of selecting and developing illimiters) by way of practical and measurable commitments. The DEI Policy acts as a diversity, equity and inclusion guide for all illimiters in all Group companies.

This Policy moreover establishes fundamental pillars for pursuing the Group’s mission that are in line with leading diversity, equity and inclusion standards at an international level (i.e. the “Sustainable Development Goals – SDGs” of the United Nations 2030 Agenda, the “Universal Declaration of Human Rights” of the United Nations General Assembly).

Maximum number of directorships and positions as statutory auditor that may be held in other companies

In 2021, illimity’s Board of Directors did not establish general criteria on the maximum number of management and control positions that may be held in other companies, keeping to the general *pro tempore* prescriptions of supervisory and regulatory legislation.

On accepting office as Director in the Company and regardless of the limits established by any laws and regulations applicable to the maximum number of positions that may be held, each candidate for the position assesses in advance his or her ability to perform the assigned duties with due attention and care, taking into particular consideration the overall commitment required for any positions held outside the Bank.

Each member of the Board of Directors is additionally required to notify the Board when assuming any positions as director or statutory auditor in other companies to enable the disclosure requirements pursuant to the provisions of applicable laws and regulations to be properly fulfilled.

In this respect, article 17 of Decree no. 169 of the Ministry for the Economy and Finance of 23 November 2020 (DM no. 169/2020), in force since 30 December 2020, introduced a more stringent approach to the question of limits on the number of positions in office that may be held.

More specifically, officers of banks of larger size or major operating complexity (as a listed bank, illimity falls within the scope of DM no. 169/2020 as far as the provisions applicable to banks with “major operating complexity” are concerned, pursuant to Circular 285) may not hold a total number of positions in office in banks or other companies that is greater than one of the following two alternatives: i) one executive position and two non-executive positions; ii) four non-executive positions. The position held in the Bank is included in determining these limits.

In this respect, the Directors comply with the above limits of DM no. 169/2020, as verified by the Board of Directors subsequent to their appointment.

5.4 Functioning of the Board of Directors

illimity's Board of Directors has drawn up a regulation defining working procedures, whose aim amongst other things is to ensure the effective management of board information.

This regulation determines information flows by requiring that Directors must receive documentation on the projects and plans presented to them that is suitable for enabling them to express an informed opinion on the matters under discussion.

Pursuant to this regulation, the Board's resolutions must be recorded in minutes transcribed in the specific book and be signed by the Chair and Secretary to the meeting. If not drawn up by a notary, copies of and extracts from the minutes are certified as true by the Chair of the Board of Directors or whoever takes his or her place; the minutes book and the extracts are full proof of the meetings of the Board and its resolutions.

In the year ended 31 December 2021 the Board of Directors met on 26 occasions, with meetings seeing the regular and steadfast participation of the Directors (the number of meetings at which every single member of the Board participated is reported in Table 1 for consultation). Board meetings lasted an average of 3 hours and 32 minutes each, with an average participation of 98%. For the current year, 4 meetings had already been held at the date of this Report.

In the above-mentioned orientation on the optimum qualitative and quantitative composition of the Board, the management body established (and announced to the market) the amount of time needed for acting as a Director given the nature, quality and complexity of such position. More specifically, after obtaining the opinion of the Appointments Committee, the Board has estimated 45/75 working days a year as being the average considered suitable (on the basis of 250 working days a year) and 360/600 working hours a year, this also depending on participation in Board Committees.

The members of the Board of Directors have stated and guaranteed that they will perform their duties effectively, dedicating all the time required to perform such. This is confirmed by the high level of participation by the Directors despite the significant number of meetings of the Board of Directors held in 2021.

Lastly, at its meeting of 27 May 2021, the Board ensured that the personal requirements of the Directors (professional competence, integrity, independence, the absence of reasons for which a person may not be elected as a Director or those preventing him or her from holding the position, the maximum number of positions, availability of time and independence of judgement) have been complied with, pursuant to the provisions of article 26 of the TUB, DM 169/2020, the Bank of Italy's Circular no. 229/1999, Circular 285 and article 36 of Decree Law no. 201/2011, converted by Law no. 214/2011, as well as the regulations applicable to issuers listed on regulated markets, and in particular pursuant to the TUF and the new Corporate Governance Code.

The Bank's managers are invited to attend Board meetings, as well as the heads of the functions in charge of the specific matters stated on the agenda, in order to provide suitably detailed information on the issues being discussed.

5.5 Role of the Chair of the Board of Directors

The Chair of the Board of Directors plays a fundamental role in ensuring the smooth running of board meetings, fostering internal dialectic and assuring a balance of powers.

The Chair keeps in constant touch with the Secretary to the Board of Directors so that documents are made

available to Directors reasonably in advance of meetings, consistent with the planned timing for the publication of the notice of call in accordance with article 18 of the Bylaws. In this regard, most of the documentation is published simultaneously with the notice of call (within 3 days). The deadline for the submission of the documentation will be monitored during the year.

The Chair directs the debate during meetings of the Board of Directors, granting the floor to the Chief Executive Officer and to the members of management present, in order that they may provide detailed information on the specific matters on each item of the agenda; to this end, the whole of the first line and the control functions are always invited to attend meetings. The Chair also constantly encourages debate within the board, ensuring that all the Directors can ask questions and express their point of view on the matters submitted for their analysis.

In addition, the Chair coordinates the activity of the Board committees, ensuring that the annual plan for the meetings containing the matters to be discussed is consistent with the planning of the activities of the Board of Directors.

On the initiative of the Chair, meetings are organised with the aim of providing suitable knowledge of the business sectors in which the Issuer operates. More specifically, five induction meetings were held during the year on corporate governance, on the Group's organisational structure, on the Business Plan, on the Single Credit Procedure and on the ESG profiles.

In addition to this, the Chair, with the support of the Appointments Committee, oversees the Board's self-evaluation process to ensure that it is adequate and transparent.

Lastly, in December 2021 the Bank adopted a "Policy for Managing Dialogue with Shareholders" (further details can be found in paragraph 14.2 below). Accordingly, as of February 2022, the Issuer complies with Recommendation 3 of the Corporate Governance Code, reporting discussions held with its shareholders, also following the Shareholders' Meeting held on 21 February 2022.

Secretary to the Board

Given the Ordinary Shareholders' Meeting of 22 April 2021, called to appoint the Company's new managing body, pursuant to article 17, paragraph 3 of the Bylaws, at the same date the Board of Directors elected a Secretary external to the Board, confirming Giovanni Lombardi, the Bank's General Counsel.

Giovanni Lombardi, who acted as Secretary to the Bank's Board between 15 October 2018 and the Shareholders' Meeting of 22 April 2021, holds the appropriate requirements of professional competence given the long-term experience he has gained as a professional lawyer both in leading law firms and, in-house, in Prelios SGR, in the MPS Bank group and, as stated, in the illimity Group.

Pursuant to the Bylaws, the Secretary deals with the drafting, transcription in the specific book and preservation of the minutes of each Board meeting.

In accordance with the recommendations of the Corporate Governance Code, the Secretary supports the Chair of the Board in ensuring that:

- the pre-Board information and complementary information provided during the meetings is suitable for enabling the Directors to act in an informed manner in performing their duties;
- the work of the Board committees with functions of an investigative, propositional and advisory nature is coordinated with the management body;

- in agreement with the Chief Executive Officer, the Bank's managers and those of the Group companies reporting to the Bank that are the heads of the competent business functions depending on the subject matter involved, attend Board meetings, also at the request of individual Directors, to provide appropriate details on the matters on the agenda;
- all the members of the management and control bodies are able to participate, following their appointment and during their term, in initiatives designed to provide them with suitable knowledge of the business sectors in which the Company operates, business dynamics and their evolution, also from the standpoint of the Company's sustainable success, as well as the proper management of the risks and legislative and self-regulatory frame of reference;
- the suitability and transparency of the management body's self-evaluation process, with the support of the Appointments Committee.

Lastly, with an unbiased opinion, the Secretary provides assistance and advice to the Board on every aspect that is important for the proper functioning of the corporate governance system.

5.6 Executive Directors

Chief Executive Officer

Following the appointment of the new management body by the Ordinary Shareholders' Meeting of 22 April 2021, the Board meeting held on the same day appointed (confirming) Corrado Passera as the bank's Chief Executive Officer, granting the following powers and authorisations:

- to deposit sums in current accounts held in correspondent banks;
- to withdraw cash at correspondent banks;
- to issue current account cheques on correspondent banks;
- to make transfers on correspondent banks;
- to make wire transfers to correspondent banks from the available funds in the accounts managed;
- to make wire transfers in favour of third parties from the available funds in the accounts managed;
- to open, modify and terminate contracts and agreements with banking and financial intermediaries regarding deposits, current accounts, the opening of credit facilities, etc.;
- to issue sureties, pledges, security deposits and letters of guarantee in favour of public and private bodies;
- to submit the reports on ownership structures (A.P.E.) and corporate bodies (GIAVA);
- to use the Tax Revenue Office's Entratel service to give instructions to pay the taxes due;
- to report market abuse;
- to prepare documents for filing with the Companies Registry;
- to make communications and notifications to the Italian Data Protection Authority;
- to report matters to the Supervisory and Anti-Money Laundering (UIF) Authorities and other bodies.

The following sections describe the powers, as sole signatory, assigned to the Chief Executive Officer, Corrado Passera, with the possibility of sub-delegation:

1. General administrative powers

- 1.1. Implement the resolutions of the Board of Directors through instructions sent to the competent offices.
- 1.2. Draw up proposals for submission to the Board of Directors on any matter relating to business operations.
- 1.3. Hold signatory powers for all acts of ordinary administration and for those envisaged by a specific resolution of the Board of Directors.
- 1.4. Oversee the preparation of the financial statements.
- 1.5. Outline and update the strategic plan, the annual operating plan and the budget for the year, proposing reasoned alternatives to the Board of Directors in terms of scenarios and growth prospects.
- 1.6. Update risk policies in respect of existing and potential risks, proposing reasoned alternatives to the Board of Directors in terms of risk/return combinations.
- 1.7. Foster the dissemination of a business culture based on an informed assumption of the risks typical of banking operations.
- 1.8. Foster and activate the business organisation conditions for setting up, consolidating and developing the business risk measurement and control process, also establishing the duties of the control function to the extent of its responsibilities.
- 1.9. Determine the information flows designed to ensure that the Board of Directors, or the bodies it delegates, has full knowledge of facts about the business and the way these may be governed.
- 1.10. Approve and issue the Bank's internal rules and regulations, looking after the dissemination to the functions concerned to the extent of their responsibility.
- 1.11. Make proposals to the Board of Directors on the options relating to the propensity to accept the various types of risk as well as the relative methods of measuring them.
- 1.12. Grant specific powers to collaborators appointed for particular assignments, in application of resolutions of the Board of Directors.
- 1.13. Make proposals to the management body for outsourcing certain operating processes of the business or carrying out individual projects or planned initiatives.
- 1.14. Control the alarm and security systems.
- 1.15. Maintain relations with bodies and companies in the credit sector, with Supervisory Bodies and with bodies and associations in the industry.

2. Corporate signature

- 2.1. Sign correspondence and any other documents that require the Bank's signature and regard affairs included in the powers delegated herein.
- 2.2. Collect ordinary, registered and insured letters, postal and telegraphic orders, packages and parcels,

documents, goods, money, items of any nature from postal and telegraphic offices.

3. Relations with the Public Administration and other public bodies

- 3.1. Represent the Bank at any public or private body and in all relations and relationships with the fiscal, financial, administrative and judicial offices of all the administrative departments of the State, including by way of example, but not limited to, State companies and administrations with an autonomous or special regulatory structure, ministries, prefectures, the regions, the provinces, the municipalities, the mountain municipalities and their consortia and associations, chambers of commerce and their associations, all national, regional and local non-economic public bodies, the administrations, the companies and entities of the national health service, quasi-governmental organisations and welfare bodies, trade union associations and employers, including pension and insurance bodies (INPS, INAIL etc.), Labour Offices, Labour Inspectorates, trade union and business associations, the State Railways, Postal and Telegraphic Offices, Transportation and Navigation Companies, by sea or by air, and also carry out transactions at these offices, for any affair or matter, signing declarations and issuing all the documents required to obtain from the above-mentioned bodies any licence, authorisation or provision of services that may be necessary for the Bank in accordance with its corporate purpose and the resolutions of the Board of Directors.
- 3.2. Represent the Bank in relations with post offices and public and private shippers with the faculty to receive and send packages, parcels and registered letters.
- 3.3. Sign applications, appeals and deeds falling within the scope of the powers bestowed herein.
- 3.4. Set up and withdraw security deposits with the Ministries, the Offices of the Public Debt, the State investment bank *Cassa Depositi e Prestiti*, Local Tax Offices, Customs Offices, the municipalities, the provinces, the regions and any other office, public body and/or public authority.

4. Employment and organisation agreements

- 4.1. Manage personnel in accordance with the Bylaws, exercising the right to establish and amend duties and powers.
- 4.2. Plan development and training programmes for personnel.
- 4.3. Establish personnel policies and implement the guidelines approved by the board of directors on staff remuneration matters.
- 4.4. Maintain relationships with the trade union organisations.
- 4.5. Hire and promote, with no restrictions on amount, office employees and clerks, middle managers and managers of the Bank (including heads of division); establish the operating divisions and departments into which business activities will be divided and appoint the relative persons in charge, determine the contractually-provided disciplinary measures, establishing and amending the relative powers and compensation.
- 4.6. Suspend and dismiss office employees and clerks, middle managers and managers of the Bank; determine the contractually-provided disciplinary measures, establishing or amending the relative powers and compensation.
- 4.7. Appoint and dismiss representatives, depositaries or agents, establishing or amending the relative powers and compensation.

- 4.8. Stipulate collective labour contracts and company agreements. Stipulate, report and amend agreements with the workers' union organisations both inside and outside the company. Establish and conclude any act or agreement with national or local bodies and with respect to the EU bodies on matters regarding welfare, social insurance and in general issues concerning the administration of the Bank's personnel.
- 4.9. Issue extracts from payroll journals and attestations regarding the personnel for welfare, insurance and social insurance bodies and for other bodies or private bodies.
- 4.10. Grant loans to employees, restricted to their specific family needs, and stipulate the respective agreements.
- 4.11. Pay wages and salaries and any other indemnity relating to employment relationships, issuing, where applicable, certificates and related documents, also for fiscal purposes.

The Chief Executive Officer is not responsible for the health and safety function, pursuant to article 19, paragraph 3b) of the Bylaws. Pursuant to article 2, paragraph 1b) of Legislative Decree no. 81 of 9 April 2008, the employer has in fact been identified as another company officer, in accordance with the stated provision of the Bylaws.

5. Insurance

- 5.1. Stipulate and renew private or mandatory insurance contracts, signing the relative policies without limit to the amount.
- 5.2. Amend contracts, withdraw from them, agree the damages due from the insurer in the event of loss, issuing a receipt for the amount received.

