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Management of Tax Activities

Responsible Structure: CFO (Administration, Accounting & Control)

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1 PURPOSE AND SCOPE

This procedure describes and regulates the rules of conduct, methods, and criteria for

- Defining the tax strategy and governance;
- Calculating taxes and complying with tax regulations;
- Managing tax compliance and obligations;
- Tax risk management and tax incentives;
- Relations with tax authorities, including tax assessments, tax audits, and tax litigation, in compliance with the principles of transparency, correctness, and traceability of the decision-making process, as also laid down in Legislative Decree 231/2001.

This procedure applies to all members of illimity Bank's corporate structures who, in their duties, are required to manage the above activities.

The tax policy explained below is also carried out for the other companies in the Group following the provisions of the service agreements in place between the Parent Company and the Group companies, and the information flows from the Parent Company to the Group companies and vice versa, which the illimity Banking Group Regulations govern.

It should be noted that the reporting activities described in this document relate specifically to the Bank's obligations as a financial institution. Therefore, some of them may not apply to other Group companies.

2 GLOSSARY

Definitions	
Ad litem	The term refers to granting a general power of attorney, a legal transaction whereby the party to a lawsuit authorises their lawyer to represent and defend them in all cases brought by them or in all lawsuits relating to the same administration or within a particular district.
FATCA and CRS communications	Annual report filed by financial intermediaries to the Italian Tax Authorities related to non-resident account-holders, aimed at fighting international tax evasion. FATCA is an agreement between US and those Jurisdictions that agreed with the exchange of information, such as Italy, that requires non-US intermediaries to report to the national Tax Authorities and make available to the IRS the holders of accounts held in their country by US citizens and residents. The CRS is the common reporting standard that EU/OECD countries that have signed an agreement to exchange information for tax purposes automatically must send to other participating administrations.
Tax Consolidation Regime	Optional tax regime that applies to companies linked by a controlling relationship, under which a single overall tax base is determined as the algebraic sum of each participating company's taxable income/tax losses.
Country By Country Report	Reports containing accounting and non-accounting information submitted annually to the Internal Revenue Service by multinational groups with a consolidated turnover exceeding €750 million.
DAC 6	European legislation aimed at reporting cross-border transactions with specific indicators of tax avoidance.
DAC 7	European legislation aimed at the reporting by operators of IT platforms of the data of persons who receive income through the platforms.
Entratel	Electronic service of the Italian Revenue Agency reserved for those obliged to submit declarations and acts electronically.
"Esterometro"	Telematic communication of active and passive invoices with foreign partners to be sent to the Revenue Agency to fight tax evasion.
VAT Group	Optional tax regime that allows the taxable persons who meet the financial, economic, and organisational conditions to act as a single taxable person for VAT purposes, subject to the exercise of a specific option. This implies, among other things, that intra-group transactions are not subject to VAT.
Intrastat Report	Declaration listing intra-EU sales and purchases between taxable persons during a given period.
Forecasting method	The method used to calculate the advance payment based on the tax likely to be due for the current year, considering the income the taxpayer expects to realise, the deductible and non-deductible expenses likely to be incurred, tax credits, and withholding taxes.
Historical method	This method calculates the advance payment of tax based on the tax due for the previous year after deductions, tax credits, and withholding tax from the relevant tax return.

770 Tax Form	Annual declaration form to be used by tax representatives, intermediaries, and other parties involved in tax-relevant transactions to communicate to the Revenue Agency data on withholdings made on dividends, participation income, capital gains or transactions of a financial nature, expropriation compensation, as well as tax data on withholdings made, contributions and insurance required to be paid on employee or equivalent income, self-employed income, miscellaneous income, and on payments made, compensation paid and tax credits used.
Patent Box	Tax benefits introduced by Article 6 of Italian Law Decree No. 146 of 21 October 2021, which provides for a deduction increased to 110% of expenses classified as research, development, and technological innovation (following the procedures set out in the MISE Decree of 26 May 2020) incurred for the development, improvement, maintenance, protection, and exploitation of eligible intangible assets, such as software protected by copyright, industrial patents, designs, and models.
Pillar 2	The second of the two pillars of the OECD's "Base Erosion and Profit Shifting" project aims to introduce a global minimum effective tax on large multinational enterprises ("global minimum tax").
Organisational structures (or Facilities)	This refers to the types of organisational structures that make up the illimity organisation chart, to which detailed responsibilities are assigned as described in the Organisational Structure Regulation
Tax Rate	The tax rate expresses the tax burden on company profits as a percentage.
Transfer Pricing	Discipline consisting of the correct valuation of assets and liabilities in accordance with the arm's length principle applicable to intra-group transactions.
Tax Transparency Regime	An optional tax regime which provides for the direct attribution of the income generated by the investee company to its shareholders, irrespective of the actual receipt of the income, and which applies to companies in which only other companies have a minimum of 10% and a maximum of 50% of the profits and voting rights of the transparent company.

