

# Report on the 2022 Remuneration Policy and Compensation Paid in 2021

Approved by the Shareholders' Meeting of illimity Bank S.p.A. on 28 April 2022

Prepared pursuant to article 3 of Legislative Decree no. 49 of 10 May 2019, which revised article 123-ter of Legislative Decree no. 58/1998, to the Issuer's Regulation revised on 11 December 2020 and to the 37<sup>th</sup> revision of the Bank of Italy's Circular no. 285

Courtesy translation in case of any inconsistencies the Italian version shall prevail

## CONTENTS

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE .....	3
INTRODUCTION.....	5
DEFINITIONS .....	7
SECTION I – REPORT ON THE 2022 REMUNERATION AND INCENTIVE POLICY .....	9
1. REMUNERATION POLICY AS SUPPORT FOR THE CREATION OF LONG-TERM VALUE FOR ALL STAKEHOLDERS .....	9
2. DETAILS OF THE PROPORTIONALITY PRINCIPLE AND THE LEGISLATIVE FRAMEWORK .....	10
3. OBJECTIVES OF THE REMUNERATION POLICY .....	13
4. GOVERNANCE OF THE REMUNERATION POLICY.....	15
5. IDENTIFICATION OF “GROUP MATERIAL RISK TAKERS” FOR 2022 .....	21
6. REMUNERATION FRAMEWORK AND THE RATIO BETWEEN VARIABLE AND FIXED REMUNERATION..	23
7. COMPENSATION OF THE BOARD OF DIRECTORS .....	26
8. MARKET PRACTICE AND BENCHMARKING .....	26
9. PAY-MIX OF THE CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES .....	27
10. ANNUAL VARIABLE INCENTIVE PLAN MBO.....	28
11. 2021-2025 LONG-TERM INCENTIVE PLAN .....	32
12. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP).....	38
13. RISK ALIGNMENT (MALUS AND CLAWBACK).....	38
14. PROHIBITION OF HEDGING STRATEGIES.....	39
15. COLLABORATION AND PROFESSIONAL ENGAGEMENTS.....	39
16. SPECIFIC REQUIREMENTS FOR THE REMUNERATION OF THE STAFF OF THE DIRECT BANKING DIVISION AND THE FACTORING AREA: PROTECTION OF RETAIL CUSTOMERS .....	40
17. AGENTS, MEDIATORS AND FINANCIAL CONSULTANTS .....	41
18. REMUNERATION OF THE PERSONNEL OF ILLIMITY SGR.....	41
19. COMPENSATION FOR EARLY TERMINATION OF THE EMPLOYMENT RELATIONSHIP AND/OR EARLY TERMINATION OF OFFICE .....	43
20. TERMINATION OF THE EMPLOYMENT OR COLLABORATION RELATIONSHIP .....	45
ANNEX 1 - GUIDELINES FOR IDENTIFYING THE MATERIAL RISK TAKERS OF THE BANKING GROUP .....	46
SECTION II - REPORT ON COMPENSATION PAID IN 2021 .....	58
1. INTRODUCTION.....	58
FIRST PART .....	59
1. 2021 RESULTS.....	59
2. REMUNERATION OF THE MEMBERS OF ILLIMITY’S BOARD OF DIRECTORS.....	60
3. REMUNERATION OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS .....	61
4. REMUNERATION OF ILLIMITY’S CHIEF EXECUTIVE OFFICER.....	62
5. REMUNERATION OF OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES.....	64
6. REMUNERATION OF ILLIMITY’S MATERIAL RISK TAKERS AND REMAINING PERSONNEL .....	65
ANNEX 2 - SUMMARY OF THE WORK PERFORMED BY THE REMUNERATION COMMITTEE IN 2021.....	68
SECOND PART .....	79
THIRD PART.....	91



## LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Shareholders,

I am pleased to present illimity's 2022 Report on Remuneration Policy, which describes the Group's remuneration and incentive strategy and is based on the strategic and sustainability objectives fostered by the new 2021-2025 Strategic Plan.

On 21 June 2021, illimity's Board of Directors approved the 2021-2025 Strategic Plan that lays the foundations for a new growth path, establishes the new objectives that we are aiming to attain and sets its sights on a significant and sustainable rise in profits and profitability, reconciling challenging new projects with an increasingly incisive role of sustainability issues.

In this context, illimity's remuneration policy represents a fundamental tool for contributing to the pursuit of the established ambitious objectives, ensuring consistency with the strategic business and sustainability objectives and ensuring the attraction and engagement of human resources.

To this end, the Remuneration Committee has collaborated with management to draw up the 2022 Remuneration Policy, basing itself on the increasingly current need to pursue sustainability and efficacy as well as obviously to keep adequate pace with a constantly changing regulatory framework. This process took into account the incentive strategy for illimiters, the evolution of the Business Model and the expected results of the new Strategic Plan.

Considering the positive outcome given by the Shareholders' Meeting of 15 December 2021, including on the Long-Term Incentive Plan, and as confirmation of the desire to continue with a transparent discussion and constructive dialogue with investors and proxy advisors, you will find a clear presentation in the 2022 Remuneration Policy of the objectives and correlated incentive criteria for the Chief Executive Officer, the members of Top Management and the other Executives with Strategic Responsibilities.

illimity is the Bank for people and families, as well as, following the start-up of b-ilty, being the digital direct bank for small and medium corporates, in support of this delicate historical moment of economic and social recovery.

As an important element in the 2022 Policy, I would like to bring your attention to the update made to encompass the regulatory provisions of the 37<sup>th</sup> revision of the Bank of Italy's Circular no. 285/13 which, inter alia, emphasises the need for the Remuneration Policy to be gender neutral. In this respect illimity is committed to providing remuneration packages that reflect the neutrality principle, guarantee effective equality of treatment and exclude the possibility of discriminating items such as gender and age. More specifically, illimity undertakes to suitably remunerate the role performed by all illimiters, together with their specific expertise, experience and contribution to business performance, accordingly assuring compliance with the equal opportunity principle on the basis of "equal pay for equal work", as also regulated by the Diversity, Equity & Inclusion Policy.

It should also be remembered that sustainability is built into every aspect of our activities, and our commitment to social responsibility is among other things confirmed by the inclusion of ESG metrics in the new long-term incentive system and, starting this year in a more pervasive way throughout the organisation, in the short-term incentive scheme, fully integrating these important objectives into the assessment of the Bank's risk exposure.

For a more comprehensive view of illimity's commitment on these subjects we invite you to consult our Sustainability Profile, which presents our character as a Sustainable Native Company in an all-inclusive manner.

The remuneration strategy for all illimiters continues to be strongly based on an alignment with stakeholders. In this respect:

- all illimiters are shareholders of the Bank and are incentivised to maintain an excellent performance;
- management and key staff members are provided with incentives for creating long-term value;
- an innovative and tailored welfare and flexible benefits system has been designed to respond to the demands and needs of each illimiter, with special emphasis on parenthood and family care.

Within this framework, the present proposed Remuneration Policy is in line with the views expressed by the investors on approval of the previous version at the Shareholders' Meeting in December 2021 and confirms the prudent approach taken in the policy by keeping the cap for the ratio between variable and fixed remuneration for the Chief Executive Officer and Top Management at 1:1 and having a balanced mix of short and medium-long term variable components. Guidelines for share ownership have also been introduced for the Chief Executive Officer, Top Management and other Executives with Strategic Responsibilities, these envisaging that a percentage of the available shares deriving from the LTI Plan should be maintained up to a specific target level.

May I take the occasion to thank you in advance for the attention you will give to an analysis of the 2022 Remuneration Policy. I am confident that you will appreciate the work performed, the items making up the remuneration policy we are submitting to you and the transparent approach we have taken in presenting these to you and all the stakeholders.

With best wishes,

**Paola Galbiati**

Chair of the Remuneration Committee  
illimity Bank S.p.A.

## INTRODUCTION

This document, which contains the **Report on the 2022 Remuneration Policy and Compensation Paid in 2021**, has been prepared by illimity Bank S.p.A. (hereinafter also “illimity”, the “Issuer”, the “Bank” or the “Company”) pursuant to Legislative Decree no. 58/1998 (the “TUF”), amended for the changes made by Legislative Decree no. 49 of 10 May 2019 - articles 114-*bis* and 123-*ter* of the “Issuers’ Regulation” - article 84-*quarter*, and as updated on 11 December 2020, as well as in accordance with the Supervisory Provisions for banks as per the 37<sup>th</sup> revision of the Bank of Italy’s Circular no. 285 of 17 December 2013 on remuneration (“Circular no. 285/2013”). It consists of two sections.

**Section I** (Report on the Remuneration Policy) describes in a clear manner:

- a) the Company’s policy on the remuneration of members of the management bodies and control bodies (without prejudice to article 2402 of the Italian Civil Code), general managers and Executives with Strategic Responsibilities, Material Risk Takers and all other personnel, with reference to 2022;
- b) the procedures used to adopt and implement such policy.

In addition, the first section describes the way the remuneration policy contributes to the Company’s business strategy, to the pursuit of its long-term interests and to its sustainability.

Pursuant to Consob Regulation no. 17221 of 12 March 2010 as amended on related party transactions (the “Consob Regulation”), as incorporated in the policy “*Transactions with parties forming part of the illimity Banking Group’s Single Perimeter*” approved on 10 May 2021, the approval of the policy by the Shareholders’ Meeting exempts the Company from the need to apply the policy in the resolutions of the Board of Directors on matters regarding the remuneration of the directors, directors with specific duties and Executives with Strategic Responsibilities if the remuneration assigned is identified in compliance with such policy and quantified on the basis of criteria that do not lead to discretionary assessments. Furthermore, pursuant to article 13, paragraph 1 of the Consob Regulation, the above-mentioned procedure does not apply to resolutions adopted by shareholders’ meetings pursuant to article 2389, paragraph 1 of the Italian Civil Code regarding compensation due to members of the Board of Directors, nor to resolutions on the remuneration of directors with specific duties, forming part of the overall amount determined in advance by the shareholders’ meeting pursuant to article 2389, paragraph 3, second sentence of the Italian Civil Code. The above Group Policy may be consulted on the Issuer’s website [www.illimity.com](http://www.illimity.com) under the **section Governance**.

The Bank has adopted a Remuneration and Incentive Policy for 2022 in favour of the members of the bodies with a strategic, management and control function and of the remaining members of the staff, including Material Risk Takers, of the Bank and its subsidiaries (the “Policy” or the “Remuneration Policy” or the “Remuneration and Incentive Policy”) prepared in accordance with the provisions of the above-mentioned Circular no. 285/2013 as well as in light of the recommendations contained in the Corporate Governance Code promoted by Borsa Italiana S.p.A. (the “Corporate Governance Code”).

This Policy, subject to approval by the Shareholders’ Meeting on 28 April 2022, is that proposed by the Board of Directors at its meeting of 10 March 2022, following the proposal of the Remuneration Committee.

It is lastly noted that this Policy regards the Issuer and the banking group it heads (the “Group”). Particular remuneration policies consistent with the present Policy are adopted by subsidiaries that are subject to laws and regulations specific to the sector in which they operate, such as illimity SGR S.p.A., except for specific items applicable to the way in which the sector is governed.

The text of this document is made available to the public at the Company's headquarters and in the Remuneration section of its website by the twenty first day preceding the date of the Shareholders' Meeting, in accordance with applicable laws and regulations.

**Section II** of the Remuneration Policy (the "Report on Compensation Paid in 2021"), submitted for the approval of the Ordinary Shareholders' Meeting of 28 April 2022, may be consulted on the Issuer's website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

\*\* \*\* \*

## DEFINITIONS

<b>Bonus Pool</b>	The total amount of the variable remuneration deriving from the MBO Incentive Scheme, the estimate of which is based on the actual and long-term results taking into consideration quantitative and qualitative objectives and financial and non-financial objectives, depending on the Group's capital and liquidity targets.
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with registered office at Piazza degli Affari 6, Milan.
<b>Chief Executive Officer</b>	The Chief Executive Officer of illimity Bank S.p.A. and "Corporate body with management functions".
<b>Circular no. 285/2013</b>	Circular no. 285 of the Bank of Italy dated 17 December 2013, as amended, which among other things governs the remuneration and incentive policies and practices of banks.
<b>Consolidated Law on Banking or TUB</b>	Legislative Decree no. 385 of 1 September 1993 as amended.
<b>Executives with Strategic Responsibilities</b>	Those persons who, pursuant to IAS 24 and the Corporate Governance Code for listed companies, have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
<b>Group</b>	The illimity Bank S.p.A. group, registration no. 245 in the roll of Banking Groups.
<b>illimity or the "Company" or the "Issuer"</b>	illimity Bank S.p.A., with registered office at Via Soperga 9, Milan, parent company of the illimity Bank S.p.A. Group.
<b>illimity Way</b>	The illimity Way of the illimity Banking Group, approved on 9 June 2021.
<b>Material Risk Takers or MRTs</b>	Those persons whose professional activity has, or could have, a material effect on the Group's risk profile, identified in accordance with the criteria and by the means provided in Circular no. 285/2013, in the CRD V and in Commission Delegated Regulation (EU) 2021/923.
<b>RAF or Risk Appetite Framework</b>	The framework that defines – consistent with the maximum risk that may be assumed, the business model and the strategic plan – risk propensity, tolerance thresholds, risk limits, risk management policies and the processes needed to define and implement them.



<b>Relevant Persons</b>	Pursuant to the Provisions of the Bank of Italy on the Transparency of Transactions and Banking and Financial Services, the members of the intermediary's staff who offer products to customers, interacting with such, as well as those persons to whom these staff members report hierarchically.
<b>Remuneration Committee</b>	The Bank's Remuneration Committee set up pursuant to Circular no. 285/2013 and the Corporate Governance Code.
<b>Risk Committee</b>	illimity's Risk Committee set up pursuant to Circular no. 285/2013 and the Corporate Governance Code.
<b>Shareholders' Meeting</b>	The general meeting of the Issuer's shareholders.
<b>Strategic Plan or Plan</b>	The Issuer's Strategic Plan for the years 2021-2025.
<b>Top Management</b>	The following managers who report directly to illimity's Chief Executive Officer: Head of Distressed Credit; Head of Growth Credit; Head of Direct Banking; Chief Financial Officer and Head of Central Functions.
<b>Total Reward</b>	The total remuneration package, consisting of skill development and training in addition to the fixed or variable components of remuneration governed by this Policy.

## SECTION I – REPORT ON THE 2022 REMUNERATION AND INCENTIVE POLICY

### 1. REMUNERATION POLICY AS SUPPORT FOR THE CREATION OF LONG-TERM VALUE FOR ALL STAKEHOLDERS

illimity is a highly technological bank, characterised by a strongly innovative business model, which has a clear focus on specific, very broad, segments of the Italian market that are growing, are little served by operators and have interesting risk/return prospects. More specifically, the Bank:

- provides credit to businesses that already achieve good results but have the potential for far greater growth and to businesses with a non-optimal financial structure and/or with a low rating or without a rating, including the segment of companies in financial difficulty (non-performing, Unlikely To Pay - UTP, loans) which have the potential for restructuring and revival. In this segment illimity serves medium-sized corporates with a dedicated and tailored approach through its Growth Credit Division, with smaller corporates being served by b-ilty, the complete digital direct bank for SMEs;
- is a leading operator in the secured and unsecured corporate distressed sector (Non-Performing Exposures, whether these are classified as NPLs or UTPs). In this segment, illimity has proved itself with an end-to-end model that is unique of its kind, operating as an investor, financier of other investors and servicer (both in credit management and the remarketing of a company's real estate and moveable assets);
- provides banking services and products to families and businesses via its digital platform.

In addition, illimity was admitted to the FTSE Italia STAR index only two years after its initial listing<sup>1</sup>, also in consideration of its alignment with the highest corporate governance standards from the start-up phase, this showing its flexibility, agility and rapidity of response, factors required to support highly dynamic customer segments.

The 2022 Remuneration and Incentive Policy, as per Section I of this Report, sets out the objectives of the remuneration and incentive schemes in the consolidation stage of the Bank's operations and activates the incentivising tools for aligning management to the strategic objectives established throughout the Plan (amongst which are noted the objectives of sustained and sustainable profitability at an ROAE level and a focus on ESG).

The overall remuneration strategy has been established with the aim of providing a remuneration structure that can attract and retain the key skills functional to developing the business and achieving the planned results, compatible with the Bank's capital and economic-financial sustainability. To this end, a variable component of remuneration is envisaged, inter alia, which is parameterised to maintaining capital and liquidity ratios and to reaching performance objectives and which is serviced in part by the Bank's shares, coming from specific capital increases or treasury shares.

In this context, the following key principles of the incentive schemes, confirmed also for 2022, have importance, based as they are on a strong alignment with the Bank's shareholders, investors and in general all of its stakeholders:

- the participation of the Chief Executive Officer and Top Management in the Annual Variable Incentive Plan (MBO) in order to further align the respective remuneration structure with respect

---

<sup>1</sup> The Company's ordinary shares were admitted to trading on the STAR segment - "High-Requirement Securities Segment" - of the Electronic Stock Market ("MTA") organised and managed by Borsa Italiana under Borsa Italiana's Provision no. 8688 of 2 September 2020.

to the Bank's shareholders, investors and other management, taking into account any applicable regulatory requirements;

- manager remuneration suitably balanced in the variable component, in line with the expectations of profitability, taking into account the risk level assumed, detailed in the Plan, and without altering the gradual consolidation of the results themselves;
- making "all the Issuer's employees shareholders"<sup>2</sup>.

The Remuneration Policy is drawn up in line with the business context and the purposes described, as well as being consistent with the applicable regulatory provisions and the growth expectations set out in the Strategic Plan.

The Policy also identifies and rewards the actions that direct people to the very purpose of illimity, this being to support the "country as a system" through the development of the segment of the market it serves as confirmation of a responsibility towards investors, shareholders, employees, and the economic system as a whole, the underlying driver of its strategy.

As evidence of the commitment towards corporate social responsibility, the Sustainability Committee was set up in January 2020 with the aim of establishing the Group's sustainability strategy and, then, monitoring the way this is carried out; in this sense also the Remuneration Policy is geared towards the creation of sustainable value over time for all the stakeholders and the eco-system in which the Group operates.

## **2. DETAILS OF THE PROPORTIONALITY PRINCIPLE AND THE LEGISLATIVE FRAMEWORK**

In application of the proportionality principle, the regulatory framework requires banks to establish remuneration and incentive policies that consider their features and size, as well as the risk and complexity of the activities performed.

Considering the characteristics of its assets, the way the Group is structured and current legislation, illimity forms part of the banks with smaller size or operating complexity which, as set forth in the 37<sup>th</sup> revision of the Bank of Italy's Circular no. 285/2013, are defined as "banks whose balance sheet assets, on a stand-alone basis, are equal to or less than EUR 5 billion, calculated as the average of the four years immediately prior to the current financial year, and do not belong to a group whose consolidated total assets are equal to or exceed EUR 30 billion".

Since the date of its listing on the MTA (5 March 2019), illimity has ensured compliance with regulatory provisions that are more stringent than those strictly required by applicable legislation, namely by having governance controls - including the setting up of the Remuneration Committee - and establishing increasingly rigorous rules on the variable remuneration structure.

From this standpoint, the present Remuneration Policy also provides details of the relative rules and criteria for recognising and paying the variable component of remuneration by means that are in line with those required for banks of a smaller size or operating complexity, providing for a reasonable period for deferring annual variable remuneration and supporting alignment with investors through the 2021-2025 LTI Plan, awarded wholly in shares.

---

<sup>2</sup> See the paragraph on the Employee Stock Ownership Plan (ESOP).

The established rules and criteria are consistent with the aim of aligning the business's objectives and values, including corporate social responsibility, the strategic path undertaken and the policies of prudent risk management pursued by the Bank in accordance with applicable law.

In more detail, the Remuneration Policy is established within the legislative framework for remuneration and incentive schemes, as represented by the following sources:

- **at a European Union level:**

- Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019, which amended the previous Directive 2013/36/EU, on access to the activity of credit institutions and on the prudential supervision of credit institutions and investment firms (CRD V);
- the technical rules for implementing Regulation 876 of the European Parliament and of the Council of 20 May 2019, on the prudential requirements for credit institutions and investment firms ("CRR II") regarding the obligations for the disclosure of remuneration policies to the markets and reporting to the competent authorities published by the European Banking Authority (EBA) on 24 June 2020 and applicable from 30 June 2021;
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, published in the EU Official Journal on 9 June 2021 and directly applicable in every Member State, that supplements CRD V as far as regards the technical regulatory requirements concerning the qualitative and quantitative criteria to identify the categories of staff whose professional activities have a material impact on the institution's risk profile (the "Material Risk Takers"). These criteria incorporate the Regulatory Technical Standards established by the EBA on 18 June 2020 and in force from January 2021 in application of the new directive on capital requirements (CRD V);
- Commission Delegated Regulation 527 of 12 March 2014 that supplements CRD IV with regard to regulatory technical standards, specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration;

- **at a national level:**

- article 123-ter, as amended by Legislative Decree no. 49/2019, and article 114-bis of the TUF, which respectively govern the contents of the "Report on remuneration and compensation paid" and the "information to the market on the granting of financial instruments to company officers, employees and collaborators";
- Title IV, Chapter 1 of the 37<sup>th</sup> revision to Circular no. 285/2013, on the remuneration and incentive policies and practices updated to align national regulatory requirements to the guidelines on remuneration and incentives promulgated by the EBA;
- the Provision published by the Bank of Italy on 19 March 2019 on the transparency of banking and financial transactions and services, with particular reference to the propriety of relations between intermediates and customers;
- the Issuers' Regulation, as revised by Consob on 11 December 2020;
- with reference to the collective asset management sector, the provisions of the Regulation of the Bank of Italy implementing article 4-*undecies* and article 6, paragraphs 1b) and 1c-*bis*) of the TUF.

The following complete the above provisions:

- the “*Guidelines on sound remuneration policies under Directive 2013/36/EU*”, published by the EBA on 2 July 2021 and effective from 31 December 2021, designed to harmonise the way in which the European directive is effected in the various countries;
- “*Guidelines on sound remuneration policies under the UCITS Directive and AIFMD*”, designed to harmonise transcription into national laws on remuneration and incentives in companies managing AIFs and UCITS funds;
- the “*Guidelines on loan origination and monitoring*”, that govern the criteria for the remuneration of staff, in particular with reference to the assumption of risks regarding the granting, administration and monitoring of the loan;
- the ECB’s guidance on non-performing loans (“NPLs”) published on 20 March 2017;
- Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (“Mifid II”), on the requirements for proper conduct with customers, in effect since January 2018;
- the ECB’s papers of November 2020 (“*Guide on climate-related and environmental risks. Supervisory expectations relating to risk management and disclosure*”) and those of the EBA of June 2021 (“*EBA Report on management and supervision of ESG risks for credit institutions and investment firms*”), which provide for the inclusion of ESG parameters in personnel remuneration and incentive mechanisms.

Given the wide agreement obtained, the 2022 Remuneration Policy essentially represents continuity with the Remuneration Policy approved by the Shareholders’ Meeting of 15 December 2021, with the exception of the due regulatory amendments following the 37<sup>th</sup> revision of the Bank of Italy’s Circular no. 285/2013 and other improvements made to the Group’s performance and reward scheme. In particular:

- an exposition of the gender neutrality principle set out in the Remuneration Policy and the relative controls, taking into account the importance of this in the offered remuneration proposals;
- a revision of the scheme for deferring the Annual Variable Incentive Plan, in consideration of the regulatory criteria applicable to intermediaries of a smaller size or operating complexity by establishing a deferral of the bonus for two years and the relative recognition wholly in cash;
- a resulting focus on the component in financial instruments as part of the 2021-2025 LTI Plan, also for a greater alignment with the recommendations of the Corporate Governance Code which require recognition of the major part of plans in financial instruments over 5 years. More specifically, the 2022 Remuneration Plan specifically highlights the objectives of the second cycle of the “rolling” Plan and therefore those of the 2022-2024 period;
- inclusion in the Group’s Performance Management process of Environmental, Social & Governance (ESG) and innovation matters, through the introduction of two new KPIs in the individual goal cards and the updating of illimity’s skills and leadership model.

### 3. OBJECTIVES OF THE REMUNERATION POLICY

illimity's Remuneration and Incentive Policy is designed to motivate staff towards achieving illimity's short- and medium/long-term objectives, in compliance with the Company's values and the levers identified in the Strategic Plan, by contributing to:

- the alignment of the interests of management and all employees, fully involved in the "value-building" process, to those of investors and all the stakeholders;
- the creation of sustainable value over time for all the stakeholders and the eco-system in which the Group operate by also linking short- and long-term incentive plans to ESG objectives;
- the maintenance of an emphasis on gender equity and engagement with employees;
- support for the progressive consolidation of the growth directives of the new bank, consistent with the plan presented to investors;
- the attraction, retention and motivation of illimiters, with a specific focus on staff with distinctive skills for the pursuit of the Company's growth and business objectives, in an increasingly challenging competitive context, thanks to an inclusive business culture increasingly focused on the Human Touch.