6. Tenders, supply agreements, bids, licences and agreements in general

- 6.1. Stipulate, amend or terminate any contract, agreement or understanding forming part of the corporate purpose and required for the Bank's operations.
- 6.2. Stipulate, amend or terminate any agency or distribution agreement, with the power to determine the amount of the commissions payable as well as other terms and conditions.
- 6.3. Stipulate, amend or terminate any agreement for the provision of intellectual, consultancy and collaboration services, including by way of example, but not limited to, confidentiality agreements, the appointment and engagement of legal consultants and advisors, agreements for financial restructuring consultancy services, of an administrative and accounting nature and of a legal nature for appraisals, master and/or special servicer agreements as part of securitisations, agreements with providers of services in general forming part of the corporate purpose and functional to the management of the Bank, with no restriction on duration or amount.
- 6.4. Stipulate, amend or terminate contracts for the lease of property, motor vehicles or other registered moveable property with no restriction on duration or amount.
- 6.5. Stipulate, and terminate finance lease agreements relating to the acquisition of moveable property used in the Bank's operations, with no restriction on duration or amount.
- 6.6. Sign, in both foreign and national markets, offers relating to the Bank's commercial and banking activity, stipulating the related agreements, with no restriction on duration or amount.
- 6.7. Compete and/or take part in any tender, auction or bid called by private companies or bodies or by

regional or local public governmental companies or bodies and any other public administration, also abroad, with no restriction on duration or amount, submitting or preparing all the relative documentation; negotiate, sign, amend, terminate, annul or rescind the contracts, bids and acts connected with the tender procedure and the related award.

- 6.8. With no restriction on amount, set up and withdraw security and guarantee deposits with any authority, submit, amend or withdraw offers and, in general, perform any relative transaction or formality.
- 6.9. Submit applications, sign documentation and perform all the actions connected with and consequent to facilitated finance initiatives and projects, with no restriction on duration or amount.

7. Finance, Treasury and Capital Markets

- 7.1. Treasury management and funding / investment transactions regarding the Bank's liquidity.
- 7.2. Medium- and long-term funding operations if involving senior issues of up to 3 (three) years and for a total amount of EUR 100,000,000, and funding with the State investment bank *Cassa Depositi e Prestiti*.
- 7.3. Perform the following: (i) the purchase of debt securities, including subordinated debt securities, in connection with treasury activities and the management of owned securities; (ii) ordinary treasury management activities and liquidity funding / investment transactions within and beyond 12 (twelve) months; and (iii) the negotiation, stipulation, signing, amendment and execution of any deed, agreement and/or document relating to and/or connected with treasury activities and the management of owned securities also having notarial form, including as an example, but not limited to, confidentiality agreements, the appointment and engagement of legal consultants and advisors, GMRA / GMSLA / ISDA / CSA contracts and relative agreements / confirmations / appendages;
- 7.4. For the capital markets activity, negotiation and signing of Nomad, Global Coordinator, Arranger, advisory and consultancy and placement mandates and any other connected or related mandate or agreement, confidentiality agreements, appointment and engagement of consultants (legal, advisors, etc.).

8. Taxation

- 8.1. Represent the Bank in relations with any government and local tax office, also abroad, with the faculty to appoint and revoke special powers of attorney and delegate powers to qualified professionals, with the requirement to inform the Board of Directors about the powers granted at the first meeting that follows.
- 8.2. Use the Tax Revenue Office's Entratel service to give instructions to pay the taxes due.
- 8.3. Sign, on the Bank's behalf, the returns and certificates prescribed by articles 1, 5, 7, 7-bis and 8 of Presidential Decree no. 600 of 29 September 1973 as amended, this list provided merely by way of example and not necessarily being comprehensive.
- 8.4. Attend tax audits and inspections performed by the Tax Police and any other authority and sign the relative formal notices, with the requirement to inform the Board of Directors at the first meeting that follows; sign statements relating to direct or indirect taxes, forms and questionnaires, accept or reject assessments, reach settlements and agree resolutions, challenge assessments, submit

demands, appeals, complaints, briefs and documents before any tax office or commission, including the Central Tax Commission, with the requirement to inform the Board of Directors about the powers granted at the first meeting that follows; collect refunds and interest, issuing receipts and in general carry out all the procedures relating to any kind of tax, duty, direct, indirect and contribution.

9. Relations with the Supervisory Authority

9.1. Carry out all communications with the Italian and foreign Supervisory Authorities (Bank of Italy, Consob, Borsa Italiana S.p.A., European Central Bank, etc.), including the reports on ownership structures (A.P.E.), corporate bodies (GIAVA), changes in the Banking Group, etc..

10. Legal representation and representation at court proceedings

10.1. Act as the Bank's legal representative, also in court proceedings.

10.2. Represent the Company before any court in Italy or abroad, as well as any political, administrative, trade union and fiscal authorities, in any court case, trial, procedure or proceeding, at whatever status or level, in terms of both a substantial and formal nature, including, by way of example and not limited to, before the following authorities: Justices of the Peace, Ordinary Courts, Appeals Courts, Supreme Courts, Regional Administrative Courts, the Council of State, Provincial Tax Commissions, Regional Tax Commissions; initiate and introduce any civil, criminal, administrative or fiscal proceeding, process, and procedure before any ordinary or special judicial, administrative and fiscal authority; conduct an examination, draft reports, appeals and challenges against any proceeding of the above-mentioned offices, signing every relative document and any statement of a fiscal nature; propose, revoke and remit applications, petitions, reports and/or complaints.

10.3. Engage and revoke the engagement of lawyers, attorneys and technical consultants, granting them suitable powers, including that of sub-delegation.

10.4. Accept, submit and swear oaths, also decisory oaths; issue a statement as garnishee pursuant to article 547 of the Italian code of civil procedure.

10.5. Request precautionary and judicial property attachment and seizure orders from debtors or third parties.

10.6. Represent the company in the bankruptcy, compulsory administrative liquidation, voluntary arrangement and administrative receivership procedures of third parties, collecting sums on account and as final balance and issuing receipts; lodge petitions and appeals in these procedures.

10.7. Represent the Bank before all labour courts and tribunals, also in out-of-court disputes, disputes with the trade unions and arbitrations and at any other competent venue in labour disputes, with all the widest powers, including those to appoint and dismiss counsel, special attorneys, defenders and appraisers, deal with the execution of judgements and take any other measure required and opportune to settle such litigation fully and in the best manner possible.

10.8. Entrust any litigation to arbitrators also as amicable settlers both on the basis of arbitration clauses and on the basis of separate settlement deeds, appointing arbitrators and arranging all the related formalities and relative consequences in arbitration proceedings.

11. Settlements

11.1. Negotiate and settle disputes and issue letters of discharge, for this purpose signing settlement agreements whose subject is disputes with customers, suppliers, employees and third parties in

general, with no restriction on duration or amount, with the requirement to inform the Board of Directors of this at the first meeting that follows.

12. Power to subdelegate

- 12.1. Grant general and/or special powers of attorney to carry out specific acts or categories of act, as part of those granted herein, to both employees and third parties.
- 12.2. Appoint heads of function (chief, division heads, department heads, etc.) of the Bank (excluding positions subject to specific procedures of approval by the corporate bodies) and sub-delegate to such the additional powers that may be required for the proper fulfilment of the duties assigned to them, also by way of specifically designated special powers of attorney.
- 12.3. Sub-delegate the acts, powers and authorisations granted herein, not only through a specific indication of the name of the person involved, but also by indicating positions regarding the Bank's business functions, by way of special and/or general powers of attorney, detailing them, specifying them and/or listing them, and in particular proceed with the formal revocation, revision, finalisation and assignment of all the necessary powers of attorney and sub-delegations for exercising and performing acts and signing documents on behalf of the Bank, as well as through the relative formal obligations.
- 12.4. Elect domicile to satisfy any operating need of the Bank.

The Chief Executive Officer has no interlocking directorates.

Chair of the Board of Directors

Pursuant to article 17 of the Bylaws, the Board of Directors elects a Chair from among its members and may elect a Deputy Chair. In case of absence or impediment of the Chair, his/her functions shall be performed by the Deputy Chair (if appointed) or by the most senior non-executive Director in office.

At the date of this Report, Rosalba Casiraghi is the Chair of the Board of Directors.

Pursuant to article 25 of the Bylaws, the powers of corporate signature and representation, also during court proceedings, lie with the Chair of the Board of Directors and/or the Chief Executive Officer (where appointed), as determined by the resolution adopted by the relevant Shareholders' Meeting, and accordingly legal representation can be dissociated from the position of Chair of the Board of Directors.

More specifically, on 22 April 2021, the Shareholders' Meeting resolved to confer representation of the Company, also in court proceedings, and the use of the corporate signature, to the Chief Executive Officer, in accordance with article 25 of the Bylaws.

The Chair has a non-executive role and performs no operational functions, not even of a de facto nature.

Executive committee

Article 20 of the Bylaws provides that the Board of Directors may appoint an Executive Committee, establishing the related operating procedures, the frequency of meetings and the duration which, in any case, shall not be greater than the remaining term of office of the Board, although this Committee has not been set up.

Reporting to the board by directors/delegated bodies

In 2021 the delegated bodies reported quarterly to the Board on the work performed in exercising their duties in accordance with the requirements of the Bylaws.

Other executive directors

The Chief Executive Officer is the only Executive Director

5.7 Independent Directors and Lead Independent Director

The Non-executive Directors and Independent Directors are by number and authoritativeness such as to ensure that their opinion may have a significant weight in decisions taken by the Issuer's Board. The Non-executive Directors and Independent Directors take their specific expertise to Board discussions, contributing to decisions taken in line with the corporate interest.

In addition to the provisions of applicable laws and regulations, and as a requirement of the Corporate Governance Code, the Board has established (and announced to the market in its orientation on the optimum qualitative and quantitative composition of the Board) the criteria and the related quantification as far as the following are concerned: (i) the materiality level to be used when assessing commercial relationships as per paragraph c) of Recommendation 7 of the Corporate Governance Code, and (ii) the materiality level to be used when assessing additional remuneration as per paragraph d) of Recommendation 7 of the Corporate Governance Code.

The Board believes that Directors for whom the following materiality parameters are exceeded may not be considered independent within the meaning of the Corporate Governance Code:

- (a) for commercial relationships as per paragraph c) of Recommendation 7 of the Corporate Governance Code: (a) in case of consultancy or personal and direct commercial relationships with the Director in question, fees exceeding EUR 50 thousand per annum in the three years preceding that of the appointment as Independent Director or in the current year, or (b) in the case of commercial relationships with the professional firm and/or the consulting, financial, strategic or commercial firm (of which the Director in question is a partner or has been in such years), fees per annum in favour of said firm exceeding 5% (five per cent) of the total annual turnover or revenue of such firm (as declared by the Director himself) and in any case exceeding EUR 250 thousand per annum; and
- (b) for additional remuneration as per paragraph d) of Recommendation 7 of the Corporate Governance Code: additional remuneration for the person concerned of at least EUR 50 thousand per annum in addition to the remuneration due for the position as Director of the Bank.

The Board of Directors assesses the independence of its non-executive members on appointment, as well as on a regular basis during their term, and the results of such assessment are disclosed to the market by way of the "Report on corporate governance and ownership structure" prepared pursuant to and for the purposes of article 123-*bis* of the TUF and the Corporate Governance Code. The Board's assessment is verified by the Board of Statutory Auditors pursuant to the same Corporate Governance Code.

The list voting system set forth in the Bylaws ensures the appointment of a number of Directors holding the independence requirements prescribed by article 148, paragraph 3 of the TUF, as well as by current law and regulations applicable to banks, equal to the minimum established by law in relation to the total number of Directors.

There are 8 (eight) non-executive Directors on the Board of Directors in office at the date of this Report, of whom 7 (seven) hold the independence requirements pursuant to article 148, paragraph 3 of the TUF and

article 2 (Principle 8 and Recommendation 6) of the Corporate Governance Code, these being the Directors Rosalba Casiraghi, Patrizia Canziani, Elena Cialli , Paola Elisabetta Galbiati, Francesca Lanza, Giovanni Majnoni D'Intignano and Marcello Valenti. The Board of Directors verified that these Directors hold the independence requirements pursuant to said provisions most recently on 27 May 2021 (the verification of the requirements of the Director Francesca Lanza was carried out at the Board meeting of 22 December 2021).

The Chair, Rosalba Casiraghi, was elected from the list submitted by the Board, which ensured that she holds the fit and proper requirements for the position, including the independence requirement. For this purpose the Chair signed a self-declaration pursuant to articles 46 and 47 of Presidential Decree no. 45 of 28 December 2000. In this respect, at the Board meeting of 27 May 2021, with particular reference to the assessment of the independence requirements held by the Chair of the Board of Directors, after reviewing the statements made by such, the Board concluded that she does indeed hold these requirements, also in consideration of the fact that the Bylaws provide that legal representation may be dissociated from the position as Chair of the Board of Directors.

In accordance with the duties assigned to it by law, the Board of Statutory Auditors ensured that the evaluation criteria and procedures adopted by the Board to assess the independence of the Directors currently in office had been properly applied.

The Independent Directors held no separate meetings in 2021. In fact, given the large number of board meetings (and induction sessions) and the other opportunities for confrontation, these Directors did not consider it necessary to organise ad hoc meetings, given the constantly open and transparent dialogue in the former meetings and at the meetings of Board Committees.

Lead Independent Director

On the basis of the recommendations of the Corporate Governance Code, the Issuer has decided not to create the figure of Lead Independent Director, given that the governance structure of its management body envisages the separation of the figure of Chair from that of Chief Executive Officer, and taking account of the fact that the Chair does not control, nor will control, the Issuer.

6. THE MANAGEMENT OF CORPORATE INFORMATION

6.1 Treatment of insider information

At its meeting of 12 November 2018, the Board of Directors resolved to approve the “Procedure for the disclosure of Insider Information to the public” (the “**Insider Information Procedure**”) as per article 17 of the Market Abuse Regulation, with effect from the date on which the Company filed its application with Borsa Italiana for admission to the trading of its financial instruments on the MTA exchange. On 6 June 2019, the Board of Directors updated this procedure in light of the changes in applicable legislation and the revision to the Bank’s organisational and business structure. The same Board meeting combined the Insider Information Procedure with the Procedure for Managing the List of Persons Having Access to Insider Information (the “**Procedure for Managing the Group List**”).

6.2 Insider List

At its meeting of 12 November 2018, the Board of Directors resolved to approve the “Procedure for Managing the List of Persons Having Access to Insider Information” (the “**Procedure for Managing the Group List**”) on the drawing up and management of a list of persons having access to insider information as per article 18 of the Market Abuse Regulation, with effect from the date on which the Company filed its application for admission to the trading of its financial instruments on the MTA exchange with Borsa Italiana. As stated above, following the resolution adopted by the Board of Directors on 6 June 2019, the Procedure for Managing the Group List (the “**Insider List**”) was fully incorporated by the Insider Information Procedure.

The Insider List is held and updated by the Bank’s General Counsel who, following the outcome of the process to assess insider information described in chapter 5 of the Insider Information Procedure, enters the names of all the persons who have gained possession of the relative insider information regarding illimity.

6.3 Managers’ Transactions / Internal Dealing

At its meeting of 12 November 2018, the Board of Directors resolved to approve the “**Managers’ Transactions Procedure**” regarding the management of the disclosure requirements resulting from the insider dealing provisions included in article 19 of the Market Abuse Regulation, with effect from the date on which the Company filed the application for admission to the trading of its financial instruments on the MTA exchange with Borsa Italiana. In 2019, this procedure (the “**Internal Dealing Procedure**”) underwent two significant revisions. The first, by way of the resolution approved by the Board of Directors on 6 June 2019, took into consideration changes in the relevant legislative framework and the Bank’s revised organisational and business structure. On the other hand the latest and current version, approved by the Chief Executive Officer on 15 November 2019, updated the Internal Dealing Procedure by incorporating the new Group perimeter.

7. INTERNAL BOARD COMMITTEES

The Board of Directors currently in office has resolved the creation of the Appointments Committee, the Remuneration Committee, the Committee for Transactions with Related Parties and Associated Persons, the Sustainability Committee and the Risks Committee, in accordance with the rules and regulations for listed companies.

The Committees were most recently established at the board meeting of 22 April 2021, following the appointment of the new management body by the Shareholders' Meeting. In establishing the composition of the Committees, the Board took into consideration the acquired experience and skills of each Director, in any case avoiding a concentration of positions.

