



illimity

BANCA OLTRE LA FORMA



illimity

Annual General Meeting

20 April 2023

Remuneration & ESG highlights

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1. Shareholders' Meeting Agenda



illimity - Shareholders' Meeting Agenda

20 April 2023

1

The annual accounts of illimity Bank S.p.A. Consolidated financial statements and consolidated non-financial statement as at 31 December 2022.

Financial Statement

3

Report on remuneration policy, pursuant to article 123-ter of Legislative Decree no. 58/1998

Rem. Policy

2

Allocation of net profit for the year ended 31 December 2022

Allocation of net profit

4

Report on compensation paid, pursuant to article 123-ter of Legislative Decree no. 58/1998

Rem. Report

5

Increase in the ratio between variable and fixed remuneration up to 2:1 for the CEO and the other members of Top Management of illimity Bank S.p.A.

2:1

★ **Distribution of a Dividend**
for the first time since the birth of illimity
amounting to **0.18 euro per share**

2. Remuneration Policy & Report



illimity - Remuneration Policy: Main changes

2:1

Variable cap on fixed comp increases to 2:1 for CEO and other Top Management

MBO

Revision of the bonus pool funding mechanism with reference to 2023 Annual Bonus

CEO
Goal
Card

Review of ESG targets related to the Annual Bonus and RORAC

LTIP

KPI update for third performance cycle of the Long-Term Incentive Plan 2021-2025

illimity - Increasing the variable/fixed ratio to 2:1

PROPOSAL

Raising the limit to the ratio between the variable and fixed compensation for the **CEO** and the remaining **Top Management team** (overall 4 members) up to 2:1¹

PURPOSE

1

Aligning to regulatory provisions, and market practice

2

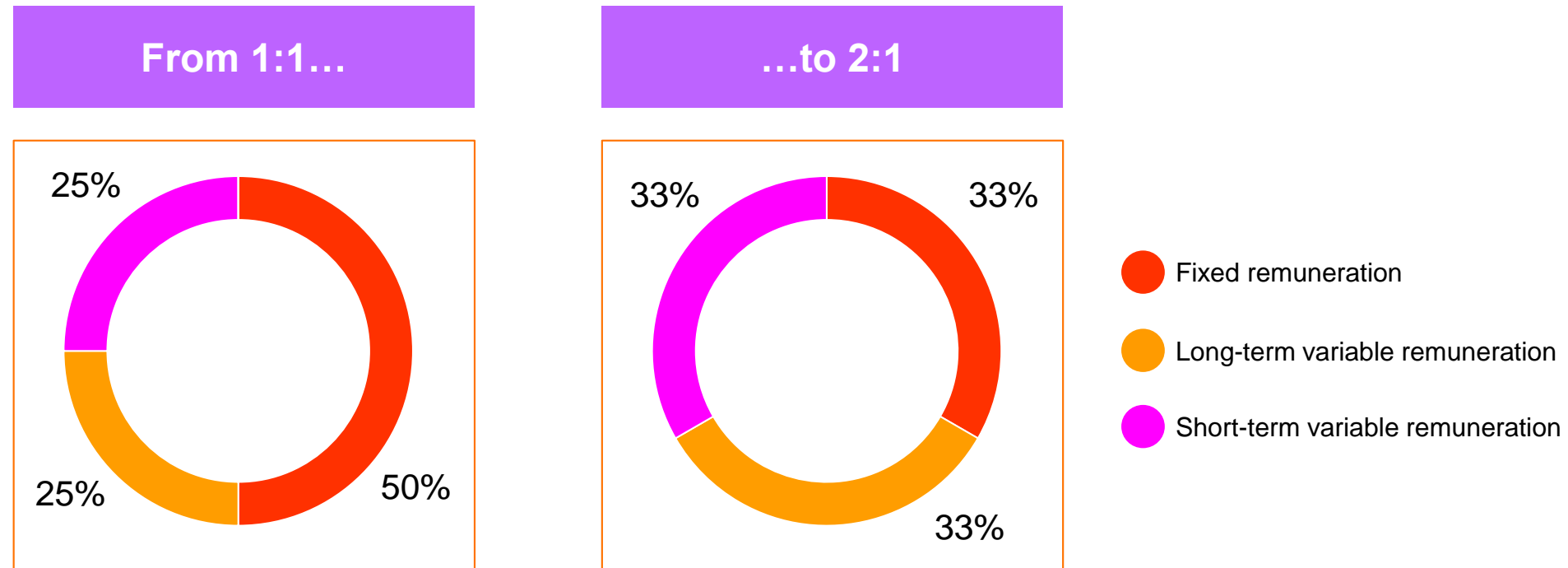
Encouraging the management team to achieve higher performance

