

Document type: *Procedure (v.4)*

Non-Financial Statement (NFS) Drafting Process Pursuant to Legislative Decree 254/2016 et seq.

Responsible Structure: IR & Sustainability

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2 PURPOSE AND SCOPE

The purpose of these regulations is to define and regulate the principles, activities and processes relating to the drafting of the Non-Financial Statement (hereinafter also "NFS") pursuant to Legislative Decree 254/2016 *et seq.* (hereinafter the "Decree"), providing for the description of the activities, roles and responsibilities of each structure involved and the timing of the document drafting process.

The Procedure responds to the need to define the organisational and drafting rules of the NFS, to the extent necessary to ensure the understanding of the company's activity, its performance, its results and the impacts produced by it, in relation to environmental, social, personnel-related, human rights, and the fight against active and passive corruption issues, which are relevant given the company's activities and characteristics.

The NFS is consolidated and includes data from illimity Bank S.p.A. (hereinafter also referred to as 'illimity' or 'the organisation') and the Group Entities.

The drafting and updating of this Procedure and its annexes is submitted to the Managing Director for approval.

3 GLOSSARY

Definitions	
Materiality analysis	Process of identification of so-called material issues, preliminary to the definition of the object of non-financial reporting, carried out on a regular basis by the organisation
Data Approver	Responsible for the information and data entered in the data collection form
NFS	A non-financial reporting document, drawn up in accordance with Legislative Decree 254/2016, aimed at ensuring an understanding of the company's activities, its performance, results and impact. The document deals with the aspects that are considered relevant, taking into account the company's activities and characteristics, among the following: environmental, social, personnel-related, respect for human rights, fight against active and passive corruption
GRI	A <i>non-profit</i> organisation that supports organisations of all sizes, sectors and countries in their sustainability reporting through the publication of the world's most widely used sustainability reporting guidelines and standards (GRI Standards)
GSSB	Independent body responsible for setting GRI standards, under the protection and guidance of the GRI
Reporting Perimeter	Group entities included in the data and information in the reporting document for each material theme
Operational contact person	In possession of the data required by the data collection form and supporting evidence
SASB	Non-profit organisation providing sector-specific standards for sustainability reporting
Stakeholders	Entity or individual that can reasonably be expected to be significantly affected by the organisation's activities, products and/or services or whose actions can reasonably be expected to affect the organisation's ability to successfully implement its strategies and achieve its objectives

Material Themes	Topics considered most relevant, i.e. reasonably appropriate to reflect significant economic, environmental and social impacts for the organisation as well as for all its stakeholders, so as to influence their decisions. They are identified through the materiality analysis process and are the subject of discussion within the organisation's non-financial reporting
Potentially relevant topics	Topics that pertinent analyses conducted on internal and external sources suggest are potentially relevant for the organisation and its stakeholders. Therefore, to be brought to the direct attention of the organisation and its stakeholders in order to identify, among the topics identified, those considered most relevant, i.e. material
Organisational Structures (or Facilities)	This refers to the types of organisational structures that make up the organisational chart of illimity, which are assigned detailed responsibilities as described in the Organisational Structure Regulations.
Group	Denotes the Bank and its subsidiaries in relation to Article 2359 of the Civil Code and taking into account the international accounting standard IFRS10

Acronyms	
NFS	Non-Financial Statement
GRI	Global Reporting Initiative
GSSB	Global Sustainability Standards Board
SASB	Sustainability Accounting Standards Board

4 REFERENCES FOR NON-FINANCIAL REPORTING

The main regulatory references, guidelines and standards, that are most widely used in the industry for non-financial reporting, are outlined below:

4.1 Reference regulations

- Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU, with regards to the disclosure of non-financial and diversity information by certain undertakings and large groups.
- D. Legislative Decree No. 254 of 30 December 2016 "Disclosure of non-financial and diversity information by certain large undertakings and groups" as supplemented (Law 145/2018, art.1, paragraph 1073).
- CONSOB Resolution No. 20267: "Regulation implementing Legislative Decree No. 254 of 30 December 2016" on the disclosure of non-financial information, including the related "Illustrative report on the results of the consultation, the consequences on the regulation, on the activity of companies and operators and on the interests of investors and savers" of 19 January 2018.