At the date of this Report, these Committees have been allocated a budget for performing the duties assigned to them. In any event, it is envisaged that these Committees will usually use the Bank's means and corporate structures for discharging these duties. Committees may use the services of consultants and advisors when they believe it appropriate, proposing a supplement to their respective budgets to the Board.

No committee has been set up that performs the role of two or more committees provided in the Corporate Governance Code nor have the functions of the Committees set up been distributed in a way that differs from that recommended by such Code.

The regulations of such committees have been approved by the Board and, in this respect, it is noted that in July 2021 all the regulations of the Board committees were revised to comply with the provisions of the Corporate Governance Code.

8. SELF-EVALUATION AND SUCCESSION OF THE DIRECTORS – APPOINTMENTS COMMITTEE

8.1 Self-evaluation and succession of the Directors

In accordance with the supervisory provisions for banks on corporate governance contained in Title IV, Chapter 1 of Circular 285, the requirements of the Board of Director's Regulations and the Code of Corporate Governance (article 4, Recommendation 19a) the Bank carries out an annual self-evaluation process on the composition and functioning of the Board, the Board committees and the Board of Statutory Auditors.

The evaluation for 2021 was carried out between December 2021 and January 2022, with the Board availing itself of the assistance of Crisci & Partners, an independent external advisor of primary standing.

As far as its methodology was concerned the board evaluation was performed through:

- the preparation of a "Self-evaluation questionnaire";
- structured interviews held with individual Directors on the main areas of interest (size, composition, functioning) with replies being collected to the questionnaires. Each question called for a quantitative and qualitative evaluation of the issue under examination. All the analyses, questionnaires and comments were then processed and filed in a completely anonymous and confidential manner.

The results arising from the self-evaluation of the composition and functioning of the Board, contained in the document "Self-evaluation of the Board of Directors", were submitted for the review of the Board on 10 February 2022.

In terms of general considerations, it emerged that during 2021 the Board continued to perform its role of directing and controlling the Bank's activities, demonstrating, as well as good functioning, also the validity of its composition and a good level of integration of its members.

The majority of the Directors' observations indicated as being among the present Board's strengths its overall good functioning and in particular:

- its composition in terms of mix of experience and expertise;
- the Directors' commitment and preparation, their agreement on strategy and the breadth of the debate;
- the adequacy of information flows, considering that the material provided by the structure to the committees and to the Board is considered to be of a very high quality in terms of comprehensiveness, detail, clarity and transparency.

The Directors' observations did not highlight any particularly significant areas for the improvement of the current Board as far as concerns its composition, functioning, contribution to the establishment of the growth strategy and active participation in the life of the Bank. The Directors expressed their belief that the Board has worked well from the start of its term, and in order that the next Board may carry out its mandate effectively, in continuity with the work performed to date, suggest an improvement in the timing of the transmission of the documents prepared for presentation at Board meetings and an increased conciseness in the business presentations during these meetings.

The number of 9 Directors (of whom 6 independent, excluding from this calculation the newly-appointed Independent Director, Francesca Lanza, as she was not involved in the self-evaluation process) is considered to be appropriate given the illimity's current perimeter of activity, size and governance system but is believed

to be at the limit, as far as the possibility of informed control, direction and available time is concerned, in the event of the Bank's further growth.

The organisation of the Board, with its 5 internal committees, is viewed very positively, given moreover that the Board set them up by giving preference to the expertise and experience of their members.

The results of the assessment indicate a positive judgement on all the areas submitted for evaluation and namely: 1) Qualitative and quantitative composition; 2) Working of the body as a whole; 3) Induction activity; 4) Chair and 5) Chief Executive Officer.

As stated earlier, in view of the renewal of the management body by the Shareholders' Meeting of 22 April 2021, the Board approved its *Orientation of the Board of Directors of illimity Bank S.p.A. on the optimum qualitative and quantitative composition of the Board* and made this available to the public in February 2021, in good time before the publication of the notice of call of the Shareholders' Meeting called to resolve on the renewal (which took place on 22 April 2021).

Lastly, it is noted that the Board of Directors has formalised a succession plan by approving, at its meeting on 22 December 2021, a "Corporate Officer Succession Planning Policy". Taking into consideration the specific fit and proper requirements set forth in applicable laws and regulations, this policy establishes the emergency plan for the renewal of top management in the event of a theoretical and unplanned need for replacement. With reference to the termination of office at the end of the natural term of Board members, the policy sets out a process for determining and submitting a list of candidates involving the Chair, the Chief Executive Officer and the Appointments Committee, pursuant to the applicable *pro tempore* Bylaws (only for Group entities for which the mechanism for appointing members by way of the list vote applies, as governed by the TUF). The policy provides that the process for determining the candidates must also take into account the requirements of the *pro tempore* document on the "*Orientation of the Board of Directors of illimity Bank S.p.A. on the optimum qualitative and quantitative composition of the Board*", which sets out guidelines on diversity regarding the qualitative and quantitative composition of the body considered optimum.

The Bylaws provide for the possibility for the Board of Directors to determine and approve a list of candidates for the position as Director with the preliminary support of the Appointments Committee, as well as that of the Chair and the Chief Executive Officer, to the extent of their competence, in accordance with applicable *pro tempore* primary, regulatory and supervisory legislation, to which the Bank's bodies make reference.

In addition, in compliance with the requirements of the "Policy for Managing Dialogue with Shareholders", as part of the process for drawing up a list of candidates discussions may also be held between the Chair of the Board of Directors, the Chair of the Appointments Committee and/or the Chief Executive Officer and the major shareholders on the renewal of the corporate bodies (both in the case of co-opting a Director and in the case of proposals for appointment by the Shareholders' Meeting), in accordance with best market practice and applicable laws and regulations.

For the purpose of drawing up the list of candidates, the Appointments Committee and/or the Board may, if considered appropriate, request the support of independent third party advisors.

The process, which is initiated on a timely basis by the Chair on the approach of the end of the natural term of the Directors' terms in office, or whenever the conditions exist, must be completed within a time period sufficient to enable suitable publicity of the list of candidates for the Board, in view of the Shareholders' Meeting called to elect its members, as also required by the applicable *pro tempore* Bylaws.

Lastly, it is noted that at its meeting of 25 February 2022, the Board additionally approved, and made available to the public at that date, a specific *Procedure for the presentation by the Board of Directors of a list of candidates for the renewal of the corporate bodies*, in accordance with the requirements of Consob Alert no. 1/22 of 21 January 2022.

8.2 Appointments Committee

Following the appointment of the management body by the Shareholders' Meeting of 22 April 2021, at the same date the Board meeting appointed the members of the Appointments Committee, which consists of 3 members, all independent, pursuant to the laws and regulations applicable to the Bank and the Corporate Governance Code.

First and last name	Position	Independent\Non-executive
Marcello Valenti	Chair	Independent and non-executive
Rosalba Casiraghi	Member	Independent and non-executive
Giovanni Majnoni D'intignano	Member	Independent and non-executive

Reference should be made to Table 2 for further details on the composition of the Appointments Committee throughout 2021.

The Appointments Committee met on 13 occasions in the year ended 31 December 2021, duly minuted (the number of meetings attended by each individual member can be found in Table 2). The average duration of meetings of the Appointments Committee was approximately 1 hour and 30 minutes with an average attendance of 98%.

The members of the Board of Statutory Auditors regularly and actively attend meetings of the Appointments Committee as well as, from time to time, other persons who are not members, on the invitation of the Committee itself and depending on the items on the agenda.

The Chair of the Board of Directors – who is already a member of the Appointments Committee – the Chief Executive Officer and the Secretary to the Board are always invited to attend Committee meetings.

The Appointments Committee provides support to the Board of Directors, in accordance with current supervisory legislation and with the applicable provisions of laws, regulations, the self-regulations of the Bylaws and corporate governance self-regulations, on the following activities, governed by the above-mentioned set of rules and regulations, as well as on corporate governance matters to the extent of its responsibility (also in conjunction with the Sustainability Committee):

- appointment and co-optation of Directors;
- self-evaluation of the corporate bodies, also providing opinions on the qualitative and quantitative composition of the Board of Directors as well as on the characteristics of the professional figures whose presence on the Board is considered appropriate and on the expertise, experience, know-how and skills in relation, amongst other things, to the areas relative to risk management, internal controls and

compliance, strategic planning and remuneration policies with which the Directors must be equipped to be able to assess the Bank's activities with respect to the main connected risks;

- verification of the conditions and requirements set forth in article 26 of the TUB and the relative implementation regulations;
- establishment of guidelines and criteria concerning the maximum number of positions that may be held as directors and statutory auditors in other companies, without prejudice to the limits set out in CRD IV;
- establishment of succession plans for the senior positions in the executive.

In the performance of its duties, the Appointments Committee has the right to access the necessary company information and functions for performing its duties, as well as to avail itself of external advisers.

9. DIRECTORS' REMUNERATION – REMUNERATION COMMITTEE

9.1 Directors' Remuneration

Reference should be made to the Remuneration Report prepared pursuant to article 123-ter of the TUF and article 84-quater of the Issuers' Regulation and made available to the public within the time period and by the means required by law.

9.2 Remuneration Committee

Following the appointment of the management body by the Shareholders' Meeting of 22 April 2021, at the same date the Board meeting appointed the members of the Remuneration Committee, which consists of 3 members, the majority of whom Independent Directors, pursuant to the laws and regulations applicable to the Bank and the Corporate Governance Code.

The Board also believed that at least one member of the Remuneration Committee has suitable knowledge and experience on financial matters or remuneration policies, as contemplated by Recommendation 26 of the Corporate Governance Code.

The following table sets out the composition of the Remuneration Committee.

First and last name	Position	Independent\Non-executive
Paola Elisabetta Galbiati	Chair	Independent and non-executive
Massimo Brambilla	Member	Not independent and non-executive
Marcello Valenti	Member	Independent and non-executive

Reference should be made to Table 2 for further details on the composition of the Remuneration Committee throughout 2021.

The Remuneration Committee met on 14 occasions in the year ended 31 December 2021, duly minuted (the number of meetings attended by each individual member can be found in Table 2). The average duration of meetings of the Remuneration Committee was approximately 1 hour and 30 minutes with an average attendance of 97%.

The members of the Board of Statutory Auditors regularly and actively attend meetings of the Remuneration Committee as well as, from time to time, other persons who are not members, on the invitation of the Committee itself and depending on the items on the agenda.

The Chair of the Board of Directors, the Chief Executive Officer and the Secretary to the Board are always invited to attend Committee meetings.

The Remuneration Committee is a propositional and advisory body with its main duty being to draw up proposals on compensation and remuneration policies and submit these to the Board of Directors.

More specifically, in accordance with Circular 285, as well as the above-mentioned regulation, the Remuneration Committee:

- a) draws up proposals for the Board of Directors on the remuneration policy of the Bank, including the remuneration of the members of the Board of Directors and the Board of Statutory Auditors (in compliance with the provisions of applicable law), and of the Group;
- b) draws up proposals for the Board of Directors on the fixed remuneration of the Chief Executive Officer and other Directors vested with specific duties in compliance with the Bylaws and provisions of law;
- c) draws up proposals for the Board of Directors on the short- and long-term variable remuneration of the Chief Executive Officer as well as the performance objectives to which such variable remuneration is linked;
- d) draws up proposals for the Board of Directors on the remuneration of Top Management, the heads of business control functions (for the Head of Internal Audit, the Remuneration Committee expresses an opinion on the proposal of the Risks Committee) and the Financial Reporting Officer;
- e) expresses an opinion to the Board of Directors on the performance objectives of the heads of business control functions (for the Head of Internal Audit, the Remuneration Committee expresses an opinion on the proposal of the Risks Committee) and the Financial Reporting Officer;
- f) draws up proposals for the Board of Directors on the Bank's incentive plans, in particular those based on financial instruments;
- g) directly oversees the proper application of the rules on the remuneration of the heads of business control functions, in close collaboration with the Board of Statutory Auditors;
- h) also availing itself of the information received from the competent business functions, monitors the application of the remuneration policy in practice and expresses its opinion as to whether the performance objectives to which the incentive plans are linked have been met, and if so to what extent, and on an assessment of the other conditions set for paying compensation;
- i) assesses on a periodic basis the suitability of the remuneration policy for the directors, statutory auditors and top management and its overall consistency;
- j) has consultative powers with reference to the systems of remunerating material risk takers;
- k) also availing itself of the information received from the competent business functions, expresses opinions on the criteria used in the process of identifying material risk takers and the results of such process, including any exclusions;
- l) deals with the preparation of the documentation to be submitted to the Board of Directors for the relative decisions with reference to matters for which it has proposing functions;
- m) collaborates with other Committees, in particular with the Sustainability Committee, on integrating ESG objectives into the incentive systems, and with the Risks Committee on verifying that the incentives underlying the remuneration and incentive systems are consistent with the Risk Appetite Framework (RAF);
- n) ensures the involvement of the competent business functions in the processing and controlling of remuneration and incentive policies and practices;
- o) provides suitable feedback on its work to the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

It is also noted that pursuant to article 123-ter of the TUF and article 84-quater of the Issuers' Regulation, the Company prepares a Remuneration Report on an annual basis. In this respect, it is recalled that the Board, with the support of the Remuneration Committee, has performed a series of considerations and detailed analyses on the incentive strategy, and at its meeting of 21 June 2021 resolved to submit a proposal to the Shareholders' Meeting for the adoption of a new Long-Term Incentive Plan (the "**LTI Plan**") for the period 2021-2025, linked to the objectives set out in the new Strategic Plan and designed to strengthen the alignment of the interests of Top Management with those of the stakeholders of the Bank and the Group, incentivising them to achieve the Bank's long-term objectives and additionally fostering retention. The LTI Plan was, therefore, approved by the Shareholders' Meeting on 15 December 2021. Further details of this can be found in the above-mentioned Remuneration Report.

10. RELATED PARTY TRANSACTIONS COMMITTEE

On 22 April 2021 illimity's Board of Directors appointed the members of the Related Party Transactions Committee, which consists of 3 Independent Directors, pursuant to the laws and regulations applicable to the Bank.

The following table sets out the composition of the Related Party Transactions Committee.

First and last name	Position	Independent\Non-executive
Giovanni Majnoni d'Intignano	Chair	Independent and non-executive
Paola Elisabetta Galbiati	Member	Independent and non-executive
Marcello Valenti	Member	Independent and non-executive

Reference should be made to Table 2 for further details on the composition of the Related Party Transactions Committee throughout 2021.

The Related Party Transactions Committee met on 9 occasions in the year ended 31 December 2021, duly minuted (the number of meetings attended by each individual member can be found in Table 2). The average duration of meetings of the Related Party Transactions Committee was 1 hour and 37 minutes with an average attendance of 100%.

The members of the Board of Statutory Auditors regularly and actively attend meetings of the Related Party Transactions Committee as well as, from time to time, other persons who are not members, on the invitation of the Committee itself and depending on the items on the agenda.

The Chair of the Board of Directors, the Chief Executive Officer and the Secretary to the Board are always invited to attend Committee meetings.

The Related Party Transactions Committee performs the activities and duties assigned to it by the "Regulation for the management of transactions with parties within the Bank's Combined Perimeter and operations of personal interest" (the "**OPC Procedure**"), revised in May 2021 (and renamed the *Policy on Transactions with parties within the illimity Bank Group's Combined Perimeter*) to formally incorporate the new provisions introduced into the regulations of the Bank of Italy and Consob. The OPC Procedure was most recently revised in March 2022.