3

Attracting and retaining talents

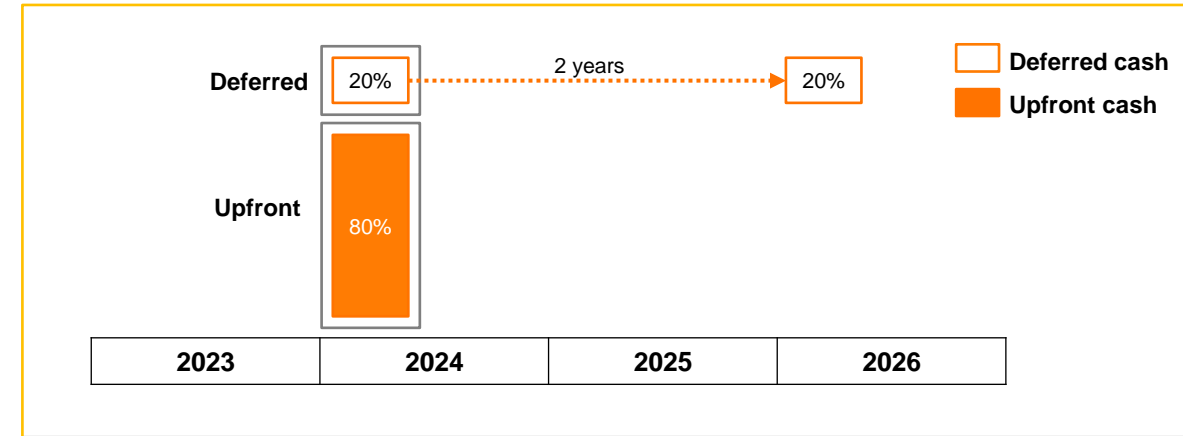
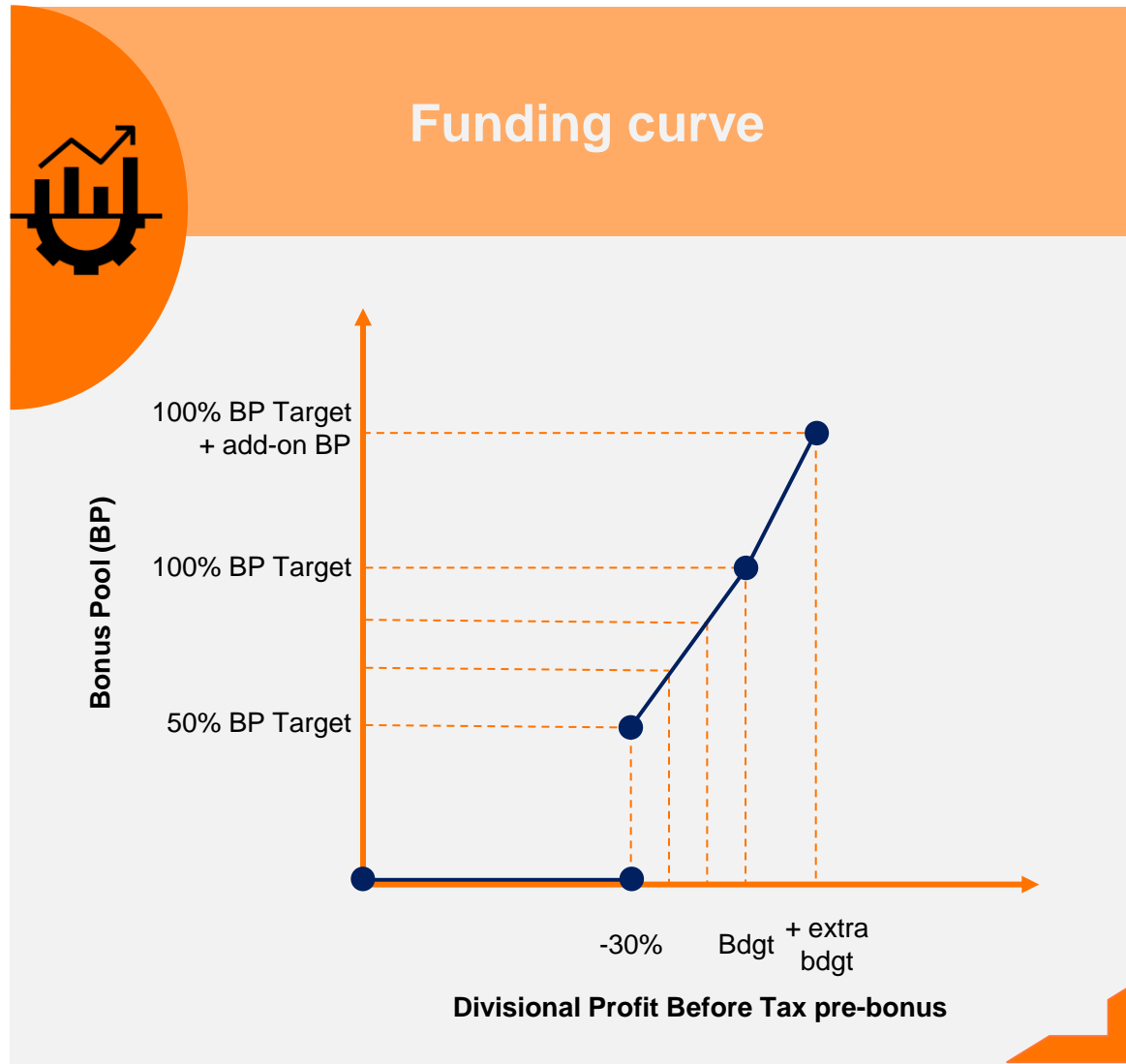
¹ Previously variable cap increased up to 2:1 for other Senior Management, reporting to the Top Management (2:1 provision still in place for this cluster)