In accordance with the regulatory provisions of the 37<sup>th</sup> revision of the Bank of Italy's Circular no. 285/2013, illimity's remuneration schemes are accordingly established in line with business objectives and values, including in this sustainable finance objectives that among other things take into account environmental, social and governance (ESG) factors, and with long-term strategies and the policies of a prudent management of the Bank's risk, including in this strategies for monitoring and managing impaired loans, consistent with the matters established as part of the provisions on the process of prudent control.

The Remuneration and Incentive Policy accordingly evolves in the context of a clear and transparent governance, considering the overall principle of orientation towards the sound and prudent management of risks and regulatory compliance and towards principles of good business conduct and the propriety of customer relations. In addition, the Policy reflects the significant changes that have taken place and/or are planned to take place in the business and the Group's organisational structure in accordance with the provisions of the Business Plan, as well as any regulatory changes that may have occurred.

#### 3.1 Gender neutrality of the Remuneration Policy

illimity undertakes to provide remuneration packages in line with the market median that reflect neutrality principles, ensuring substantial equality of treatment, regardless of any discriminating items such as gender or age. More specifically, illimity undertakes to suitably remunerate the role performed, each illimiter's skills and experience and the contribution made to the Company's result by way of the Performance Management system, consequently ensuring that the equal opportunity principle applies to all illimiters.

In particular, as also governed by the Diversity, Equity & Inclusion Policy, remuneration is determined on the basis of the "equal pay for equal work" principle, guaranteed by controls aimed at ensuring that remuneration decisions are *diversity neutral*. More specifically, these controls consist of a systematic analysis of internal and external benchmarks when determining the economic package, as well as during the annual salary review process, and a commitment to substantially closing the *equity pay gap*, monitored by way of controls activated on hiring, during the individual salary review and on the periodic review of remuneration policies.

With the aim of facilitating the application of gender neutral policies, assessing their effectiveness and monitoring the application of the equity criteria through compliance with gender neutrality in terms of remuneration, illimity has introduced a model analysing the correlation of remuneration with the position held that takes into account responsibilities and the extent of the complexity managed by the various positions.

The system adopted by illimity is based on the international WTW “*Global Grading System*” that helps an organisation determine the relative internal value of jobs. This system envisages the allocation of grades, depending on the specific job, that make it possible to constantly assess remuneration for staff having the same position or a position of equal value in terms of both internal equity and competitiveness towards the market by means of internal and external benchmarking.

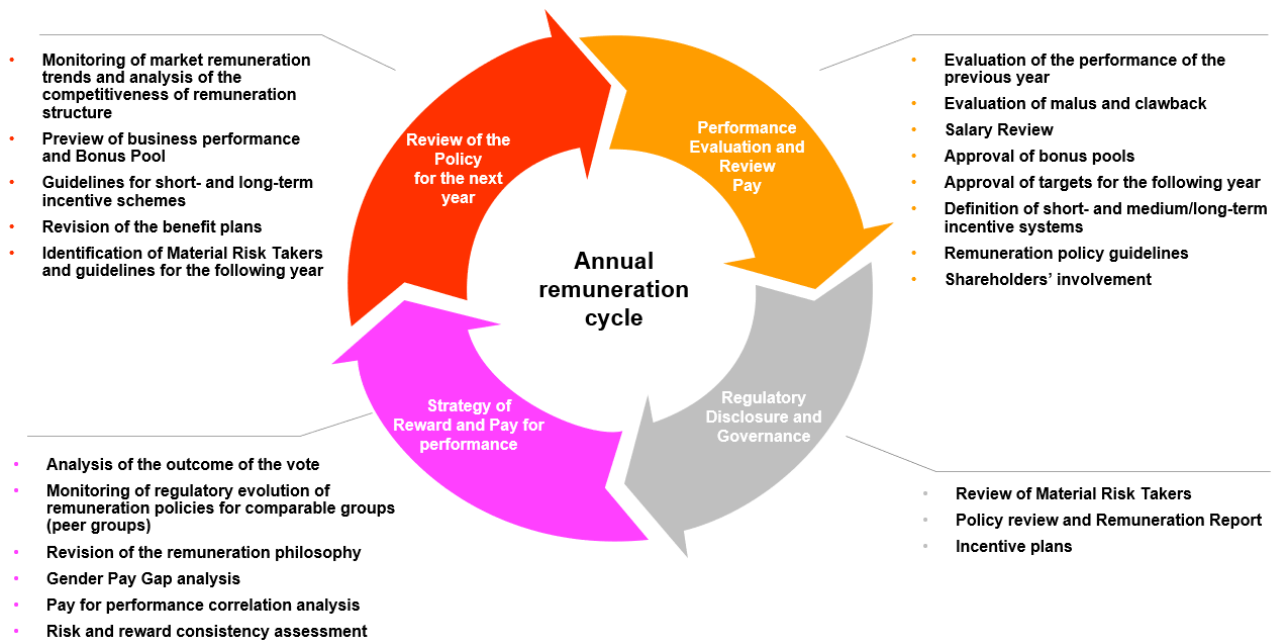
In addition, illimity:

- has set up a Sustainability Committee, in which strategic decisions on ESG issues regarding the Group are discussed and approved;
- has adopted the illimity Way as the illimity Bank Group’s integrity manual, which among other things emphasises the Group’s guiding principles and business values;
- has published a Diversity, Equity & Inclusion (DEI) Policy having the aim of setting out the Group’s DEI guidelines and practices as founding pillars for the business’s organisation and strategy. In this context, by way of example Equity is emphasised as being “the commitment to ensure equal opportunities for all illimiters, whether in terms of joining and working, remuneration, training, development or corporate welfare”;
- has introduced the annual involvement of the Board of Directors, with the support of the Remuneration Committee, which is required to analyse the gender neutrality of the remuneration policies and check the *gender pay gap* and its evolution over time.

The above-mentioned documents are in the public domain and may be consulted on illimity’s website.

#### 4. GOVERNANCE OF THE REMUNERATION POLICY

In accordance with the provisions of law and regulatory and corporate governance requirements, the Remuneration and Incentive Policy is established as part of the annual cycle for the planning, management and control of remuneration in order to ensure that decisions are taken independently, thereby avoiding the risk of possible conflicts of interest and guaranteeing accurate disclosures, all in accordance with the process described below:



More specifically, the annual cycle for the revision of the Remuneration Policy involves the corporate bodies and business functions, consistent with regulatory provisions, the requirements of the Bylaws, the organisational structure and the responsibilities assigned to the various functions, ensuring that each decision is taken by the delegated bodies and functions.

In order to adopt effective remuneration practices that are capable of suitably supporting business strategies and resource management, together with regulatory evolution, illimity monitors general market trends and the practice in remuneration and incentive policies followed in the sectors in which it operates. In this sense, in order to draw up the Remuneration and Incentive Policy described in this Report, the Bank availed itself of the analyses and support of independent experts having specific expertise in remuneration policies and practices, namely the firm WTW.

The following sections provide details of the corporate bodies and persons involved in establishing and implementing the remunerative and incentive system.

##### 4.1 Shareholders' Meeting

Shareholders have the responsibility for approving the Remuneration and Incentive Policy.

More specifically, in addition to establishing the compensation due to the bodies it has appointed, the Shareholders' Meeting:



- expresses its opinion by way of a binding vote on the Remuneration and Incentive Policy regarding the members of corporate bodies with a function of strategic supervision, management and control and all other personnel;
- expresses a non-binding vote on the Report on Compensation Paid, pursuant to article 3 of Legislative Decree no. 49/2019;
- approves the remuneration plans based on financial instruments;
- approves the criteria for determining any amounts to be agreed in case of early termination of the Employment Relationship or the early termination of office, including the limits set on such compensation in terms of the number of annual amounts of fixed remuneration and the maximum amount that derives from their application;
- approves, in accordance with the increased quorums envisaged by applicable laws and regulations and by illimity's current Bylaws, any proposal that may be made by a corporate body with a strategic supervision function to set a limit to the ratio between the variable and fixed components of individual remuneration exceeding 1:1 (but in any case, not exceeding 200%).

Clear and complete information on the Remuneration Policy that the Board of Directors proposes to adopt, on the proposal of the Remuneration Committee and after consultation with the Risk Committee to the extent responsible, is submitted to the Shareholders' Meeting, as well as a report that the policy was effectively and properly followed during the previous year.

It should be emphasised that the revised version of illimity's 2021 Remuneration Policy was approved by the Shareholders' Meeting of 15 December 2021 with a 99% vote cast in favour by the shareholders in attendance, following engagement activities carried out with investors and proxy advisors with the aim of justifying the main changes and directing the observations made at the Shareholders' Meeting of April 2021 (for comparative purposes, the average percentage of votes cast in favour of the 2021 Remuneration Policy of SmallCap and MidCap banks was 88% and the average percentage relative to the MidCap Index was 89%). This confirms the alignment of illimity's Remuneration Policy with the guidelines of investors and proxy advisors and with the applicable regulatory framework.

In this respect, among other things, it is confirmed the prudent approach taken by the Policy, keeping 1:1 as the upper limit for the ratio between variable and fixed remuneration unchanged for the Chief Executive Officer and Top Management and having a balanced mix of short- and medium/long-term variable components.

#### **4.2 Board of Directors**

Availing itself of the fact that the Remuneration Committee acts with both an advisory and a proposing role, the Board of Directors of illimity Bank S.p.A. ensures that the remuneration and incentive schemes adopted are consistent with the overall decisions taken by the Bank in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls.

In this context, and without prejudice to the responsibilities assigned to the Shareholders' Meeting, the Board of Directors:

- submits the Remuneration and Incentive Policy to the Shareholders' Meeting, re-examines it on at least an annual basis and is responsible for its proper implementation, in respect of which it ensures that the relative report has been prepared and is submitted to the Shareholders' Meeting;

- ensures that the Remuneration and Incentive Policy is suitably documented and accessible within the corporate structure;
- establishes the remuneration and incentive schemes for at least the following persons: the executive directors, the general manager (if appointed), Top Management, the Manager in charge of drafting the Financial Reports, the persons in charge and staff of higher level of the corporate control functions;
- ensures that the remuneration and incentive schemes are consistent with the overall decisions taken by the Group in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls;
- participates in, and has the final responsibility for, the preparation of the self-assessment conducted to identify Material Risk Takers and approves/supervises any exclusion of staff who, despite having the quantitative requirements, fail to satisfy the qualitative criteria established by laws and regulations on the matter.

Starting in 2022, and going forward at least on an annual basis, the Board of Directors is required to analyse the gender neutrality of the remuneration policies and verify the gender pay gap and its evolution over time.

Furthermore, in application of article 123-*ter*, paragraph 3-*bis* of the TUF, in exceptional circumstances illimity may temporarily make an exception to its Remuneration and Incentive Policies, without prejudice to compliance with binding laws and regulatory requirements and consistent with the Regulation for the management of transactions with parties falling within the Bank's Combined Perimeter and transactions of personal interest.

Exceptional circumstances shall mean those situations in which making an exception to the Remuneration Policies is necessary for pursuing the long-term interests and sustainability of the Bank as a whole or ensuring its ability to operate on the market.

The derogation proposal is drawn up by the Chief Executive Officer and describes, with motivating reasons, the exceptional circumstances by virtue of which the derogation is considered necessary, the items from which derogation is planned among those below qualifying as "may be derogated from" and the effects on capital following the derogation, in accordance with the applicable prudent rules and capital restrictions to which the Bank is bound.

The proposal must be approved by the Board of Directors after receiving the favourable opinion of the Remuneration Committee and consulting with the respective corporate bodies for the matters for which they are respectively responsible and must be consistent with the Related Party Transactions Procedure.

The items of the remuneration policy to which an exception may be made regard the provisions contained in Section 1, Chapters 10 and 11 of this Report, with reference to the variable components described therein.

#### **4.3 Chief Executive Officer**

In his capacity as a corporate body with functions to manage the Bank, the Chief Executive Officer:

- determines and approves the operational process to establish the criteria underlying the remuneration and incentive scheme, in accordance with the provisions of this Policy;
- is responsible for applying this Policy and setting out its objectives, including in particular the determination of the Bonus Pool serving the incentive schemes and the relative distribution.

#### 4.4 Remuneration Committee

The Board of Directors avails itself of the proposing and advisory function of the Remuneration Committee which consists of three directors, all non-executive, of whom the majority are independent.

In accordance with the provisions of Circular no. 285/2013 as well as those of the Corporate Government Code, the Remuneration Committee:

- draws up proposals for the Board of Directors on the Remuneration Policy of the Bank and the Group, including the proposal on the remuneration of the members of the Board of Directors and the Board of Statutory Auditors (in accordance with applicable law);
- draws up proposals for the Board of Directors on the fixed remuneration of the Chief Executive Officer and other directors having specific duties in compliance with the bylaws and legal provisions;
- draws up proposals for the Board of Directors on the variable remuneration of the Chief Executive Officer, in the short and long term, as well as the performance objectives to which such variable remuneration is linked;
- draws up proposals for the Board of Directors on the remuneration of Top Management, the heads of Control Functions (with reference to the Head of Internal Audit, the Remuneration Committee expresses an opinion on the proposal of the Risk Committee) and the Manager in charge of drafting the Financial Reports;
- expresses an opinion to the Board of Directors on the performance objectives of the heads of Control Functions (with reference to the Head of Internal Audit, the Remuneration Committee expresses an opinion on the proposal of the Risk Committee) and the Manager in charge of drafting the Financial Reports;
- draws up proposals for the Board of Directors on the Bank's incentive plans, in particular those based on financial instruments;
- directly supervises the proper application of the rules for the remuneration of the heads of the Control Functions, in close cooperation with the Board of Statutory Auditors;
- also availing itself of the information received from the competent business functions, monitors the proper application of the Remuneration Policy and expresses opinions as to whether the performance objectives to which the incentive plans are linked and the other conditions set for payment of the compensation have been satisfied;
- periodically assesses the adequacy and overall consistency of the Remuneration Policy for the directors, statutory auditors and Top Management;
- has consultancy powers concerning the remuneration schemes for Material Risk Takers;
- expresses opinions, also availing itself of the information received from the competent business functions, on the criteria used for identifying Material Risk Takers and the outcome of such process, including any exclusions;
- looks after the preparation of the documentation to be submitted to the Board of Directors for the relative decisions with reference to the matters for which it has proposing functions;

- collaborates with the other committees, in particular the Sustainability Committee, concerning the integration of ESG objectives into the incentive schemes, and with the Risks Committee regarding the consistency of the incentives underlying the remuneration and incentive scheme with the Risk Appetite Framework (RAF);
- ensures the involvement of the business functions in the process for the drafting and controlling of the remuneration and incentive policies and practices;
- provides suitable feedback on its activities to the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

Starting in 2022, and going forward at least on an annual basis, the Remuneration Committee supports the Board of Directors in analysing the gender neutrality of the remuneration policies and verifying the gender pay gap and its evolution over time.

At the date of preparation of this report the Committee consists of the following members:

- Paola Elisabetta Galbiati - Chair to the Committee
- Massimo Brambilla - Member
- Marcello Valenti - Member.

#### **4.5 Risk Committee**

The Risk Committee performs an advisory role with respect to the approval of the Remuneration Policies for the purpose of ensuring that the incentives underlying the Bank's remuneration and incentive scheme are consistent with the RAF, taking risks, capital and liquidity into particular consideration.

#### **4.6 Sustainability Committee**

The Sustainability Committee performs an advisory role on the ESG objectives assigned in the annual and long-term incentive plans, coordinating with the Remuneration Committee and the Risk Committee.

#### **4.7 Human Resources & Organization**

illimity's Human Resources & Organization Department contributes to the preparation of the Remuneration Policy and looks after its application in conjunction with the Remuneration Committee, the CFO & Head of Central Functions and the Chief Executive Officer, in accordance with the need to attract and retain the professional figures required to achieve its long-term objectives while at the same time ensuring sound and prudent risk management.

In this respect the Human Resources & Organization Department:

- draws up and submits to the Remuneration Committee the proposed revision of the Remuneration Policy and Report on Compensation Paid;
- availing itself of the contribution of the Business Control Functions, ensures compliance with the regulations applicable to these present Policies and that they have been correctly applied;
- coordinates the process for identifying and determining Material Risk Takers, taking account of regulatory provisions and the criteria set out in these present policies and availing itself of the

contribution of the Business Control Functions, in particular the Chief Risk Officer (the “CRO”) and the Compliance & AML Department;

- proposes a performance appraisal system, remuneration criteria and career paths consistent with the Remuneration Policy; in this respect it additionally coordinates the establishment and assignment of the performance objectives as part of the incentive schemes;
- availing itself of the contribution of the Chief Financial Officer (the “CFO”) and the CRO, checks whether the objectives have been met and whether the conditions exist for access to the forms of variable remuneration;
- monitors the trends and practices to be found on the reference labour market in order to:
  - ✓ formulate proposals for the revision of the Policy;
  - ✓ formulate solutions for revising the remuneration and incentive scheme in terms of the instruments, means, operating mechanisms and parameters adopted by the Group.

#### 4.8 Compliance & AML

illimity’s Compliance & AML Department performs a preventive scrutiny and monitoring of the Remuneration Policy to ensure that it complies with the legislative framework; it additionally checks that the Company’s incentive schemes are consistent with the objectives of complying with the law, the Bylaws, the Group’s illimity Way and the standards of conduct applicable to the Bank, so that the legal and reputational risks inherent above all in customer relations are suitably contained.

The Compliance & AML Department:

- in conjunction with the other Control Functions ensures that the present Policy is appropriate and responds to the requirements of laws and regulations and that it is working properly;
- checks that the Company’s incentive scheme is consistent with the objectives of complying with the law, the Bylaws and the Group’s illimity Way, ensuring that the legal and reputational risks are suitably addressed, with particular regard to customer relations;
- checks consistency between the present Policy and internal regulations and procedures, reporting any risks of non-compliance to the corporate bodies in charge;
- checks the consistency of the process followed for identifying Material Risk Takers with applicable laws and regulations.

#### 4.9 Chief Risk Officer

The Chief Risk Officer of illimity (CRO) supports the Risk Committee and the Remuneration Committee in ensuring that the remuneration schemes are consistent with the Bank’s prudent risk management policies and that the incentives underlying the remuneration and incentive scheme are consistent with the RAF and with the management of the Bank’s risk, capital and liquidity profiles. It additionally contributes to the process of identifying the Risk Takers for the aspects regarding checking the materiality of the contribution to risk made by the holders of authorisation powers. In particular, the CRO:

- supports the Human Resources & Organization Department in ensuring that the Policies are consistent with the risk orientation expressed in the Risk Appetite Framework and identifying any objectives designed to mitigate important risks;

- assesses consistency with the Risk Appetite Framework of the proposed Bonus Pool and access gates to variable remuneration ex ante and checks the levels reached ex post, with reference to risk management;
- ensures the suitability of the qualitative and quantitative assessments to be adopted for determining Material Risk Takers against the Group's risk profile, consistent with the recommendations made in the Risk Appetite Framework.

#### 4.10 Internal Audit

At least on an annual basis, illimity's Internal Audit verifies that the remuneration practices correspond to the requirements of the Bank's Remuneration and Incentive Policy, approved from time to time, and to those of applicable laws and regulations, from the standpoint of risk control and the safeguarding of the Company's assets. The results of these verifications are brought to the attention of the Shareholders' Meeting and, where necessary, to the Supervisory Authorities.

### 5. IDENTIFICATION OF "GROUP MATERIAL RISK TAKERS" FOR 2022

The process for identifying illimity's Group Material Risk Takers has been revised in consideration of the most recent changes to legislation on the matter; more specifically Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 – which supplements Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), as amended by Directive (EU) 2019/878 (CRD V) – which establishes the qualitative and quantitative criteria for identifying which categories of staff have a material impact on the institution's risk profile and replaces the previous Commission Delegated Regulation (EU) No 604/2014 on the subject.

In accordance with the new provisions, illimity has identified Group Material Risk Takers by means of a structured process based on criteria in line with the Risk Appetite Framework and with the system of authorisation powers approved by illimity, all of which set out in the "**Guidelines for identifying the Material Risk Takers of the Banking Group**", which, pursuant to applicable legislation form an integral part of this Report and reported in the Annex 1.

The identification of Group Material Risk Takers, meaning the category of staff whose professional activities have, or may have, a material on the Group's risk profile, is based on the Bank's operational and organisational characteristics, considering both qualitative criteria, namely responsibilities and/or powers to assume risk, and quantitative criteria.

In accordance with the possibility envisaged by supervisory provisions, the CRO and the Human Resources & Organization Department have established the following additional criteria compared to those included in the Delegated Regulation for the purpose of identifying the staff who assume or may assume significant risks for the Bank or for the Group:

1. Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility for **governing material business risks**, which are the object of identification when performing the Internal Capital Adequacy Assessment Process (ICAAP), are not already included in the list of risks specifically identified by the Capital Requirements Regulation (CRR) and are not identified under qualitative regulatory criteria;
2. Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed to **concentration risk** for loan exposures with one or more transactions included in the TOP 20;

3. Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to significant operating losses, understood as meaning the TOP 20 **material operating losses** (amounts equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the past two years;
4. Staff who, although not identified by the application of the previous criteria and/or not having a formal organisational position, from the analyses and assessments conducted by the CRO are considered able to exercise **significant future influence** - in strategic and operational terms - over the Bank's operational processes and decisions.

At the beginning of 2022 this process led to the identification of the following **39 persons** who may qualify as forming part of the category of Material Risk Takers:

- **executive and non-executive members of the Board of Directors**, including the Chief Executive Officer and **Top Management** (and in particular: Head of Distressed Credit, Head of Direct Banking, Head of Growth Credit, Chief Financial Officer and Head of Central Functions);
- **the heads of the Control Functions** and in particular: the Chief Risk Officer, the Head of Compliance & AML, Head of Internal Audit and the staff **who have originated Risk Weighted Assets for Credit, Market and Operational Risk** (regulatory RWAs) **equal to at least 2% of the Group's total RWAs** as measured at 31 December 2021 and estimated for 2022 on the basis of the Budget data (Head of Investment Banking, Head of Turnaround, Head of Crossover & Acquisition Finance, Head of Factoring, Head of Special Situations Real Estate, Head of Portfolios, Head of Special Situations Energy, Head of Senior Financing, Head of Business Operations & Credit Support);
- **the heads of other business functions** (Chief Lending Officer, Head of Pricing, Chief Information Officer, General Counsel, Head of Administration & Accounting, Head of Budget & Control, Head of Strategy, Sustainability & IR, Head of Human Resources & Organization, Chief Executive Officer of neprix S.r.l., General Manager of neprix S.r.l., Head of Communications, Head of Products, Partnership & Open Banking, Head of UTP & Turnaround Funds in illimity SGR, Head of Digital Lending Product & Management).

An analysis of the quantitative criteria alone provided in Commission Delegated Regulation (EU) 2021/923 led to the identification of four people as Material Risk Takers, already identified on the basis of the qualitative criteria.

The above identification process was concluded in February 2022 and the results were submitted to the Remuneration Committee and then to the Board of Directors at its meeting of 10 March 2022, following verification by the control functions in charge, in particular the Compliance & AML function with reference to the verification of alignment of the applied criteria with regulatory requirements and the CRO regarding the possibility of a material effect occurring on the Bank's various risk categories.

As noted, the updating of the process led to the identification of 39 persons compared to 40 at the end of 2021 due to organisational evolutions and changes in the Group's staff. In particular, four people were identified for the first time<sup>3</sup>.

The identified persons represent approximately 5% of the number of the Group's employees at 28 February 2022.

---

<sup>3</sup> New Director, Chief Lending Officer, Head of Communications, Head of Digital Lending Product & Management.

Executives with Strategic Responsibilities are all included in the perimeter of the Group's Material Risk Takers.

## 6. REMUNERATION FRAMEWORK AND THE RATIO BETWEEN VARIABLE AND FIXED REMUNERATION

“**Remuneration**” means compensation in any form - in cash, financial instruments or fringe benefits or compensation in the form of other benefits (for example pension benefits on an individual and discretionary basis and golden parachutes) - disbursed directly or indirectly as consideration for employment or professional services rendered in favour of the Bank.

In accordance with the provisions of Circular no. 285/2013, total remuneration is divided into a fixed component and a variable component, ensuring that there is a clear distinction between the two.

The ratio between the fixed component and the variable component is suitably balanced, accurately determined and carefully assessed in relation to the characteristics of the Bank and the various categories of staff, in particular persons falling within the category of Material Risk Takers.

In this respect illimity has established the following maximum<sup>4</sup> ratios for the various categories of staff:

- for the Chief Executive Officer and the other members of the Group's Top Management: 100%;
- for the Group Material Risk Takers belonging to the business functions: 200%;
- for the Group Material Risk Takers belonging to the support functions: 150%;
- for the Material Risk Takers belonging to the Business Control Functions: 33%;
- for the remaining staff, variable remuneration is in all cases limited to 200% for the business functions and 100% for the other functions.

### Fixed Remuneration

The purpose of fixed remuneration is to attract and retain key professional figures for the execution of the Bank's directional guidelines.