More specifically, the Related Party Transactions Committee:

- assesses the transactions of greater and lesser importance – as defined by the OPC policy applicable from time to time - carried out by the Bank and not forming part of the exempted cases established by the OPC Policy, issuing a reasoned opinion in writing (that is then attached to the minutes of the Committee meeting) on the Bank's interest in performing the transaction as well as on the economic convenience of the transaction and the substantial correctness of the conditions applied;
- issues one of the following opinions on completion of its verification as to whether the transaction is in the company's interest and is economically convenient and as to whether its conditions are substantially correct (binding only in case of material transactions):
 - a) "**favourable**", if the above requirements hold and accordingly the transaction is agreed;

- b) “**subject to findings**”, if it is agreed to proceed with the transaction as a whole but the above-mentioned requirements are dependent on certain conditions described in detail in the opinion; or
- c) “**negative**”, if it is not agreed to proceed with the transaction as the mentioned requirements are not satisfied,

without prejudice to the fact that in the situations described at point c), in case of a material transaction as defined in the OPC Policy, the transaction, if approved by the Bank’s Board of Directors, may only proceed with the prior authorisation of the Bank’s Shareholders’ Meeting, which, pursuant to the Bylaws, adopts resolutions with the majorities envisaged by the law and the OPC Policy;

- on a quarterly basis monitors the transactions carried out, including those of an ordinary, non-material nature that are concluded at arm’s length or standard conditions, which are subject to periodic reporting;
- on at least a six-monthly basis monitors the transactions carried out on the basis of framework resolutions to ensure that these have been undertaken on the basis of rules complying with applicable supervisory provisions;
- on at least a quarterly basis receives, as part of periodic reporting, a list of the exempted transactions, with an indications of the assumptions on the basis of which one of the exemptions permitted by the OPC Policy is considered applicable;
- assesses, supports and proposes – also in coordination with the Risks Committee – on matters regarding the organisation and performance of internal controls on the overall activity of assuming and managing risks vis-à-vis third parties and associated persons, ensuring the consistency of the activity carried out with strategic and operational guidelines;
- on matters concerning the remuneration of directors and directors vested with specific duties as well as Executives with Strategic Responsibilities, becomes involved within the meaning of the OPC policy in relative resolutions – other than resolutions of the Shareholders’ Meeting regarding the compensation due to members of the Board of Directors and resolutions on the remuneration of Directors vested with specific duties forming part of the overall total determined in advance by the Shareholders’ Meeting pursuant to article 2389, paragraph 3 of the Italian Civil Code – in case of non-compliance with the requirements of article 13, paragraph 3b) of the Consob Regulation (and namely that (i) the Bank has adopted a remuneration policy approved by the Shareholders’ Meeting; (ii) in drawing up the remuneration policy a committee consisting solely of non-executive directors of whom the majority independent has been involved; (iii) the remuneration awarded is identified in accordance with such policy and quantified on the basis of criteria that do not involve discretionary assessments).

Without prejudice to the Board of Directors’ responsibility for adopting resolutions, in case of transactions with relevant persons pursuant to article 136 of the TUB, the Related Party Transactions Committee issues a non-binding opinion on such transactions, additionally reporting any shortcomings or inadequacies found in the information transmitted by the competent functions.

11. SUSTAINABILITY COMMITTEE

On 22 April 2021 illimity's Board of Directors appointed the members of the Sustainability Committee, which consists of 3 members, the majority of whom Independent Directors, pursuant to the laws and regulations applicable to the Bank and the Corporate Governance Code.

The following table sets out the composition of the Sustainability Committee.

First and last name	Position	Independent\Non-executive
Rosalba Casiraghi	Chair	Independent and non-executive
Elena Cialliè	Member	Independent and non-executive
Patrizia Canziani	Member	Independent and non-executive

Reference should be made to Table 2 for further details on the composition of the Sustainability Committee throughout 2021.

The Sustainability Committee met on 12 occasions in the year ended 31 December 2021, duly minuted (the number of meetings attended by each individual member can be found in Table 2). The average duration of meetings of the Sustainability Committee was approximately 1 hour and 50 minutes with an average attendance of 98%.

The members of the Board of Statutory Auditors regularly and actively attend meetings of the Sustainability Committee as well as, from time to time, other persons who are not members, on the invitation of the Committee itself and depending on the items on the agenda.

The Chair of the Board of Directors – who is already a member of the Sustainability Committee – the Chief Executive Officer and the Secretary to the Board are always invited to attend Committee meetings.

The Board of Directors has assigned the main duty to the Committee of assisting the Board with investigatory functions of a propositional and advisory nature in assessing decisions relating to sustainability (ESG - Environmental, Social and Governance) matters and, for the purpose of seeking sustainable success, the business plan of the Bank and the Group, as well as on corporate governance matters to the extent of its responsibility. As a result of this, and in further detail, it has assigned the following duties to the Sustainability Committee:

- a) to draw up proposals for the annual objectives and goals that need to be reached in order to build sustainability into the activity of the Bank and the Banking Group, and monitor their implementation over time, for the purpose of seeking sustainable success, providing support to the Board of Directors in preparing and/or revising the business plan;
- b) to foster a sustainability culture in the Bank and the companies of the Banking Group;
- c) to draw up, as support to the Board of Directors, in conjunction with the Appointments Committee, any proposals on corporate governance matters, to the extent of its competence – including diversity, equity and inclusion policies also for the purpose of guidelines on the collegiate composition of the corporate bodies – seeking to determine the corporate governance system most functional to performing Group activities and pursuing its strategies;

- d) to examine and assess sustainability initiatives, also in relation to single projects;
- e) to examine the general layout of the main documents that represent and communicate the Bank's commitment on sustainability issues;
- f) to express an opinion, coordinating with the Remuneration Committee and the Risks Committee, on the sustainability objectives assigned in the incentive plans;
- g) to examine internal rules and regulations that have importance with respect to the stakeholders and draw up suggestions and observations in this regard for the Board of Directors;
- h) to follow the evolution of sustainability issues, also in light of international guidelines and principles on the matter, as well as legislative and regulatory changes, reporting to the Board of Directors at least on an annual basis;
- i) to examine the general layout of the main documents that represent and communicate the Bank's commitment on sustainability issues and, if prepared, the Non-Financial Statement (NFS) drawn up pursuant to Legislative Decree no. 254/2016, to be submitted for the approval of the Board of Directors.

12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – RISKS COMMITTEE

12.1 Chief Executive Officer

As stated in paragraph 5.6 above, the Chief Executive Officer, Corrado Passera, is in charge of setting up and maintaining the internal and risk management system (Recommendation 32b) of the Corporate Governance Code).

In addition, the Bank's Board of Directors has confirmed the appointment of the Chief Executive Officer as the director entrusted with the internal control and risk management system. The following duties are assigned in this respect. The Chief Executive Officer:

- identifies the main business risks, taking into account the characteristics of the activities performed by the Issuer and its subsidiaries, and submits them on a periodic basis for the review of the Board of Directors;
- implements the guidelines established by the Board of Directors, dealing with the design, creation and management of the internal control and risk management system and constantly ensuring its adequacy and efficacy;
- deals with the adaptation of such system to the dynamics of operating conditions and the legislative and regulatory framework;
- can request the Internal Audit function to perform audit procedures on specific operating areas and compliance with internal rules and procedures in the performance of business operations, at the same time notifying the Chair of the Board of Directors, the Chair of the Risks Committee and the Chair of the Board of Statutory Auditors of this;
- reports on a timely basis to the Risks Committee and the Board of Directors on any issues and critical matters that may have emerged in performing his or her duties, or of which he or she may in any case have had news, so that the Committee and the Board may take the appropriate initiatives;
- establishes the organisational structure of the ICT function in line with the strategic guideline, guaranteeing its quantitative and qualitative sizing; establishes the organisational, methodological and procedural framework for the process of analysing ICT risk and approves the design of the management processes of the information system; in addition, he or she assesses at least on an annual basis (A) the performance of the ICT function compared to the strategies and objectives set, taking the appropriate measures and initiatives to improve it, and (B) the risk of critical items (including residual resource risk, control implementation, evolution of recorded threats and incidents) as well as the report on the adequacy and costs of the ICT services, informing the delegated bodies as to the adequacy and costs of services at least on an annual basis;
- approves the data governance standards, the procedures for the management of changes and incidents; and additionally approves the operating plan for ICT initiatives.

12.2 Risks Committee

Following the appointment of the management body by the Shareholders' Meeting of 22 April 2021, the meeting of the Board Directors held at the same date appointed the members of the Risks Committee and approved the relative regulations. The latest version of the regulation was approved in July 2021.

The Risks Committee consists of 3 Independent Directors pursuant to the laws and regulations applicable to the Bank and the Corporate Governance Code.

In accordance with Recommendation 35 of the Corporate Governance Code, the Board also ensured that at least one member of the Risks Committee has suitable accounting and financial or risk management experience

The following table sets out the composition of the Risks Committee.

First and last name	Position	Independent\Non- executive
Elena Ciallié	Chair	Independent and non-executive
Rosalba Casiraghi	Member	Independent and non-executive
Patrizia Canziani	Member	Independent and non-executive

Reference should be made to Table 2 for further details on the composition of the Risks Committee throughout 2021.

The Risks Committee met on 20 occasions in the year ended 31 December 2021, duly minuted (the number of meetings attended by each individual member can be found in Table 2). The average duration of meetings of the Risks Committee was approximately 4 hour and 30 minutes with an average attendance of 99%.

The members of the Board of Statutory Auditors regularly and actively attend meetings of the Risks Committee as well as, from time to time, other persons who are not members, on the invitation of the Committee itself and depending on the items on the agenda.

The Chair of the Board of Directors – who is already a member of the Risks Committee – the Chief Executive Officer and the Secretary to the Board are always invited to attend Committee meetings.

1. The Committee performs support functions for the Board of Directors on matters regarding risks and the internal control system so that the Board may arrive at a precise and effective determination of the RAF (“Risk Appetite Framework”) and risk management policies. In order to perform its duties the Risks Committee may also avail itself of the information shared with it by the Board of Statutory Auditors in its function as Audit Committee, the firm performing the legal audit and the other Board committees, in order to maximise the efficiency of the internal control and management system and reduce any duplication.
2. In particular, in accordance with the provisions of Circular 285, the Board:
 - identifies and proposes, also availing itself of the contribution of the Appointments Committee, the heads of the business control functions to be appointed and expresses its opinion on the possible revocation of such;
 - examines in advance the work programmes (including audit plans) and the periodic reports of the business control functions addressed to the Board of Directors;

- draws up valuations and issues opinions for the Board of Directors as to the extent of compliance of the principles to which the internal control and business organisation system must be aligned and the requirements that must be met by the business control functions, bringing to the attention of the body any weaknesses and the resulting corrective actions to be recommended; to this end it assesses the proposals of the Chief Executive Officer;
 - contributes, by means of valuations and opinions, to the determination of the Company's policy on outsourcing the business control functions;
 - performs a preliminary examination of the measures with a significant impact added to internal regulations that lead to an increase in the nature or level of the risks to which the illimity Bank S.p.A. Group is exposed;
 - ensures that the business control functions properly comply with the recommendations and guidelines of the Board of Directors and assists the latter in drawing up the coordination document required by Title IV, Chapter 3 of Circular 285;
 - assesses the correct use of the accounting principles for the preparation of the annual separate and consolidated (if prepared) financial statements and to this end coordinates with the Financial Reporting Officer and the Board of Statutory Auditors.
3. With particular reference to risk management and control duties, the Committee also performs the following functions:
- A. provides support functions to the Board of Directors:
 - in determining and approving the strategic guidelines and risk management policies. As part of the RAF, the Committee performs activities of an evaluation and propositional nature required by the Board of Directors for establishing and approving risk appetite and risk tolerance;
 - in ensuring the proper implementation of strategies, risk management policies and the RAF;
 - in establishing policies and processes for evaluating business operations, including checks that the price and conditions of transactions performed with customers are consistent with the business model and risk strategies;
 - B. ensures, without prejudice to the matters for which the Remuneration Committee is responsible, that the incentives underlying the remuneration and incentive system are consistent with the RAF, considering in particular risks, capital and liquidity;
4. In performance of the requirements of the Corporate Governance Code, the Committee supports the Board of Directors when it:
- a) establishes guidelines for the internal control and risk management system, in accordance with the Bank's strategies, and assesses, at least on an annual basis, the adequacy of this system with respect to the Bank's characteristics and assumed risk profile, as well as its effectiveness;
 - b) appoints and dismisses the head of the internal audit function, establishing his or her remuneration in accordance with business policies and ensuring that he or she has adequate resources for performing his or her duties (the Risks Committee also has propositional duties concerning the performance objectives linked to the variable component of remuneration);

- c) approves, at least on an annual basis, the work programme drawn up by the head of the internal audit function after consulting with the control body and the Chief Executive Officer;
 - d) assesses the opportunity of introducing measures to ensure the efficacy and impartiality of judgement of the other business functions involved in the controls (such as the risk management function and the function presiding over legal and non-compliance risk), ensuring that they have adequate professional competence and resources;
 - e) assigns supervisory functions, pursuant to article 6, paragraph 1b) of Legislative Decree no. 231/2001, to the Board of Statutory Auditors or the body set up for the purpose;
 - f) assesses, after consulting with the Board of Statutory Auditors, the comments expressed by the legal auditor in any management letter and in the additional report addressed to the Board of Statutory Auditors;
 - g) describes, in the corporate governance report, the main characteristics of the internal control and risk management system and the way in which all the parties involved are coordinated, indicating the models and details of the best national and international practices used as a reference, and expresses its overall evaluation of the adequacy of the system and gives account for the decisions taken on the composition of the supervisory body as per paragraph e) above.
5. In assisting the Board of Directors, the Committee also performs all the duties and functions assigned to the Committee pursuant to the Corporate Governance Code. *Inter alia*, on the basis of the matters communicated by the business functions, it:
- a) assesses, on the basis of a timing consistent with the main corporate events for approving the results, the suitability of the periodic information, financial and non-financial, for properly representing the business model, the Company's strategies, the impact on its activity and the performance achieved, coordinating as applicable with any committee envisaged by Recommendation 1a) of the Corporate Governance Code;
 - b) reviews the content of the periodic information of a non-financial nature relevant for the purposes of the internal control and risk management system;
 - c) expresses opinions on specific aspects concerning the identification of the main business risks and supports the assessments and decisions of the management body relating to risk management deriving from prejudicial acts that the latter has become aware of;
 - d) reviews the periodic reports and those of particular relevance prepared by the internal audit function;
 - e) monitors the autonomy, adequacy, efficacy and efficiency of the internal audit function;
 - f) may entrust the internal audit function with the performance of audit procedures on specific operating areas, at the same time notifying the Chair of the Board of Statutory Auditors of this.

12.2 Internal control and risk management system

The Bank has an organisational model in which the internal control system is structured on various levels, in accordance with applicable laws and regulations, and to which the Bank's corporate bodies and personnel contribute. As far as concerns the involvement of the corporate bodies, the Board of Statutory Auditors is mainly required to ensure that the coordination of the control functions is adequate, effective and

efficacious, to check the efficacy and effectiveness of the structures and functions involved and to express opinions on the definition of the essential items in the control system and on the appointment of the heads of functions, as well as to oversee the process of internal capital adequacy. The Board of Directors, also taking into account the considerations of the Board of Statutory Auditors, is required to approve in advance the work programmes of the risk management function, the compliance function, the anti-money laundering function and internal audit on an annual basis. These functions also submit a report on an actual basis to the corporate bodies describing the work they have performed, the weaknesses identified and the measures recommended to overcome these. In addition, they prepare reports on the matters set forth in the annual work programme, examined previously by the Risks Committee, together with plans and reports on an actual basis. The results of the examination are communicated to the Board of Directors.