4.2 Guidelines

- Non-mandatory guidance from the European Commission: documents for companies prepared by the European Commission relating to non-financial reporting, with particular reference to Article 2 of Directive 2014/95/EU:
 - 2017/C 215/01 Guidelines on the disclosure of non-financial information
 - 2019/C 209/01 Guidelines on the disclosure of non-financial information: supplement concerning the disclosure of climate-related information
- CONSOB Communication No. 0119727, regarding the "Procedures for the transmission of non-financial statements to Consob" of 20 April 2018.
- ABI Guidelines on the Application of GRI Environmental Standards in Banking, in their most up-to-date version: these provide the sector with an interpretative guide that facilitates the dissemination of common metrics in the compilation of GRI indicators adapted to the Italian context and the specificities of the banking sector.
- ASSONIME Circular 13/2017: aims to explain the new regulatory framework on non-financial information.
- Attention call CONSOB No.1 28/02/2019, highlighting the amendments made to Article 3 of Legislative Decree 254/16 by the so-called Budget Law 2019, by which the requirement to report on the "management methods adopted by the company" for the control of the risks reported in the non-financial statement is introduced.

4.3 Reporting Standards

- GRI standards of the GSSB are the main reference for non-financial reporting of illimity in the version in force (as of this date). They provide a detailed overview of corporate social responsibility, requiring adherence to the highest standards of transparency and completeness of information. The organisation will prepare the NFS using updated GRI Standards in the "*in accordance with*" option, thus meeting all nine mandatory requirements of the standard.
- SASB standards, which are useful as a supplement to non-financial reporting, are designed to communicate decision-relevant information to investors. They are differentiated by industry, allowing investors and companies to compare the financial impacts of sustainability within a specific industry.

4.4 Reporting Principles

The following are the Basic Principles for Non-Financial Reporting at illimity, with the aim of ensuring high quality reporting and guiding the definition of content.

- **"Inclusiveness of Stakeholders"** - this principle defines the importance of identifying the Bank's key stakeholders and responding to their expectations and interests. The relationship with stakeholders is the central element of the reporting process. Non-financial reporting is the tool for dialogue with these stakeholders that communicates what has been achieved, in order to meet their expectations, setting improvement objectives aimed at increasingly characterizing the Bank's activities towards product quality and service excellence, with a view to being mutually beneficial.
- **"Sustainability context"** - the NFS must present the organisation's performance from a perspective that ensures an understanding of how the organisation contributes or aims to contribute in the future to improving or worsening economic, environmental and social conditions on a local, regional or global level.

- **"Materiality"** - the contents of the NFS must be defined by applying materiality as defined by the GRI and, as provided for by Legislative Decree 254/2016, to the extent necessary to ensure an understanding of the company's business, its performance, its results and the impact it produces, with reference to environmental, social, personnel-related, human rights, and active and passive anti-corruption issues, which are relevant given the company's activities and characteristics. The topics covered in illimity's non-financial reporting are the so-called 'material topics'.
- **"Completeness"** - non-financial disclosures must include sufficient issues to reflect significant economic, environmental and social impacts, as well as enable stakeholders to assess the organisation's performance during the reporting period.
- **"Accuracy"** - the information reported must be accurate and detailed enough to allow stakeholders to assess the organisation's performance.
- **"Balance"** - the data and information reported should reflect negative and positive aspects of the organisation's performance, in a way that allows for a considered assessment of overall performance.
- **"Clarity"** - it is important that stakeholders can easily find the data they want. Therefore, data and information are reported within the NFS in a way that is understandable, accessible and usable by all stakeholders of the organisation.
- **"Comparability"** - where possible and applicable, the data and information reported are presented with a view to enabling stakeholders to analyse changes in the organisation's performance over time and in comparison to other organisations.
- **"Reliability"** - the NFS is prepared using the processes described herein, with a view to ensuring that internal controls and/or documentation supporting the information and data contained in the document can be verified.
- **"Periodicity and recurrence"** - the NFS must be drawn up periodically so that data is available in time to allow stakeholders to make informed decisions.