illimity - Top Management pay-mix evolution



In case of AGM approval of 2:1, the **CEO and the remaining Top Management** will be granted a number of shares for the **third cycle of the LTI Plan (2023-2025)** to reach up to 100% of fixed remuneration, by the end of the year

illimity - Performance Management & MBO 2023




Group Material Risk Takers bonus pay-out scheme in case of variable remuneration >50K Euro or >1/3 total remuneration

MBO 2023

illimity - CEO 2023 Goal Card (incl. ESG KPI)

For 2023 MBO, we highlight the evolution of profitability indicator in a risk-adjusted metric (2023 RORAC vs. 2022 ROAE) and the update of ESG KPIs, aligned with the new 2023-2025 Sustainability Plan.

#	Area	Cluster	KPI	Weight	Evaluation
1	Financials	Profitability	Return on Risk Adjusted Capital (RORAC)	30%	Min: 90% budget Target: 100% budget Max: 110% budget
2			Cost/Income Ratio	10%	Min: 110% budget Target: 100% budget Max: 90% budget
3		Risk	Gross Organic NPE Ratio	10%	Min: 110% budget Target: 100% budget Max: 90% budget
4	Strategy	Strategic Actions of continuous innovation	<ul style="list-style-type: none"> • Full implementation of b-ilty and achievement of planned budget targets • Achievement of profitability for Quimmo • Development of open banking services for illimity • Strengthening of Hype's strategic design and drive to achieve related Plan goals 	25%	Min: 80% Target: 100% Max: 120%
5		ESG 	<ul style="list-style-type: none"> • Integration of ESG / climate-environmental risks into the Risk Appetite Framework 2023 of the illimity Group, with definition of a set of KPIs and related Risk Appetite and Tolerance levels • Maintenance of the Gender Equality Certification "UNI_PdR 125-2022" • Maintenance of Equity Pay Gap in the range of +/- 3% • Adhesion to PRB (Principles for Responsible Banking) • Issuance of the Responsible Investment Policy for the proprietary portfolio. 	15%	Min: 80% Target: 100% Max: 120%
6	Behaviors	Behaviors	Assessment of acted behaviors based on illimity leadership model	10%	Scale: 0-120%