The main objective is to strengthen the internal control system in order to achieve the maximum possible control of the risks arising from the Bank's operations in its new lines of business and in particular those arising from the Distressed Credit Division, the Growth Credit Division and the Direct Banking Division.

The objectives of the internal control system have been designed to ensure full compliance with applicable regulatory provisions, with particular reference to Circular no. 285 of the Bank of Italy and the latest orientations and guidelines at a European level (e.g. the EBA's Guidelines on Internal Governance).

The risk management process acts as a corollary to the above matters, acting as a reference model in organisational and process development and in the systematic performance of all operating and business activities set up by the Bank which lead to the assumption and constant management of risk, consistent with the mission assigned and the objectives pursued. A necessary reference is also to be found in the set-up and performance of all those activities of a non-systematic or contingent nature. At a general level, the Bank implements its business model through an organisational model that ensures the coordinated deployment of human resources, technologies and methodologies on the basis of a network of internal rules and regulations that establishes the structures of operational controls, the policies (rules, powers and limits) and the processes in which activities takes shape, including control activities.

To contribute to the efficient and effective functioning of a risk management process capable of covering all the risks that have been taken on or may be taken on as a whole, the Bank has implemented, also in accordance with supervisory laws and regulations, a risk objectives system (the "Risk Appetite Framework"), a self-evaluation process for determining the adequacy of capital (an "Internal Capital Adequacy and Assessment Process" or "ICAAP") and a self-evaluation process for determining the adequacy of the liquidity profile (an "Internal Liquidity Adequacy and Assessment Process" or "ILAAP").

The Bank ensures the completeness, adequacy, functionality and reliability of the internal control system. In this connection, it formalises the reference framework for determining propensity to risk, risk governance policies and the risk management process and ensures these are being applied, and performs a regular review of these to ensure their efficacy over time. As far as the adequacy and efficiency of the internal control and risk management system are concerned, given the improvements carried out in 2021, the Board of Directors confirmed that there is an effective control of risk, after also assessing the strengthening measures planned to be carried out in 2022.

On the basis of the matters already envisaged in the Bank's internal rules and regulations, compliance with the requirements of the control system takes into account the suitable involvement of the corporate bodies, each for the areas for which it is responsible, in order to achieve the maximum segregation of duties and responsibilities, the completeness, adequacy, functionality and reliability of the internal control system and an adequate information flow structure.

The internal control system as a whole, to which the corporate bodies and functions contribute, is made up of three levels as follows:

- **line controls (“first level controls”)**, whose aim is to ensure that operations are properly performed. They are carried out by the operating structures themselves (e.g. hierarchical and systematic controls and controls by sampling), also by way of units dedicated exclusively to control tasks, which report to the heads of operating structures, or are performed exclusively in the back office environment; to the extent possible, these are built into ICT procedures. The operating structures have the prime responsibility for the risk management process: in day-to-day operations these structures must identify, measure or evaluate, monitor, implement and report the risks deriving from ordinary business activities in accordance with the risk management process; they must comply with the operating limits assigned to them, consistent with the risk objectives and with the procedures into which the risk management process is detailed;
- **risk and compliance controls (“second level controls”)**, which have the objective of ensuring, among other things, that:
 - a) the risk management process is being properly implemented
 - b) the operating limits assigned to the various functions are complied with;
 - c) business operations comply with laws and regulations, including self-regulation rules.

The functions in charge of these controls are segregated from the production functions; they contribute to the determination of risk management policies and the risk management process;
- **internal audit (“third level controls”)**, which aim to identify breaches of the procedures and rules and regulations as well as to regularly assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the ICT system (ICT audit), with a frequency set on the basis of the nature and intensity of the risks. The regulations of the individual business control functions establish in detail:
 - a) the duties and responsibilities of the above-mentioned functions;
 - b) the information flows between these and the corporate bodies

The heads of risk management, compliance and the anti-money laundering function are required to inform the head of internal audit if any critical points emerge from their control procedures which may be of interest to auditing activities.

Internal audit must inform the heads of risk management, compliance and the anti-money laundering function as to any inefficiencies, weaknesses or irregularities emerging from the procedures for which they are responsible which regard specific business areas or matters of the competence of the latter. The Board of Statutory Auditors ensures that there is adequate, effective and efficacious coordination between the control functions.

First level controls

These are performed by the same operating structures that carry out the various activities and provide the Bank’s services. To the extent possible, the controls are built into the ICT structure, as the existence of automatic controls ensures a considerable reduction in risk, at least as far as operations are concerned. The internal rules and regulations, then, provide for a series of controls which each office must perform. The

effective performance of these controls is then verified by the functions to which the higher level controls are assigned.

Second and third level controls

The Bank has always organised the control section by identifying two distinct areas: a first area having second level control functions (assigned to the heads of the Chief Risk Officer Department and the Compliance & AML unit and to the Financial Reporting Officer) and a second dedicated to third level controls, identified in the internal audit function (assigned to Fabio Marchesi, appointed Head of Internal Audit by a resolution of the Board approved on 12 November 2021).

For the above controls the Board of Directors has appointed persons in charge having the cultural, professional and independence characteristics needed to ensure that the functions of their competence are performed properly and adequately.

With the support of suitable resources, they constantly oversee the matters of their competence by organising and regularly following all the necessary activities set forth in the annual plans approved by the Board of Directors.

In addition, they draw up an annual work programme that is approved in advance by the Board of Directors and the Board of Statutory Auditors and a report on an actual basis describing the work performed, the weaknesses identified and the steps needed to overcome these. Further, they prepare detailed reports on the matters envisaged in the annual work programme, reports that are subject to a thorough examination by the Risks Committee. The results of this examination are reported promptly to the Board of Directors in order to ensure that it is constantly informed of every risk faced and any critical matters emerging, also for the purpose of assessing the opportunity of whether specific, more detailed, work should be carried out on the individual document. The activities for which the control functions are responsible are organised internally so as to:

- ensure the necessary segregation between the operating and control functions;
- avoid conflicts of interest in the assignment of duties;
- perform control procedures at every operating level;
- enable the identification of duties and responsibilities;
- ensure that information systems and procedures are correct and reliable;
- enable every event and transaction to be recorded with the right degree of detail;
- ensure that every anomaly is properly and swiftly reported, managed and corrected.

To this end,

- considerable importance is given to the production of detailed internal manuals in order to facilitate, regulate and foster the proper activity of the operators;
- the reliability of the operating system is kept under constant control;
- a business culture is developed based on the assistance of customers in fully complying with the rules;
- the provision of information to customers is ensured by membership of the Banking and Financial Ombudsman scheme (“Arbitro Bancario Finanziario – A.B.F.”), as per the specific Regulation, making

staff aware of internal Bank claimant procedures in order to ensure that customers are provided with proper guidance in the use of such services.

In compliance with Circular 285, the second and third level control functions are qualified to discuss matters directly with the Chairs of the Board of Directors and the Board of Statutory Auditors. Above all, in order to make the whole control structure more efficient, each report is examined in advance by the Risks Committee as stated.

The functioning of the structures involved in the various control processes is closely governed by internal rules and regulations that regard the system as a whole, detailed below.

In addition, it is noted that the Group has equipped itself with a detailed Risk Management Process which acts as a model of reference in the organisational development and in the systematic performance of all the operating and business activities implemented. Consistent with the assigned mission, the strategies and the pursued objectives, these latter lead to the assumption and respective ongoing management of the risks, so as to contribute to a sustainable process of value creation, at the same time ensuring regulatory compliance and among other things providing for a coordinated use of human resources, technologies and methodologies.

A fundamental role in the management and control of risks, including ESG risks and, in particular, climatic and environmental risks, lies with the Board of Directors, the body that establishes the strategic guidelines and risk objectives and limits, approves and reviews the risk management policies and assesses the degree of efficiency and adequacy of the internal control system. For preliminary and advisory work relating to internal control, and the monitoring of the management of business risks, the Board of Directors avails itself of the Risks Committee and the Steering Committee. In conjunction with the Chief Executive Officer, it additionally deals with the implementation of the strategic guidelines, the Risk Appetite Framework (RAF) and the risk management policies.

Lastly, it is noted that a new CLO department was set up on 1 January 2021, having the aim of managing and coordinating credit underwriting activities (credit analysis, approval and preparation of the relative documentation for the cases to be submitted to the competent decision-taking bodies) referring to the portfolios and operations of the Bank's business divisions, with particular regard to the Distressed Credit and Growth Credit Divisions.

12.3 Chief Risk Officer Department (CRO Department)

The risk control function accordingly has the aim of collaborating in the establishment and implementation of the Risk Appetite Framework (hereinafter also the RAF) and the relative risk government policies, by way of an adequate risk management process. The CRO Department, therefore, is the owner of the process by which risk is measured or estimated and, subsequently, the strategies for managing/mitigating such risk are developed. More specifically:

- it supports the Chief Executive Officer and Top Management in the overall management approach, in order to ensure an integrated approach to the process of identifying, assuming and managing the Bank's risks, consistent with the business model and corporate strategy, with the business plan and the budget and with the determined risk policies, all in accordance with applicable internal and external rules and regulations;
- as part of the Risk Appetite Framework, it establishes the underlying process and proposes quantitative

and qualitative parameters for its determination, both in the normal course of business and in stress situations, ensuring its adequacy over time in relation to changes in the internal and external situation;

- it proposes the measurable and non-measurable risk management policies that do not form part of the responsibilities of other control functions (restricted to the sections relating to risk management and exposure and operating limits) and collaborates in the implementation of such, ensuring consistency with the Risk Appetite Framework for the various phases of the risk management process;
- it develops and ensures the updating of the methodologies, the processes and the tools required for the management of the risks of its competence (through the processes of identification, measurement/valuation, monitoring, control and reporting), ensuring their adequacy over time also by developing and applying indicators having the aim of identifying anomalies and inefficiencies. More specifically:
 - it establishes common metrics for measuring operating risks (including ICT risks) consistent with the RAF, coordinating with the compliance function and the ICT function;
 - it establishes the means of measuring and controlling reputational risks, coordinating with the compliance function and the business functions that are most exposed;
 - it assists the corporate bodies in measuring strategic risk, monitoring the significant variables;
- it develops and maintains internal risk measurement and control systems, ensuring compliance with laws and regulations and consistency with the business's operating needs and with the evolution of the reference market;
- it adopts development and validation methodologies for the models in line with legislative and regulatory principles based on two levels of control;
- it monitors the effective risk profile assumed in relation to the risk objectives defined as part of the Risk Appetite Framework, establishing the operating limits on assuming the various types of risk, ensuring their continuous adequacy and compliance and reporting to the corporate bodies if these have been exceeded;
- it supports the Chief Executive Officer in implementing the ICAAP/ILAAP, preparing the report to be sent to the Supervisory Authority, coordinating the various phases of the process and carrying out those of its responsibility;
- it ensures the adequacy and efficacy of the measures adopted in order to remedy any deficiencies encountered in the risk management process;
- it provides preventative opinions on the consistency of Material Transactions with the Risk Appetite Framework, acquiring as necessary the opinion of other functions involved in the risk management process, depending on the nature of the transaction;
- it analyses the risks deriving from new products and services and those arising as a result of entry into new operating segments of the market;
- it is involved in establishing and updating the criteria for classifying outsourcing, dealing with the risk evaluation activities of its responsibility;
- it is involved in establishing and managing staff remuneration and incentive policies;

- it performs second level controls on the credit department, ensuring that controls for monitoring credit exposures (in particular those arising from non-performing loans) are effective, that the classification is correct, that provisioning is reasonable and that taken as a whole the credit recovery process is adequate;
- it coordinates preliminary activities in the preparation and revision of the Resolution Plan drawn up by the Resolution Authority, directly performing the phases of its responsibility;
- it contributes to the updating of internal business rules and regulations for its sphere of competence;
- it oversees the public disclosure process (financial statements, notes to the financial statements, Pillar 3, etc.) for its sphere of competence;
- it supports the establishment and implementation of training courses for the specialist spheres of its competence;
- it conducts the activities for which it is responsible in connection with the implementation of the 231 organisational model;
- it contributes to the upkeep of the Operational Continuity Plan to the extent of its competence.

The position as CRO is held by Claudio Nordio, who was appointed by a Board resolution on 20 September 2018.

12.4 Compliance & AML Unit

The Compliance & AML Unit has responsibility for:

- discharging anti-money laundering legislative requirements for the Bank in accordance with the Regulator's requirements on the implementation provisions on organisation, procedures and internal controls in the anti-money laundering sphere, with the duty of fostering and operationally implementing overall guidance on the matter;
- discharging personal data processing legislative requirements for the Bank by appointing a Data Protection Officer, in accordance with the Regulator's requirements on provisions regarding organisation, procedures and assessment of the effect of data protection;
- analysing and interpreting any newly-issued regulatory/external legislation of its competence and if necessary issuing information memoranda/interpretations as well as opinions to confirm that the Bank's activity is moving in the right direction;
- establishing and carrying out the control plan for the legislative and regulatory areas for which it is responsible, analysing the results of the controls, determining the corrective action and monitoring the relative implementation plan, in close collaboration with the structures concerned;
- supporting and providing advice to all the Bank's structures on the performance of their respective activities in accordance with laws, regulations, internal rules and codes of ethics/conduct to which the Bank adheres;
- assessing *ex ante* compliance with the applicable regulations applicable to all the innovative projects (including effectiveness of new products and services) that the Bank intends to undertake as well as assisting in the prevention and management of conflicts of interest between the various activities the Bank performs, with reference to employees and company officers;

- supporting the Bank's structures in verifying the effectiveness of the organisational changes (structures, processes, procedures, including operating and commercial procedures) recommended for preventing compliance risk;
- ensuring, by way of analysis and opinions, that there is compliance with internal and external laws and regulations, that matters of the Unit's competence are updated and that employees receive training on these matters, also in coordination with HR and the Communication & Stakeholder Engagement function;
- analysing and setting up the administration of complaints in close collaboration with the business and General Counsel structures, if necessary;
- overseeing, with the support of General Counsel, issues relating to market abuse, the management of confidential and price sensitive information and information regarding the Bank's related parties and associated persons;
- supporting, where requested, the management of relations with the Authorities (Supervisory Authority, Industry Associations, the legislator, etc.) together with other competent functions, fostering constant dialogue with such Authorities for the areas of competence.

The position as Head of the Compliance & AML Unit is held by Francesco Martiniello, who was appointed by a Board resolution on 18 January 2019.

12.5 Head of Internal Audit

The aim of internal audit in the Bank is to control, by way of procedures both in loco and remotely, the propriety of operations and trends in risks and to assess the adequacy of the organisational structure and in particular of the functionality of the overall internal control system, with the purpose of bringing to the attention of the corporate bodies and top management any improvements to be made to risk management policies, the measuring instruments and the procedures.

In this respect, amongst other things the Internal Audit function, which reports hierarchically to the Board of Directors:

- ensures compliance – in the various operating sectors – with the limits prescribed by the delegation mechanisms and ensures that there has been a complete and proper use of the information available in the various activities;
- checks the reliability of the information systems, including the automatic data processing systems, and the systems capturing information for accounting purposes, verifying the levels of logical security, integrity and confidentiality of the automatic data processing procedures as well as their technical and functional requisites;
- ensures that when providing investment services the procedures adopted ensure compliance, in particular, with applicable provisions on administrative and accounting segregation, the separation of the client's assets and the rules of conduct;
- performs regular tests on the functioning of the operating and internal control procedures;
- carries out assessment procedures, also with regard to specific irregularities, when requested by the Board of Directors, top management or the Board of Statutory Auditors;

- ensures that any anomalies found in the operating and the functioning of controls have been eliminated;
- provides fact-finding contributions on the levels of reliability, functionality and consistency of the organisational components by way of analyses and factual findings designed to appraise the suitability of the internal control system and the systematic monitoring of the various types of risk;
- checks the business operations continuity plan, reviewing the verification programme, attending the testing and checking the results.