5 ADDRESSEES OF THE DOCUMENT

This document is applicable and disseminated, to the extent of its competence, to all the Group's organisational units involved in various capacities in the NFS reporting process, described below with evidence only of the role specifically attributed to them within the process.

5.1 IR & Sustainability

The structure manages the NFS drafting process. In particular, it is responsible for:

- defining the work plan, making sure that the timelines for drafting the NFS comply with the provisions of the Decree and other applicable legislation, i.e. ensuring that are aligned with the financial reporting process;
- preparing and/or updating the materiality analysis;
- defining the reporting boundary;
- bringing the findings of the materiality analysis to the attention of the Managing Director and the Sustainability Committee;

- identifying, in line with the materiality analysis, the qualitative and quantitative information to be reported in the NFS. These may respond to specific GRI indicators or to other sustainability reporting standards (e.g. SASB), or they may be defined autonomously by the organisation, as long as compliance with GRI Standards is a prerequisite;
- preparing a draft NFS index;
- Preparing and/or updating data collection forms, in line with GRI Standards and/or other chosen standards, including through ESG Digital Governance tools;
- preparing and/or updating the list of Data Approvers and Data Contributors in agreement with the structures involved;
- initiating the process of collecting data and non-financial information, as detailed in the list of Data Approvers and Data Contributors;
- Checking the data and information collected within the data collection forms against the chosen reporting standards and methodologies;
- aggregating and reprocessing the data and information received from the facilities, requesting clarifications from Data Approvers and Data Contributors where necessary;
- preparing the draft NFS;
- sending the draft NFS to the Data Approvers for validation of the sections for which they are responsible;
- supporting the auditor in the proper performance of NFS verification activities, making himself or herself available, with the support of the Data Approvers and Data Contributors, to ensure that any documentary evidence is provided where required;
- submitting the NFS to the Board of Directors for approval.

5.2 Data Approver

According to the timetable in the work plan, the structures at the parent company are responsible for:

- request the Data Contributors, in cooperation with the IR & Sustainability structure, to complete the data collection forms within the deadlines set out in the work plan;
- perform a check on the data and information collected within the data collection forms (e.g. internal consistency checks, perimeter completeness checks, etc.);
- approve the information contained in the data collection forms completed by the Data Contributors;
- provide any clarifications requested by the IR & Sustainability structure;
- tracking the information collected and archiving any supporting documentation;
- approve the aggregated contents included in the draft NFS;
- provide the auditor, in cooperation with the IR & Sustainability structure and the Data Contributors, with documentary evidence where requested, and, in general, with any kind of support necessary for the review of the NFS.

5.3 Data Contributor

According to the timetable set out in the work plan, the contact persons identified by the IR & Sustainability structure and the respective Data Approvers, at the Parent Company and/or at the subsidiaries, are responsible for

- completing the data collection forms for the Parent Company and/or the Subsidiaries assigned to them;
- providing any documentation to support the verification and approval process in the hands of Data Approvers;
- providing the auditor, in cooperation with the structure IR & Sustainability and the Data Approvers, with documentary evidence where requested and, in general, with any kind of support necessary for the review of the NFS.

5.4 Management Committee

The Management Committee is responsible for:

- viewing the NFS before starting the formal approval process.

5.5 Sustainability Committee

The Sustainability Committee is responsible for:

- examining the process of preparing and/or updating the materiality analysis;
- examining the findings of the materiality analysis and the related matrix;
- examining the draft NFS index;
- examining the NFS before it is submitted to the Board of Directors.

5.6 Risk Committee

The Risk Committee, in cooperation with the Sustainability Committee, examines the NFS in order to express an opinion:

- on the integration of climate and environmental risks into market disclosures on exposure to these risks, which signal to all stakeholders the Group's positioning in the transition process towards a more sustainable economy.

5.7 Board of Directors

The Board of Directors is responsible for:

- approving and endorsing the findings of the materiality analysis and the related matrix;
- approving the NFS;
- bringing to the Assembly's attention the fact that the NFS has been drawn up, in accordance with the requirements of Articles 3 and 4 of the Decree;
- publishing the NFS, through the *General Counsel* structure, in the commercial register within the same time limits as for the submission of the draft financial statements.