The fixed component remuneration consists of the following items:

- gross annual salary, linked to the dimensions and complexities governed;
- possible position/function allowances designed to reward the professional expertise contributed, linked to maintaining the position and detailed in line with applicable regulatory provisions;
- possible compensation of a recurring nature for collaborators not having a formal Employment Relationship;
- welfare and benefits whose value is detailed by category of beneficiary and which are granted on the basis of predetermined criteria, not linked to performance and designed to increase the appeal of the remuneration package and therefore the motivation and loyalty of the employee. The benefits are granted on the basis of a flexible policy which, given a predetermined amount, allows the beneficiary to arrange the fruition of the additional benefits over the base components as a function of individual needs and requirements. The relative means of assignment and fruition are governed by a specific regulation. A series of examples follows:

---

<sup>4</sup> In accordance with the applicable supervisory provisions, illimity has not submitted a new resolution in this respect to shareholders since the approval of the increase of the ratio to 2:1 by the Shareholders' Meeting of 22 April 2020, as the assumptions on the basis of which this increase was approved have not changed, including with respect to the staff to which it relates and the extent of the limit.



- ✓ personal use of company car;
- ✓ lodging;
- ✓ additional contribution to the supplementary pension fund;
- ✓ health insurance;
- ✓ life insurance, professional and extra-professional accident insurance policies (supplementing the coverage already provided by the Company).

In addition, a Directors and Officers (“D&O”) insurance policy is arranged for all the company’s directors and officers (i.e. members of the Board of Directors and the Board of Statutory Auditors), extended to managers and function heads who may be exposed to risks, with the exclusion of fraudulent conduct or gross negligence.

### Variable Remuneration

Variable remuneration is the component of remuneration linked to performance and/or other factors which is not included in fixed or recurring remuneration and is granted and paid in line with regulatory provisions on variable remuneration.

The components which in accordance with the Remuneration Policy may be classified as variable remuneration are as follows:

- the **Annual Variable Incentive Plan** (the “MBO”) based on an assessment of the individual performance of the Issuer and/or Group compared to the assigned objectives, intended for:
  - ✓ the Chief Executive Officer and Top Management;
  - ✓ the other Material Risk Takers of the Issuer and/or of the Group;
  - ✓ the remaining Group staff;
- the **2021-2025 Long-Term Incentive Plan** (the “LTI Plan”), which ensures the alignment of management’s interests with those of shareholders. The LTI Plan is intended for the Chief Executive Officer, Top Management, Executives with Strategic Responsibilities (except for the heads of control functions) and any additional new beneficiaries identified as part of the Group’s “key resources”;
- the **2019-2023 Employee Stock Ownership Plan** (the “ESOP”), designed to direct all employees towards the creation of value by making them participants in the growth of the Issuer and/or the Group and the **Broad-based bonus** (“Premio Aziendale di Risultato”) designed to reward the contribution made by each illimiter to the Group’s objectives;
- **retention bonuses**, having an exceptional nature and subject to a specific decision-making process, designed to retain specific expertise and paid in line with legislative and regulatory provisions on variable remuneration (a type of bonus not envisaged for the Chief Executive Officer or Top Management);
- possible **entry bonuses** or **buyouts**, which in accordance with applicable regulations may only be paid once and only within one year of hiring. Any entry bonuses awarded on hiring are not included in the calculation of the ratio of variable to fixed remuneration, since in accordance with Circular no. 285/2013 of the Bank of Italy they are paid in a lump sum on hiring;

- possible **specific components of remuneration** designed to preserve the value of commercial know-how and/or specialist skills (extension of notice agreements paid in constancy of the Employment Relationship). In accordance with regulatory provisions on remuneration, such agreements are not included in the calculation of the ratio of variable remuneration to fixed remuneration with regard to the determined compensation, for the part not exceeding the latest annual amount of fixed remuneration;
- **spot bonuses**, having an exceptional nature and linked to extraordinary contributions to the creation of value by Group employees, and subject to a specific decision-making process, are awarded in line with legislative and regulatory provisions on variable remuneration, with the aim of emphasising virtuous conduct and role models within the organisation (a type of bonus not envisaged for the Chief Executive Officer or Top Management).

In general, the variable component is subject to verification of access/activation conditions (gates) which, for all the components described, with the exception of the entry bonuses awarded on hiring or non-competition agreements and/or agreements for the extension of notice for which the compensation does not exceed the latest annual amount of fixed remuneration, provide for the maintenance of capital stability and liquidity ratios at least equal to the tolerance levels set in the RAF in addition to specific conditions and objectives defined for the single incentive plans.

The whole variable remuneration (with the exception of any entry bonuses awarded on hiring or non-competition agreements and/or agreements for the extension of notice for which the compensation does not exceed the latest annual amount of fixed remuneration), is subject to, in addition to verification of the gates:

- compliance with the maximum ratio with respect to fixed remuneration<sup>5</sup> approved by the Shareholders' Meeting for the specific category;
- clawback clauses that may be activated in the event of remuneration already paid, in the cases and by the means governed by the applicable regulations;
- deferral and malus mechanisms as well as settlements partially in cash and partially in financial instruments, in line with the most stringent regulatory provisions established for key personnel.

---

<sup>5</sup> As measured at 31 December 2021.

## 7. COMPENSATION OF THE BOARD OF DIRECTORS

The system for the remuneration of corporate bodies is based on compliance with applicable legislation and observance of the policies whose aim is to ensure sound and prudent management of the Bank given its long-term strategies.

Fixed compensation is envisaged for non-executive directors, as well as the reimbursement of expenses incurred in exercising office.

Further details on the compensation of the Parent Company's Board of Directors are provided in the Report of the Board of Directors on the Quali-Quantitative Composition of the illimity Bank S.p.A. Corporate Bodies.

### **Boards of Directors of subsidiaries**

After consultation with the Remuneration Committee, the Board of Directors of the parent company proposes compensation for the members of the Boards of Directors of the Company's subsidiaries. As far as non-executive directors are concerned, this compensation is set in a fixed amount.

Members with executive powers receive an amount of variable remuneration, calculated in accordance with the provisions governed by these Remuneration Policies.

## 8. MARKET PRACTICE AND BENCHMARKING

illimity monitors market practice for remuneration and incentives on a regular basis, also making reference to market benchmarks, as implemented by the external independent advisor WTW, in order to assess the competitiveness of its Reward strategy.

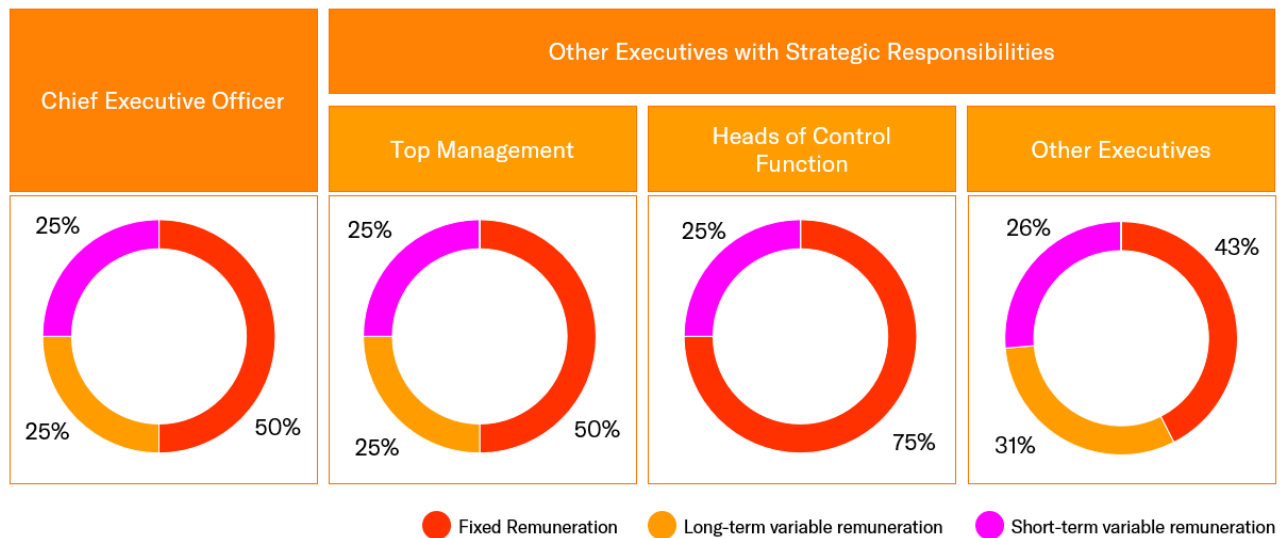
The peer group used to monitor market practice for the position of Chief Executive Officer was selected by starting from a panel of European and Italian companies characterised by operating in the speciality finance sector and/or operating in geographical proximity and/or operating in the financial sector and listed on the Borsa Italiana FTSE Mid-cap index.

The analysis performed to find companies with specifics comparable with those of illimity led to the identification in 2022 of a peer group consisting of the following companies: Anima; Banca IFIS; doValue; Arrow Global; Banca Sistema; Hoist Finance; B2Holding; Kruk; BFF Group; Dea Capital; Banca di Desio e Brianza; Credito Emiliano.

In the case of changes in the governance structure, mergers or acquisitions and/or delisting, additions were made to the peer group in order to ensure the numbers remained suitable and that the remuneration specifics of the eco-system in which illimity operates were represented.

## 9. PAY-MIX OF THE CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The following diagram sets out the **pay-mix target**<sup>6</sup> envisaged for 2022 for the Chief Executive Officer and the other Executives with Strategic Responsibilities, a category which also includes the members of Top Management<sup>7</sup>, Heads of Control Functions<sup>8</sup> and other Executives<sup>9</sup>, taking into consideration the annual and long-term incentive plans governed by this Policy:



In light of the introduction of the long-term incentive plan, a rebalancing of the short- and long-term variable component for the Chief Executive Officer and the other members of Top Management has been envisaged, these currently being equal, for the purpose of further incentivising the alignment of the interests of Top Management with those of the shareholders, increasing the focus on the creation of long-term value and in consideration of the feedback received from investors on the approval of the Remuneration Policy at the Shareholders' Meeting of 22 April 2021.

As a result, the remuneration of illimity's Chief Executive Officer illimity and other Top Management, consists of the following items<sup>10</sup>:

- Fixed remuneration, including the benefit policy established for the category to which they belong<sup>11</sup>;
- Short-term variable remuneration: Annual Variable Incentive Plan MBO;
- Long-term variable remuneration: 2021-2025 Long-Term Incentive Plan.

<sup>6</sup> The benefits, attributed on the basis of a generalised policy and, for employees, the Employee Stock Ownership Plan, also form part of the remuneration package.

<sup>7</sup> Head of Growth Credit, Head of Direct Banking, Head of Distressed Credit and CFO & Head of Central Functions.

<sup>8</sup> Chief Risk Officer, Head of Internal Audit and Head of Compliance & AML.

<sup>9</sup> General Counsel, Head of Administration & Accounting, Chief Information Officer, Head of Investment Banking, Chief Lending Officer, Head of Communications and Head of Strategy, Sustainability & IR.

<sup>10</sup> The Chief Executive Officer and Top Management are holders of illimity ordinary shares, as well as illimity special shares. Further details may be found in Section II.

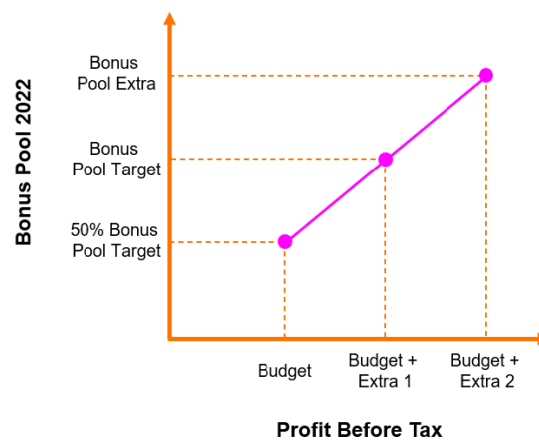
<sup>11</sup> As executives of the Bank, they may also be beneficiaries of the Employee Stock Ownership Plan.

## 10. ANNUAL VARIABLE INCENTIVE PLAN MBO

### Determination of the Bonus Pool

In accordance with the relevant supervisory provisions, the total amount of variable remuneration that may be paid at a Group level (Bonus Pool) is determined on the basis of the profits earned in the year of reference, the risk parameters compared to the Risk Appetite Framework and the extent to which the Plan objectives have been met.

For 2022, the connection between profitability, risk and remuneration is established via the direct link between the Bonus Pool and the results of the performance of the business, measured by the use of consolidated Profit Before Tax, in accordance with the following scheme approved by the Board of Directors on 21 January 2022 after receiving the favourable opinion of the Remuneration Committee and the Risk Committee:



After receiving the motivated opinion of the Remuneration Committee and consulting with the Risk Committee, the Board of Directors may confirm the Bonus Pool, increase it by up to 20% or reduce it to zero, taking into consideration the results of the assessments made separately by the CRO and the CFO, as governed in detail in the Regulations for the 2022 Annual Variable Incentive Plan.

### Performance objectives

The 2022 MBO Plan, intended for all of the Bank's employees, albeit structured in different ways seeks to reward the progress made in reaching the annual targets and the adoption of conduct consistent with long-term planning, while at the same time supporting the dissemination of a "value building" culture in accordance with the risk management objectives set out in the Bank's Risk Appetite Framework, consistent with applicable regulatory provisions.

Granting of the variable remuneration arising from the MBO for 2022 is dependent on achieving the targets and conducts included in the individual Goal Card given to each Beneficiary. The assessment of individual performance is based on role and organisational position and may therefore include, with different weightings:

- Group objectives (financial & risk) in line with the targets set for 2022 in the Strategic Plan;
- business objectives/strategic initiatives linked to the business results of the area of reference and/or the implementation of strategic initiatives (assigned on the basis of individual responsibilities compared to the implementation of the plan's directional lines);
- ESG objectives, relating to Digital Mindset and a comportment consistent with illimity's skills and leadership model.

Specifically concerning the last point, from 2022 greater emphasis is being placed on Environmental, Social & Governance (ESG) issues and innovation through the introduction of new KPIs in the Goal Cards, and in particular:

- ESG: assigned to all Group managers with reference to the active contribution made to illimity's growth path on ESG matters, as per the Strategic Plan;
- Digital Mindset: assigned to all the illimiters, with the aim of stimulating and spreading a digital culture within the Group.

In addition, the illimity Group's leadership model has been supplemented by envisaging - in an explicit and detailed manner - the adoption of ESG and «digital-oriented» behaviour at all levels within the organisation.

In general, individual targets are consistent with the type of business conducted by the Group company in which the beneficiaries work and with any specific provisions of law applicable to the sector.

In accordance with applicable laws and regulations, targets are solely linked to the specific responsibilities and illimity's leadership model for the Material Risk Takers in Control Functions as well as for the Head of Human Resources & Organization and the Manager in Charge of drafting the Financial Reports of illimity Bank S.p.A..

No breach of internal or external regulations is acceptable and no exceptions are made to this rule.

Overall performance is therefore established by taking account of the results achieved for each target and type of conduct included in the Goal Card of all illimiters, for the purpose of determining the bonus, subject to verification of the availability of the Bonus Pool. The target incentive is contained for all beneficiaries, consistent with the alignment of the remuneration strategy to the business strategy, focused on adaptation to the possible variable opportunity in a gradual manner, in line with the results of the Plan.

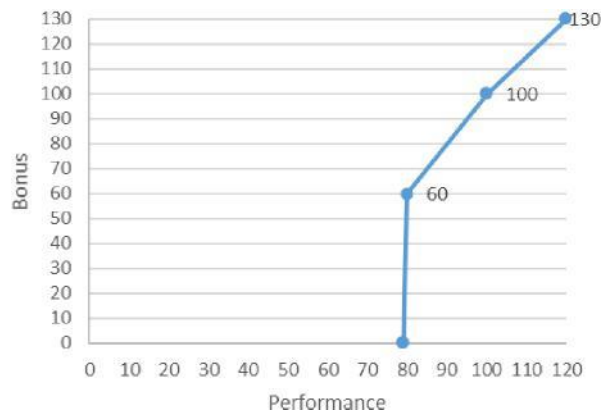
The following table (Figure 1) provides details of the **Chief Executive Officer's 2022 Goal Card** (maximum bonus equal to 50% of fixed remuneration) with the relative evaluation scale:

#	Area	Cluster	KPI	Weight	Evaluation
1	Financials	Profitability	Return on Average Equity	20%	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	<ul style="list-style-type: none"> <li>• B-ilty launch;</li> <li>• neprix evolution (e.g., proptech project);</li> <li>• Launch of strategic projects with ION eco-system (e.g., Cedacri, Cerved, digital capital markets);</li> <li>• Extension of the SGR's operations to new areas and fundraising;</li> <li>• Development of activities generating commissions (e.g., Investment Banking);</li> <li>• Strengthening of HYPE strategic design and support to Plan goals achievement</li> </ul>	10%	Min: 80% Target: 100% Max: 120%
5		Continuous innovation strategic actions (Digital Mindset)	Definition and implementation, in partnership with CIO, of Group wide initiatives aimed at rethinking/redesigning activities and processes through digital innovation (e.g., development of ION partnership, B-ilty digital evolution, HYPE joint-venture)	10%	Min: 80% Target: 100% Max: 120%
6		ESG	Contribution to illimity consolidation on ESG, as foreseen by the Industrial Plan, on: <ul style="list-style-type: none"> <li>• Annual employee engagement with a Satisfaction Index and Trust Index &gt; 70%;</li> <li>• YoY increase of women in managerial roles and gender balance in the company "talent pool";</li> <li>• YoY improvement on Standard Ethics e CDP ratings;</li> <li>• Yearly progression on Strategic Plan "Environment" targets</li> </ul>	15%	Min: 80% Target: 100% Max: 120%
7	Behaviors	Behaviors	Assessment of acted behaviors based on illimity leadership model	25%	Scala: 0-120%

**Figure 1 - 2022 Goal Card for the Chief Executive Officer**

A maximum performance level is envisaged above which the incentive remains constant, as well as a threshold level below which the scheme does not trigger and consequently does not generate any payment.

The following graph (Figure 2) sets out the incentive curve for the MBO Plan which shows the relationship between the total weighted level for reaching the performance objectives included in the individual Goal Cards and payout level (no award is envisaged for a performance below the minimum threshold level of 80%):



**Figure 2 - 2022 MBO Incentive Curve**

### Entry Gates and means of payment

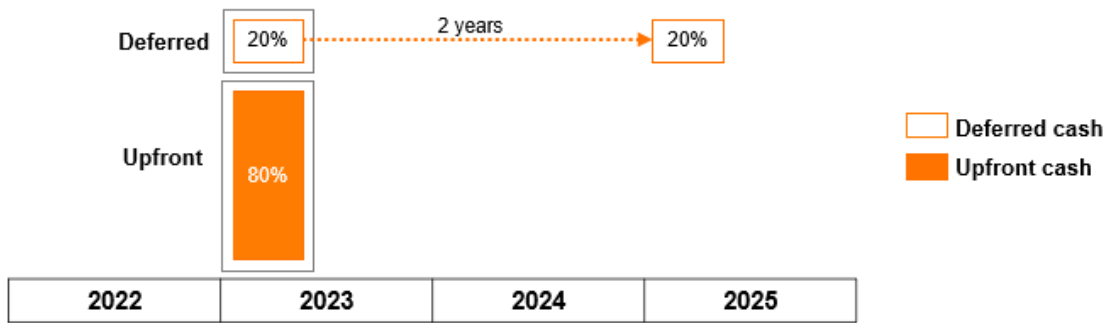
The granting of the corresponding variable remuneration is dependent on the effective availability of the Bonus Pool satisfying the following gate conditions, which also ensure compliance with capital and liquidity stability indices established as part of the procedures for assessing the Company's propensity to risk:

- CET1 Ratio  $\geq$  tolerance threshold defined in the RAF as measured at 31/12/2022;
- LCR Ratio  $\geq$  tolerance threshold defined in the RAF as measured at 31/12/2022;
- Net income  $> 0$  at 31/12/2022;
- No breach of laws, regulations or business codes at an individual level.

Any vested bonus is paid after the Board of Directors' meeting that approved the vested Bonus Pool.

With regard to the Material Risk Takers, including the Chief Executive Officer and the other members of Top Management, the bonus is paid by the following means (Figure 3):

- 80% up-front in cash;
- 20% in cash deferred in two years in the absence of malus conditions.



**Figure 3 - Pay-out scheme for MRTs in case of variable remuneration > 50K/Euro or > 1/3 total remuneration**

For the Material Risk Takers, the Bonus is paid fully up-front and in cash if annual variable remuneration<sup>12</sup> does not exceed EUR 50,000 and does not represent more than one third of the total annual remuneration.

Recognition of the deferred portion depends on compliance with the capital and liquidity requirements measured at 31 December 2024 and at least with the gates established in the Remuneration and Incentive Policies in force at the time and additionally the need for the Group's Return On Risk Adjusted Capital (RORAC), a risk-adjusted performance indicator, to be positive.

The Bonus is paid fully up-front and in cash for the other members of staff.

The cash portion of the vested Bonus to be settled up-front is disbursed on condition that at the time of the actual payment the Employment Relationship still holds and is not already terminated, or that in notice period.

In the case of termination of the Employment Relationship during the deferral period and on the assumption of a "bad leaver", as provided in the 2022 MBO Plan Regulation and in line with the provisions of this Policy, the Beneficiary loses all entitlement to the Bonus.

### Malus and Clawback

Lastly, ex post adjustment mechanisms are foreseen (malus and clawback), as provided in detail in the 2022 MBO Plan Regulation and in the "Process for the application of the malus and clawback mechanisms connected with individual conduct".

A request for revocation or return may be made for the whole of the incentive granted, wholly or in part, in case of the verification of one of the following events within 5 years of the grant date:

- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);
- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;
- a breach of the obligations for directors or corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;

<sup>12</sup> Taking into account all forms of vested variable remuneration, if necessary on a pro-rata basis; by way of example, the Annual Variable Incentive Plan MBO, the Employee Stock Ownership Plan (ESOP) and the Long-Term Incentive Plan (LTI Plan).



- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”;
- a breach of remuneration and incentive obligations;
- fraudulent conduct to the detriment of the Bank;
- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.

## 11. 2021-2025 LONG-TERM INCENTIVE PLAN

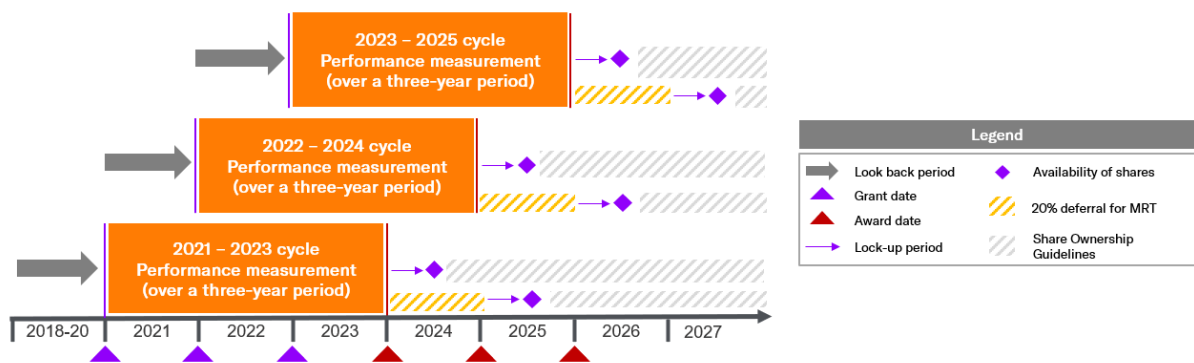
The 2021-2025 Long-Term Incentive Plan (hereinafter the “LTI Plan”), which was approved by the Shareholders’ Meeting of 15 December 2021 and replaced the previous Stock Option Plan (SOP) and the 2020-2023 Long-Term Incentive Plan, cancelled and losing any further effectiveness, has the following aims:

- to ensure the maintenance of a strict alignment between the interests of the Company, the shareholders and the Beneficiaries by incentivising the achievement of the objectives of the 2021-2025 Strategic Plan;
- to ensure alignment with the plan’s new timeframe while at the same time providing for three payout cycles starting with an analysis of the 2021 results;
- to enable the effective contribution of the management of the illimity Group to be evaluated (in terms of organisational relevance and performance quality), also including beneficiaries who have enjoyed significant managerial growth;
- to support the creation of value for all stakeholders and corporate social responsibility in the long term by way of a commitment to the achievement of ESG (Environmental, Social & Governance) objectives in addition to those of an economic and financial nature.

### Beneficiaries and details of the Plan

The LTI Plan is intended for the Chief Executive Officer, the other members of Top Management, the beneficiaries of the previous Stock Option Plan “SOP” (around 40 employees) and any additional new beneficiaries identified among the Group’s key staff members, year by year, by 31 December of the first year of each performance cycle (namely 31 December 2021 for the 2021-2023 cycle, 31 December 2022 for the 2022-2024 cycle and 31 December 2023 for the 2023-2025 cycle).

The Plan envisages the awarding on an individual basis of rights to receive shares. The LTI Plan is divided into three cycles measuring the Performance Objectives, 2021-2023, 2022-2024 and 2023-2025, to cover the whole timeframe over which the plan is structured (a “rolling” plan), leading to the free of charge granting of illimity shares (Figure 4).



**Figure 4 - Functioning mechanism of the LTI Plan**

For the Chief Executive Officer and the other members of Top Management, the annual ratio of long-term variable remuneration to fixed remuneration for each year is expressed as a percentage, namely 50%.