illimity - Third Cycle LTI Plan 2023-2025

Third Cycle LTI Plan (2023-2025)					
Strategic Pillar	KPI	Target (end of cycle)	Level of achievement	% Incentive	Weight
Profitability	ROAE	18%	> 18%	100%	50%
			≥ 14% e ≤ 18%	60%-100%	
			< 14%	0	
Creation of shareholder value	Relative TSR illimity vs. Financial Services Italy	Third Quartile	>Third Quartile	100%	20%
			≥ Median and ≤ Third Quartile	60%-100%	
			< Median	0	
Asset quality	Gross Organic NPE ratio	RAF appetite	< RAF appetite	100%	10%
			≥ RAF appetite and ≤ tolerance	60%-100%	
			> RAF tolerance	0%	
ESG	Diversity, Equity & Inclusion	4 points	≥ 4 points	100%	10%
			≥ 3 points and <4 points	60%-100%	
			< 3 points	0%	
	Top ESG Rating & Sustainable Finance ¹	4 points	≥ 4 points	100%	10%
			≥ 3 points and <4 points	60%-100%	
			< 3 points	0%	

Updates from the previous cycle

¹ Max score is achieved not only by reaching Standard Ethics and CDP Investment Grade or higher and two «Environmental» targets foreseen in the 2021-2025 Industrial Plan (maintaining Group Carbon Neutrality in Scope 1 and Scope 2 and assess and address financed emissions) but also by realizing the Sustainable Finance target as included in the 2023-2025 Sustainability Plan

illimity - 2022 CEO and Executive Team Comp

A derogation in the size of the bonus pool, in line with 2022 Remuneration Policy provisions, was activated for the Group population (leading to an average coverage of ca. 64% of target MBO¹).

	Base Salary	Welfare & Benefits	2022 MBO	2022 Total Comp	2021-25 LTIP shares ²
 CEO	680	25	200	905	93,162
 14 Executive Team³	4,696	382	1,605	6,683	581,133

In thousands of euros

2022 CEO pay ratio to the rest of the organization is 17.5x (benchmark of peers: 61.5x⁴)

¹ The average target MBO amounts to approx. 20% of fixed remuneration, across the organization

² Number of shares across the whole 2021-2025 Plan horizon; only 8 members of the Executive Team is eligible to the LTIP since 3 members are Head of Control Functions

³ Individuals who have the power and responsibility, directly or indirectly, for the planning, management and control of the entity's activities

⁴ Source: Calculation based on 2022 Remuneration Report of the following peers: Intesa Sanpaolo, UniCredit, Fineco, Mediobanca, BPER, BancoBPM, Banca Generali, Banca Mediolanum

ESG Highlights



illimity - Forerunner in ESG commitment



Main ESG achievements



Environment



Carbon Neutrality
Scope 1&2



Expansion of reporting Scope
3 financed emissions



ESG embedded in RAF
& in credit risk assessment



Sustainable Finance
products



Social



Great Place to Work® award
for 4 years



Gender equality certification
UNI PdR 125:2022



Negligible Gender Pay Gap
($< 4,6\%$)



76% of the economic value
generated distributed to
stakeholders



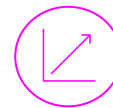
Governance



Adhesion to UN Global
Compact



Signing of the Principles for
Responsible Investment by
illimity SGR



Upgrade of all ESG Ratings



ESG Goals in Incentives
Plans (LTI & MBO)

illimity - 2023-2025 Sustainability Plan

New 2023-25 additional targets

2021-25 Strategic Plan

Environment

- Integration of **ESG factors in the credit assessment** and **Risk Appetite Framework** (RAF)
- Maintain the Group's carbon neutrality** (Scope 1 and Scope 2 emissions) **measure** and **address** the so-called "**financed emissions**" (Scope 3)
- Reactivation of renewable energy plans** through the **Energy Desk**