5.8 Audit and Internal Control Committee

The Audit and Internal Control Committee is responsible for:

- supervising compliance with the provisions set out in Legislative Decree 254/2016;
- reporting, in the annual report to the Shareholders' Meeting, on compliance with the provisions of Legislative Decree 254/2016.

6 STEPS FOR DRAFTING THE NON-FINANCIAL DECLARATION

Below is a description of the main steps in the non-financial reporting process, with an indication of the roles and responsibilities associated with them.

6.1 Preparation, updating and approval of the materiality analysis and work plan

- The IR & Sustainability structure defines the work plan, making sure that the timelines for the preparation of the NFS comply with the provisions of Legislative Decree 254/2016 and additional legislation in force, i.e. ensuring that they are aligned with the financial reporting process.
- Subsequently, the IR & Sustainability structure identifies the non-financial aspects that are relevant and therefore subject to reporting, taking into consideration the company's activity, its performance, results and impact. This analysis is divided into the following phases:

6.1.1 Step 1 - Identification of potentially relevant topics

Potentially relevant topics are identified on the basis of a review of internal and external sources, such as a review of corporate strategies, benchmarking activities, analysis of developments in the sustainability context and the national and European regulatory landscape in the field of sustainable finance;

6.1.2 Step 2 - Prioritisation of potentially relevant topics

The prioritisation of potentially relevant issues takes place in order to define the material topics on which to focus the annual reporting. The potentially relevant topics identified in the previous step are subjected to an analysis process that takes into account the following two dimensions of relevance:

- **internal:** the relevance of each issue for the Group based on its strategy, commitments made, policies defined, management approaches already in place, major risks identified and significant impacts generated on the economy, environment and/or society; these are assessed through management involvement and a review of internal documentation;
- **external:** the relevance of each issue for the Group's stakeholders, assessed by considering the positions and expectations of the main stakeholders, such as employees, trade unions, trade associations, shareholders, investors, customers, *etc.* Stakeholders' views may be supplemented through desk analyses (of public sources and internal documents) and/or through the direct involvement of significant representation.

6.1.3 Step 3 - Parameterisation of the materiality threshold and definition of the matrix

The parameterisation of the materiality threshold and definition of the matrix takes place on the basis of the results of the previous phase. The IR & Sustainability structure draws up a synthesis between the assessment of internal materiality and external materiality, updating the positioning of material issues within the materiality matrix. The IR & Sustainability structure defines a specific numerical value,

above which topics are considered reasonably material to be reported within the non-financial disclosure.

6.1.4 Step 4 - Preparation and validation of the materiality matrix

The preparation and validation of the materiality matrix takes place through the consolidation of the results obtained, the summary of the process described above and the materiality matrix. They are brought to the attention of:

- the Chief Executive Officer;
- the Sustainability Committee;
- the Board of Directors for approval of the matrix.

At the same time, the IR & Sustainability structure proceeds with any update or validation of the reporting boundary (i.e. with the definition of the companies included in the process for the year in question).

6.2 Defining the contents of the NFS

- On the basis of the results obtained in the previous phase, the IR & Sustainability structure identifies and selects the indicators and disclosures to be included in the NFS in such a way as to meet the requirements of Article 3 of the Decree (i.e. in such a way as to provide a description of the relevant aspects). These relate to:
 - the company's business management and organisation model;
 - the policies practised by the company;
 - the results achieved through these policies and their performance indicators;
 - the main risks, generated or incurred, arising from the company's activities, products, services or business relationships, including, where relevant, supply chains and subcontracting, and how they are managed.
- The non-financial disclosures to be reported are selected from those proposed by the GRI Standards, by other relevant sustainability reporting standards (e.g. SASB), or may be defined independently by the organisation, subject to compliance with the GRI Standards;
- Following the selection of the NFS content, the IR & Sustainability structure:
 - prepares a draft table of contents for the document;
 - proceeds to update the data collection forms, if necessary, according to the results of the materiality analysis and the updating of the reporting boundary;
 - proceeds with the updating of the *Data Approver List*, in agreement with the structures involved.