The Rights to receive Shares are awarded:

- at the start of the LTI Plan, with reference to the three-year performance measurement cycles (2021-2023; 2022-2024; 2023-2025) for staff who were already Beneficiaries of the SOP Plan and the 2020-2023 Long-Term Incentive Plan;
- at the start of each vesting cycle for any other Beneficiaries identified from year to year among the Group's key resources.

The relative Shares are granted after the end of the lock-up period for each cycle and the Rights are converted to Shares in the ratio of 1 Share for each Right awarded.

It is estimated that the 2021-2025 LTI Plan will have a dilutive effect on capital of approximately 2.5% or 2.2%, calculated on the basis of the number of shares as per the Bylaws revised as of 30 September 2021 in the two scenarios for the conversion of the special shares (1:1 and 1:8), and therefore equal to 80,740,100 and 90,820,100 respectively. The calculation does not take into consideration the shares awarded to Top Management, as these will come from the purchase of treasury shares on the market/the awarding of shares already held by the Company.

### Entry Gates and Performance Objectives

The Rights only vest, first of all, if the following conditions are satisfied, these being defined as "gates" and measured at the end of each three-year performance cycle (first measuring cycle at 31 December 2023, second cycle at 31 December 2024 and third cycle at 31 December 2025):

- **CET1 Ratio:** greater than or equal to the tolerance threshold established by the Risk Appetite Framework;
- **Liquidity Coverage Ratio (LCR):** greater than or equal to the tolerance threshold established by the Risk Appetite Framework;

- **Net Profit:** greater than zero. In addition, the average net result for the three years of the cycle must be positive;
- **No breach of laws, regulations or corporate codes** at an individual level.

In addition, the Rights for each cycle are awarded on the basis of the extent to which the objectives have been met and the relative weight, set consistent with the Strategic Plan and communicated at the start of each cycle, all within the ambit of the following pillars:

- Profitability;
- Creation of shareholder value;
- Asset quality;
- ESG.

Specifically, for the first performance cycle (2021-2023), the targets set for the LTI Plan are stated in detail in the 2021 Remuneration Policy, approved by the Shareholders' Meeting of 15 December 2021.

For the second performance cycle (2022-2024), the objectives set for the LTI Plan, in line with the targets defined for 2024 in the Strategic Plan, are as follows:

LTI Plan Goal Card					
Strategic Pillar	KPI	Target (end of cycle)	Level of achievement	% Incentive	Weight
Profitability	ROAE	19%	> 19%	100%	50%
			≥ 15% e ≤ 19%	60%-100%	
			< 15%	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%	
	Top ESG Rating (Climate & Ethics)	4 points	≥ 4 points	100%	10%
			≥ 3 points and <4 points	60%-100%	
			< 3 points	0%	

- **ROAE** (Return on Average Equity) calculated as the ratio between net profit at the end of the three-year cycle and the average between net equity at the end of the three-year cycle and at the end of the previous year, with a weighting of 50% in the LTI Goal Card. For the first three-year cycle, if the ROAE:
  - ✓ is greater than 19%, the KPI has been achieved as to 100%;
  - ✓ lies between 15% (inclusive) and 19% (inclusive), the KPI has been achieved in the range between 60% and 100%, calculated on the basis of linear interpolation between the two amounts;
  - ✓ is less than 15%, the KPI has not been achieved.

- **Relative TSR** (Total Shareholder Return) of illimity compared to that of issuers listed on Borsa Italiana's "Financial Services Italia" index for the whole cycle (comparables), calculated for each of the Plan's vesting cycles and namely 2021-2023, 2022-2024 and 2023-2025 for both illimity and for the comparables considered. More specifically, the TSR for illimity is calculated for each three-year period of the Plan on the basis of the data made available by Bloomberg for the period between the month preceding the beginning of each vesting cycle and the respective closing date. By way of example, for the 2022-2024 cycle, the TSR is determined in the following way:

*(average share price in the month 1 December 2024 - 31 December 2024 + Dividend per Share in the period 1 January 2022 - 31 December 2024) / (average share price in the month 1 December 2021 - 31 December 2021).*

If the relative TSR, with a weighting of 20% in the LTI Goal Card is:

- ✓ above the third quartile, the KPI has been achieved as to 100%;
  - ✓ between the median (inclusive) and the third quartile (inclusive), the KPI has been achieved at a figure lying between 60% and 100%, calculated on the basis of linear interpolation between the two values;
  - ✓ less than the median, the KPI has not been achieved.
- **Gross Organic NPE** (Non-Performing Exposure) ratio calculated as the ratio between Total Organic NPE and Total Organic Loans. If the Gross Organic NPE ratio, with a weight of 10% in the LTI Goal Card:
    - ✓ is lower than the RAF appetite at 31 December 2024, the KPI has been achieved as to 100%;
    - ✓ lies between the RAF appetite at 31 December 2024 (inclusive) and the RAF tolerance at 31 December 2024 (inclusive), the KPI has been achieved at a figure lying between 60% and 100%, calculated on the basis of linear interpolation between the two values;
    - ✓ is greater than the RAF tolerance at 31 December 2024, the KPI has not been achieved.
  - **ESG** (Environment, Social & Governance) calculated on the basis of the following indicators:
    - ✓ **Diversity, Equity & Inclusion**, with a weight of 10% in the LTI Goal Card and the average score determined by the Board of Directors using a weighting of the following factors relating to employee engagement and gender inclusion and diversity;
      - Dimension 1: Satisfaction Index exceeding 70% in each year of the plan (annual measurement by Great Place to Work);
      - Dimension 2: Trust Index exceeding 70% in each year of the Plan (annual measurement by Great Place to Work);
      - Dimension 3: increase in the number of women in managerial positions (target at 31/12/2023: +25%; target at 31/12/2024: +50%, target at 31/12/2025: +100%) among those classified as «Management, Senior Management and Top Management»;

- Dimension 4: presence of women in the formalised «talent pool» (ensure a balancing between men and women – tolerance of 5% - in the «talent pool» constant over the years of the Plan).

Measurement criteria:

- Score 4: reaching the target in at least three dimensions and not less than 10% compared to target in the remaining dimension;
  - Score 3.5: reaching the target in at least two dimensions and a result not more than 10% below target in the other two dimensions;
  - Score 3: reaching the target in at least two dimensions.
- ✓ **Top ESG Rating**, with a weight of 10% on the LTI Goal Card, a score calculated by way of the following measurement in 2024:
- Score 4: keep the Standard Ethics and CDP ratings at Investment Grade or higher and reach the three “Environment” targets as envisaged by illimity’s Strategic Plan: maintaining Group Carbon Neutrality (Scope 1 and Scope 2), assess and address financed emissions, exploit energy desk by re-activating renewable energy plants;
  - Score 3.5: reach the three “Environment” targets as envisaged by illimity’s Strategic Plan;
  - Score 3: reach at least two “Environment” targets as envisaged by illimity’s Strategic Plan.

The ESG objectives in the LTI Plan derive from the commitments assumed in the sustainability sphere and envisaged in the new Strategic Plan, with particular reference to environmental, social and governance issues.

For the Manager in Charge of drafting the Financial Reports and the Head of the Human Resources & Organization a qualitative appraisal of performance over the three years, with the same weight, is carried out by the Chief Executive Officer to replace the ROAE and the relative TSR, this based on the results achieved as part of the annual Performance Management process.

For the 2023-2025 cycle, on receipt of the prior opinion of the Remuneration Committee, the Board of Directors will identify the KPIs and the relative targets consistent with the business strategy, noting these in the 2023 Remuneration Policy.

Within 30 days of the date of the Company’s Shareholders’ meeting that approves illimity’s financial statements at the end of each three-year cycle (2023 - 2024 - 2025), the Board of Directors will ensure that the conditions defined as gates have been satisfied and establish the extent to which the Performance Objectives have been met, and therefore determine the number of Rights actually vested and the number of shares to be granted.

#### **Means of granting the shares and deferral**

For the Beneficiaries identified as Material Risk Takers at the end of each performance cycle, 80% of the Shares envisaged for each cycle are granted/disbursed at the end of each (the up-front portion) and 20% in the following year (the deferred portion), without prejudice to the need to satisfy the conditions established as

“Entry Gates” also in the year of deferral. Both the up-front portion and the deferred portion are subject to a lock-up period.

For the remaining beneficiaries, 100% of the shares envisaged for each cycle are granted/disbursed after the end of the lock-up period.

### **Lock-up period and dividend equivalent**

The shares granted are additionally subject to a 6-month lock-up period starting on the Delivery Date, during which they are not at the Beneficiaries’ disposal and may accordingly not be sold to third parties or pledged. Consistent with regulatory provisions, the Beneficiaries vest the right to the recognition of dividends distributed during the lock-up period. In addition to the vested shares, at the end of the lock-up period an additional number of shares is therefore recognised having the equivalent value of any dividends that may have been distributed in the same period (the “dividend equivalent”).

### **Guidelines for share ownership**

Guidelines for share ownership have been introduced for the Chief Executive Officer and Key Members of Management to accompany the start of the long-term incentive plan based on shares as a means of emphasising alignment with the long-term interests of shareholders.

The recipients of these guidelines undertake to keep a percentage of the available shares, deriving from the new LTI Plan, until a specific target level has been reached. More specifically, the guidelines for share ownership have the following features by category of beneficiary:

- the Chief Executive Officer must hold 100% of fixed remuneration in shares up to the end of his or her term, accumulated for at least 75% of the shares awarded by way of the Plan (net of any fiscal effect), until the target amount is reached;
- Executives with Strategic Responsibilities must hold 75% of fixed remuneration in shares up to the end of the period for which they are defined as such, accumulated for at least 50% of the shares awarded by way of the Plan (net of any fiscal effect), until the target amount is reached.

The level of share ownership is measured starting from the end of 2024, using the share price at the grant date.

### **Malus and clawback**

Lastly, the vested Rights are subject to malus and clawback conditions, namely contractual clauses that enable the variable remuneration yet to be paid to the employee to be reduced – even down to zero – (malus) and/or require the variable remuneration (or variable emolument) already paid to be reimbursed, also in part, as the result of ex post negative assessments of business performance (including the analysis that the RORAC, a risk-adjusted performance indicator, is positive at the end of each year) or individual performance, or in the event of fraudulent conduct or gross negligence by the employee (clawback). These conditions are expressly governed by the internal procedure “Process for the application of the malus and clawback mechanisms connected with individual conduct”.

Further information on the features of the LTI Plan, including the effects of the termination of the Employment Relationship on the awarded rights as part of incentive plans based on financial instruments, can be found in the relative Information Document, prepared and published by the Bank pursuant to Schedule 7 of Attachment

3A to the Issuers' Regulation and available on the Bank's website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

## 12. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

The aim of the ESOP is to motivate and engage all employees over the period of the Plan by giving them the opportunity to become shareholders of the Company.

The ESOP is intended for all the employees of the Bank and the Group and provides for the awarding of a maximum number of the Bank's ordinary shares for each annual cycle.

More specifically, the ESOP's beneficiaries are employees who have either (i) an outstanding permanent employment contract with the Bank or one of the Group companies, or (ii) a fixed-term contract, in being for at least 6 months and with a remaining term of at least 6 months with respect to the award date of each annual cycle (the "Employment Relationship").

The implementing regulation approved by the Board of Directors of Banca Interprovinciale S.p.A. on 18 January 2019 provides, in accordance with the resolution adopted by the Shareholders' Meeting of 18 January 2019 and in line with the regulatory and supervisory provisions applicable to the Bank, that the value of the ordinary shares of the Bank to be awarded to beneficiaries as a whole shall amount to EUR 2,000. For beneficiaries who are "*Dirigenti*", the value of the Bank's ordinary shares is EUR 100.

Further information on the features of the ESOP, including any effects arising from the termination of the relationship on the rights assigned as part of incentive plans based on financial instruments, may be found in the Information Document on the ESOP, prepared and published by the Bank pursuant to Schedule 7 of Annex 3A of the Issuers' Regulation and available on the Bank's website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

## 13. RISK ALIGNMENT (MALUS AND CLAWBACK)

The variable remuneration awarded as part of the described schemes may be reduced to zero in case of:

- evidence of individual breach compliance, following the reporting of serious matters by the control functions or by the Supervisory Authorities. More specifically, on the occurrence of such a situation, the Chief Executive Officer, after consulting with the Head of Human Resources & Organization Department, may assess the need for a possible reduction of the Bonus, even down to zero. In the event such findings relate to persons belonging to the control function or to the Group Material Risk Takers, the relative decisions are taken after receiving the opinion of the Remuneration Committee;
- failure to satisfy the gates envisaged by the reference Policy on the vesting of the deferred portion.

In line with current provisions, all employees shall moreover mandatorily return the whole of the variable remuneration paid in case of the verification of one of the following events within 5 years of the payment date, in terms of both the up-front component and the deferred component:

- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);

- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;
- a breach of the obligations regarding directors or corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;
- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”
- a breach of remuneration and incentive obligations;
- fraudulent conduct to the detriment of the Bank;
- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.

#### **14. PROHIBITION OF HEDGING STRATEGIES**

Personnel shall not use strategies for personal hedging or insurance on their remuneration that may alter or invalidate the effects of risk alignment inherent in the remuneration mechanisms governed by this present Policy.

In accordance with the provisions introduced by Title IV, Chapter 2, Section 1, paragraph 5 of Circular no. 285/2013, illimity requires Material Risk Takers to communicate any financial investments they have made which may affect risk alignment mechanisms and, more generally, the objective of prudent risk management, in order for these to be taken into account in establishing the mechanisms for alignment to the incentive scheme risk, as well as the existence or opening of custody and administration accounts with other intermediaries.

The Compliance & AML function conducts sample tests to ensure compliance with this prohibition, informing the Human Resources & Organization Department of the outcome.

#### **15. COLLABORATION AND PROFESSIONAL ENGAGEMENTS**

The criteria underlying the granting of professional and collaboration engagements are based on the principles of expertise, cost-effectiveness, transparency and propriety.

All compensation and/or amounts paid for whatever reason to the above parties shall be appropriately documented and in any case be proportionate to the work performed, also taking into consideration market terms and conditions and applicable laws and regulations.

More specifically, with reference to members of professional institutes, fees shall be agreed in advance under the most advantageous conditions for the Bank, considering the nature of the engagement and market terms and conditions.

Relations with collaborators are governed on the basis of a “standard contract” in which the work to be performed and the agreed fee are specified.

In accordance with regulatory provisions, also collaborators are assessed as part of the process for identifying Material Risk Takers, and if identified as such are subject to the relative rules and regulations.



## 16. SPECIFIC REQUIREMENTS FOR THE REMUNERATION OF THE STAFF OF THE DIRECT BANKING DIVISION AND THE FACTORING AREA: PROTECTION OF RETAIL CUSTOMERS

In performing the activity of placing banking and payment products, as governed by the provisions of the Consolidated Law on Banking and the Consolidated Law on Finance, illimity pays constant attention to the interests and needs of its customers, and accordingly makes the transparency of the contractual conditions and the correctness of conduct priority values for its employees, with reputation being an integral part of its business model. Total Reward, including the variable component of remuneration and the training and development offer, establishes customer satisfaction and loyalty as one of the Bank's priority objectives. In addition, the organisational and procedural structure is designed to prevent risks of a legal and reputational nature connected with customer relations.

In order to respond to the requirements envisaged by the Transparency Provisions on the policies and practices that intermediaries must adopt for remunerating personnel and third parties forming part of the sales network (for retail customers), the incentive schemes of the **Direct Banking Division** and the **Factoring Area** are based on the following principles:

- Group objectives (financial & risk), in line with the targets set for 2022 in the Strategic Plan;
- business objectives/strategic initiatives, linked to the business results of the area of reference and/or the implementation of strategic initiatives (assigned on the basis of individual responsibilities with respect to the implementation of the plan's directional lines) which take into account customer satisfaction and the interests of customers;
- ESG objectives, linked to People Engagement;
- the illimity skills and leadership model.

The objectives linked to the individual contributions comply with the following principles:

- they are determined in accordance with business objectives and values and long-term strategies;
- they are inspired by the criteria of diligence, transparency and propriety in customer relations, the containment of legal and reputational risks and customer protection and loyalty;
- they are not exclusively based on commercial objectives and do not act as an incentive to place products that are unsuitable for the needs and financial requirements of customers;
- remuneration does not cause incentives that may induce personnel to pursue their own interests or those of the intermediary to the detriment of customers;
- account is taken of any risk that may constitute a harm for customers, adopting suitable precautions;
- any variable component of remuneration:
  - ✓ is, therefore, based on quantitative and qualitative criteria;
  - ✓ does not constitute an incentive for offering a specific product or a specific category or combination of products if this may lead to harming customers;
  - ✓ is suitably balanced compared to the fixed component of remuneration;
  - ✓ is subject to adjustment mechanisms that allow for the reduction (also significant) or zeroing of the component.

In particular, the parties for whom these guidelines are intended (hereinafter the “relevant subjects”) are identified as the intermediary who offer products to customers, interacting with them, as well as those to whom these staff report hierarchically.

*Data as of 28/02/2022*

Area/Division	Subjects that offer products to customers	Subjects to whom they respond hierarchically
Team Factoring	18	2
Team Products, Partnership & Open Banking	6	2
Digital Lending Products & Management	1	2
Commercial Network	10	2
Digital Customer Operations	21	3

## 17. AGENTS, MEDIATORS AND FINANCIAL CONSULTANTS

As things currently stand, for agents in financial activity, financial consultants and mediators other than the Bank’s employees, remuneration is generally “recurring” and relates to the typical operations performed by the agent/consultant/mediator and accordingly does not include any incentive mechanisms (by way of example recurring fees include those paid on the basis of a “fixed” percentage of the volumes contributed and/or the profitability generated by the referred business).

In addition, in accordance with regulatory provisions, financial agents, financial consultants and mediators are assessed as part of the process for identifying Material Risk Takers and if identified as such are subject to the relative rules and regulations.

If the activity of the agent/mediator/consultant can be classified as the placement of banking products and services, any non-recurring compensation is governed by the provisions of paragraph 16.

## 18. REMUNERATION OF THE PERSONNEL OF ILLIMITY SGR

The authorisation process for the formation of an Asset Management Company (SGR) within the Banking Group was completed in 2020.

The company is subject to the laws and regulations governing the sector that derive from the transposition into Italian law of the AIFM Directive, as included in the Bank of Italy’s Regulation issued on 5 December 2019 in implementation of article 4-*undecies* and article 6, paragraphs 1b) and 1c-*bis*), of the TUF, taking into account the specifics envisaged in case of membership of a Banking Group and the transitional and final provisions of Circular no. 285/2013 on remuneration and incentive policies and practices.

The SGR has prepared a Remuneration and Incentive Policy for its personnel which is consistent with the principles and aims of the Group’s Remuneration Policy, including the gender neutrality principle, and considers applicable regulatory provisions, with particular reference to:

- the role of the shareholders' meeting and the corporate bodies, providing for governance processes consistent with the size and complexity of the SGR, within the scope of the parent company's coordination and control role<sup>13</sup>;
- the identification of Material Risk Takers at an SGR level and the contribution to the process of identifying the Group Material Risk Takers;
- a clear distinction between fixed remuneration and variable remuneration, the latter including any incentive schemes based on "carried interest";
- the establishment of an upper limit to variable remuneration kept within 2:1 compared to fixed remuneration;
- incentive schemes parameterised to the performance indicators of the SGR and AIFs managed and measured excluding the risks concerning their operations and taking account of the level of capital and of the liquidity needed to deal with the assets and investments undertaken in the SGR and the funds established, through the determination of SGR "entry gates", in addition to the conditions established at a Group level, and of mechanisms for determining the "Bonus Pool";
- specific provisions for malus conditions at an SGR level (in addition to the conditions established at a Group level) and clawback mechanisms;
- specific provisions for the termination of the Employment Relationship or termination of office;
- requirements for remuneration disclosures.

The company may also introduce incentive schemes based on the performance of funds, such as performance fees or carried interest in line with the regulations applicable to the specific form of incentive.

By way of its "Guidelines for Identifying the Material Risk Takers of the Banking Group" (Annex 1), the Group also includes the personnel of the Asset Management Company in the process for identifying Material Risk Takers. The qualitative criteria provided by the EBA technical standards are also adopted in performing the relative analysis, with particular reference to the possibility of significantly affecting the Group's risks within the ambit of material operating units and/or taking into account the impact on the economic, financial and reputational risk to which they may expose the Group. The quantitative criteria provided by the laws and regulations governing any exclusion mechanisms and parameters are also adopted for inclusion in the perimeter.

The deferral rules envisaged at a Group level are activated for the personnel of the SGR included as "Group Material Risk Takers" (percentages and time horizon of deferral), without prejudice to the provisions of laws and regulations applicable to the sector with reference to financial instruments, taking into account the significance of the SGR.

---

<sup>13</sup> The parent company prepares the document on the remuneration and incentive policies of the whole banking group, ensures their overall consistency, provides the necessary guidelines for their implementation and verifies that they have been properly applied, without prejudice to the responsibility of the Asset Management Company to comply with directly applicable laws and regulations and the proper implementation of the guidelines provided by the parent company.

## **19. COMPENSATION FOR EARLY TERMINATION OF THE EMPLOYMENT RELATIONSHIP AND/OR EARLY TERMINATION OF OFFICE**

On termination of the Employment Relationship, illimity may make additional payments to individual employees of the Group exceeding the amounts due by law and under any applicable national and local company collective bargaining agreements (including the employees' leaving entitlement "TFR", compensation in lieu of notice, compensation in lieu of accrued vacation not taken, etc.).

Such compensation represents "Golden Parachutes" within the meaning assigned by Circular no. 285/2013 for persons to whom this regulation is applicable.

Golden Parachutes are incentives that may be agreed by the Bank or other Group companies with individual employees or collaborators in view of or on the occasion of the early termination of the Employment Relationship (in the case of a fixed-term contract before the natural end of the term of that contract) or on the early termination of office on condition that there is an initiative and/or an interest of the Bank in that direction.

As a result, in the case of resignation or in any other situation where payment does not comply with the Group's interests, the conditions for negotiations between the parties for said agreements do not exist.

The amount resulting from applying such clauses/agreements may not, however, exceed a ceiling of 24 monthly instalments of fixed remuneration, established on initiating the agreement by taking into consideration the Group's overall results and the employee's individual performance and also taking into account the duration of the Employment Relationship.

Such amount may in any case not exceed the ceiling of EUR 1,100,000.00, notwithstanding the revision to the Chief Executive Officer's fixed remuneration approved by the Shareholders' Meeting of 22 April 2021.

Such ceilings shall include any amounts attributed to non-competition agreements.

For professionals having key characteristics which are such that the termination of the relationship may lead to risk, the Bank reserves the right to establish non-competition agreements from time to time that provide for the recognition of compensation commensurate with the duration and extent of the restriction determined by such agreement on conclusion of the Employment Relationship and/or termination of office. In accordance with regulatory provisions, if the relative fees are determined in an amount of up to one year's fixed remuneration there is no need to ascertain whether they are in line with the Bank's overall results, individual performances or the duration of the Employment Relationship, or with the rules on the way in which the payment is made, with particular reference to deferral, malus and the division between cash and financial instruments.

"Golden Parachutes" are included in the calculation of the ratio between the variable and fixed remuneration of the most recent year of the Employment Relationship or of holding office, except for:

- amounts agreed and recognised within a non-competition agreement for the portion which, for each year of the agreement's term, does not exceed the most recent annual amount of fixed remuneration;
- amounts agreed and recognised as part of an agreement between the Bank and the personnel, howsoever reached, for the settlement of a current or potential dispute determined by multiplying 3 monthly instalments of annual global remuneration (gross annual remuneration for the most recent year with the addition of the average of the amounts recognised under the Annual Incentive Plan, whether upfront or deferred over subsequent years, for the previous two years) by the number of years of seniority, or, with reference to the Material Risk Takers identified within the

business control functions, 12 monthly portions of annual global remuneration determined by the same means, and in any case within the ceiling set by the Shareholders' Meeting.

Any compensation recognised as a Golden Parachute shall be paid in cash generally within one year of the termination of the Employment Relationship and/or termination of office, or, with reference to any components regarding non-competition agreements, on the basis of the timetable established by such agreements.

If such compensation is recognised for Material Risk Takers, the payments follow the rules envisaged for paying the variable remuneration of such persons.

The means by which the above are determined and disbursed are adequated over time on the basis of the evolution of the characteristics and complexity of the Bank and considering the evolution of the applicable regulatory framework.

Any compensation disbursed is subject to the malus and clawback rules provided for variable remuneration. In particular, the Bank will take action to obtain the refund of any amounts paid, in terms of both the up-front component and the deferred component, in case of the verification within 5 years of the payment date of the occurrence of any of the provisions set out in the chapter "Risk alignment (malus and clawback)".

The amounts as determined above replace those envisaged by collective bargaining agreements in case of dismissal and will only be recognised against the signing of an agreement with the manager relating to the employment relationship and any positions held, as part of a general novation settlement. Such agreements are additionally established after taking into consideration all applicable laws and regulations, as a result of which the payments and disbursements due on the basis of legal provisions are not affected.

There are no outstanding agreements that bind the Bank to the payment of compensation for the early cessation of office with respect to the end of the term for which they have been mandated, in respect of members of the Board of Directors or the Board of Statutory Auditors.