In 2021 the Board of Directors approved the work programme prepared by the Head of Internal Audit after consulting with the Board of Statutory Auditors and the Chief Executive Officer.

Also in 2021, in accordance with Regulation 33b) of the Corporate Governance Code and consistent with corporate policies, on the proposal made by the Risks Committee the Board of Directors reviewed the salary of the Head of Internal Audit, Fabio Marchesi, and ensured that he has adequate resources to perform his duties.

12.6 Model per Legislative Decree no. 231/2001

In July 2018 the Issuer's Board of Directors adopted an organisation model per Legislative Decree no. 231/2001 (the "**231 Model**"), updating this over time, in order to ensure propriety and transparency in performing business activities and protect the position and image of the Bank, the expectations of its shareholders and the work of its employees. The 231 Model has been constructed using the specific requirements of Legislative Decree no. 231/2001 and may be analysed as follows.

The general part deals with the legislative context which led the legislator to incorporate the administrative responsibility of enterprises by way of Legislative Decree no. 231/2001 and lists the various families of offence.

Furthermore, clarification is given about the composition of the Supervisory Body, its functions and powers and the information flows it receives from the various Organisational Units.

The special part describes the operational ambits, the sensitive activities and the relative management and control protocols.

It should be noted that the Bank's Board of Statutory Auditors also performs the functions of the Supervisory Body as per Legislative Decree no. 231/2001 (ODV) concerning the functioning of and compliance with the 231 Model, in line with the Bank of Italy's recommendations in this respect.

It is additionally noted that by way of a resolution adopted on 1 October 2020, the Board approved the updated version of the Organisation, Management and Control Model adopted pursuant to Legislative Decree no. 231/2001 as per the proposal of the Supervisory Body.

More specifically, the main changes to the 231 Model reflect the new types of assumed offence: namely fiscal offences pursuant to Legislative Decree no. 74/2000 as well as the fiscal and general offences subsequently introduced by way of Legislative Decree no. 75/2020, through which the Protection of the European Union's Financial Interests Directive (the "PIF Directive") was transposed into Italian legislation.

12.7 Auditing firm

On 17 December 2018 the Ordinary Shareholders' Meeting approved the mutual termination of the legal audit engagement that had been awarded to the auditing firm Deloitte & Touche S.p.A. for the years from 2012 to 2020, and pursuant to Legislative Decree no. 39 of 27 January 2010 appointed the auditing firm

KPMG S.p.A., with registered office in Milan, Via Vittor Pisani 25 and registered in the roll of legal auditors held at the Ministry of Economy and Finance, in respect of the following for the years from 2018 to 2026:

- to perform the legal audit of the separate annual financial statements, including procedures during the year to ensure that the corporate accounting books have been properly kept and that transactions have been properly recorded;
- to perform a review of the financial statements prepared to determine the half-year result for the purpose of calculating Tier 1 capital;
- to issue an attestation of the compliance of the aggregate figures of reference for the calculation of the contribution to the National Guarantee Fund;
- to sign the tax returns.

It is lastly noted that given the admission of the Company's financial instruments to trading on the Electronic Share Market managed by Borsa Italiana S.p.A., the scope of the auditing firm's engagement has been updated as far as the object is concerned, in relation to the Company's activities and to those of its direct and/or indirect subsidiaries.

During 2021, after consulting with the Board of Statutory Auditors, the Board of Directors assessed the results included by the legal auditor in its additional report addressed to the Board of Statutory Auditors.

12.8 Financial Reporting Officer and other business roles and functions

The Financial Reporting Officer must hold the requirements of professional competence required by the Bylaws, this consisting in having specific expertise in matters regarding accounting and financial information and the management and control of the relative administrative procedures. The Financial Reporting Officer must additionally hold the integrity requirements established by applicable laws and regulations for the members of the control bodies of listed companies.

The Financial Reporting Officer performs second level controls designed to enable attestations and declarations to be drawn up on corporate accounting disclosures in accordance with the requirements of law and has been granted suitable powers and means to perform his duties in this position.

For this purpose, he avails himself of the structures of the Administration & Accounting Department, the business control functions and in particular the Internal Audit function, from which, in relation to any repercussions on the financial reporting process and the reliability of corporate information, he obtains the results of the procedures it has performed.

The Financial Reporting Officer oversees the reliability of the corporate accounting documents and of the financial reporting process in accordance with the provisions of article 154-*bis* of the TUF and the relative implementation orders, as well as the rules on the administrative and accounting system which enterprises that control companies governed by the law of countries not belonging to the European Union are required to follow pursuant to article 15 of Consob Market Regulation no. 20249/2017 (effective from 3 January 2018, formerly article 36 of Consob Market Regulation no. 16191/2007).

Supervision of the accounting and financial reporting process by the Financial Reporting Officer is based on an examination of the financial reporting system and, in particular, the tools used to manage the information on the processes and tools deployed to identify, measure and monitor the main business risks and to identify and monitor the Key Performance Indicators (KPIs).

The Financial Reporting Officer also performs checks, to the extent considered necessary, to ensure that the documents and reports envisaged by the corporate reporting system are actually prepared and with the frequency, timing and recipients stated in the internal regulations.

For the sake of completeness it is noted that as recalled earlier, on 30 November 2018, in view of the admission of the Company's shares to trading, the Bank's Board of Directors appointed Sergio Fagioli as the Financial Reporting Officer pursuant to article 154-*bis* of the TUF.

Further details on the role of the Chief Risk Officer and the Head of Compliance & AML can be found in paragraph 12.2 above.

A project to check the sizing of the Bank's FTEs was implemented in the first quarter of 2021 in order to manage the effort needed in each structure in an optimum manner and check the allocation and supervision of activities, identifying any shortcomings or areas where efficiency can be improved.

12.9 Coordination between the parties involved in the internal control and risk management system

Coordination between the various parties involved in the internal control and risk management system consists of a series of interacting mechanisms and methods, such as: (i) the scheduling of meetings between different corporate bodies and functions with responsibility for internal control and risk management matters; (ii) the attendance of the Chair of the Board of Statutory Auditors and other board members at the meetings of the Risks Committee.

In accordance with the development of the Group's business, the definition and adaptation of internal governance during 2021 envisaged supervision designed to ensure the coordination of all the parties involved in the internal control system, seeking to avoid any duplication of the work performed by the bodies (as also recommended by the Corporate Governance Code).

12.10 Managerial committees: Credit and Investment Committee, Steering Committee, Finance Committee and Products Committee

On 20 September 2018 the Bank's Board of Directors approved the setting up of a Credit and Investment Committee. The Chief Executive Officer subsequently informed the Board as to the setting up of a Steering Committee.

The Finance Committee was set up on 11 February 2019, while the Products Committee was formed on 1 August 2019.

These committees, which have a specifically managerial nature, have been created for the purpose of providing further support to the Company's activities.

13. BOARD OF STATUTORY AUDITORS

13.1 Appointment and replacement

Pursuant to article 28 of the Bylaws, the Board of Statutory Auditors consists of three Standing Auditors and two Alternate Auditors, all of whom remain in office for a term of three financial years expiring at the date of the Shareholders' Meeting called to approve the financial statements for the third financial year of their office. Statutory Auditors may be re-elected.

Pursuant to the Bylaws, applicable until 21 February 2022⁽⁵⁾, the Board of Statutory Auditors is elected on the basis of lists submitted in accordance with article 29 thereof. Shareholders who, alone or jointly with other shareholders, hold shares representing at least the minimum interest in the share capital required for the submission of lists for the appointment of Directors are entitled to submit lists; lists are filed by such entitled shareholders at the Company's registered office.

Each list is divided into two sections, the first for candidates standing for the position of Standing Auditor and the second for candidates for the position of Alternate Auditor, and must include a number of candidates not exceeding the number of Auditors to be appointed, listed in sequential order of preference. In addition, the election is held in compliance with gender balance pursuant to article 147-ter, paragraph 1-ter of the TUF, as introduced by Law no. 120 of 12 July 2011 and most recently amended by Law no. 160 of 7 December 2019 in the text republished in Official Journal no.13 of 17 January 2020, in respect of which reference should be made to the considerations already described for the Board of Directors.

Considering both sections, lists shall contain at least 3 (three) candidates and must include candidates representing both genders, so that at least 2/5 (two fifths), rounded down in the case of a fractional number, of candidates on the list for the position of Standing Auditor, and 2/5 (two fifths), rounded up in the case of a fractional number equal to or greater than 0.5 and rounded down in the case of a fractional number less than 0.5, of candidates on the list for the position of Alternate Auditor, belong to the lesser represented gender.

A candidate may only be present in one list to be eligible.

The following documentation, where applicable, shall be filed together with each list at the Company's registered office, within the relevant term of filing:

- information on the identity of the shareholders submitting the list, stating the total percentage shareholding having voting rights at Ordinary Shareholders' Meetings;
- declarations of shareholders who submit, or jointly submit, a list, other than those that hold, also jointly, a controlling or relative majority holding, attesting the absence of connections with the latter qualified as relevant by *pro tempore* laws and regulations applicable to the Company;
- a comprehensive description of the personal and professional characteristics of each candidate, including information on offices held as director or statutory auditor in other companies, and a statement in which individual candidates accept their nomination and represent, under their own responsibility, that there are no causes for ineligibility or incompatibility, and that they meet the requirements established by laws, regulations and the Bylaws to hold the office of Statutory Auditor of the Company; as well as
- any further documentation and declaration required by applicable *pro tempore* laws and regulations or that

⁽⁵⁾ Reference should be made to paragraph 16 for further details about the changes to the Bylaws approved by the Shareholders' Meeting of 21 February 2022.

is useful for an overall assessment of suitability for the office, in accordance with the guidelines that are publicly disclosed in advance by the Bank.

If, upon expiry of the term, only one list is filed, or only lists submitted by shareholders which, based on the statements made, are connected with each other pursuant to applicable *pro tempore* laws and regulations, the Company shall without undue delay give notice thereof by the means envisaged by applicable legislation, and lists may be submitted until the subsequent term provided for by law.

Submitted lists that do not meet the above requirements will be treated as not having been submitted. Nevertheless, the absence of documentation regarding individual candidates on a list does not automatically lead to the exclusion of the whole list but only the candidates to whom the irregularity refers.

The Board of Statutory Auditors is elected as follows:

- if several lists are filed, 2 (two) Standing Auditors and 1 (one) Alternate Auditor are drawn from the list obtaining the majority of votes (the “**Majority List for the Board of Statutory Auditors**”). The remaining members of the Board of Statutory Auditors, namely 1 (one) Standing Auditor and 1 (one) Alternate Auditor, are drawn from the list which obtained the second highest number of votes (the “**Minority List for the Board of Statutory Auditors**”) and is not connected in any way, not even indirectly, as established by applicable *pro tempore* laws and regulations, with the shareholders who submitted or voted in favour of the Majority List for the Board of Statutory Auditors. The Chair of the Board of Statutory Auditors is the Standing Auditor drawn from the Minority List for the Board of Statutory Auditors;
- if several lists obtain the same number of votes, the Majority List for the Board of Statutory Auditors is, for all purposes, the list submitted by shareholders holding the largest interest or, in second instance, the list voted by the highest number of shareholders (one vote per head). This applies also to the case where several minority lists obtain the same number of votes.

Should the resulting composition of the Board of Statutory Auditors, in its members (standing and alternate), fail to comply with the applicable *pro tempore* laws and regulations on gender balance, taking into account the order in which they are listed in the relevant section, the last candidates elected in the Majority List for the Board of Statutory Auditors of the more represented gender shall be removed in a number necessary to ensure compliance with the requirement, and shall be replaced by the first non-elected candidates of the lesser represented gender contained in the same list and the same section, based on the sequential order. If the number of candidates of the lesser represented gender in the relevant section of the Majority List for the Board of Statutory Auditors is not sufficient to proceed with the replacement, the Shareholders’ Meeting, subject to presentation of candidates belonging to the lesser represented gender, shall appoint the missing Standing or Alternate Auditors by legal majority vote, ensuring the fulfilment of the requirement;

- if only one list is submitted, the Standing Auditors and the Alternate Auditors will be elected within this list, in compliance with applicable *pro tempore* laws and regulations on gender balance. In this latter case, the Chair of the Board of Statutory Auditors is the first person in the section relating to candidates for the position of Standing Auditor indicated in the only list submitted;
- if no lists are submitted, the Shareholders’ Meeting, subject to presentation of candidates for the position of Standing Auditor and Alternate Auditor, shall resolve by legal majority, without prejudice to compliance with applicable *pro tempore* laws and regulations on gender balance and the eligibility, independence, professional competence and integrity requirements for statutory auditors.

Further:

- if a Standing Auditor ceases to hold office, the Alternate Auditor belonging to the same list as the outgoing Auditor shall take over the position. The Alternate Auditor shall remain in office until the next Shareholders' Meeting;
- in the case of the replacement of a Standing Auditor, the Alternate Auditor belonging to the same list as the replaced Auditor shall take over the position, without prejudice to the fact that the Board of Statutory Auditors will continue to be chaired by the Minority Auditor and that the composition of the Board of Statutory Auditors must comply with applicable *pro tempore* laws and regulations on gender balance;
- if the Shareholders' Meeting is required to appoint Standing and/or Alternate Auditors to fill vacancies on the Board, the following procedure shall apply.

If Auditors elected on the basis of the Majority List for the Board of Statutory Auditors have to be replaced, the replacements shall be appointed by a relative majority vote without list voting, in compliance however with laws and regulations on gender balance; if on the other hand Auditors elected on the basis of the Minority List for the Board of Statutory Auditors have to be replaced, the Shareholders' Meeting shall replace them, in compliance with regulations on gender balance, by a relative majority vote by selecting them from the candidates on the list of which the outgoing auditor was part.

Should the application of the above procedures not result in the replacement of the Auditors designated by the Minority List for the Board of Statutory Auditors for whatever reason, the Shareholders' Meeting shall resolve by relative majority. However the votes cast by shareholders who hold the relative majority of voting rights that may be exercised at a Shareholders' Meeting as identified in disclosures made in accordance with the applicable regulations, whether directly, indirectly, or jointly with other shareholders who are parties to a shareholders' agreement pursuant to article 122 of the TUF, as well as by shareholders who control, are controlled by or are subject to joint control by the above-mentioned shareholders, will not be counted.

The replacement procedures referred to above shall in any case ensure that at least one Standing Auditor and one Alternate Auditor are elected by minority shareholders that are not connected in any way, not even indirectly, with the shareholders who submitted or voted in favour of the list that obtained the most votes, as well as ensure compliance with applicable *pro tempore* laws and regulations on gender balance.

13.2 Composition and functioning

Pursuant to article 30 of the Bylaws, the Board of Statutory Auditors performs the duties and exercises the control functions provided for by applicable *pro tempore* laws and regulations, including those of a supervisory nature. The Board of Statutory Auditors is vested with the powers envisaged by laws and regulations, including those of a supervisory nature, and reports to the Supervisory Authority in accordance with applicable *pro tempore* laws and regulations.

The Board of Statutory Auditors may at any time, also on an individual basis, perform inspections and checks, as well as ask the Directors for information, also in reference to subsidiaries, on business performance or on specific transactions or make the same requests for information directly to the management and control bodies of subsidiaries.

The Board of Statutory Auditors may additionally exchange information with the corresponding bodies of subsidiaries concerning management and control systems and the general performance of the business.