6.3 Initiating the process of collecting and approving non-financial data and information

- The process of collecting data and non-financial information is carried out using a *data collection and reporting* IT platform, with access granted to the users involved. The latter follows the timetable indicated in the work plan and is structured as follows:
 - The IR & Sustainability structure asks the Data Approvers and Data Contributors to fill in the data collection forms related to the topics within the area of competence of each of them;

- Data Contributors fill in the forms with the required information;
- Data Approvers carry out a check on the data and information collected within the data collection forms (e.g. internal consistency checks, perimeter completeness checks, etc.) and ask for clarifications where necessary;
- the Data Contributors upload onto the platform, at the request of the Data Approvers, any documentation supporting the data and information collected where required;
- the Data Approvers approve the contents of the completed forms, at the same time informing the IR & Sustainability structure of their completion;
- the IR & Sustainability structure is in charge of verifying the congruence of data according to the reporting standards and chosen methodologies, and requests clarifications from Data Approvers;
- the IR & Sustainability structure prepares the draft NFS.

6.4 NFS Approval

- The IR & Sustainability structure, after having prepared the draft NFS, sends it to the Data Approvers for validation of the sections for which they are responsible.
- Once the contents of the document have been validated by the Data Approvers, the IR & Sustainability structure transmits the NFS to the Management Committee.
- The document is then sent to the Sustainability Committee, the Risk Committee and the Audit and Internal Control Committee, which may supplement it and/or request changes, based on their opinion.

6.5 Publication on the website and in the commercial register

- The IR & Sustainability structure is in charge of publishing the NFS on illimity's corporate website.
- In addition, in accordance with the provisions of Legislative Decree 254/2016, the *General Counsel* structure is in charge of the technical aspects of the publication of the NFS in the commercial register, by the directors themselves, to be carried out in conjunction with the Directors' Report, and the notification to Consob of the publication of the NFS, in accordance with the provisions of the regulations in force.

7 RISKS AND CONTROLS

n.	Control	Objective of control	Resp.	Freq.	Ref. §
R1: Incorrect execution of investigations					
1	Verification of the correct execution of surveys carried out for the direct collection of stakeholder and Bank views (e.g. surveys, interviews).	The IR & Sustainability structure verifies the correctness, transparency and impartiality of the direct collection process of the stakeholders' and the Bank's point of view, through survey methods chosen from time to time (e.g. surveys, interviews, etc.).	IR & Sustainability	Per event	Preparation, updating and approval of materiality analysis
R2: Timing not respected					
2	Verification of time compliance.	The IR & Sustainability structure verifies that the timelines for the preparation of the NFS comply with the provisions of Legislative Decree 254/2016 and additional legislation in force.	IR & Sustainability	Annual	Defining the contents of the NFS
R3: Wrongly identified indicators and disclosures					
3	Verification of the conformity of the content covered.	The IR & Sustainability structure verifies that the indicators and disclosures identified for coverage within the NFS meet the requirements of Art. 3 of Legislative Decree 254/2016 and are in line with the chosen reporting methodologies and standards.	IR & Sustainability	Annual	Defining the contents of the NFS
R4: Use of incorrect data					
4	Verification of the correctness of the data provided by Data Contributors.	Data Approvers check the data and information collected within the data collection forms (e.g. internal consistency checks, perimeter completeness checks, etc.).	Data Approver	Annual	Starting the process of collecting and approving non-financial data and information
5	Verification and validation of competence sections in the NFS.	The Data Approvers verify the correctness of the editing changes made by the IR & Sustainability Structure, each for the sections under their responsibility.	Data Approver	Annual	NFS Approval

8 ANNEXES

8.1 ANNEX 1: RELATED LEGISLATION

RELATED INTERNAL REGULATIONS

Sustainability Committee Regulation

RELATED EXTERNAL LEGISLATION

Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU

D. Legislative Decree No. 254 of 30 December 2016 "Disclosure of non-financial and diversity information by certain companies and certain large groups" as supplemented (Law 145/2018, art.1, paragraph 1073)

CONSOB Resolution No. 20267: "Regulation implementing Legislative Decree No. 254 of 30 December 2016".