The above rules are not applicable to the amounts agreed in view of or on the occasion of early termination of the Employment Relationship or termination of office of either Material Risk Takers or other personnel as part of extraordinary operations (such as mergers) or business restructuring processes in the cases they respond to a logic of business cost containment and the rationalisation of the personnel structure and do not exceed EUR 100,000.00.

In the same way, with the exception of compliance with the ceiling in absolute terms or in terms of the number of months' remuneration approved by the Shareholders' Meeting, the rules described do not apply to leaving incentives also connected with extraordinary operations (such as mergers) or business restructuring processes and paid to non-Material Risk Takers, provided they respond exclusively to a logic of business cost containment and the rationalisation of the personnel structure and encourage acceptance of the support measures, envisaged by law or collective bargaining agreements, for employees as a whole, and do not produce distortionary effects ex ante on the conduct of the staff.

In both cases the amounts recognised are subject to clawback mechanisms in case of fraudulent conduct or gross negligence to the detriment of the Bank.

## 20. TERMINATION OF THE EMPLOYMENT OR COLLABORATION RELATIONSHIP

The assignment of the vested portions linked to the short- and long-term incentive schemes envisaged by this Policy are inherently and functionally connected with and conditioned by the continuation of the Employment or Collaboration Relationship as well as that of the Beneficiary's mandate/position.

The termination of the Employment Relationship during the vesting period for each three-year cycle for the LTI Plan and each annual cycle for the MBO Plan due to:

- i. the Beneficiary's voluntary resignation, or
- ii. the termination of the Employment Relationship on the Company's initiative for just cause or justified reason,

will lead to the status of "bad leaver" and the automatic, final and irrevocable loss by the Beneficiary of the long-term variable opportunity awarded up to that time, but not yet vested - with reference to the LTI Plan<sup>14</sup> – and of any deferred portions and/or portions in shares in lock-up - with reference to the MBO.

The termination of the Employment or Collaboration Relationship due to:

- i. death or
- ii. a debilitating event that leads to the impossibility for the Beneficiary to continue the Relationship in a proper way or
- iii. retirement or
- iv. dismissal for just cause, unjustified dismissal or the consensual termination of the Employment or Collaboration Relationship,

will lead to the status of "good leaver" and the Beneficiary (or his or her heirs) will remain:

- with reference to the LTI Plan, the holder(s) of the vested rights for the individual vesting cycles if the termination of the Employment or Collaboration Relationship occurred subsequent to the end of the individual vesting period and/or the holder(s) of the portion of long-term variable opportunity determined pro-rata temporis in case of termination during a specific vesting cycle. The remaining variable opportunity not yet vested will be forfeited;
- with reference to the MBO Plan, the holder of the right to receive the vested but deferred portions of bonus.

If the termination of the Employment or Collaboration Relationship occurs before the Vesting Date and the Beneficiary qualifies as a "good leaver", the variable opportunity vests at the natural deadline of the relative vesting and lock-up period envisaged for each cycle, without prejudice to the need to assess the gate conditions, to ensure that the performance objectives have been met and to verify the malus conditions.

---

<sup>14</sup> During the lock-up period the Beneficiary keeps the Rights relating to the vested and granted cycle, whatever may be the cause of the termination of the Employment Relationship, with the exception of the activation of clawback procedures in line with the provisions in this respect of illimity's remuneration and incentive policy current at the time.

## ANNEX 1 - GUIDELINES FOR IDENTIFYING THE MATERIAL RISK TAKERS OF THE BANKING GROUP

### 1. Introduction

The current regulatory framework on remuneration and incentives at a European Union and national level - respectively Directive (EU) 2019/878 (CRD V) and Circular no. 285 of the Bank of Italy of 17 December 2013 - provides that banks and banking groups must carry out an annual process to identify the staff whose activity has, or may have, a material effect on the risk profile of the bank or banking group ("Material Risk Takers" - MRTs). Banks are also required to establish a policy for the process of identifying Material Risk Takers which forms an integral part of the remuneration and incentive policy approved annually by the Shareholders' Meeting.

The 37<sup>th</sup> revision of the Bank of Italy's Circular no. 285 of 17 December 2013, which contains supervisory provisions on the remuneration and incentive policies and practices of banks and banking groups, incorporated the changes introduced by Directive (EU) 2019/878 (CRD V) - which amends Directive 2013/36/EU (CRD IV) - and the European Banking Authority's Guidelines on Remuneration Policies and Practices<sup>15</sup>.

Commission Delegated Regulation (EU) 923 of 25 March 2021, which was published on 9 June 2021 - and supplements Directive 2013/36/EU (CRD IV) as amended by Directive (EU) 2019/878 (CRD V) and incorporates the Regulatory Technical Standards ("RTS") issued by the EBA - establishes the qualitative and quantitative criteria for identifying categories of staff whose professional activities have a material impact on an institution's risk profile. The new legislation repeals and replaces the previous Commission Delegated Regulation (EU) No. 604/2014 on the subject.

All this said and considered, illimity has prepared the present Guidelines (drawn up to determine roles and responsibilities as part of the process to identify illimity's Material Risk Takers) and consequently identified the Material Risk Takers for 2022 in accordance with the criteria envisaged by the new regulatory framework.

At a European Union level:

- Directive 2013/36/EU (CRD IV), as amended by Directive (EU) 2019/878 (CRD V), governs the qualitative and quantitative criteria for identifying the categories of staff whose professional activities have a material impact on an institution's risk profile;
- Commission Delegated Regulation (EU) 2021/923 (hereinafter also the "Delegated Regulation"), which supplements CRD V, governs:
  - ✓ **qualitative criteria**, in that these regard the role, decision-making power and managerial responsibility of staff members, also taking into consideration the Group's internal organisation and the nature, extent and complexity of the activities performed;
  - ✓ **quantitative criteria**, in that these regard the thresholds for the level of the total gross remuneration paid. There is, however, the possibility of excluding certain staff members, identified only by applying quantitative criteria on the basis of objective conditions and consistent with specific limitations provided by the Regulation itself.

At a national level:

---

<sup>15</sup> In fact, the latter was designed to update the Guidelines on sound remuneration policies, issued in implementation of the provisions of article 74, paragraph 3 of CRD IV (EBA/GL/2015/22) to bring such guidelines into line with the amendments made to CRD V. The final version of EBA's sound remuneration policies was published on 2 July 2021.

- Circular no. 285 of the Bank of Italy of 17 December 2013 (hereinafter Circular no. 285/2013) remits to the criteria provided in the Delegated Regulation for the identification of Material Risk Takers, also noting the opportunity to identify and apply, if necessary, additional criteria for identifying other persons who assume material risks. The same Circular points out that the parent company of a banking group is responsible for the identification of Material Risk Takers for the whole Group having regard to all group companies, regardless of whether they are subject to banking regulations at an individual level or not. The parent company also ensures the overall consistency of the identification process for the whole group as well as coordination between the provisions contained in the Circular and any other rules that may be applicable to each company, also as a result of the specific sector to which a company belongs, taking into account the results of the assessments conducted by the single components of the Group that are required to do this on an individual basis.

These present Guidelines govern the roles and responsibilities of the business functions and corporate bodies involved in the process of identifying the Group Material Risk Takers and the regulatory and additional criteria used for identifying these persons.

## **2. Scope of application**

This document establishes the Guidelines applicable to the whole illimity Banking Group.

In accordance with supervisory provisions, as parent company of the illimity Banking Group, illimity has the responsibility for identifying the persons having a material impact on the Group's risk profile, with regard to all the companies in the Group, regardless of whether they are subject to a prudent supervisory framework on an individual basis or not.

By way of these guidelines, the parent company ensures overall consistency of the identification process for the whole group as well as coordination between the provisions relating to the banking perimeter and any other rules that may be applicable to each company of the same group, also as a result of the specific sector to which a company belongs.

Group companies play an active part in the process for identifying the Group's Material Risk Takers carried out by the parent company, providing the latter with the information required and complying with the indications received.

The parent company is responsible for the implementation of the process for identifying Material Risk Takers with reference to all the companies of the Group, even if they operate in jurisdictions other than Italy.

If required to carry out the identification of the Risk Takers on an individual basis, these companies adopt similar criteria to those included in this document, compatibly with local or sector laws and regulations, coordinating with the parent company, which takes care of the overall consistency of the identification process for the Group as a whole.

In any event the individual companies are always responsible for compliance with the laws and regulations directly applicable to them.



### **3. Roles and responsibilities**

#### **Shareholders' Meeting**

On the proposal of the Board of Directors, the Shareholders' Meeting approves the Remuneration Policy, including the criteria for the identification of the staff members having a material impact on the Group's risk profile, as part of its approval of the Report on Remuneration Policy and Compensation Paid.

#### **Board of Directors**

The Board of Directors is responsible for the process for identifying staff who have or may have a material effect on the Banking Group's risk profile. As a consequence:

- i. it approves the criteria for identifying the Risk Takers of the Group and ensures these are subject to a periodic review;
- ii. it is responsible for the proper implementation of the process;
- iii. it approves the results of the process for identifying Material Risk Takers, including any exclusions.

#### **Remuneration Committee**

The Remuneration Committee provides its opinion to the Board of Directors on the establishment of the Guidelines for identifying Material Risk Takers, also availing itself of the information received from the competent business functions.

In addition, the committee expresses its view on the results of the process for identifying Material Risk Takers carried out annually on the basis of these present Guidelines, including any exclusions.

#### **Risk Committee**

The Risk Committee provides its opinion to the Board of Directors on the establishment of the criteria for identifying Material Risk Takers, with particular reference to the additional criteria.

#### **Human Resources & Organization**

The Human Resources & Organization function of illimity Bank, responsible for all the Group companies, coordinates the implementation of the process for identifying Material Risk Takers at a Group level, in line with the criteria and timing established in this document, and as a consequence:

- i. it prepares and looks after the periodic review of the Guidelines on the process for identifying Material Risk Takers and submits these periodically, subject to the prior opinion of the business control functions, to the Remuneration Committee for its opinion and to the Board of Directors for its approval;
- ii. on determination of the Group's Remuneration and Incentive Policies (or on infra-yearly update) it coordinates the implementation of the process for identifying Material Risk Takers at a Group level, obtaining the required information from the other functions involved and also checking the consistency of the identifications at a level of individual company subject to specific laws and regulations;

- iii. it ensures the identification on a continuing basis of the holders of the roles explicitly identified by the qualitative criteria at the beginning of the year or on infra-yearly revision;
- iv. it submits the outcome of the implementation of the process to the CRO and the Compliance & AML function and highlights any proposals for exclusion, in order to obtain the relative assessments;
- v. it submits the results of the process for identifying Material Risk Takers and any proposals for exclusion to the Remuneration Committee and the Board of Directors;
- vi. it coordinates and supervises the identification process at a Group level for the companies of the Group. Regarding companies belonging to specific sectors, such as the asset management sector, the Human Resources & Organization function coordinates and supervises that the identification of Material Risk Takers is carried out in compliance with laws and regulations applicable to the sector and takes care of the overall consistency within the Group as a whole.

### **General Counsel**

As far as relations with the Supervisory Authorities are concerned, General Counsel files authorisation requests for the exclusion of the identified Material Risk Takers pursuant to the criteria provided in Commission Delegated Regulation (EU) No 2021/923.

### **CRO**

illimity Bank's CRO contributes to the provision of the annual information to the Human Resources & Organization function that is needed for the process of identifying Material Risk Takers.

With reference to the results of the process, the CRO expresses a view on consistency between the positions identified, any exclusion proposals and the Group's Risk Appetite Framework.

The results of the consistency checks performed are formalised as part of the opinion sent to the Remuneration Committee and the Board of Directors on determining the Remuneration and Incentive Policies or on the interim revision of the perimeter of Material Risk Takers.

### **Compliance & AML**

The Compliance & AML function of illimity Bank checks the compliance of these Guidelines and the results of the identification process and, therefore, the rationale underlying any proposals for exclusion, with internal and external rules and regulations.

The results of these verifications are formulated as part of the opinion sent to the Remuneration Committee and the Board of Directors on determining the Remuneration and Incentive Policies or on the infra-yearly revision of the perimeter of Material Risk Takers.

## **4. Process to identify Material Risk Takers**

The perimeter of Material Risk Takers is identified and updated in accordance with the criteria adopted by the Banking Group on the basis of the following periodic sequence:

1. at the beginning of each year, in order to identify the perimeter of Material Risk Takers for submission for approval to the Shareholders' Meeting as part of the annual determination of the Remuneration and Incentive Policies;
2. during the year and formalised in the last quarter of each year, in case of the assignment of new positions as part of roles unequivocally identified by the qualitative criteria for all position holders who have been in the position for at least three months in the year in question.

On updating the perimeter of Material Risk Takers, the Human Resources & Organization function ensures, together with the CRO, the consistency of the rationale underlying the criteria adopted with the Risk Appetite Framework as updated from time to time.

The results of the identification process are formalised by the Human Resources & Organization function in a document containing:

- i. the positions identified by applying the qualitative criteria and the relative rationale;
- ii. the names of the persons identified by way of the quantitative criteria, the details of those that have been identified by way of the qualitative criteria and the rationale for any exclusion proposals;
- iii. the names of the key persons identified, their relative positions and responsibilities and the differences compared to the previously-determined list (including the number of people identified as Material Risk Takers – with details of the number of persons identified for the first time).

## 5. Identification criteria

The criteria used in the process for identifying Material Risk Takers and updating the related list are those, of a qualitative and quantitative nature, stated in article 92, paragraph 3, points a), b) and c) of Directive 2013/36/EU and in articles 5 and 6 of Commission Delegated Regulation (EU) 2021/923 as well as the additional criteria set by illimity.

In accordance with the possibility envisaged by supervisory provisions, illimity identifies the following persons in addition to those stated in the above-mentioned Delegated Regulation:

- Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility in **governing material business risks**, the object of identification when performing the ICAAP, which are not already included in the list of risks specifically identified by prudent regulations (CRR);
- Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed to **concentration risk** for loan exposures with one or more transactions included in the TOP 20;
- Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to significant operating losses, understood as being the TOP 20 **material operating losses** (amounts equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the past two years;
- Staff who, although not identified by the application of the previous criteria and/or not having a formal organisational position, from the analyses and assessments conducted by the CRO are considered able to exercise **significant future influence** - in strategic and operational terms – over the Bank's operational processes and decisions.

### **Revision of additional criteria**

On the periodic preparation of the Remuneration and Incentive Policies, the Human Resources & Organization function, together with the contribution of the CRO, assesses the need to revise the criteria for identifying personnel having a material impact on the Group's risk profile in order to ensure continuing consistency with the ownership structure, the organisational structure, the Group's business model and the relative functioning mechanisms.

### **6. Exclusion procedure**

If, after receiving the opinion of the Remuneration Committee, the Board of Directors intends to activate the procedure of exclusion from the perimeter of Material Risk Takers as part of the quantitative criteria, the Bank shall, on a timely basis, and in any case no later than six months after the end of the previous year, send to the Bank of Italy, by way of the General Counsel, the request for prior authorisation pursuant to article 6 of the Delegated Regulation, with reference to staff members awarded total remuneration greater than or equal to EUR 750,000.

The Bank of Italy issues a ruling within three months of receiving the complete documentation.

The authorisation has an annual term and regards the year following that in which the request is made, except for exclusions authorised for the first time, for which the term also extends to the year in which the request is submitted.

The application for authorisation may regard several staff members or several employee categories together, whose exclusion is based on the same assumptions, provided that the persons or categories for whom the exclusion is requested can be clearly identified and that the same level of information as that required by laws and regulations is ensured.

The applications for authorisation for exclusion for staff members who have been awarded total remuneration equal to or greater than EUR 1 million shall however be filed individually for each member of staff. Exclusion can only be authorised in exceptional circumstances, meaning unusual or infrequent situations that lead to it to be considered that the member of staff is not a risk-taker. The existence of exceptional circumstances must be demonstrated by the Bank in its request for authorisation.

### **7. Application of the regulation at Group company level**

Any companies individually subject to prudent supervision are required to apply these present Guidelines on an individual basis and notify the parent company of the relative results on a timely basis, and in any case by the end of the phase for identifying the Material Risk Takers.

In the case, on the other hand, of companies subject to specific sector regulations, as is currently the situation for the managed asset sector in the perimeter of the illimity Group, Material Risk Takers are identified in accordance with the Bank of Italy Regulation implementing article 4-*undecies* and article 6, paragraph 1, points b and c-*bis* of the TUF, without prejudice to the requirement for Group companies to notify the parent company of the relative results on a timely basis and in any case by the end of the phase for identifying the Group's Material Risk Takers.

## 8. Results of the process for identifying Material Risk Takers for 2022

### Main changes compared to the previous MRT perimeter

Persons leaving the MRT Perimeter	Persons entering the MRT Perimeter
<ul style="list-style-type: none"> <li>• Martin Ngombwa – Director</li> <li>• Massimo Di Carlo – Chief Lending Officer</li> <li>• Alessandro Ravogli – Head of Sales and Business Development</li> <li>• Isabella Falautano – Head of Communication &amp; Stakeholder Engagement</li> <li>• Anna Tosolini – Growth Credit (Advisor Pjt B-Ilty)</li> </ul>	<ul style="list-style-type: none"> <li>• Francesca Lanza Tans – Director</li> <li>• Fabio Bianchini – Chief Lending Officer</li> <li>• Vittoria La Porta – Head of Communications</li> <li>• Amiran Tsintsadze – Head of Digital Lending, Product &amp; Management</li> </ul>

### Result of the revision of the 2022 identification process

ID	Article 92 paragraph 3, points a), b) and c) – Directive 2013/36/EU	Result
a)	All members of the management body and senior management;	<ul style="list-style-type: none"> <li>• Corrado Passera – Chief Executive Officer of illimity Bank</li> <li>• Rosalba Casiraghi – Chair of the Board of Directors</li> <li>• Massimo Brambilla – Director</li> <li>• Patrizia Canziani – Director</li> <li>• Marcello Valenti – Director</li> <li>• Elena Cialliè – Director</li> <li>• Francesca Lanza Tans – Director</li> <li>• Giovanni Majnoni D'Intignano – Director</li> <li>• Paola Elisabetta Galbiati – Director</li> <li>• Andrea Clamer – Head of Distressed Credit</li> <li>• Carlo Panella – Head of Direct Banking</li> <li>• Enrico Fagioli – Head of Growth Credit</li> <li>• Francesco Mele – Chief Financial Officer and Head of Central Functions</li> </ul>
b)	Staff members with managerial responsibility over the institution's control functions or material business units;	<ul style="list-style-type: none"> <li>• Claudio Nordio – Chief Risk Officer</li> <li>• Fabio Marchesi – Head of Internal Audit</li> <li>• Francesco Martiniello – Head of Compliance &amp; AML</li> </ul> <p>Taking the definition of «material operating/business unit» as being a business unit as defined in article 142, paragraph 1, point 3 of Regulation (EU) No 575/2013 which also satisfies one of the following conditions:</p> <p>a) it has been allocated internal capital of at least 2% of the total capital of the entity pursuant to article 73 of Directive 2013/36/EU or has otherwise been valued by the entity as having a material impact on the entity's internal capital;</p> <p>b) it is a core business line as defined by article 2, paragraph 36 of Directive 2014/59/EU of the European Parliament and of the Council,</p> <p>the following persons are to be considered Material Risk Takers under the present criterion as they have originated Weighted Assets for Credit, Market and Operating Risk (RWAs) of at least 2% of the Group's total RWAs, measured at 31 December 2021 and estimated for 2022 on the basis of the Budget data, as per the opinion of the CRO issued on 1 March 2022:</p> <ul style="list-style-type: none"> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Fabiano Lionetti - Head of Investment Banking</li> <li>• Umberto Moretti - Head of Turnaround</li> </ul>

			<ul style="list-style-type: none"> <li>Stefano Ortolano - Head of Crossover &amp; Acquisition Finance</li> <li>Franco Marcarini - Head of Factoring</li> <li>Massimo Bianchi - Head of Special Situations Real Estate</li> <li>Andrea Montana - Head of Portfolios</li> <li>Elena Maspoli - Head of Special Situations Energy</li> <li>Luca Preziosi - Head of Senior Financing</li> <li>Paolo Piovini - Head of Business Operations &amp; Credit Support</li> </ul>
c)	Staff members entitled to significant remuneration in the preceding financial year, provided that the following conditions are met:	<p>(i) the staff member's remuneration is equal to or greater than EUR 500 000 and equal to or greater than the average remuneration awarded to the members of the institution's management body and senior management referred to in point (a);</p> <p>(ii) the staff member performs the professional activity within a material business unit and the activity is of a kind that has a significant impact on the relevant business unit's risk profile.</p>	<ul style="list-style-type: none"> <li>Corrado Passera - Chief Executive Officer of illimity Bank</li> <li>Enrico Fagioli - Head of Growth Credit</li> <li>Andrea Clamer - Head of Distressed Credit</li> <li>Francesco Mele - Chief Financial Officer and Head of Central Functions</li> </ul> <p>The variable remuneration of the previous financial year to that for which it is attributed is that taken into consideration (variable remuneration attributed in 2021 with reference to performance year 2020).</p> <p>The calculation of the average remuneration paid to members of the entity's management body and top management as per point a) led to an average of approximately EUR 274,000 and as a result – as provided by laws and regulations – the higher threshold of EUR 500,000 was taken.</p>

Article 5 - Qualitative criteria - Commission Delegated Regulation (EU) 2021/923 of 25 March 2021		Result
a)	The staff member has managerial responsibility for: <ol style="list-style-type: none"> <li>legal affairs;</li> <li>the soundness of accounting policies and procedures;</li> <li>finance, including taxation and budgeting;</li> <li>performing economic analysis;</li> <li>the prevention of money laundering and terrorist financing;</li> <li>human resources;</li> <li>the development or implementation of the remuneration policy;</li> <li>information technology;</li> <li>information security;</li> <li>managing the outsourcing arrangements of critical or important functions in illimity SGR as referred to in article 30, paragraph 1 of Commission Delegated Regulation (EU) 2017/565</li> </ol>	<ul style="list-style-type: none"> <li>Giovanni Lombardi - Head of General Counsel</li> <li>Francesco Mele - Chief Financial Officer and Head of Central Functions (*)</li> <li>Sergio Fagioli - Head of Administration &amp; Accounting</li> <li>Fabiano Lionetti - Head of Investment Banking</li> <li>Iacopo Zucchi - Head of Budget &amp; Control</li> <li>Silvia Benzi - Head of Strategy, Sustainability &amp; IR</li> <li>Francesco Martiniello - Head of Compliance &amp; AML</li> <li>Marco Russomando - Head of Human Resources &amp; Organization</li> <li>Filipe Ferreira Teixeira - Chief Information Officer</li> <li>Paola Tondelli - Head of UTP &amp; Turnaround Funds (*)</li> </ul> <p>(*) Persons also identified for their position as executive directors of illimity SGR since in charge of managing outsourcing arrangements.</p>

b)	The staff member has managerial responsibilities for any of the risk categories set out in Articles 79 to 87 of Directive 2013/36/EU, or is a voting member of a committee responsible for the management of any of the risk categories set out in those Articles;	Article 79 - Credit and counterparty risk	<p>Permanent members with voting rights of the Finance Committee:</p> <ul style="list-style-type: none"> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Carlo Panella - Head of Direct Banking</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Enrico Fagioli - Head of Growth Credit</li> </ul> <p>Permanent members with voting rights of the Credit and Investment Committee:</p> <ul style="list-style-type: none"> <li>• Corrado Passera – Chief Executive Officer</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Fabio Bianchini - Chief Lending Officer</li> </ul> <p>Credit and counterparty risk also includes migration risk and real estate risk, identified as material during the 2021 ICAAP.</p>
		Article 80 - Residual risk	Permanent members with voting rights of the Credit and Investment Committee - already identified.
		Article 81 - Concentration risk	
		Article 82 - Securitisation risk	Permanent members with voting rights of the Finance Committee - already identified.
		Article 83 - Market risk	
		Article 84 - Interest rate from non-trading book activities	
		Article 85 - Operational risk	<ul style="list-style-type: none"> <li>• Fabio Bianchini - Chief Lending Officer</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Carlo Panella - Head of Direct Banking</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Andrea Battisti – Chief Executive Officer of neprix Srl</li> <li>• Renato Ciccarelli – General Manager of neprix Srl</li> <li>• Filipe Ferreira Teixeira - Chief Information Officer</li> </ul>
		Article 86 - Liquidity risk	Permanent members with voting rights of the Finance Committee - already identified.
		Article 87 - Risk of excessive leverage	