Meetings of the Board of Statutory Auditors, which must be held at least every 90 days, are called by the Chair of the Board of Statutory Auditors by sending notice by any means of communication that ensures certainty of receipt, specifying the date, time and place of the meeting and the items to be discussed, at least 3 days before the date scheduled for the meeting, or at least 24 hours in case of urgency. All participants must sign the minutes and records of the Board of Statutory Auditors.

The Board of Statutory Auditors is duly constituted and valid to adopt resolutions with the quorums established by law.

Participants at meetings of the Board of Statutory Auditors may attend remotely via audio or video conference systems, on condition it can be ensured that:

- (a) the Chair is able to confirm the identity of all participants;
- (b) each participant is able to take part in the discussion in real time, verbally express their opinion and examine, receive and transmit all documentation;
- (c) the Board's proposals and resolutions can be examined at the same time.

Board meetings shall be deemed to be held at the venue where the Chair is located.

The Issuer's Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 18 January 2019 on the basis of the provisions of the Bylaws in force at the date of the appointment and, on the basis of the resolution of such Shareholders' Meeting, holds office for three financial years, and accordingly until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021. The appointment was made on the basis of the only list of candidates submitted which, in its composition, already took account of the provisions applicable to listed companies on gender balance.

The Issuer's Board of Statutory Auditors consists of the following members:

First and last name	Office held	Place and date of birth
Ernesto Riva	Chair of the Board of Statutory Auditors	Seregno (MB), 24 April 1945
Stefano Caringi	Standing auditor	Rome, 13 July 1944
Nadia Fontana	Standing auditor	Rome, 15 November 1961
Riccardo Foglia Taverna	Alternate auditor	Trivero (BI), 10 June 1966
Michela Zeme	Alternate auditor	Mede (PV), 2 January 1969

Reference should be made to Table 3 for further details on the composition of the Board of Statutory Auditors throughout 2021.

The Board of Statutory Auditors met on 20 occasions in the year ended 31 December 2021, duly minuted (the number of meetings attended by each individual member can be found in Table 2). The average duration of meetings of the Sustainability Committee was 2 hours and 29 minutes with an average attendance of 98%.

Verification and confirmation of the requirements for corporate officers (the “fit and proper” requirements)

At the meeting of the Board of Statutory Auditors of 4 March 2021, the Chair reported that he had filed in the Company’s records a copy of the declarations – also prepared following the entry into force of DM no. 169/2020 – signed by all the members of the Board in connection with:

- possession of the requirements pursuant to Ministerial Decree no. 169/2020 and compliance with the criteria included therein;
- the absence of the ineligibility and incompatibility conditions set forth in article 148 of Legislative Decree no. 58/98 and in article 2, paragraph 2c) of the Decree of the President of the Council of Ministers of 25 May 2012;
- possession of the independence requirements set forth in article 148, paragraph 3 of Legislative Decree no. 58/98;
- possession of the integrity and professional competence requirements set forth in article 148, paragraph 4 of Legislative Decree no. 58/98, contained in Ministerial Decree no. 162 of 30 March 2000 and specified by article 28.1 of the Bylaws;
- possession of the independence requirements pursuant to the combined provisions of article 2 (Principle 8 and Recommendation 9) of the Corporate Governance Code to which the Bank adheres;
- the commitment to provide timely notification of any changes in the above declaration to the Board of Directors and the Board of Statutory Auditors.

There are no grounds for the incompatibility of the Statutory Auditors in office at the date of this Report, as provided by applicable law, and the members of the Board hold the necessary requirements of eligibility, integrity and professional competence at such date.

Self-evaluation of the composition and functioning of the Board of Statutory Auditors

Furthermore, in accordance with the supervisory provisions for banks on corporate governance contained in Title IV, Chapter 1 of Circular 285 and the requirements of the Corporate Governance Code of listed companies, the Board of Statutory Auditors performs an annual self-evaluation on its composition and functioning, which was last carried out between December 2021 and January 2022. To perform this self-evaluation, the Board of Statutory Auditors availed itself of the assistance of Management Search S.r.l., an external independent advisor of primary standing.

The self-evaluation process is in line with the requirements of the Supervisory Provisions issued by the Bank of Italy applicable to the Issuer and those of Standard Q.1.1. contained in the “*Standards of Conduct of the Board of Statutory Auditors of listed companies*” published by the National Council of Accountants and Accounting Experts in April 2018.

The self-evaluation process, which mainly regarded the composition of the Board of Statutory Auditors, the exercising of its powers and its functioning process, was performed by the means stated above in the section on the process of self-evaluation performed by the Board of Directors on its composition and functioning process.

The interviews conducted and the answers to the questions contained in the questionnaire enabled a positive valuation to be expressed as far as the Board's composition and functioning process are concerned, as well as the way it exercises its powers.

More specifically, during the year just ended the Board of Statutory Auditors performed its work on a continuous basis through active participation in the evolution of the Bank's governance and internal control system, which often required the Board to revise its work programmes due to the Issuer's new needs.

The Board of Statutory Auditors performed its controlling and monitoring function on a continuous basis by way of formal checks and meetings with the business functions concerned. These meetings often took place through the attendance of the Board at meetings of the various Board committees, in order to optimise the time required for management participation. The Board of Statutory Auditors was able to express its view above all at meetings of the Risks Committee, going into detail on issues and organisational aspects regarding risk control and those concerning the set of forms for the risk monitoring system. As part of the work performed, the Board gave specific emphasis to checking the Bank's compliance with the Supervisory Provisions and the issues regarding the analysis of the processes from both a legislative and organisational standpoint. This work was intense and demanding given the fast rate at which the Bank is evolving and required the Board to constantly obtain further details of the matters under examination. In this respect, the Board displayed a high level of reaction in dealing with the evolution of activities and extent of the issues dealt with, this calling for rapid and proactive assessments in order to bring to light all the critical issues that may result from this swift evolution.

The Board's activity also include performing the duties of the Supervisory Body for ensuring that the organisation model adopted by the Bank is working and being complied with. This activity required the considerable involvement of the compliance function as well as the support of outside professionals.

As regards the composition of the Board of Directors, a useful point given the upcoming end to the Board's term, it emerged from the self-evaluation that:

- all the members of the Board of Statutory Auditors believe that the Board is well-balanced in terms of diversity of gender, age and seniority;
- the statutory auditors also expressed a positive opinion on the professional experience and expertise to be found on the Board, which they believe to be of a high level and in line with the features of illimity's business;
- the current composition of the Board of Statutory Auditors guarantees skills covering a wide range of technical areas that ensure that the Board is capable of going into detail on all the issues faced and is effective in performing its duties.

All the members of the Board of Statutory Auditors have performed professional activities in areas connected with control functions and hold the expertise and experience required to ensure an adequate understanding of the sector, the Bank's business model, the main risks to which the Bank is exposed and the measures that must be adopted to manage these risks.

In view of the appointment of the new Board of Statutory Auditors (or, in the event of a passage to a one-tier governance system, the appointment of an Audit and Internal Control Committee as discussed further below), the statutory auditors believe that in the composition of the new body there should be persons holding the appropriate professional characteristics, and more specifically having knowledge of/expertise in

the following, which they consider to be particularly useful: the Bank's business and the specific sector in which it operates; the internal processes and *modus operandi* of the Board of Directors, in a legal and accounting sphere and regarding the reading and interpretation of financial reports; risk management; assessment of the working of internal processes and the organisational structure; laws and regulations on legal audit; and internal audit processes.

14. RELATIONS WITH SHAREHOLDERS

14.1 Access to information

The Company recognises that it is in its interest, as well as being a duty towards the market, to establish a continuous dialogue with shareholders as a whole, based on a mutual understanding of the roles, as well as with institutional investors; all in compliance with the provisions of law applicable to listed companies for the external communication of corporate documents and information.

In this respect, on 12 and 30 November 2018, with effect from the listing date, namely 5 March 2019, the Issuer's Board of Directors resolved to appoint Silvia Benzi as Investor Relations Manager (a position confirmed on admission to trading on the STAR segment of Borsa Italiana's MTA market, pursuant to applicable laws and regulations) and to appoint Francesco Mele as Information Referent in relations with Borsa Italiana pursuant to and for the purposes of article 2.6.1, paragraph 4 of the Regulation of Borsa Italiana and Giovanni Lombardi as his substitute.

The Issuer has created a specific section of its website (www.illimity.com) where all the information regarding the Issuer that has importance for its shareholders, as well as that required by legislation, including of a regulatory nature, that is applicable to companies listed on a regulated market, is made available to the public.

14.2 Dialogue with shareholders

Dialogue is a basic tool for improving the extent to which shareholders and the market in general understand the Bank's strategy, also with regard to its mission, the financial and non-financial results it achieves and all the aspects important for making investment decisions and exercising corporate rights in an informed manner. At the same time this dialogue enables the Board of Directors to comprehend the expectations, opinions and subjects of interest of shareholders as a whole and institutional investors, information that is useful in performing its strategic and control functions.

In order to improve this dialogue, at its meeting of 10 November 2021 the Board approved the "Policy for Managing Dialogue with Shareholders" (the "**Policy**"), aligning itself to best national and international market practice on corporate governance and stewardship, incorporating in addition the latest guidelines of Assonime, Assogestioni and the Bank of Italy and the recommendations of the Corporate Governance Code, in accordance with the Bank's internal rules and regulations on the management of insider information and the widest provisions of applicable laws and regulations.

The Policy specifies the interlocutors involved in the dialogue and the variety of channels and tools used to ensure that dialogue with the financial community is constant, regular and transparent, determines the means by which this dialogue is conducted and sets out the main, relevant matters that are the subject of discussion as part of the dialogue, the controls created to ensure confidentiality and equality of treatment and the means by which the Policy is approved, supervised and revised.

15. GENERAL SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

As already described in this Report, the Bylaws incorporate the provisions of Legislative Decree no. 27/2010 implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies.

Pursuant to article 2437, paragraphs 1 and 2 of the Italian civil code, shareholders who did not contribute to the approval of resolutions regarding the following matters are entitled to exercise their withdrawal right for all or part of their shares:

- (a) amendments to the corporate purpose clause, when these permit a significant change in the company's activity;
- (b) the transformation of the company;
- (c) the transfer abroad of the company's registered office;
- (d) the revocation of the state of liquidation;
- (e) the cancellation of one or more of the reasons for withdrawal provided by article 2437, paragraph 2 of the Italian civil code or by the post-merger Bylaws;
- (f) a change in the criterion for determining the value of shares in case of withdrawal;
- (g) amendments to the Bylaws concerning voting and participation rights;
- (h) an extension of the duration;
- (i) the introduction or removal of restrictions on the circulation of equity securities.

Any agreement designed to exclude the exercise of the withdrawal right or make this more onerous in the cases set forth in points a) to g) shall be null and void.

In addition, pursuant to article 2437-*quinques* of the Italian civil code, shareholders who did not contribute to the approval of resolutions that leads to the delisting of the shares shall be entitled to exercise the withdrawal right.

Pursuant to article 33 of the Bylaws, net profits resulting from the financial statements, net of the amount to be allocated to the legal reserve, are allocated in accordance with resolutions of the Shareholders' Meeting.

Dividends are distributed in accordance with the terms and conditions set by the resolution of the Shareholders' Meeting providing for the distribution of profits to shareholders. Any dividends unclaimed within 5 years from the date on which they become payable are forfeited and revert to the Company, and are allocated to reserves.

On proposal of the Board of Directors, the Shareholders' Meeting may allocate an overall annual amount – not exceeding 5% (five percent) of the net profit for the year – to social, welfare and cultural initiatives.

The main provisions of the Issuer's Bylaws containing the regulations regarding the Issuer's Ordinary and Extraordinary Shareholders' Meetings are as follows.

Pursuant to article 11 of the Bylaws, Shareholders' Meetings may be attended by holders of voting rights, for whom the Company has received the authorised intermediary's notification within the time limit prescribed by applicable *pro tempore* laws and regulations attesting their right to attend the Shareholders' Meeting and exercise their right to vote. Anyone entitled to vote may be represented by a proxy in the Shareholders' Meeting in compliance with applicable *pro tempore* laws and regulations. The proxy form may be sent

electronically via the dedicated section of the Company's website or by certified electronic mail, as stated in the notice of call, or by any other means provided for by applicable *pro tempore* laws and regulations. The Chair of the Shareholders' Meeting is responsible for verifying the propriety of single proxies and, in general, the entitlement to attend the Meeting.

For each Shareholders' Meeting, the Board of Directors may designate, giving notice thereof in the notice of call, one or more representatives on whom the holders of voting rights may bestow a proxy, with voting instructions for some or all of the proposals on the agenda, as provided for by applicable *pro tempore* laws and regulations. A proxy given to the representative designated by the Board of Directors shall only be effective for proposals for which voting instructions have been given.

Pursuant to article 10 of the Bylaws, the Shareholders' Meeting is called, in ordinary session or extraordinary session, by the Board of Directors whenever it deems it appropriate, or, as established by article 2367 of the Italian civil code, upon request of shareholders representing at least 20% (twenty percent) of the share capital, or other percentage provided for by applicable *pro tempore* laws and regulations. The Shareholders' Meeting, in ordinary and extraordinary session, is as a rule held on a single call, pursuant to and for the purposes of article 2369, paragraph 1 of the Italian civil code. Nevertheless, the Board of Directors may determine that an Ordinary or Extraordinary Shareholders' Meeting may be held in more than one call, indicating a date for a second call. Notice of this decision is provided in the notice of call.

Again pursuant to article 10 of the Bylaws, shareholders who, separately or jointly, represent at least 1/40 (one fortieth) of the share capital, or any other percentage provided for by applicable *pro tempore* laws and regulations, may submit a written request to add items to those on the agenda specified in the notice of call, setting out the additional items they propose and preparing a report on the topics to be discussed, as well as submit resolution proposals on items already on the agenda. Shareholders cannot call meetings or add items to the agenda for issues on which the Shareholders' Meeting is called to resolve, by law, on proposals of the Board of Directors or on the basis of a project or report prepared by the Board, other than those referred to in article 125-ter, paragraph 1 of the TUF. Entitlement to the right is proven by filing the copy of the notification or certification issued by the intermediary pursuant to applicable *pro tempore* laws and regulations.

Pursuant to article 12 of the Bylaws, the Shareholders' Meeting is chaired by the Chair of the Board of Directors or, in case of absence or impediment, by the Deputy Chair (where appointed) or, in case of absence or impediment of both parties, by a person appointed by the Shareholders' Meeting pursuant to article 2371 of the Italian civil code.

It is the responsibility of the Chair of the Shareholders' Meeting to:

- (a) verify the valid composition of the meeting and ensure there is a quorum for adopting resolutions;
- (b) ascertain - also by parties appointed by the Chair - the identity and the eligibility of those present to participate and vote at the meeting as well as the validity of the proxies;
- (c) direct and govern the proceedings at the meeting; and
- (d) establish the voting procedures (which in any case must allow for identification in relation to each vote cast) and ascertain and announce the results of such, all in compliance with the Regulation for the proceedings of Shareholders' Meetings where adopted.

In any case, an ordinary Shareholders' Meeting must be called at least once a year within 120 days from the end of the financial year, or within 180 days from the end of the financial year in the cases envisaged by law.

The Shareholders' Meeting is called by notice having contents established by law; such notice is published within the time limits established by law on the Bank's website, as well as in any other manner provided by applicable *pro tempore* laws and regulations.

Pursuant to article 11 of the Bylaws, the Board of Directors may arrange for one or more remote connections to be made to the venue where the meeting is held, to enable shareholders who do not wish to participate in the discussion at this venue to follow the proceedings of the meeting in any case, and upon voting to cast their vote, provided that shareholders can be identified and that the possibility to exercise such right is stated in the notice of call of the Shareholders' Meeting. In any case, the Chair of the Shareholders' Meeting and the Secretary must be present at the place indicated in the notice of call where the meeting is deemed to be held.