Acronyms	
AA&C	Administration, Accounting & Control
CRS	Common Reporting Standard
CBCR	Country By Country Report
DAC 6	Directive on Administrative Compliance 6
DAC 7	Directive on Administrative Compliance 7
DL	Law Decree
Legislative Decree	Legislative Decree
DPR	Decree of the President of the Republic

FATCA	Foreign Account Tax Compliance Act
HR	Human Resources
IMU	Property Tax
IRAP	Regional tax on productive activities
IRES	Corporate Income Tax
IRS	Internal Revenue Service
VAT	Value Added Tax
SC	Joint-stock company
SDI	Interchange system for filing the electronic invoices
SID	Data Flow Interchange System
TARI	Waste disposal tax
TP	Transfer Pricing
TUIR	Income Tax Consolidation Act

3 TAX STRATEGY

The Bank's tax activities are managed by internal operating procedures, mainly governed by the Tax Unit, a specialised team of the AA&C structure. Illimity Bank's tax issues are handled by internal operating procedures primarily managed by the Tax Unit, a technical team of the AA&C structure.

To deal effectively with the complexity of the rules, several procedures and internal control systems have been put in place to ensure the correct management of tax aspects and to guarantee the timely review and constant updating of all tax activities. External experts' opinions are sought for issues of particular importance and/or uncertainty of interpretation, and/or the Financial Administration is consulted. These mechanisms may involve the boards of directors and auditors, who are regularly informed of the leading tax issues.

illimity Bank's tax policy is inspired by the following leading principles:

- **Legality:** illimity adopts an approach geared towards formal and substantive compliance with the letter of the law, both domestic and supranational, to responsibly prevent any economic and reputational risk arising from the tax variable;
- **Corporate responsibility:** illimity acts in accordance with the values of honesty and integrity, as well as per its internal policies and values, aware that the proper management of taxes has a significant impact on the economic, environmental, and social development of the Country;
- **Transparency:** illimity has a transparent and highly collaborative approach to managing its information and dealing with all stakeholders, including tax authorities.

The application of the above principles takes place through an approach inspired by the following drivers:

- Avoidance of operational tax risks through the correct and timely payment of all taxes and the fulfilment of related obligations;

- Avoidance of tax risks of interpretative nature arising from uncertainty as to the true spirit and meaning of the law and the qualification of specific cases;
- Rejection of aggressive tax planning: illimity does not engage in operations or activities aimed exclusively or predominantly at obtaining, tax savings, including through tax havens or through low tax jurisdictions which may trigger tax avoidance, and does not propose to clients the purchase of products or the conclusion of transactions for such purposes;
- Rejection of the use of tax structures without commercial substance: illimity does not subscribe to elusive or fictitious systems designed to circumvent tax rules or to conceal the beneficial owner of transactions;
- Obligation to enter into transactions that may involve the Group at an international level at fair market value or to manage transfer pricing rules and avoid double taxation properly, in accordance with the arm's length principle.

These principles and drivers apply to tax management not only to the obligations involving illimity Bank as "taxpayer" and "withholding agent" but also as "intermediary" (e.g., FATCA, CRS, DAC 6, "Monitoraggio Fiscale", Tax Register of financial accounts).

In its structuring and coordinating of the Group, the Bank collaborates with its subsidiaries in implementing the above principles, specifically regarding the tax aspects of the most critical transactions, the development of new businesses, and the implementation of new technologies.

The illimity Group, which operates exclusively in Italy pays all taxes on the territory of the country and consciously fulfils all legal obligations, contributing to the economic and social development of the country