<p>c)</p>	<p>With regard to credit risk exposures of a nominal amount per transaction, representing 0.5 % of the institution's Common Equity Tier 1 capital and which is at least EUR 5 million, the staff member meets one of the following criteria: i) the staff member has the authority to take, approve or veto decisions on such credit risk exposures; ii) the staff member is a voting member of a committee which has the authority to take the decisions as referred to in point (i) of this point (c);</p>	<p>Permanent members with voting rights of the Credit and Investment Committee - already identified.</p>
<p>d)</p>	<p>In relation to an institution for which the derogation for small trading book businesses set out in Article 94 of Regulation (EU) No 575/2013 does not apply, the staff member meets one of the following criteria:        (i) the staff member has the authority to take, approve or veto decisions on transactions on the trading book that in aggregate represent one of the following thresholds:        — where the standardised approach is used, an own funds requirement for market risks that represents 0.5 % or more of the institution's Common Equity Tier 1 capital;        — where an internal model-based approach is approved for regulatory purposes, 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level); (ii) the staff member is a voting member of a committee that has the authority to take the decisions mentioned in point (i) of this point;</p>	<ul style="list-style-type: none"> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Fabiano Lionetti - Head of Investment Banking</li> </ul>
<p>e)</p>	<p>The staff member heads a group of staff members who have individual authorities to commit the institution to transactions and either of the following conditions is met: (i) the sum of those authorities equals or exceeds the threshold referred to in point (c)(i) or in point (d)(i), the first indent; (ii) where an internal model-based approach is approved for regulatory purposes, those authorities amount to 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level); where the institution does not calculate a value-at-risk at the level of that staff member, the value-at-risk limits of staff under the management of this staff member shall be added up;</p>	<ul style="list-style-type: none"> <li>• Corrado Passera - Chief Executive Officer of illimity Bank</li> <li>• Fabio Bianchini - Chief Lending Officer</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Carlo Panella - Head of Direct Banking</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> </ul>



f)	<p>The staff member meets either of the following criteria with regard to decision on approving or vetoing the introduction of new products:</p> <p>(i) the staff member has authority to take such decisions;</p> <p>(ii) the staff member is a voting member of a committee that has authority to take such decisions.</p>	<p>The members of the Product Committee (Heads of Divisions/Proposing Divisions and other Heads).</p> <p>The following are permanent members of the Product Committee:</p> <ul style="list-style-type: none"> <li>• Francesco Mele - Head of CFO &amp; Central Functions (Chair)</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Carlo Panella - Head of Direct Banking</li> <li>• Filipe Ferreira Teixeira - Chief Information Officer</li> <li>• Giovanni Lombardi - General Counsel</li> <li>• Silvia Benzi - Head of Strategy, Sustainability &amp; IR</li> <li>• Claudio Nordio - Chief Risk Officer</li> <li>• Francesco Martiniello - Head of Compliance &amp; AML</li> </ul>
----	--	--

ID	Art 6 - Quantitative criteria - Commission Delegated Regulation (EU) 2021/923 of 25 March 2021	Result				
1	<p>In addition to staff members identified under the criteria set out in Article 92(3), points (a) and (b), of Directive 2013/36/EU, staff members shall be deemed to have a material impact on an institution's risk profile where any of the following quantitative criteria are met:</p>	<table border="1"> <tr> <td data-bbox="555 779 911 1064">(a) the staff members, including staff members as referred to in Article 92(3), point (c), of Directive 2013/36/EU, have been awarded in or for the preceding financial year a total remuneration that is equal to or greater than EUR 750 000;</td> <td data-bbox="911 779 1445 1064">The criterion is not met, as no staff member has been awarded total remuneration that is equal to or greater than EUR 750,000 in the preceding financial year.</td> </tr> <tr> <td data-bbox="555 1064 911 1415">(b) where the institution has over 1 000 members of staff, the staff members are within the 0.3 % of staff, rounded to the next higher integral figure, which has, within the institution, been awarded the highest total remuneration in or for the preceding financial year on an individual basis.</td> <td data-bbox="911 1064 1445 1415">Not applicable.</td> </tr> </table>	(a) the staff members, including staff members as referred to in Article 92(3), point (c), of Directive 2013/36/EU, have been awarded in or for the preceding financial year a total remuneration that is equal to or greater than EUR 750 000;	The criterion is not met, as no staff member has been awarded total remuneration that is equal to or greater than EUR 750,000 in the preceding financial year.	(b) where the institution has over 1 000 members of staff, the staff members are within the 0.3 % of staff, rounded to the next higher integral figure, which has, within the institution, been awarded the highest total remuneration in or for the preceding financial year on an individual basis.	Not applicable.
(a) the staff members, including staff members as referred to in Article 92(3), point (c), of Directive 2013/36/EU, have been awarded in or for the preceding financial year a total remuneration that is equal to or greater than EUR 750 000;	The criterion is not met, as no staff member has been awarded total remuneration that is equal to or greater than EUR 750,000 in the preceding financial year.					
(b) where the institution has over 1 000 members of staff, the staff members are within the 0.3 % of staff, rounded to the next higher integral figure, which has, within the institution, been awarded the highest total remuneration in or for the preceding financial year on an individual basis.	Not applicable.					

ID	Additional criteria established on the basis of the opinion issued by the CRO on 1 March 2022	Result				
1	<p>Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility in <b>governing material business risks</b>, the object of identification in the ICAAP, are not already included in the list of risks specifically identified by the CRR and are not identified under regulatory qualitative criteria.</p>	<table border="1"> <tr> <td data-bbox="719 1615 967 1756">Environmental, Social and Governance (ESG) risk</td> <td data-bbox="967 1615 1445 1756"> <ul style="list-style-type: none"> <li>• Silvia Benzi - Head of Strategy, Sustainability &amp; IR (already identified)</li> </ul> </td> </tr> <tr> <td data-bbox="719 1756 967 1861">Reputational and Strategic Risk</td> <td data-bbox="967 1756 1445 1861"> <ul style="list-style-type: none"> <li>• Vittoria La Porta - Head of Communications</li> </ul> </td> </tr> </table>	Environmental, Social and Governance (ESG) risk	<ul style="list-style-type: none"> <li>• Silvia Benzi - Head of Strategy, Sustainability &amp; IR (already identified)</li> </ul>	Reputational and Strategic Risk	<ul style="list-style-type: none"> <li>• Vittoria La Porta - Head of Communications</li> </ul>
Environmental, Social and Governance (ESG) risk	<ul style="list-style-type: none"> <li>• Silvia Benzi - Head of Strategy, Sustainability &amp; IR (already identified)</li> </ul>					
Reputational and Strategic Risk	<ul style="list-style-type: none"> <li>• Vittoria La Porta - Head of Communications</li> </ul>					

<p>2</p>	<p>Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed significantly to <b>concentration risk</b> for loan exposures with one or more transactions included in the TOP 20.</p>	<p>This criterion leads to the identification of the heads of the organisational units that have contributed the most to concentration risk, but in any case already identified on the basis of other qualitative regulatory criteria:</p> <ul style="list-style-type: none"> <li>• Umberto Moretti - Head of Turnaround</li> <li>• Stefano Ortolano - Head of Crossover &amp; Acquisition Finance</li> <li>• Franco Marcarini - Head of Factoring</li> <li>• Massimo Bianchi - Head of Special Situations Real Estate</li> </ul>
<p>3</p>	<p>Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to <b>material operating losses</b>, understood as being the top 20 operating losses (equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the past two years.</p>	<p>This criterion leads to the identification of the Heads of the organisational units that have contributed the most to the top 20 losses (only actual losses equal to or greater than EUR 50,000):</p> <ul style="list-style-type: none"> <li>• Daniele Weisz - Head of Pricing</li> <li>• Francesco Ramazzotti - Head of Products, Partnership &amp; Open Banking</li> <li>• Paolo Piovini - Head of Business Operations &amp; Credit Support (already identified)</li> </ul>
<p>4</p>	<p><b>Staff</b> who, although not identified by the application of the previous criteria and/or not having a formal organisational position, from the analyses and assessments conducted by the CRO are considered <b>able to exercise significant future influence</b> – in strategic and operational terms – over the Bank’s operational processes and decisions.</p>	<ul style="list-style-type: none"> <li>• Francesco Ramazzotti - Head of Products, Partnership &amp; Open Banking</li> <li>• Amiran Tsintsadze - Head of Digital Lending, Product &amp; Management</li> <li>• Paola Tondelli - Head of UTP &amp; Turnaround Funds (already identified)</li> </ul>

## SECTION II - REPORT ON COMPENSATION PAID IN 2021

### 1. INTRODUCTION

In accordance with applicable regulatory provisions on listed companies, this Section provides information on compensation for 2021 on an individual name basis for the Board of Directors and the Board of Statutory Auditors and on an aggregate basis for Executives with Strategic Responsibilities.

In addition, this Section sets out the qualitative and quantitative information required by article 450 of the Capital Requirements Regulation (CRR), with particular reference to the Group's Material Risk Takers analysed by category.

More specifically,

- the first part provides a summary of the Company's results for 2021 together with an appropriate representation of each of the items making up remuneration, including the compensation due on termination of office or the Employment Relationship, noting the consistency of this with the remuneration policy of illimity approved in the preceding year;
- the second part provides analytical details of the compensation paid during the year of reference for whatsoever reason and in whatsoever form by the Company and its subsidiaries and associates, using the tables as per Annex 3 – Schedule 7-BIS of the Issuers' Regulation and the additional information required by article 450 of the CRR;
- the third part sets out, as required by article 84-*quarter*, paragraph 4 of the Issuers' Regulation - using the criteria established in Annex 3A, Schedule 7-*ter* of that Regulation - the holdings in illimity held by members of the management and control bodies, as well as by their non-legally separated spouses and minor children, directly or by way of a controlled company, a trust company or intermediary, that are recorded in the shareholders' register or arise from information that has been received in communications or from the members of the management and control bodies themselves.

## FIRST PART

### 1. 2021 RESULTS

At its meeting of 10 February 2022, the Board of Directors of illimity Bank S.p.A. approved the illimity Group's results at 31 December 2021. illimity fully achieved its 2021 profit guidance, posting a net profit of 65.6 million euro for 2021, more than double the figure for 2020 (31.1 million euro). ROE<sup>16</sup> for 2021 amounted to ca. 10%. Net profit for the fourth quarter of 2021 totalled 19.4 million euro (18.8 million euro in the third quarter of 2021, +3% q/q and +187% over net profit of 6.8 million euro for the fourth quarter of 2020).

In detail, the year was characterised by:

- More than doubled operating profit of 110.6 million euro for 2021 (+147% compared to operating profit of 44.8 million euro for 2020)
- Significant business growth, with loan and investment volumes of more than 1.1 billion euro originated in 2021, representing a rise of 24% on an annual basis
- A sharp increase in operating income to reach 271.2 million euro (+56% y/y) in 2021, increasingly diversified and balanced between the net interest income and other components
- A visible improvement in operating leverage: the Cost income ratio fell considerably during the year to 59% compared to 74% in 2020
- Organic credit quality remained at excellent levels: the ratio between gross doubtful organic loans and total gross organic loans originated since the start of illimity's operations stood at 0.7% at 31 December 2021 - a figure amounting to 2.3% if the loan portfolio of the former Banca Interprovinciale is included; organic cost of risk stood at 4 bps for the full year 2021
- A robust capital base with indicators positioned at the top levels of the system – a CET Ratio of 18.8% (19.3% pro-forma with the inclusion of the special shares) – and a sound liquidity position (of approximately 0.7 billion euro) despite the significant deployment in new loans and investments in the quarter.

Moreover, 2021 saw the foundations laid for solid growth in profits and profitability also in 2022, in line with the guidelines for growth included in the Strategic Plan:

- a partnership agreement was entered with the ION Group, initially centred on the licence agreement for the use of the IT platform but now in the phase of extension to other key sectors;
- additional progress was made on the sustainable growth path by further developing ESG values in relations with both customers and staff; in addition a significant step was taken by joining the United Nations Global Compact, the biggest business sustainability initiative;
- investments were made in all the main activities and the Group's presence in key markets was strengthened in the following areas:
  - ✓ illimity SGR, which successfully completed further closings of its first Turnaround fund;
  - ✓ the capital markets activity focuse on SMEs, which has already provided a visible contribution to results;

<sup>16</sup> Calculated as the ratio between net profit and average net equity for the year (1/1-31/12/2021).

- ✓ the Energy desk of the Distressed Credit Division, which consolidated its presence on the market, taking the first investment-divestment cycle to completion and achieving important economic results;
- ✓ entry into the public procurement claims segment, a large field with limited competition and high returns;
- ✓ a strengthening of the product offering and the technology platform of HYPE, Italy's leading fintech;
- the bases were created for the launch of two completely new initiatives, based on technology, that will take future profitability well above the average for the sector. In 2022 illimity will become even more "tech" through:
  - ✓ b-ilty, the first digital business store for credit and financial services developed by illimity to help SMEs to grow;
  - ✓ the most innovative proptech company in Italy which, thanks to illimity's digital and real estate expertise, will enter the free real estate market, characterised by its large scale and significant need for innovation.

## 2. REMUNERATION OF THE MEMBERS OF ILLIMITY'S BOARD OF DIRECTORS

### Estimates for the compensation of the Board of Directors for 2021

On 22 April 2021, the Shareholders' Meeting of illimity S.p.A. approved the proposal included at item 6 on the agenda regarding the appointment of the Board of Directors and the relative compensation.

In particular, in accordance with the 2021 Report on Remuneration Policy, the compensation of the Board of Directors which stands at the market median on the basis of benchmark data provided by WTW (an independent advisor), envisages the following gross annual amounts, plus the reimbursement of expenses incurred in exercising office, to be attributed pro-rata temporis over the term of office:

- Chair of the Board of Directors: EUR 180,000;
- Chief Executive Officer: EUR 680,000;
- Directors: EUR 40,000;
- Chair of the Risks Committee: EUR 25,000;
- Chair of other board sub-committees: EUR 15,000;
- Member of the Risks Committee: EUR 15,000;
- Member of other board sub-committees: EUR 10,000.

Fees for attending committee or board meetings are not envisaged.

As described in illimity's Report on Compensation Paid in 2020, the compensation approved by the Shareholders' Meeting of Banca Interprovinciale S.p.A. on 18 January 2019 applied to the Board of Directors in office until the Shareholders' Meeting of 22 April 2021.

### **The activities of illimity's Board of Directors in 2021<sup>17</sup>**

illimity's Board of Directors met 26 times in 2021 with an average attendance for the year of 98%.

The board's sub-committees met on 68 occasions with an average attendance for the year of 98%.

### **Compensation paid to members of the Board of Directors in 2021**

Compensation paid for 2021 was in line with the provisions of the resolutions adopted by the Shareholders' Meeting of Banca Interprovinciale S.p.A. of 18 January 2019 (for the members of the Board of Directors in office until the Shareholders' Meeting of 22 April 2021) and by the Shareholders' Meeting of illimity S.p.A. of 22 April 2021 (for the new members of the Board of Directors), with an annual total of EUR 598,337, including the reimbursement of detailed expenses (excluding the compensation from subsidiaries for one Director, equal to EUR 30,000, and the remuneration of the Chief Executive Officer which is stated separately).

In accordance with the provisions of the 2021 Remuneration Policies no variable remuneration components were granted during the year and no compensation was paid to any member of the Board of Directors for early termination of office.

The director Gennari received EUR 37,500 during the year as deferred variable remuneration relating to his previous position as General Manager of Banca Interprovinciale S.p.A.<sup>18</sup> which was formally terminated on 31 December 2018.

Reference should be made to the specific table in the Second Part of this Section for a description by individual name of the compensation paid to each member of the Board of Directors in 2021 in accordance with the provisions of the Issuers' Regulation.

## **3. REMUNERATION OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS**

### **The provisions of the 2021 Remuneration Policy**

Following the resignation of all its members (standing and substitute), on 18 January 2019 the Shareholders' Meeting appointed the new controlling body, and in accordance with the Remuneration Policy approved by the same Shareholders' Meeting determined the compensation due to its members for the three-year term:

- Chair: EUR 70,000;
- Standing auditors (each): EUR 50,000.

Attendance fees are not envisaged, while any expenses incurred in exercising office are reimbursed.

### **The activity of the Board of Statutory Auditors in 2021**

The parent company's Board of Statutory Auditors met 20 times in 2021 with an average attendance of 98%.

---

<sup>17</sup> Details of the activities performed by the Remuneration Committee can be found in Annex 2.

<sup>18</sup> Deferred portions relating to the 2018 incentive scheme vesting in the year.

### **Compensation paid to the members of the parent company's Board of Statutory Auditors in 2021**

The compensation paid for 2021, solely of a fixed nature, was in line with the provisions of the resolutions adopted by the Shareholders' Meeting of 18 January 2019, with the total for the year being EUR 170,232, including the reimbursement of detailed expenses.

Reference should be made to the specific table in the Second Part of this Section for a description by individual name of the compensation paid to each member of the Board of Statutory Auditors in 2021.

### **4. REMUNERATION OF ILLIMITY'S CHIEF EXECUTIVE OFFICER**






In accordance with the provisions of the Group's 2019 and 2021 Remuneration and Incentive Policies, the Chief Executive Officer<sup>19</sup> of illimity received, with reference to 2021 performance:

- a gross fixed emolument of EUR 633,750, considering that on the basis of the resolution adopted by the Shareholders' Meeting of Banca Interprovinciale S.p.A. of 18 January 2019 he received the gross pro-rated amount of EUR 530,000 with reference to the period of office through 22 April 2021 and, on the basis of the resolution adopted by the Shareholders' Meeting of illimity S.p.A. of 22 April 2021, received the gross pro-rated amount of EUR 680,000 with reference to his new position;
- gross MBO variable remuneration of EUR 220,000 approved by the Board of Directors on 10 February 2022, following the determination of the final size of the 2021 Bonus Pool and the assessment of individual performance (as shown in the figure below). The bonus is payable as to 50% in cash and 50% in shares with a three-year deferral period, as provided by the 2021 MBO Incentive Scheme. The figures presented are in line with the documentation approved by the Shareholders' Meeting of illimity of 15 December 2021, which among other things revised the Chief Executive Officer's pay-mix, reducing his possible annual target bonus and consequently increasing the target portion of long-term remuneration, albeit remaining within a maximum ratio of 1:1 between variable and fixed remuneration.

It is further recalled that the Chief Executive Officer is also a beneficiary of the 2021-2025 Long-Term Incentive Plan (hereinafter the "LTI Plan") approved by the Shareholders' Meeting of 15 December 2021 for up to 93,162 shares over the timeframe of the Plan. This Plan provides for the awarding of an incentive, based on three three-year performance cycles, whose granting is dependent on satisfying the specific entry gates and achieving the objectives set in the 2021-2025 Business Plan. As a result, the incentive that has actually vested will only be known at the end of the performance period, depending on the degree to which the performance objectives have been met (further details can be found in Section I).

---

<sup>19</sup> It is noted that together with Top Management, the Chief Executive Officer holds a portion of the 1,440,000 illimity special shares. illimity's bylaws also provide that such illimity special shares (before the Merger, SPAXS special shares), held by the Chief Executive Officer and by Top Management, shall be automatically converted to illimity ordinary shares (i) at a conversion ratio of 1:8 in the case in which, by 20 September 2022, the average price of illimity ordinary shares traded on the Electronic Stock Market, is greater than or equal to EUR 13.9663866 for at least 22 consecutive stock market trading days; or (ii) at a conversion ratio of 1:1 in the case in which, by 20 September 2022, the automatic conversion assumption at point (i) has not been satisfied.

Macro Area	Area	Weight	KPI	Outcome	Level of achievement		
					Min	Target	Max
Financials	Profitability	20%	ROE	8,5%			
		15%	Cost/Income	59,0%			
	Risk	15%	Gross Organic NPE Ratio	2,3%			
Strategy	Implementation of strategic action	25%	Strategic actions to be implemented "pro-rata" in 2021 <ul style="list-style-type: none"> <li>Evolution of Direct Bank:               <ul style="list-style-type: none"> <li>support for the development of the joint venture in Hype and synergies with the bank</li> <li>finalization and launch of the project direct bank for small businesses, micro enterprises and POEs and relative strategic partnerships</li> </ul> </li> <li>Evolution of strategic plans for neprix (e.g., non-captive operations, proptech project)</li> <li>Extension of the SGR's operations to new areas and fundraising</li> <li>Acceleration of innovation projects (e.g., AI dati)</li> <li>Capital optimization</li> <li>Development of activities generating commissions (e.g., Capital Markets)</li> <li>Launch of illimity foundation</li> </ul>	115%			
ESG	Leadership & engagement	25%	Assessment of leadership quality + People Engagement (illimity's positioning in the GPTW ranking for 2021)	118%			
<b>Total</b>				<b>118%</b>			

As part of the Company's benefit policy, the Chief Executive Officer availed himself of the standard benefits envisaged for the category to which he belongs.

The following comparative information is provided for the period for which the Company has been listed, in accordance with the disclosure requirements of the Issuers' Regulation:

		'000 Euro	2021	2020	2019	Diff. '21 vs. '20	Diff. '20 vs. '19
<b>CEO</b>	Passera C.		879	555	555	58%	0%
<b>Chair BoD</b>	Casiraghi R.		172	140	140	23%	0%
<b>Member BoD</b>	Brambilla M.		50	50	50	0%	0%
	Squinzi M.		25	78	75	-68%	5%
	Cialliè E.		75	75	65	0%	15%
	Ngombwa M.		46	47	12	-2%	291%
	Gennari A.		53	138	150	-61%	-8%
	Valenti M.		66	-	-	-	-
	Galbiati P.		58	-	-	-	-
	Majnoni d'Intignano G.		45	-	-	-	-
	Canziani P.		45	-	-	-	-
	Lanza Tans F.		2	-	-	-	-
<b>Chair BoSA</b>	Riva E.		70	70	76	0%	-7%
<b>Member BoSA</b>	Caringi S.		50	50	58	0%	-14%
	Fontana N.		50	50	52	0%	-5%
<b>Employees Performance</b>	Avg gross annual remuneration		56	55	55	2%	-1%
	Profit Before Taxes ('000 mln)		80,8	38,7	-28,5	109%	236%

Note: the figures for the CEO (Chief Executive Officer), the Board of Directors (BoD) and the BoSA (Board of Statutory Auditors) are based on those stated in the tables detailed by name provided in the Second Part of this Report.



## 5. REMUNERATION OF OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

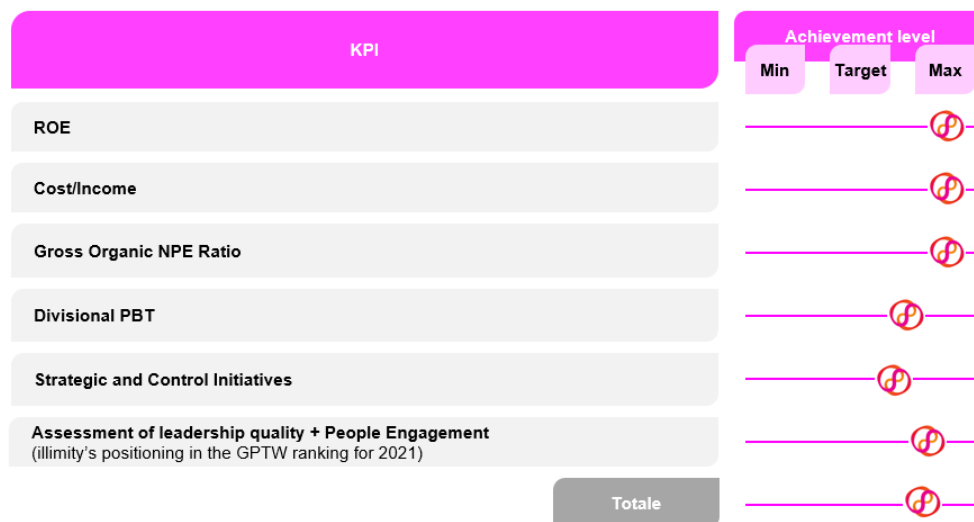
Consistent with the provisions of the 2021 Remuneration Policy, the other Executives with Strategic Responsibilities<sup>20</sup>, all included within the perimeter of 2021 Material Risk Takers, received remuneration balanced between fixed and variable during the year.

With specific regard to the 2021 MBO short-term variable component, on 10 February 2022, after ensuring that the capital and liquidity requirements set by the 2021 Remuneration Policy had been met (Table 1) and after consulting with the Risk Committee, the Remuneration Committee and the Board of Statutory Auditors for the profiles for whom they are responsible, the parent company's Board of Directors approved the total to be included in the 2021 bonus pool, equal to an amount of EUR 9.4 million (including social charges and contributions) for the Group as a whole (with the exception of illimity SGR S.p.A. which has a separate bonus pool as provided by the SGR's relative 2021 Remuneration Policy).

Section II - Table 1 - 2021 MBO gates check

Indicator	Target at 31/12/2021 (gates)	Results at 31/12/2021
Group CET1 Ratio	≥ RAF tolerance = 15%	18.83%
Group LCR Ratio	≥ RAF tolerance = 160%	176.98%
Group Net Income	> 0	65.591 mln €

The 2021 MBO bonuses awarded to the other Executives with Strategic Responsibilities are linked to achieving specific Group/Division/Area<sup>21</sup> performance objectives, as shown in the diagram below in simplified aggregate terms:



<sup>20</sup> This category consists of Executives with Strategic Responsibilities with the exclusion of the Chief Executive Officer and the parent company's directors and standing statutory auditors, whose remuneration is discussed separately in this Report. In accordance with the requirements of Annex 3 – Schedule 7-BIS of the Issuer's Regulation, details of remuneration are provided on an aggregate basis for this residual category of Executives with Strategic Responsibilities.

<sup>21</sup> Inside this category, the Group's Material Risk Takers having business control functions and the Manager in Charge of drafting the Financial Reports of illimity Bank S.p.A. have been given objectives linked solely to their specific responsibilities and illimity's leadership model.