The Shareholders' Meeting, in ordinary session or extraordinary session, resolves on the matters assigned by the Bylaws, laws and applicable regulations. Unless otherwise envisaged by article 13 or by other provisions of the Bylaws, resolutions of the Shareholders' Meeting, in ordinary session or extraordinary session, are adopted by legal majority.

16. CHANGES SINCE THE END OF THE YEAR UNDER REVIEW

With the appointment of the new Board of Directors by the Shareholders' Meeting of 22 April 2021, the possibility arose to assess the adequacy of the traditional model adopted by the Bank, also consistent with the requirements of Principle 1 of the Corporate Governance Code, evaluating its strengths and room for improvement, as well as taking into consideration, *inter alia*, the approval of the 2021-2025 Strategic Plan on 21 June 2021.

Following a careful assessment and after preliminary investigations carried out with the assistance of the Appointments Committee and the Sustainability Committee, the Board accordingly formally approved a proposal to amend the Company's Bylaws by adopting a "one-tier" governance model, which is the model most suitable for supporting the Bank's strategic objectives and growth prospects. Under this model, management and control functions are exercised by the Board of Directors and by the Audit and Internal Control Committee set up within the Board, both appointed by the Shareholders' Meeting.

This decision is based on the following matters and considerations, which also represent the main features of the governance model selected by illimity:

- a large number of independent directors able to assure constructive dialectic within the body, an effective counterweight to the Chief Executive Officer and management and a suitable monitoring of the proposals they submit;
- a management structure that sees the managerial committees heavily involved in supporting and discussing matters with the Chief Executive Officer, enhancing illimity's requirement for collegiate decisions and proposals, as set forth in guidelines drawn up at an international and European level, the Bank's internal regulations and the operating practices adopted;
- having a strategic supervisory function and control function in a single body, thereby assuring constant oversight of both the legitimacy and merit of the work performed by the Directors, while at the same time making management more attentive to the need to comply with legality and efficiency, since checks on legality and efficiency are carried out at the same time as board resolutions are adopted;
- an ongoing relationship among illimity's corporate bodies through immediacy in the circulation of information between the strategic supervisory, management and control bodies, guaranteeing management and supervision that are more aware and effective from the standpoint of avoiding duplications and making internal discussions more efficient;
- optimisation of the management, operational and control processes, maintaining the preliminary investigative and decisional support analyses performed by all of the board committees in accordance with well-defined duties and functions (i.e. Risks Committee, Sustainability Committee, Remuneration Committee, Appointments Committee and Related Party Transactions Committee);
- more efficient governance through a precise distribution of expertise and responsibilities, as set forth in the guidelines drawn up at a European level, between the body with control functions (the Audit and Internal Control Committee) and the Risks Committee; the former, in its function as a control body, overseeing the control and financial information system, and the latter supporting the Board in performing its strategic supervision function;

- the possibility for institutional investors, who operate on the international markets, to be familiar with the management and control model, this fostering illimity's appeal and facilitating comparison with peers and engagement with investors;
- consistency with the Bank's medium- and long-term strategic objectives, as identified on the approval of the above-mentioned 2021-2025 Strategic Plan.

At its meeting of 21 February 2022, the Shareholders' Meeting accordingly approved the passage to a one-tier governance model, and as a result the current Board of Directors will remain in office until the Shareholders' Meeting called to approve the annual financial statements at 31 December 2021, which will then also be required appoint the new corporate bodies.

Articles 14, 16 and 24 of the Bylaws approved by the Shareholders' Meeting of 21 February 2022 (to whose text reference should be made for the provisions concerning the rules, means of appointment and requirements of the candidates) apply to such renewal.

For the purpose of the renewal of the corporate bodies, given the results of the self-evaluation process, on 25 February 2022 the Board approved and made available to the public its new *Orientation of the Board of Directors of illimity Bank S.p.A. on the optimum qualitative and quantitative composition of the Board*.

Further, taking into account the preliminary support of the Appointments Committee, the Board of Directors has submitted its list of candidates for appointment to the Bank's corporate bodies in view of the Shareholders' Meeting of 28 April 2022, in accordance with the rules established in the *Procedure for the presentation by the Board of Directors of a list of candidates for the renewal of the corporate bodies*. The composition of the list takes into account the requirements of applicable laws and regulations, the Corporate Governance Code, best international practice and the above-mentioned Orientation. The documentation relating to the candidates proposed by the Board (which also includes a recommendation as to the candidates for the position as Chair and Chief Executive Officer) was made available to the public in full on 18 March 2022.

Despite the change in governance system it is nonetheless planned to keep in place the current structure of the Board committees (i.e. Risks Committee, Sustainability Committee, Remuneration Committee, Appointments Committee and Related Party Transactions Committee), which with their investigational, consultative and propositional activity will continue to support the corporate bodies of the new governance model in taking decisions on specific subjects falling under their responsibility.

It is lastly noted that the above-mentioned Shareholders' Meeting of 21 February 2022 approved an amendment to article 16, paragraph 1 of the Bylaws, in which it is stated that the Board of Directors leads the Company seeking sustainable success for the purpose of creating long-term value for the benefit of shareholders, taking into account the interests of illimity's key stakeholders.

17. CONSIDERATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations set forth in the letter of the Chair of the Corporate Governance Committee of 3 December 2021 were brought to the attention of the Board of Directors by the Committee Chair at the Board meetings of 22 December 2021 and 10 February 2022 – both of them with the active attendance of the Board of Statutory Auditors – in the context of the annual self-evaluation process, and the Board of Directors has considered the 2021 governance system compliant with the Corporate Governance Code, also in light of the one-tier governance model and the recommendations of the Corporate Governance Committee for the year 2022.

TABLES

Set out on the following pages are tables that summarise the way in which the Company has adopted the main aspects of corporate governance set forth in the Corporate Governance Code.

The first table summarises the structure of the Board of Directors. The Directors are listed with their classification as either executive, non-executive or independent.

The second table summarises the characteristics of the various Board committees.

The third table summarises the characteristics of the Board of Statutory Auditors, indicating the Board's standing and alternate members and whether or not they have been designated by minority lists.

The tables include captions indicating the number of meetings held by the Board of Directors, by the Committees and by the Board of Statutory Auditors and the number of times individual members attended meetings; a caption is also provided to indicate the number of relevant positions held in other companies.

TABLE 1
Structure of the Board of Directors at the end of the year

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AT THE END OF THE YEAR

Board of Directors													
Position	Members	Year of birth	Date of first appointment (*)	In office since	In office until	List (presented by) (**)	List (M/m) (***)	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. of other offices held (****)	Attendance (*****)
Chair	Casiraghi Rosalba	1950	20/09/2018	22/04/2021	(a)	BoD	M		X	Yes	Yes	4	26/26
• Chief Executive Officer	Passera Corrado	1954	20/09/2018	22/04/2021	(a)	BoD	M	X		No	No	2	26/26
Director	Brambilla Massimo	1970	20/09/2018	22/04/2021	(a)	BoD	M		X	No	No	1	25/26
Director	Canziani Patrizia	1967	01/02/1967	22/04/2021	(a)	Shareholders	m		X	Yes	Yes	2	16/18
Director	Ciallié Elena	1967	20/09/2018	22/04/2021	(a)	BoD	M		X	Yes	Yes	0	26/26
Director	Galbiati Paola Elisabetta	1958	10/02/2021	22/04/2021	(a)	BoD	M		X	Yes	Yes	3	23/23
Director	Lanza Francesca	1976	15/12/2021	15/12/2021	(a) (c)	Shareholders	-		X	Yes	Yes	0	1/1
Director	Majnoni d'Intignano Giovanni	1954	18/01/1954	22/04/2021	(a)	Shareholders	m		X	Yes	Yes	0	18/18
Director	Valenti Marcello	1968	10/02/2021	22/04/2021	(a)	BoD	M		X	Yes	Yes	3	21/23
----- DIRECTORS LEAVING OFFICE DURING THE YEAR -----													
Director	Gennari Alessandro	1960	20/09/2018	04/09/2018	22/04/2021 (b)	Bod	M		X	Yes	Yes	2	8/8
Director	Ngombwa Martin	1988	10/09/2019	10/09/2019	10/11/2021	Shareholders	-		X	No	No	1	22/23

Director	Squinzi Maurizia	1950	20/09/2018	04/09/2018	22/04/2021 (b)	BoD	M		X	Yes	Yes	1	8/8
----------	------------------	------	------------	------------	-------------------	-----	---	--	---	-----	-----	---	-----

State the number of meetings held during the year: 26

State the quorum required by the minority to submit lists for the election of one or more members (as per article 147-ter TUF): 1% of shareholdings

NOTES

The following symbols must be entered in the column "Position":

- This symbol indicates the director in charge of the internal control and risk management system.
- o This symbol indicates the Lead Independent Director (LID).

(*) The date of first appointment for each director means the date on which the director was appointed for the first time (ever) to the Issuer's Board of Directors.

(**) This column indicates whether the list from which each director's name was taken was submitted by shareholders (state "Shareholders") or by the Board of Directors (state "BoD").

(***) This column indicates whether the list from which each director's name was taken was the "majority list" (stating "M"), or a "minority list" (stating "m").

(****) This column indicates the number of offices held as director or statutory auditor by the person concerned in other listed companies or companies of a material size. The offices held are stated in full in the Report on Corporate Governance.

(*****) This column indicates the attendance of directors at meetings of the Board of Directors (state the number of meetings which the director attended compared to the number of meetings he or she could have attended, e.g. 6/8; 8/8 etc.).

- (a) Date of approval of the 2021 financial statements.
- (b) Directors remaining in office until the date of the Shareholders' Meeting approving the 2020 financial statements.
- (c) Director appointed by the Shareholders' Meeting of 15 December 2021 following the resignation of the Director Martin Ngombwa.

TABLE 2
Structure of the Board Committees at the end of the year

TABLE 2: STRUCTURE OF THE BOARD OF COMMITTEES AT THE END OF THE YEAR

Board of Directors		Related Parties Committee		Risks Committee		Remuneration Committee		Appointments Committee		Sustainability Committee	
Position/Qualification	Members	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chair of the BoD non- executive – independent as per TUF and as per Code	Casiraghi Rosalba			9/9	M (b)	1/1	C(c)	8/8	M (h)	12/12	C (i)
CEO	Passera Corrado										
Non-executive director –not independent	Brambilla Massimo					9/9	M (f)	5/5	M		
Non- executive director – independent as per TUF and as per Code	Canziani Patrizia			12/13	M					10/10	M (i)
Non- executive director – independent as per TUF and as per Code	Ciallié Elena			20/20	C					11/12	M (i)
Non- executive director – independent as per TUF and as per Code	Galbiati Paola Elisabetta	7/7	M			12/13	C (d)			2/2	M (i)

In case of any inconsistencies the Italian version shall prevail

Non- executive director – independent as per TUF and as per Code	Lanza Francesca										
Non- executive director – independent as per TUF and as per Code	Mainoni d'Intignano Giovanni	7/7	C					8/8	M (h)		
Non- executive director – independent as per TUF and as per Code	Valenti Marcello	7/7	M (e)			12/13	M (e)	9/10	M/C (e) (g)		
-----DIRECTORS LEAVING OFFICE DURING THE YEAR (a) -----											
Non- executive director – independent as per TUF and as per Code	Gennari Alessandro (a)			7/7	M						
Non- executive director – not independent	Ngombwa Martin	2/2	M	11/11	M	5/5	M				
Non- executive director – independent as per TUF and as per Code	Squinzi Maurizia (a)	2/2	C	7/7	M			5/5	C		

NOTES

(*) This column indicates the attendance of directors at meetings at committee meetings (state the number of meetings attended compared to the total number of meetings he or she could have attended, e.g. 6/8; 8/8 etc.)

(**) State in this column the qualification held on the committee: "C": chair; "M": member.

- (a) The changes in the composition of the Board Committees took place after the Shareholders' Meeting of 22 April 2021 called to approve the 2020 financial statements, which appointed the new members of the Board of Directors.
- (b) Member Appointed by the Board of Directors on 10 November 2021 following the resignation of the Director Martin Ngombwa.
- (c) In order to adapt the composition of the Remuneration Committee pursuant to the provisions of Recommendations nos. 7 and 26 of the Corporate Governance Code., the Chair of the Board, Rosalba Casiraghi, resigned as a member of such committee at the Board meeting of 10 February 2021.
- (d) Committee member by way of a resolution of 10 February 2021. Replaced the Chair Rosalba Casiraghi.
- (e) Committee member by way of a resolution of 10 February 2021. Replaced Luca Rovati, who resigned, as far as the Appointments Committee is concerned, and Giancarlo Bruno, who resigned as far as the Remuneration Committee and the Related Party Transactions Committee are concerned. At its meeting of 22 April 2021, the Board of Directors confirmed the appointment of the Director Marcello Valenti as a committee member.
- (f) At its meeting of 22 April 2021 the Board of Directors resolved to appoint the Director Massimo Brambilla as a committee member to replace the Director Martin Ngombwa.
- (g) Took over as chair of the Committee following the departure of the Director Maurizia Squinzi.
- (h) At its meeting of 22 April 2021 the Board of Directors adopted resolutions on the composition of the Board Committees, nominating the Director Giovanni Majnoni D'Intignano and the Chair of the Board of Directors, Rosalba Casiraghi, as members of the Appointments Committee.
- (i) At its meeting of 22 April 2021 the Board of Directors adopted resolutions on the composition of the Board Committees, confirming the Chair of the Board of Directors Rosalba Casiraghi and the Director Elena Ciallié as members of the Sustainability Committee.



TABLE 3

Structure of the Board of Statutory Auditors at the end of the year

Board of Statutory Auditors at the end of the year									
Position	Members	Year of birth	Date of first appointment *	In office since	In office until	List**	Indep. Code / TUF	Attendance at board meetings ***	No. of other offices held ****
Chair	Riva Ernesto	1945	18/01/2019	18/01/2019	(a)	M	X	19/20	0
Standing auditor	Caringi Stefano	1944	24/05/2018	18/01/2019	(a)	M	X	20/20	0
Standing auditor	Fontana Nadia	1961	18/01/2019	18/01/2019	(a)	M	X	20/20	15
Alternate auditor	Foglia Taverna Riccardo	1966	18/01/2019	18/01/2019	(a)	M	X	0/20	25
Alternate auditor	Zeme Michela	1969	18/01/2019	18/01/2019	(a)	M	X	0/20	24
Number of meetings held during the year: 20									

State the number of meetings held during the year: 20

State the quorum required by the minority to submit lists for the election of one or more members (as per article 148 of the TUF): 1% of shareholdings

NOTES

(*) The date of first appointment for each statutory auditor means the date on which the statutory auditor was appointed for the first time (ever) to the Issuer's Board of Statutory Auditors.

(**) This column indicates whether the list from which each statutory auditor's name was taken was the "majority list" (stating "M"), or a "minority list" (stating "m").

(***) This column indicates the attendance of statutory auditors at meetings of the Board of Statutory Auditors (state the number of meetings which he or she attended compared to the number of meetings he or she could have attended, e.g. 6/8; 8/8 etc.).

(****) This column indicates the number of positions held as director or statutory auditor by the person concerned pursuant to article 148-*bis* of the TUF and the relative implementation provisions contained in the Consob Issuers' Regulation. A complete list of positions held is published by Consob on its website pursuant to article 144-*quinqüesdecies* of the Consob Issuers' Regulation.

(a) Shareholders' Meeting approving the 2021 financial statements.