Social

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

Governance

- Enhance illimity **ESG Ratings**
- Integrate **ESG Goals in incentive plans**

- Reach **100% of electricity used from renewable sources** at the Group's main locations
- Maintain **100% use of FSC paper** throughout the Group
- Develop an **environmental policy** at Group level
- Consider the **environmental and climate impacts** in **due diligence** and **management of Real Estate assets**
- Develop the **offering and framework for sustainable finance products**
- Develop **ESG support/advisory services for SMEs**
- Reach **15% on cumulative business origination volumes for sustainable finance**
- Launch of **SGR fund with ESG characteristics**
- Reporting aligned with **TCFD disclosure**

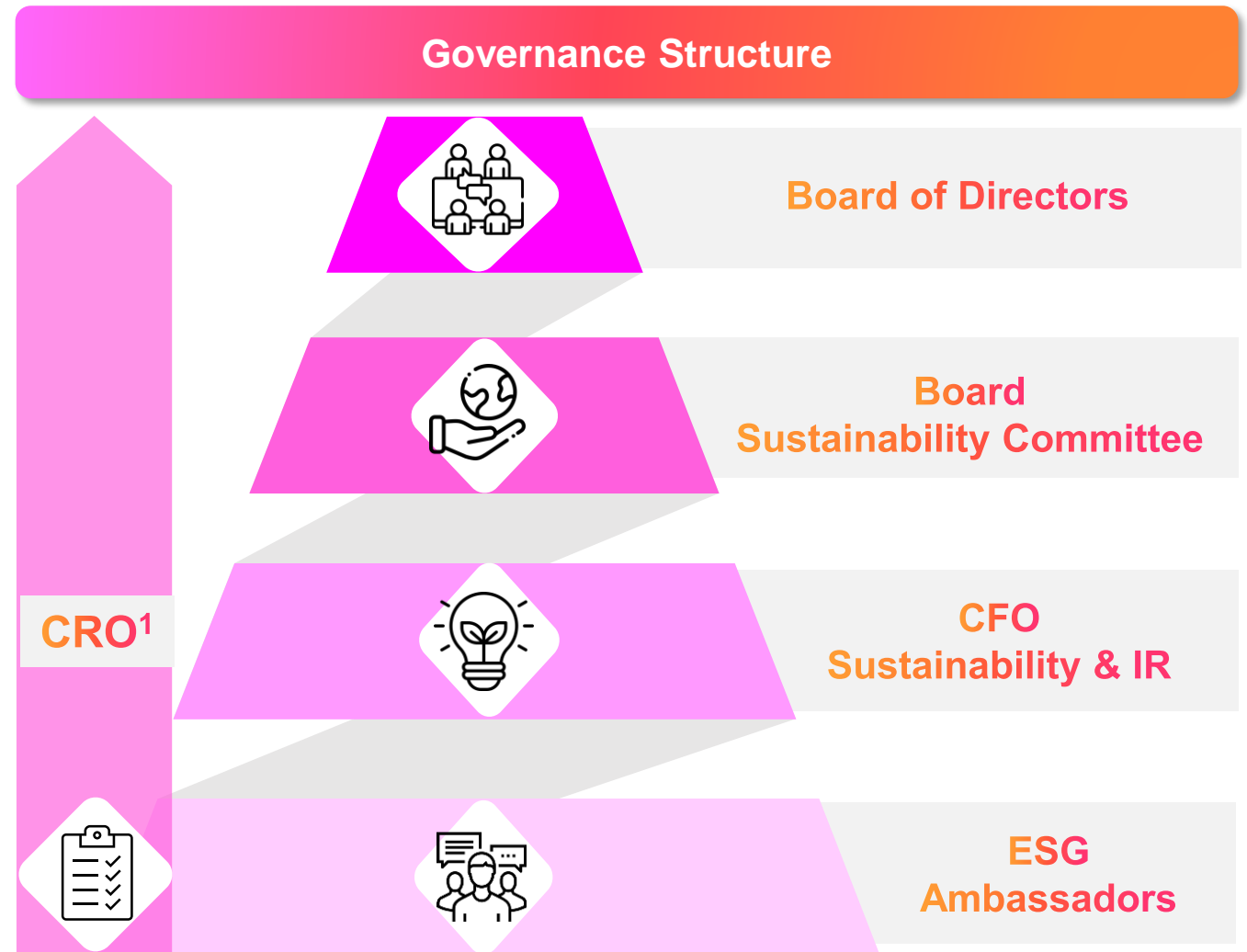
- Maintain the **UNI_PdR 125-2022 gender equality certification**
- Develop a company **policy to combat harassment**, inappropriate sexual conduct and bullying
- Maintain the **average number of hours of training at 42 hours** per employee, while guaranteeing **3 hours of ESG training**
- Develop initiatives to raise awareness on **sustainable mobility** (commuting) for employees
- Reach **more than 50%** of total expenditure on goods and services by 2025 **assessed with ESG criteria**