In connection with the long-term incentive component, 8 Executives with Strategic Responsibilities are beneficiaries of the 2021-2025 Long-Term Incentive Plan, which provides for the awarding of an incentive, based on three three-year performance cycles, whose granting is dependent on satisfying the specific entry gates and achieving the objectives set in the 2021-2025 Strategic Plan. As a result, the incentive that has actually vested will only be known at the end of the performance period.

Specifically, the above-mentioned Executives with Strategic Responsibilities were awarded a maximum total of 488,196 rights to receive shares over the timeframe of the 2021-2025 Plan, with disbursement dependent on achieving pre-determined performance objectives (see Section I for further details).

No compensation was paid to any member of such category in 2021 for the early termination of the employment relationship or early termination of office.

As part of the Company's benefit policy, these executives availed themselves of the standard benefits envisaged for the respective category to which they belong (Top Management, Division/Corporate Managers, Managers).

Reference should be made to Table A and Table 1, 3A and 3B of the Second Part of this Section for the aggregates of the compensation paid in 2021, in accordance with the provisions of the Issuers' Regulation.

## **6. REMUNERATION OF ILLIMITY'S MATERIAL RISK TAKERS AND REMAINING PERSONNEL**

This section of the Report describes the variable remuneration paid during 2021 to:

- the remaining Material Risk Takers for 2021 not included as Executives with Strategic Responsibilities as per the previous chapter;
- the remaining personnel of the Group.

In accordance with applicable legislation reference should be made to the specific table of the Second Part of this Section for the relative aggregate disclosures for Material Risk Takers.

No compensation was paid to Material Risk Takers in 2021 for the early termination of the Employment Relationship or early termination.

### **2021-2025 Long-Term Incentive Plan**

The 2021-2025 Long-Term Incentive Plan, which was approved by the Shareholders' Meeting of 15 December 2021 and replaced the previous Stock Option Plan (SOP) and the 2020-2023 Long-Term Incentive Plan, cancelled and losing any further effectiveness, has the following aims:

- to ensure the maintenance of a strict alignment between the interests of the Company, the shareholders and the Beneficiaries by incentivising the achievement of the objectives of the 2021-2025 Strategic Plan;
- to ensure alignment with the plan's new timeframe while at the same time providing for three payout cycles starting with an analysis of the 2021 results;
- to enable the effective contribution of the management of the illimity Group to be evaluated (in terms of organisational relevance and performance quality), also including beneficiaries who have enjoyed significant managerial growth;

- to support the creation of value for all stakeholders and corporate social responsibility in the long term by way of a commitment to the achievement of ESG (Environmental, Social & Governance) objectives in addition to those of an economic and financial nature.

The LTI plan envisages the awarding on an individual basis of rights to receive shares. This plan is divided into three cycles measuring the Performance Objectives, and namely for the three-year periods 2021-2023, 2022-2024, 2023-2025, covering the plan's entire timeframe (a "rolling" plan), determining the effective granting of illimity shares, conditional on the achievement of the objectives of the Strategic Plan and the gates, as stated in the Implementing Regulation of the Plan and the relative information document<sup>22</sup>.

Table 2 below sets out the maximum number of rights to receive shares for each staff category at 31 December 2021 (including also the information regarding the Chief Executive Officer and the Executives with Strategic Responsibilities as described above) as part of the 2021-2025 LTI Plan:

<i>Section II - Table 2</i>	
<i>Award status of rights to receive shares by category at 31.12.2021</i>	
<b>Type of beneficiary (number)</b>	<b>Max rights to receive shares</b>
Chief Executive Officer (1)	93,162
Other Executives with Strategic Responsibilities (8)	488,196
Material Risk Takers (17)	805,727
Other staff (46)	495,892
<b>Total (72)</b>	<b>1,882,977</b>

In this way a total of 1,882,977 rights to receive shares have been awarded free of charge, representing 2.4% or 2.1% of the total fully diluted number of shares (depending on the conversion scenario of the special shares), consistent with the features of the increase in share capital to service the LTI Plan approved by the Shareholders' Meeting of 15 December 2021<sup>23</sup>.

Refer to table A and table 2 of Second Part of this Section for the aggregate indication of the rights assigned, in line with the provisions contained in the Issuers Regulations.

<sup>22</sup> For further details on the features of the LTI Plan reference should be made to the Information Document on the Plan prepared and published by the Bank pursuant to Schedule 7 of Annex 3A to the Issuers' Regulation and available on the Bank's website [www.illimity.com](http://www.illimity.com) under the section Governance/Shareholders and BoD Meetings.

<sup>23</sup> The Shareholders' Meeting resolved, as the means of servicing the LTI Plan, to approve a share capital increase of up to EUR 1,323,663.96 at nominal value through the issue of up to 2,031,094 new ordinary illimity shares without nominal value having the same features as the ordinary illimity shares, regular dividend rights, at the amount of the nominal value implicit in the illimity shares at the date of execution of the delegation of the capital increase to the Board of Directors.

## Employee Stock Ownership Plan (“ESOP”)

In accordance with the resolutions adopted by the Shareholders’ Meeting of 18 January 2019 and in line with the regulatory and supervisory provisions applicable to the Bank, the implementing regulation for the ESOP<sup>24</sup> approved by the Board of Directors of Banca Interprovinciale S.p.A. on 18 January 2019 provides for the awarding of a maximum number of ordinary shares of illimity Bank S.p.A. to all the employees of the Bank and/or Group for each annual cycle.

In accordance with the resolution adopted by the board on 18 January 2019<sup>25</sup>, on 9 June 2021, after ensuring that the value of the gates had remained unchanged as per paragraph 6 of the Regulation, the Board of Directors approved the free-of-charge award of a total of 120,515 of the Bank’s shares to 644 Beneficiaries, issued in execution of the delegated powers to increase share capital free-of-charge pursuant to article 2443 of the Italian Civil Code - as per article 5, paragraph 5 of the Company’s bylaws - identified under the criteria of paragraph 3 of the Regulation<sup>26</sup> by the Board of Directors at its meeting of 15 June 2019.

In accordance with the provisions of the Plan Regulation and in the relative information document, the number of shares awarded to each Beneficiary was made dependent on their position vis-à-vis their employment contract; more specifically, this was determined such as to be able to pay an amount of: (i) EUR 2,000 to all non-managerial employees and (ii) EUR 100 to Beneficiaries who are managers of the Company (Table 3).

<i>Section II – Table 3 – ESOP 2021</i>		
<b>Staff category</b>	<b>Number of beneficiaries</b>	<b>Total number of shares awarded in 2021</b>
Material Risk Takers 2021	27	270
Other staff	617	120,245
<b>Total</b>	<b>644</b>	<b>120,515</b>

<sup>24</sup> For further details of the features of the ESOP, reference should be made to the relative Information Document, prepared and published by the Bank pursuant to Schedule 7 of Annex 3A of the Issuers’ Regulation, which may be consulted in the Governance/Remuneration Section of the Bank’s website [www.illimity.com](http://www.illimity.com).

<sup>25</sup> On 18 January 2019 the Shareholders’ Meeting of Banca Interprovinciale S.p.A. approved, in extraordinary session, the Board of Directors’ proposal to set up the “Employee Stock Ownership Plan” (“ESOP”), reserved to employees of illimity Bank S.p.A. and its direct and indirect subsidiaries. In addition, this Shareholders’ Meeting granted the Board of Directors all the necessary and appropriate powers to give execution to the ESOP (including drawing up and issuing the relative regulations) with the possibility of delegating its powers, duties and responsibilities regarding the execution and application of the Plan to the Chair of the Board of Directors and the Chief Executive Officer, also severally, and of sub-delegating. On the basis of this, at its meeting of 18 January 2019, the Board of Directors: i) approved the Regulations of the ESOP Plan and ii) granted mandate to the Chief Executive Officer to give execution to the plans in accordance with the means and time periods approved at the Shareholders’ Meeting of 18 January 2019.

<sup>26</sup> In accordance with the provisions of paragraph 3 of the Regulation, the beneficiaries of the ESOP are all the persons having an Employment Relationship with the Company or any subsidiaries at the Share Award Date which at that date is (i) based on a permanent employment contract or (ii) based on a fixed-term employment contract of whose term at least 6 months has passed at the award date and at least 6 months remains, and in any case in line with the requirements of fiscal legislation for the purposes of tax and social security benefits. The award date must not fall within a notice period for the resignation or dismissal of the beneficiaries.

**ANNEX 2 - SUMMARY OF THE WORK PERFORMED BY THE REMUNERATION COMMITTEE IN 2021**

Date	Activities on the agenda	% attendance of the members of the committee
09/02/2021	<ul style="list-style-type: none"> <li>• 2021 guidelines on the Group's Remuneration and Incentive Policy</li> <li>• Update of emoluments for corporate bodies. Information concerning market benchmarks</li> </ul>	100%
23/02/2021	<ul style="list-style-type: none"> <li>• Checking conditions for activating the 2020 Bonus Pool</li> <li>• Activation of the exemption clause of the 2020 Group Remuneration Policy with reference to the Bonus Pool</li> <li>• 2021 Bonus Pool</li> <li>• Emoluments of the corporate bodies for the purpose of renewal by the Shareholders' Meeting</li> </ul>	100%
05/03/2021	<ul style="list-style-type: none"> <li>• 2020 Bonus Pool. Formulation of proposals relating to bonuses for the Material Risk Takers (Heads of Control Functions)</li> <li>• Process for identifying the Group's Material Risk Takers 2021</li> <li>• 2021 MBO Plan Regulation</li> <li>• 2021 Goal Cards for Top Management and the Chief Executive Officer</li> <li>• Report on 2021 Remuneration Policy and Compensation Paid in 2020</li> <li>• illimity SGR S.p.A.: opinion on the Carried Interest Regulation</li> </ul>	67%
26/03/2021	<ul style="list-style-type: none"> <li>• 2021 Remuneration Policies of illimity SGR S.p.A.</li> <li>• Process for identifying the Material Risk Takers of illimity SGR S.p.A. for 2021</li> <li>• Internal Audit report on an analysis of the 2020 remuneration and incentive scheme of illimity SGR S.p.A.</li> <li>• Failure to satisfy the gates set by the 2020 Remuneration Policies of illimity SGR S.p.A.</li> </ul>	100%
16/04/2021	<ul style="list-style-type: none"> <li>• Internal Audit report on an analysis of the remuneration and incentive scheme of the illimity Bank S.p.A. Group</li> <li>• illimity SGR S.p.A.: 2021 MBO Regulation</li> <li>• illimity SGR S.p.A.: 2021 Goal Cards               <ul style="list-style-type: none"> <li>– Delegated Director UTP &amp; Turnaround Funds Unit</li> <li>– Delegated Director Area Private Capital Funds Unit and Sales &amp; Business Development Unit</li> </ul> </li> </ul>	100%
28/04/2021	<ul style="list-style-type: none"> <li>• Information on the Bank's new organisational structure</li> <li>• Review of the compensation of the Top Management of illimity Bank S.p.A.</li> </ul>	100%
06/07/2021	<ul style="list-style-type: none"> <li>• Initial discussion on the long-term incentive strategy: proposal of the new 2021-2025 LTI Plan</li> </ul>	100%
18/06/2021	<ul style="list-style-type: none"> <li>• Final discussion on the long-term incentive strategy: proposal of the new 2021-2025 LTI Plan</li> </ul>	100%

21/07/2021	<ul style="list-style-type: none"> <li>• Update of the Remuneration Committee Regulation</li> <li>• Process for applying the malus and clawback mechanisms related to individual conduct</li> </ul>	100%
06/09/2021	<ul style="list-style-type: none"> <li>• 2021-2025 LTI Plan Regulation</li> <li>• Board of Directors' Illustrative Report on:               <ul style="list-style-type: none"> <li>– the 2021-2025 LTI Plan and attached Information Document for submission to the Shareholders' Meeting</li> <li>– the proposal to increase share capital to service the 2021-2025 LTI Plan for submission to the Shareholders' Meeting</li> </ul> </li> <li>• 2021-2022 Performance &amp; Reward work-plan</li> </ul>	100%
23/09/2021	<ul style="list-style-type: none"> <li>• illimity SGR S.p.A.: analysis of risks and incentive schemes</li> </ul>	100%
22/10/2021	<ul style="list-style-type: none"> <li>• Update of the Guidelines for identifying the Material Risk Takers of the Banking Group and results of the process to update the 2021 perimeter</li> <li>• Proposal to update the 2021 Report on Remuneration and Illustrative Report of the Board of Directors for the Shareholders' Meeting</li> </ul>	100%
22/11/2021	<ul style="list-style-type: none"> <li>• Revision of the Peer Group for the Chief Executive Officer and salary review 2022 for the staff under the responsibility of the strategic supervisory body</li> <li>• Additions to the 2021 MBO Regulation to detail the CRO/CFO Assessments and the cascading mechanism of the overall bonus pool</li> </ul>	67%
21/12/2021	<ul style="list-style-type: none"> <li>• Remuneration of the Head of Investment Banking arising from the change in the Bank's organisational structure</li> </ul>	100%

**Table EU REMA – Remuneration policy**

Institutions shall describe the main elements of their remuneration policies and the means by which these policies are implemented. In particular, the following items shall be described if relevant:

Qualitative information	
a) Information relating to the bodies that oversee remuneration. Disclosures shall include:	
<p>1. Name, composition and mandate of the main body (management body and remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.</p>	<p>At the end of 2021 the Remuneration Committee consisted of the Directors Paola Elisabetta Maria Galbiati (Chair), Massimo Brambilla and Marcello Valenti.</p> <p>As established by the Regulations of the Corporate Bodies and of the Committees regarding the composition of Board committees, the members of the Committee are non-executive.</p> <p>In order to foster an efficient information and consultative system that enables the Board of Directors to best assess the issues for which it is responsible, the Board has set up the Remuneration Committee, equipped with preparatory, consultative and propositional powers, in accordance with the requirements on corporate governance of the Supervisory Provisions issued by the Bank of Italy and in line with the provisions of the Corporate Governance Code for Listed Companies (the “Corporate Governance Code”). Specifically, the role of the Remuneration Committee is to provide advice, opinions and proposals to the Board of Directors on the Group’s remuneration strategy.</p> <p>The Remuneration Committee met 14 times in 2021.</p>
<p>2. External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework.</p>	<p>During 2021, the Remuneration Committee availed itself of the services of WTW, an independent external consultant that provides advice on practices and trends, as well as up-to-date analyses of benchmarking on remuneration matters. WTW has worked with the Committee since the founding of the group. During the engagement, WTW’s consultants were invited to attend the meetings of the Committee to discuss specific subjects and provide an independent view on the matters on the Committee’s agenda.</p>
<p>3. A description of the scope of the institution’s remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.</p>	<p>In accordance with the applicable regulatory framework, illimity’s remuneration policy is applicable to all the companies of the Group, governing the various specific matters on remuneration applicable to the different staff categories (e.g. staff working as part of the sales network, agents and intermediaries).</p> <p>The Remuneration Policy of illimity SGR S.p.A. is drawn up taking into consideration the fact that illimity SGR S.p.A. is registered under the section of the Roll relating to alternative investment fund managers, authorised pursuant to the AIFM Directive. In accordance with the applicable regulatory framework and the Group’s Remuneration Policies, this governs the objectives of the staff remuneration and incentive schemes, with particular reference to the Material Risk Takers of illimity SGR S.p.A.</p>

<p>4. A description of the staff or categories of staff whose professional activities have a material impact on an institution's risk profile.</p>	<p>illimity has carried out the process for identifying the Group's Material Risk Takers for 2021, taking into consideration the revision of the new applicable regulatory framework; in particular, Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 – which supplements Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), as amended by Directive 2019/878/EU (CRD V).</p> <p>Following an analysis of the perimeter of the Group's Material Risk Takers and as approved by the Board of Directors, on the proposal of the Remuneration Committee, the following staff categories have been identified as the Group's Material Risk Takers for 2021:</p> <ul style="list-style-type: none"> <li>- executive and non-executive members of the Board of Directors, including the Chief Executive Officer and Top Management;</li> <li>- the heads of Business Control Functions and persons who have originated Credit and Market Risk Weighted Assets (RWAs) of at least 2% of the Group's total RWAs, measured at 30 June 2021;</li> <li>- the heads of other business functions who assume or may assume material risks for the Group.</li> </ul> <p>For further details reference should be made to paragraph 6 "Identification of 'Group Material Risk Takers' for 2021" of the Group's Report on the 2021 Remuneration Policy.</p> <p>As parent company, in the process for identifying Material Risk Takers, illimity also included the staff of the Asset Management Company. In performing the relative analysis, the qualitative criteria set out in the EBA technical standards were also adopted, with particular reference to the possibility of having a material effect on the Group's risks as part of a significant business unit and/or taking into account the impact on the economic, financial or reputational risk to which they might expose the Group. For inclusion in the perimeter, the quantitative criteria set out in the laws and regulations governing any exclusion mechanisms and procedures were also adopted.</p>
<p>b) Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:</p>	
<p>1. An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.</p>	<p>illimity's remuneration strategy is arranged to provide a remuneration structure able to attract and retain the key skills needed to develop the business and achieve the expected results, compatible with the Bank's capital and economic-financial sustainability.</p> <p>The Remuneration Policy incentivises the achievement of the short and medium-long term objectives in compliance with illimity's values and the levers identified in the Strategic Plan, contributing to aligning the interests of management and all employees, create value for all stakeholders that is sustainable over time and support the gradual consolidation of the Group's growth directives.</p> <p>The Policy is developed as part of a clear and transparent system of corporate governance, taking into account an overall principle of orientation towards a sound and prudent management of risk and compliance with the rules and principles of good professional conduct and propriety of customer relationships. In this context, the Group's Human Resources &amp; Organization function annually prepares the Report on Remuneration Policy, with the involvement of the corporate bodies and functions to the extent of their responsibility (in particular the CRO, Compliance &amp; AML and General Counsel).</p> <p>The document is submitted to the Board of Directors and presented to the</p>



	<p>General Shareholders' Meeting for approval, in accordance with the regulatory framework.</p> <p>Given the existence of illimity SGR S.p.A. within the Group, the company draws up its own Remuneration and Incentive Policy for its own staff, taking account of the applicable regulatory framework and in accordance with the principles and aims of the Group's Remuneration Policy.</p>
<p>2. Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.</p>	<p>The MBO annual variable incentive plan is based on a bonus pool approach. The connection between profitability, risk and remuneration is ensured through the direct link between the Bonus Pool and the results of business performance, measured by using Profit Before Tax, at a consolidated level, which enables the available Bonus Pool to be calibrated on the basis of actual business performance. In addition, the division of the total Bonus Pool between the Group's various Divisions/Departments enables a fair distribution of the available funds to be achieved on the basis of the contribution made by each illimiter and the performance of the respective Division/Department.</p> <p>In order to ensure compliance with regulatory requirements, specific indicators have been established to measure profitability, solidity and liquidity, which act as entry conditions. In addition, the Board of Directors can confirm the Bonus Pool, increase it by up to 20% or reduce it to zero, taking into consideration the results of the assessments made, separately, by the CRO and the CFO (Risk and Financial Assessment) which through the application of criteria regarding risk and financial assessment enable changes to be made to arrive at the final size of the Bonus Pool. In the event of the determination of any large individual bonuses, an individual risk assessment is envisaged, carried out by the CRO and designed to verify cases of potential inconsistency between the results achieved and their sustainability vis-à-vis the RAF, which may lead to the reduction of such bonus.</p> <p>More generally, illimity reserves the right to activate malus and clawback mechanisms, being the respective reduction/cancellation and return of any form of variable remuneration on verification of the conduct adopted by employees.</p> <p>Further details of the criteria for measuring performance can be found in points e) and f)1. of this table.</p>
<p>3. Whether the management body or the remuneration committee, where established, reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.</p>	<p>During 2021, the Board of Directors approved a new version of the Report on the 2021 Remuneration Policy and Compensation Paid in 2020, in particular regarding Section I (2021 Remuneration Policy).</p> <p>The updating of illimity's 2021-2025 Strategic Plan led to the revision of the incentive strategy and the adoption of a new Long-Term Incentive Plan, associated with the objectives established in the new Strategic Plan and designed to strengthen the alignment of the interests of Top Management and those of all the stakeholders; this also taking account of the principles of regulatory requirements, where an orientation towards the medium-long term and alignment with a company's strategic plan are set among the basic objectives.</p> <p>The revision of the 2021 Remuneration Policy also included an updating of the "Guidelines for Identifying the Material Risk Takers of the Banking Group" which, pursuant to applicable laws and regulations, form an integral part of the Report, in compliance with the new applicable regulatory framework, namely Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 - supplementing Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), as amended by Directive (EU) 2019/878 (CRD V) – which</p>

	<p>establishes the qualitative and quantitative criteria for identifying which categories of staff have a material impact on the institution's risk profile due to their professional activities.</p> <p>In addition, a performance bonus has been introduced, based on business performance for 2021, as one of the variable remuneration instruments, as a means of achieving a broader sharing of the value created with all the illimiters and allowing for the possibility, for staff not included in the perimeter of Top Management, of rewarding any extra-performance through the use of spot bonuses.</p> <p>Lastly, an update of the composition and responsibilities of the Remuneration Committee was highlighted, in accordance with the provisions of the applicable laws and regulations.</p>
<p>4. Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.</p>	<p>illimity's Performance Management process involves all the illimiters and provides for a «top-down» model, namely through the establishment and award of objectives of a direct «Manager-collaborator» nature (with the possible assistance of the Data Owners) and the subsequent accounting for the performance by the Manager himself or herself.</p> <p>In accordance with the Supervisory Provisions, the control functions are not assigned objectives linked to the economic results of the Bank and/or the Group, but receive individual objectives that mainly reflect their performance and are independent of the results of the areas they control in order to minimise potential conflicts of interest.</p> <p>In particular, the Board of Directors approves the Goal Card of the heads of control functions.</p>
<p>5. Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.</p>	<p>Being a non-standard form, guaranteed variable remuneration is considered to be of an exceptional nature and is limited exclusively to specific situations such as entry bonuses paid to attract external staff. The exceptional components of variable remuneration are governed at a type and features level as part of the Remuneration Policy.</p> <p>As far as severance payments are concerned, on the termination of the employment relationship illimity may grant additional remuneration to individual employees of the Group that goes beyond the amount due pursuant to applicable law and company and national collective bargaining agreements. Further details on this matter may be found in paragraph 25 of the Report on the 2021 Remuneration Policy and Compensation Paid in 2020.</p>
<p>c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.</p>	
<p>In general, the variable component is dependent on a verification of the entry/activation conditions (gates) that envisage keeping capital and liquidity stability indices at least at the tolerance level set in the RAF, in addition to the specific conditions and objectives established for the individual incentive plans.</p> <p>The MBO annual variable incentive plan is based on a bonus pool approach. The connection between profitability, risk and remuneration is ensured through the direct link between the Bonus Pool and the results of business performance, measured by using Profit Before Tax, at a consolidated level, which enables the available Bonus Pool to be calibrated on the basis of actual business performance. In addition, the division of the total Bonus Pool between the Group's various Divisions/Departments enables a fair distribution of the available funds to be achieved on the basis of the contribution made by each illimiter and the performance of the respective Division/Department.</p> <p>In addition, the Board of Directors can confirm the Bonus Pool, increase it by up to 20% or reduce it to zero, taking into consideration the results of the assessments made, separately, by the CRO and the CFO (Risk and Financial Assessment) which through the application of criteria regarding risk and financial assessment enable changes to be made to arrive at the final size of the Bonus Pool. With regard to risk</p>	

assessment, the total Bonus Pool can be increased, confirmed or reduced on the basis of an assessment of the performance of the significant risk profiles carried out by the CRO, within the ambit of the Group's Risk Appetite Framework, at period end. To this end, the material risks to which the Group is exposed are identified (including credit, market and liquidity risk), as well as the reference indicators included in the RAF and the relative quarterly measures, recorded on an actual basis in conformity with the RAF Dashboards periodically reported to the Bank's corporate bodies. If one or more of the quarterly indicators breaches the Risk Appetite or Risk Tolerance or Risk Capacity levels, the Bonus Pool may be reduced on the basis of a predefined formula. If there are no breaches of the RAF, the Bonus Pool may be increased by up to 10%.

In respect of the financial assessment, the total Bonus Pool can be increased, confirmed or reduced, on the basis of an assessment carried out by the CRO through an analysis of three indicators (i) Return on Average Equity; ii) Cost/Income ratio; iii) Gross Organic NPE ratio, which could lead to an increase or reduction in the pool by up to 10%.

The maximum possible increase in the size of the Bonus Pool following the two assessments carried out by the CRO and the CFO is 20%.

d) The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.

In accordance with the applicable regulatory requirements, illimity has determined the maximum ratios between the variable and fixed components of remuneration as follows for the various staff categories:

- for the Chief Executive Officer and the other members of the Group's Top Management: 100%;
- for the Group Material Risk Takers belonging to the business functions: 200%;
- for the Group Material Risk Takers belonging to the support functions: 150%;
- for the Material Risk Takers belonging to the Business Control Functions: 33%;
- for the remaining staff, variable remuneration is in all cases limited to 200% for business functions and 100% for the other functions.

e) Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:

1. An overview of main performance criteria and metrics for institution, business lines and individuals.

The MBO annual variable incentive plan is based on a bonus pool approach aligned to the latest national and international laws and regulations. The connection between profitability, risk and remuneration is ensured through the direct link between the Bonus Pool and the results of business performance, measured by using Profit Before Tax, at a consolidated level, which enables the available Bonus Pool to be calibrated on the basis of actual business performance. In addition, the division of the total Bonus Pool between the Group's various Divisions/Departments enables a fair distribution of the available funds to be achieved on the basis of the contribution made by each illimiter and the performance of the respective Division/Department, to the extent that the respective Profit Before Tax ("PBT") has been achieved at a divisional level.

Individual Bonuses, calculated on the basis of individual performance, are granted subject to verification as to compatibility with the above-mentioned total; if the sum of the theoretical individual bonuses exceeds the available Bonus Pool, the individual Bonuses are proportionately reduced to arrive at the total available Bonus Pool.

The granting of variable remuneration based on the MBO Incentive Scheme is subject to achieving the objectives and satisfying the conduct contained in the individual card assigned to each Beneficiary. The assessment of individual performance differs depending on the role and organisational position and may therefore include, with a different weighting of Group objectives (Financial & Risk) for 2021, individual business/strategic initiative objectives, ESG objectives and behavioural objectives connected with illimity's skills and leadership model.

For the Group Material Risk Takers of the business control functions, as well

	<p>as for the Head of Human Resources &amp; Organization and for the Manager in Charge of drafting the Financial Reports, the objectives are linked to the specific responsibilities of the position (including ESG objectives) and to illimity's leadership model.</p> <p>The objectives are consistent with the type of business carried out by the Group company in which the beneficiaries work and with any specific requirements of applicable laws and regulations.</p> <p>Verification as to the absence of any conduct in breach of internal and external laws and regulations is applicable to everyone involved.</p>
<p>2. An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.</p>	<p>Variable remuneration is firstly led by institutional performance for the purpose of determining the size of the available Bonus Pool (the higher the Bank's profitability level, the greater the available Bonus Pool) and secondly by individual performance (the higher the individual performance rating, the greater the variable remuneration awarded to individuals).</p> <p>The Bonus Pool can be revised upwards/downwards on the basis of the overall "quality of the performance", in order to ensure consistency with the Group's Risk Appetite Framework and the economic sustainability of the results, as described previously.</p>
<p>3. Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments.</p>	<ul style="list-style-type: none"> <li>- For the Chief Executive Officer and Top Management, 60% of any disbursement is made up-front (50% in cash and 50% in ordinary shares), while the remaining 40% is deferred for three years (to be disbursed, in the absence of malus, as to 50% in cash and 50% in the Bank's ordinary shares). The component in illimity ordinary shares is subject to a lock-up period of 12 months for the up-front portion and 6 months for the deferred portion. If annual variable remuneration is lower than EUR 80,000, the bonus is paid fully up-front and in cash.</li> <li>- For the other Material Risk Takers of the Group, in the case of a bonus greater than or equal to EUR 80,000, 80% of the total is disbursed up-front (60% in cash and 20% in ordinary shares) and 20% is deferred for three years (to be disbursed, in the absence of malus, in the Bank's ordinary shares). The component in illimity ordinary shares is subject to a lock-up period of 6 months for the up-front portion and 6 months for the deferred portion.</li> <li>- Again for the other Material Risk Takers of the Group, if the target variable remuneration exceeds 100% of Fixed Remuneration, the significant amounts relating to the 2021 MBO Incentive Scheme will be disbursed in line with the rules established for the CEO and Top Management. The Bonus is in any case paid fully up-front and in cash if annual variable remuneration is lower than EUR 80,000.</li> </ul>
<p>4. Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.</p>	<p>The 2021 MBO annual variable incentive plan sets special entry conditions established at Group level which have an effect on the size of the Bonus Pool. The disbursement of variable remuneration is therefore subject to satisfying the following gates:</p> <ul style="list-style-type: none"> <li>• CET1 Ratio <math>\geq</math> tolerance threshold established in the RAF as measured at 31/12/2021;</li> <li>• LCR Ratio <math>\geq</math> tolerance threshold established in the RAF as measured at 31/12/2021;</li> <li>• Net Income &gt; 0 at 31/12/2021;</li> <li>• No breach of laws, regulations or business codes at an individual level.</li> </ul> <p>In addition, the introduction of an «individual risk assessment» referring to the business units is envisaged for Material Risk Takers in addition to the risk assessment already envisaged on the approval of the «vested» Bonus Pool at an overall level, in the case of determining any significant individual bonuses, designed to verify cases of potential inconsistency between the results achieved, their sustainability vis-à-vis the RAF and the resulting</p>

remuneration levels.

The access conditions for each year act as an ex ante malus for the payment of the deferrals in the year and if the access conditions are not met the deferrals are cancelled.

f) Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance. Disclosures shall include:

1. An overview of the institution's policy on deferral, payout in instruments, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.

The payout of the MBO Plan for 2021 is structured in the following way:

- for the Chief Executive Officer and the members of Top Management (with a bonus greater than or equal to EUR 80,000: 60% up-front - 50% in cash and 50% in ordinary shares; 40% deferred for three years – to be disbursed, in the absence of malus, as to 50% in cash and 50% in the bank's ordinary shares). The component in illimity ordinary shares is subject to a lock-up period of 12 months for the up-front portion and 6 months for the deferred portion. The Bonus is paid fully up-front and in cash if annual variable remuneration is lower than EUR 80,000;
- for the other Group Material Risk Takers, any bonus is disbursed as follows: 80% up-front (60% in cash and 20% in ordinary shares) and 20% deferred for three years (to be disbursed, in the absence of malus, in the Bank's ordinary shares). The component in illimity ordinary shares is subject to a lock-up period of 6 months for the up-front portion and 6 months for the deferred portion;
- again for the other Group Material Risk Takers, if the target variable remuneration exceeds 100% of Fixed Remuneration, the significant amounts relating to the 2021 MBO Incentive Scheme will be disbursed in line with the rules established for the CEO and Top Management. The Bonus is in any case paid fully up-front and in cash if annual variable remuneration is lower than EUR 80,000.

This scheme is compliant with the strictest deferral rules also in the case where variable remuneration exceeds EUR 424,809, the regulatory threshold identified as the lower of 25% of the total remuneration of Italian high earners, as per the EBA measurement at 31 December 2017, and 10 times the average total remuneration of the Group's employees.

All the tranches are subject to the application of the malus and clawback conditions, legally applicable.

The payout of the 2021-2025 Long-Term Incentive Plan (intended for the Chief Executive Officer, the other members of Top Management and other key members of the Group's staff identified from year to year) envisages that, for the beneficiaries identified as Material Risk Takers at the end of each performance cycle, 80% of the shares for each cycle should be granted/dispensed at the end of each of these (up-front portion) and 20% in the following year (deferred portion), without prejudice to the need also to satisfy the entry gate conditions in the year of deferral. Both the up-front portion and the deferred portion are subject to a lock-up period. For the other beneficiaries, 100% of the shares envisaged for each cycle are granted/dispensed at the end of each of these following the lock-up period.

The vested rights are subject to malus and clawback conditions, namely contractual clauses that enable the variable remuneration yet to be paid to the employee to be reduced – even down to zero – (malus) and/or require the reimbursement, also in part, of the variable remuneration (or variable emolument) already paid as the result of ex post negative assessments of business performance or individual performance, or in the event of fraudulent conduct or gross negligence by the employee (clawback). These conditions

	<p>are expressly governed by the internal procedure “Process for the application of the malus and clawback mechanisms connected with individual conduct”.</p>
<p>2. Information of the institution’s criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).</p>	<p>The variable remuneration recognised may be reduced down to zero in case of:</p> <ul style="list-style-type: none"> <li>- evidence of individual compliance breaches following serious findings by the control functions or by the Supervisory Authorities. In particular, on the occurrence of such findings, after consulting with the Head of Human Resources &amp; Organization, the Chief Executive Officer may assess the need for any reduction, down to zero, of the Bonus. If such findings relate to staff belonging to control functions or the Group Material Risk Takers, the relative decisions are taken after obtaining the opinion of the Remuneration Committee;</li> <li>- failure to satisfy the gate conditions provided in the applicable Policy on the vesting of the deferred portions.</li> </ul> <p>For all employees, in line with applicable provisions, the whole of the variable remuneration granted is additionally subject to the reimbursement of the amounts disbursed in case of the verification within 5 years of the payment, for both the up-front portion and the deferred component, of</p> <ul style="list-style-type: none"> <li>- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);</li> <li>- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;</li> <li>- a breach of the obligations for directors and corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;</li> <li>- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”;</li> <li>- a breach of remuneration and incentive obligations;</li> <li>- fraudulent conduct to the detriment of the Bank;</li> <li>- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.</li> </ul>
<p>3. Where applicable, shareholding requirements that may be imposed on identified staff.</p>	<p>In order to emphasise alignment of the long-term interests of shareholders, Guidelines on share ownership were introduced for the Chief Executive Officer and Executives with Strategic Responsibilities on the start-up of the LTI Share-Based Plan. The recipients of these Guidelines undertake to maintain a percentage of the available shares deriving from the new LTI Plan until a specific target level is reached.</p> <p>More specifically, the Guidelines for shareholdings envisage the following features by category of beneficiary:</p> <ul style="list-style-type: none"> <li>- the Chief Executive Officer is required to hold 100% of fixed remuneration in shares to the end of his or her mandate, accumulated as to 75% of the shares awarded through the Plan (net of any fiscal impact), up to reaching the target amount;</li> <li>- Executives with Strategic Responsibilities are required to hold 75% of fixed remuneration in shares for the period in which they remain such, accumulated as to 50% of the shares awarded through the Plan (net of any fiscal impact), up to reaching the target amount. The level of share ownership is measured from the end of 2024, using the price of the shares on the grant date.</li> </ul>
<p>g) The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:</p>	

<p>1. Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.</p>	<p>The variable component of remuneration is mainly determined by business performance on the basis of Profit Before Tax at a consolidated and divisional level.</p> <p>The 2021 MBO Plan provides for the establishment of a balanced structure of “upfront” (that is, made on the assessment of performance) and “deferred” payments in cash and/or shares for Material Risk Takers. The distribution of the payments in shares takes into account the legislative and regulatory requirements that will be implemented during the periods in which the shares are retained.</p> <p>For 2021, the annual variable remuneration of Material Risk Takers must be deferred if it exceeds EUR 80,000.</p> <p>Deferral mechanisms will not be applicable for amounts below this threshold, in accordance with the applicable regulatory recommendations.</p> <p>The individual bonus for the CEO and Top Management consists as to 50% in shares and 50% in cash, with 40% being deferred for three years, and for the other Material Risk Takers as to 20% in shares and 60% in cash, with 20% being deferred for three years.</p> <p>The balance between shares and cash is guided by the specific legislative and regulatory requirements on the subject.</p>
<p>h) Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.</p>	
<p>Reference should be made to Section II, Second Part of the Report on the 2022 Remuneration Policy and Compensation Paid in 2021.</p>	
<p>i) Information on whether the institution benefits from a derogation laid down in article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.</p>	
<p>1. For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</p>	<p>Derogation based on point a), as in application of the proportionality principle, illimity is a bank with smaller size or operating complexity, and this applies to all of the Group Material Risk Takers (reference should be made to Table REM1 for quantitative information).</p> <p>Derogation based on point b), with reference to illimity’s material threshold for 2021:</p> <ul style="list-style-type: none"> <li>- no. of Material Risk Takers that benefit from the derogation: 20</li> <li>- total remuneration: EUR 5.4 million</li> <li>- of which fixed remuneration: EUR 4.3 million</li> <li>- of which variable remuneration: EUR 1.2 million</li> </ul> <p>The sum of fixed and variable remuneration (as above with rounded amounts) gives total remuneration.</p>
<p>j) Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.</p>	
<p>Not applicable.</p>	

**SECOND PART**
**Table EU REM1 – Remuneration awarded for the financial year 2021**

		a	b	c	d	
		MB Supervisory function	MB Management function	Other senior management	Other identified staff	
1	Fixed remuneration	Number of identified staff	8	1	5	26
2		Total fixed remuneration	640	705	2.755	5.599
3		Of which: cash-based	640	705	2.755	5.599
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8	(Not applicable in the EU)					
9	Variable remuneration	Number of identified staff	-	1	4	25
10		Total variable remuneration		220	790	1.574
11		Of which: cash-based		110	395	1.368
12		Of which: deferred		44	158	-
EU-13a		Of which: shares or equivalent ownership interests		110	395	128
EU-14a		Of which: deferred		44	158	63
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments		-	-	-
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments		-	-	-
EU-14y		Of which: deferred				
15	Of which: other forms		-	-	77	
16	Of which: deferred				-	
17	Total remuneration (2 + 10)	640	925	3.545	7.173	

Data in '000 Euro

The compensation is reported on the basis of the annualised figures at 31.12.2021 (also for the members of the Board of Directors).

The table does not include information on the 2021-2025 LTI Plan as this will be reported on the vesting of the shares from 2023.



**Table EU REM2 – Special payments to staff whose professional activities have a material impact on the institution’s risk profile (identified staff)**

'000 Euro

	a	b	c	d	
	MB Supervisory function	MB Management function	Other senior management	Other identified staff	
<b>Guaranteed variable remuneration awards</b>					
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	1
2	Guaranteed variable remuneration awards -Total amount	-	-	-	40
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	40
<b>Severance payments awarded in previous periods, that have been paid out during the financial year</b>					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
<b>Severance payments awarded during the financial year</b>					
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year				
9	Of which deferred				
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11	Of which highest payment that has been awarded to a single person				

**Table EU REM3 – Deferred remuneration**

There is no deferred remuneration for illimity staff arising from previous periods.

**Table EU REM4 – Remuneration of EUR 1 million or more per year**

None of illimity’s employees/collaborators received more than EUR 1 million as remuneration in 2021.

	EUR	a
		Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	-
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

**Issuers' Regulation - Annex 3A - SCHEMA N. 7-BIS: Remuneration report**

TABLE 1 <sup>27</sup>												
Compensation paid to members of the management and control bodies, general managers and other executives with strategic responsibilities (EUR)												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for termination of office or the Employment Relationship
						Bonuses and other incentives	Profit participation					
<b>Rosalba Casiraghi</b>	Chair of the Board of Directors	01/01/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				161,500	10,000					171,500		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>161,500</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,500</b>		
<b>Massimo Brambilla</b>	Member of the Board of Directors	01/01/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				40,000	10,000					50,000		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>40,000</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>		

<sup>27</sup> This table discharges the requirements for the disclosures required by Bank of Italy Circular no. 285/13 – Section VI – Disclosure and data transmission requirements – Paragraph 1 Public disclosure requirements: Information on the total remuneration of the chair of the corporate body having a strategic supervisory function and of each member of the corporate body with a management function, the general manager, co-general managers and deputy general managers.

<b>Maurizia Squinzi</b>	Member of the Board of Directors	01/01/2021 - 22/04/2021	2021									
(I) Compensation in the company that prepares the financial statements				12,444	12,444					24,889		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>12,444</b>	<b>12,444</b>	-	-	-	-	<b>24,889</b>		
<b>Elena Cialliè</b>	Member of the Board of Directors	01/01/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				40,000	35,000					75,000		
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>40,000</b>	<b>35,000</b>	-	-	-	-	<b>75,000</b>		
<b>Martin Ngombwa</b>	Member of the Board of Directors	01/01/2021 - 10/11/2021	2023									
(I) Compensation in the company that prepares the financial statements				34,457	11,380					45,836		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>34,457</b>	<b>11,380</b>	-	-	-	-	<b>45,836</b>		
<b>Alessandro Gennari</b>	Member of the Board of Directors	01/01/2021 - 22/04/2021	2021									
(I) Compensation in the company that prepares the financial statements				12,444	3,111	37,500*				53,056		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>12,444</b>	<b>3,111</b>	<b>37,500*</b>	-	-	-	<b>53,056</b>		

<i>*This refers to the portion disbursed in 2021 arising from the 2018 incentive scheme and regarding Mr. Gennari's previous position as General Manager of Banca Interprovinciale S.p.A.</i>												
<b>Marcello Valenti</b>	Member of the Board of Directors	10/02/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				35,556	30,125						65,681	
(II) Compensation from subsidiaries and associates											-	
<b>(III) Total</b>				<b>35,556</b>	<b>30,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,681</b>	
<b>Paola Galbiati</b>	Member of the Board of Directors	10/02/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				35,556	22,222						57,778	
(II) Compensation from subsidiaries and associates				30,000							30,000	
<b>(III) Total</b>				<b>65,556</b>	<b>22,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,778</b>	
<b>Giovanni Majnoni d'Intignano*</b>	Member of the Board of Directors	22/04/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				27,667	17,292						44,958	
(II) Compensation from subsidiaries and associates											-	
<b>(III) Total</b>				<b>27,667</b>	<b>17,292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,958</b>	
<i>* Euro 334 reimbursement of detailed expenses</i>												
<b>Patrizia Canziani</b>	Member of the Board of Directors	22/04/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				27,667	17,292						44,958	

(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>		<b>27,667</b>	<b>17,292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,958</b>		

<b>Francesca Lanza Tans</b>	Member of the Board of Directors	15/12/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				1,848						1,848		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>1,848</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,848</b>		

<b>Corrado Passera*</b>	Chief Executive Officer	01/01/2021 - 31/12/2021	2023									
(I) Compensation in the company that prepares the financial statements				633,750		110,000			25,000	768,750	1,234,155**	
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>633,750</b>	<b>-</b>	<b>110,000</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>768,750</b>	<b>1,234,155**</b>	

\* EUR 3,215 reimbursement of detailed expenses; \*\* Includes the non-vested fair value of the 2021-2025 LTI Plan over the term of the Strategic Plan, equal to EUR 1,124,155

SCHEDULE 7-BIS: Remuneration Report - TABLE 1												
Compensation paid to members of the management and control bodies, general managers and other executives with strategic responsibilities (EUR)												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for termination of office or the Employment Relationship
						Bonuses and other incentives	Profit participation					
<b>Ernesto Riva</b>	Chair of the Board of Statutory Auditors	01/01/2021 - 31/12/2021	2022									
(I) Compensation in the company that prepares the financial statements				70,000								
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>70,000</b>	-	-	-	-	-	<b>70,000</b>		
<b>Nadia Fontana*</b>	Statutory Auditor	01/01/2021 - 31/12/2021	2022									
(I) Compensation in the company that prepares the financial statements				50,000								
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>50,000</b>	-	-	-	-	-	<b>50,000</b>		
<i>* EUR 232 reimbursement of detailed expenses</i>												
<b>Stefano Caringi</b>	Statutory Auditor	01/01/2021 - 31/12/2021	2022									
(I) Compensation in the company that prepares the financial statements				50,000								
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>50,000</b>	-	-	-	-	-	<b>50,000</b>		

<b>SCHEDULE 7-BIS: Remuneration Report – TABLE 1</b>												
<b>Compensation paid to members of the management and control bodies, general managers and other executives with strategic responsibilities (EUR)</b>												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for termination of office or the Employment Relationship <sup>3</sup>
						Bonuses and other incentives <sup>1</sup>	Profit participation					
<b>Other Executives with Strategic Responsibilities (11)</b>												
(I) Compensation in the company that prepares the financial statements				3,710,000		746,000		287,000		4,743,000	6,312,797*	
(II) Compensation from subsidiaries and associates				207,666						207,666		
<b>(III) Total</b>				<b>3,917,666</b>	<b>-</b>	<b>746,000</b>	<b>-</b>	<b>287,000</b>	<b>-</b>	<b>4,950,666</b>	<b>6,312,797*</b>	<b>-</b>

*\*\*Includes the non-vested fair value of the 2021-2025 LTI Plan over the term of the Strategic Plan, equal to EUR 5,890,897*





SCHEMA N. 7-BIS: Remuneration Report - TABLE 3A													
Incentive plans based on financial instruments other than stock options in favour of members of the management body, general managers and other executives with strategic responsibilities (ESR)													
			Financial instruments awarded in previous years and not vesting during the year		Financial instruments awarded during the year					Financial instruments vesting during the year and not granted	Financial instruments vesting during the year and grantable		Financial instruments relating to the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12
First and last name	Office held	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at the award date	Vesting period	Award date	Market price on award	Number and type of financial instruments	Number and type of financial instr.	Value at the vesting date	Fair value
<b>CEO</b>													
(i) Compensation in the company that prepares the financial statements		LTI Plan (Shareholders' Meeting of 15/12/2021) rights to ordinary illimity shares			93,162	1,124,155	2021-2025	15/12/2021	12.9758				
(ii) Compensation from subsidiaries and associates													
<b>(i) Total</b>					<b>93,162</b>	<b>1,124,155</b>							
<b>Other ESR</b>													
(i) Compensation in the company that prepares the financial statements		8 ESR - LTI Plan (Shareholders' Meeting of 15/12/2021) rights to ordinary illimity			488,196	5,890,897	2021-2025	15/12/2021	12.9758				
		9 ESR - ESOP (Shareholders' Meeting of 18/01/2019 and BoD meeting of 9/06/2021) ordinary illimity			90	900	-	09/06/2021	11.6736		90	900	900
(ii) Compensation from subsidiaries and associates													
<b>(i) Total</b>					<b>488,286</b>	<b>5,891,797</b>							<b>900</b>

**SCHEDULE 7-BIS: Remuneration report**

TABLE 3B									
Monetary incentive plans in favour of members of the management body, general managers and other executives with strategic responsibilities (EUR)									
A	B	1	2			3			4
First and last name	Office held	Plan	Bonuses of the year			Bonuses of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
<b>Alessandro Gennari</b>	Director <sup>1</sup>		Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
(I) Compensation in the company that prepares the financial statements		Variable scheme 2018 (BoD resolution of 11/03/2019)						37,500	
(II) Compensation from subsidiaries and associates									
(III) Total			-	-	-	-	-	<b>37,500</b>	-

<sup>1</sup> This refers to Mr. Gennari's previous position as General Manager.

**SCHEDULE 7-BIS: Remuneration report**

TABLE 3B									
<b>Monetary incentive plans in favour of members of the management body, general managers and other executives with strategic responsibilities</b>									
A	B	1	2			3			4
First and last name	Office held	Plan	Bonus for the year			Bonuses of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
<b>Chief Executive Officer</b>			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
(I)	Compensation in the company that prepares the financial statements	MBO 2021 variable scheme (BoD resolution of 10/02/2022)	110,000	110,000	2023-2025				
(I)	Compensation from subsidiaries and associates								
(I)	<b>Total</b>		<b>110,000</b>	<b>110,000</b>		-	-	-	-
<b>Other executives with strategic responsibilities (10)</b>			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
(II)	Compensation in the company that prepares the financial statements	MBO 2021 variable scheme (BoD resolution of 10/02/2022)	813,000	329,000	2023-2025				
(II)	Compensation from subsidiaries and associates								
(II)	<b>Total</b>		<b>813,000</b>	<b>329,000</b>	<b>2023-2025</b>	-	-	-	-

**THIRD PART**

**SCHEDULE 7-TER** Schedule of information on the shareholdings of members of the management and control bodies, general managers and other executives with strategic responsibilities

**TABLE 1: Shareholdings of members of the management and control bodies and general managers**

First and last name	Office held	Company in which investment held	Number of shares held at the end of the preceding year (2020)	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2021
Rosalba Casiraghi	Chair	.	0	0	0	0
Corrado Passera	Chief Executive Officer	illimity Bank S.p.A. through Tetis S.p.A. and Metis S.p.A.	Ordinary shares: 2,138,400 Special shares: 1,425,600	0	0	Ordinary shares: 2,138,400 Special shares: 1,425,600
Massimo Brambilla	Director		0	0	0	0
Maurizia Squinzi	Director (in office until resignation on 22 April 2021)		0	0	0	0
Elena Cialli�	Director		0	0	0	0
Martin Ngombwa	Director (in office until resignation on 10 November 2021)		1,349	0	0	1,349
Alessandro Gennari	Director (in office until resignation on 22 April 2021)	illimity Bank S.p.A.	7,860	1,140	0	9,000
Marcello Valenti	Director	illimity Bank S.p.A.	0	0	0	0
Paola Galbiati	Director		0	0	0	0
Giovanni Majnoni d'Intignano	Director		0	0	0	0

Patrizia Canziani	Director		0	0	0	0
Francesca Lanza Tans	Director		0	0	0	0
Ernesto Riva	Chair of the Board of Statutory Auditors		0	0	0	0
Stefano Caringi	Standing Auditor		0	0	0	0
Nadia Fontana	Standing Auditor		0	0	0	0

**TABLE 2: Holdings of other executives with strategic responsibilities**

Executives with strategic responsibilities	Company in which investment held	Number of shares held at the end of the preceding year (31.12.2020)	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year (31.12.2021)
1	illimity Bank S.p.A. through AC Valuecreation S.r.l.	21,600 ordinary shares 14,400 special shares through the investee + 27 <sup>1</sup>	10 <sup>1</sup>	0	21,600 ordinary shares 14,400 special shares through the investee + 37 <sup>1</sup>
10	illimity Bank S.p.A.	3,716 <sup>2</sup>	80 <sup>1</sup>	3,500	296 <sup>1</sup>

<sup>1</sup> Shares from the ESOP

<sup>2</sup> Of which 216 from the ESOP