- Identifying the specific **ESG Ambassadors** in the key structures (10% of illimiters)
- Endorsement of the Bank to the **Principles for Responsible Banking**
- Obtain the **Anti-Bribery** (ISO 37001) and the **Compliance** (ISO 37301) **certifications**
- Develop an **ESG Investment Policy** (property financing) and reach 100% of Treasury and Investment Banking investments that consider ESG factors in the selection phase (ESG due diligence)





















illimity - Sustainability embedded in our governance system

2022 Key governance takeaways

- Adoption of the “**one-tier system**”
- **85%** board independence
- **46%** female board members [6 women out of 13 members]
- **Independent Chairperson**
- **61 years old** average age on the board
- **2 years** board average **tenure**
- **94%** average participation to board meetings in 2022
- **Diversity** in terms of gender, age, skills & background
- Explicit inclusion of “**sustainable success**” in the bylaws



ESG rating improvements confirmed illimity's continual sustainability efforts

	2022	2021	
 MSCI Scale from CCC (laggard) to AAA (leader)	 A	B	MSCI improved rating by three positions, moving from level “B” to the new “A” level, considering illimity a leader, compared to most of its global peers, on the corporate governance front.
 ISS ESG Scale from 10 (Worst) to 1 (Best)	 E:3 S:1 G:1	E:4 S:3 G:5	Highest recognition in terms of ESG score for the governance and social sections (1/10). The environmental level of disclosure obtained a score equal to 3/10.
 SUSTAINALYTICS Scale from 40+ (Worst – High Risk) to 0 (Best – Negl Risk)	 15.6	35.4	Sustainalytics increased illimity rating for a sound management of ESG risks, the policies and programmes introduced and the high degree of responsibility towards investors & other stakeholders.
 S&P Global Scale from 0 (Worst) to 100 (Best)	 49	12	In 2022, illimity contributed for the first time to the CSA Questionnaire, obtaining a score equal to 49/100.
 CDP Scale from F (Worst) to A (Best)	 B	C	illimity received the CDP Management band “B” for taking coordinated action on climate issues, placing itself above the average of the Financial services sector in Europe (“B-”).
 Standard Ethics Scale from F (Worst) to EEE (Best)	 EE-	E	According to SE, illimity has gradually aligned with the indications and objectives of the UN, the OECD and the EU, also thanks to a cross-functional and integrated sustainability management model.
 Integrated Governance Index (IGI) Scale from 0 (Worst) to 100 (Best)	 60.55	49.5	In 2022, illimity obtained the “Leader ESG Identity” recognition mainly due to its code of conduct and sustainability procedures and the ESG integration in all areas of the business.
 Refinitiv Scale from D- (Worst) to A+ (Best)	 B	D +	illimity stood out for the maximum score on the Social dimension, thanks to the attention paid to the diversity, equity and inclusion dimensions and its new policies and initiatives in this field.
 D-Rating Scale from B+ (Worst) to A (Best)	 BBB+	N.A	illimity obtained a rating equal to BBB+, which is the second rating level of traditional banks in Europe. First digital bank in Italy. illimity is a great performer mainly on digital propositions, especially on app
 OPEN-ES Scale from 0 (Worst) to 100 (Best)	 85	N.A	The platform evaluated the sustainable performance of companies. illimity obtained a score equal to 85/100.