

Consolidated  
Non-Financial Statement

2019







# Consolidated Non-Financial Statement

## 2019

[GRI 102-1] [GRI 102-3] [GRI 102-5]  
Banca IFIS S.p.A - Registered office in Via Terraglio 63  
30174 Venice - Mestre - Venice Companies Register  
Number and Tax Code 02505630109  
VAT No. 04570150278 - Economic and Administrative  
Index (REA) number: VE – 0247118  
Fully paid-up share capital: 53.811.095 Euro -  
Registered with the Official List of banks under no. 5508  
Parent Company of the Banca IFIS S.p.A. banking group  
- Member of the National Guarantee Fund, the National  
Deposit Protection Fund, the Italian Factoring  
Association and Factors Chain International.







## Letter to the Stakeholders of the Banca Ifis Group

[GRI 102-14]



In this 2019 Consolidated Non-Financial Statement, the Banca IFIS Group wishes to highlight its commitment to integrating sustainability into the business strategy in order to create medium/long-term value to the benefit of all its stakeholders. We are all too aware that there is a long road ahead and that this is just a first step, but we are equally convinced that the sustainability commitment of a financial group like ours offers no alternatives or shortcuts.



The UN 2030 Agenda and the 17 Sustainable Development Goals, towards the achievement of which we wish to make a concrete contribution with our activities, are an essential point of reference for us. We have therefore defined four cornerstones on which to hinge this route: ethics and integrity in business management, customer centrality, attention to our people and responsibility towards the territory and the environment.

We translate the first cornerstone into “Ifis Integrity”, which summarises our constant commitment to guaranteeing quality of results, continuing to promote virtuous conduct that is consistent with the Group’s values, both by our people and in relations with the networks of agents, partners and suppliers.

Customer centrality is, for us, “Ifis Customers”, which summarises the support offered to entrepreneurs and the commitment to improve financial inclusion thanks to our specific, unique business model. We have, in fact, continued to finance the real economy, confirming our traditional role of Bank of the SMEs, whilst in the NPL segment, we have given families and businesses the chance to pay their debts over a more realistic time frame. We carry out these activities, guided by digital innovation and the transparent management of the information in our possession.

Our people, the “Ifis People”, are the essential driver through which we build solid, lasting relations with all our stakeholders. This is why we promote the value, development, training and well-being of all employees.

Ifis Responsibility then defines our commitment to activities with a positive impact on the local communities and the environment, creating value for the territories in which we operate.

During the last few months, we have:

- strengthened our commitment to support entrepreneurs and local communities through dedicated projects and studies;
- adhered to the Veneto Region “Memorandum of Understanding for Sustainable Development in Veneto”;
- introduced specific “green” financing products and programmes to foster the development of environmentally-sustainable business activities;
- invested in the spread of a “plastic free” business culture;
- set aside investments to reduce our energy footprint, which will guarantee 100% “green” energy supplies to all the Group’s sites and offices.

[GRI 102-12]

In 2019 we laid the foundation and groundwork for the next three years. The Business Plan unveiled on 14 January 2020, outlined the growth objectives and strategy from now to 2022, to achieve which major economic investment will be called for as well as 190 new employees. It is without doubt a challenging business route, which will run parallel to the close supervision of risks and a suitable, aware monitoring of regulatory capital.

We therefore start out from these positive results to meet new commitments, continuing along a path that has profound roots in our Group.

In this unique emergency period we are currently experiencing as a result of the Coronavirus, however, we are well aware that our energy must also be directed towards facing up to a phenomenon that will impact the everyday lives of both people and economic business. This is why we have already implemented and will continue to implement initiatives aimed at protecting our employees and supporting our customers.

We trust that our commitment will be duly supported by employees, customers, suppliers, lenders, local communities, institutions and all those who may wish to share with us in the challenges posed by the development of an increasingly sustainable market.



**Sebastien Egon Fürstenberg**, Chairman of Banca Ifis  
**Luciano Colombini** Chief Executive Officer of Banca Ifis











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## Methodological background

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Italian Legislative Decree no. 254/2016, which transposed Directive 2014/95/EU<sup>1</sup> into Italian law, introduced the requirement for large companies or groups and public-interest entities<sup>2</sup> in Italy to disclose information relating to environmental, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters that are material to each entity based on its business and characteristics.

These entities are required to prepare a Non-Financial Statement if they had more than 500 employees on average during the financial year and, at the reporting date, exceeded at least one of the following limits: total balance sheet exceeding 20 million Euro and/or total net revenue from sales and services exceeding 40 million Euro.

As a public-interest entity of a size that falls under the scope of said legislation, starting from the year 2017, the Banca Ifis Group publishes a Consolidated Non-Financial Statement in accordance with Italian Legislative Decree no. 254/16.

This commitment represents the natural evolution of the route that led to the voluntary integration, starting with the introduction to the 2016 Consolidated Financial Statements, of the corporate disclosure containing information on the Group's approach to sustainability.

The Non-Financial Statement for the year 2019 is prepared at the consolidated level by the Parent Banca Ifis S.p.A. and includes all entities consolidated<sup>3</sup> line-by-line in the Consolidated Financial Statements (for the purposes of this document, "Banca Ifis" or "Parent" means just the company Banca Ifis, whereas "Banca Ifis Group" or "Group" refers to the entire scope of consolidation).

Any exceptions to the foregoing criteria shall be specified in the individual sections of the document and the GRI content index.

Please see the Methodological Note in this document for more information on the reporting method, how indicators were calculated, any assumptions made, and the preparation process for the 2019 Non-Financial Statement.

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<sup>1</sup>Directive 2014/95/EU, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

<sup>2</sup>"Public-Interest Entities" means the entities set out in Article 16, paragraph 1, of Italian Legislative Decree no. 39 of 27 January 2010, that is: Italian issuers of securities admitted to trading on regulated markets in Italy and the European Union; banks, insurance undertakings as per Article 1, paragraph 1, letter u) of the Italian Code of Private Insurance; reinsurance undertakings as per Article 1, paragraph 1, letter cc) of the Italian Code of Private Insurance with registered office in Italy, and the Italian branch offices of non-EU reinsurance undertakings as per Article 1, paragraph 1, letter cc-ter) of the Italian Code of Private Insurance.

<sup>3</sup> For a detailed list of the entities included in the scope of consolidation, please see part A - Accounting Policies in the Notes to the Consolidated Financial Statements.



1.

# The Banca Ifis Group





## 1.1 Group Profile

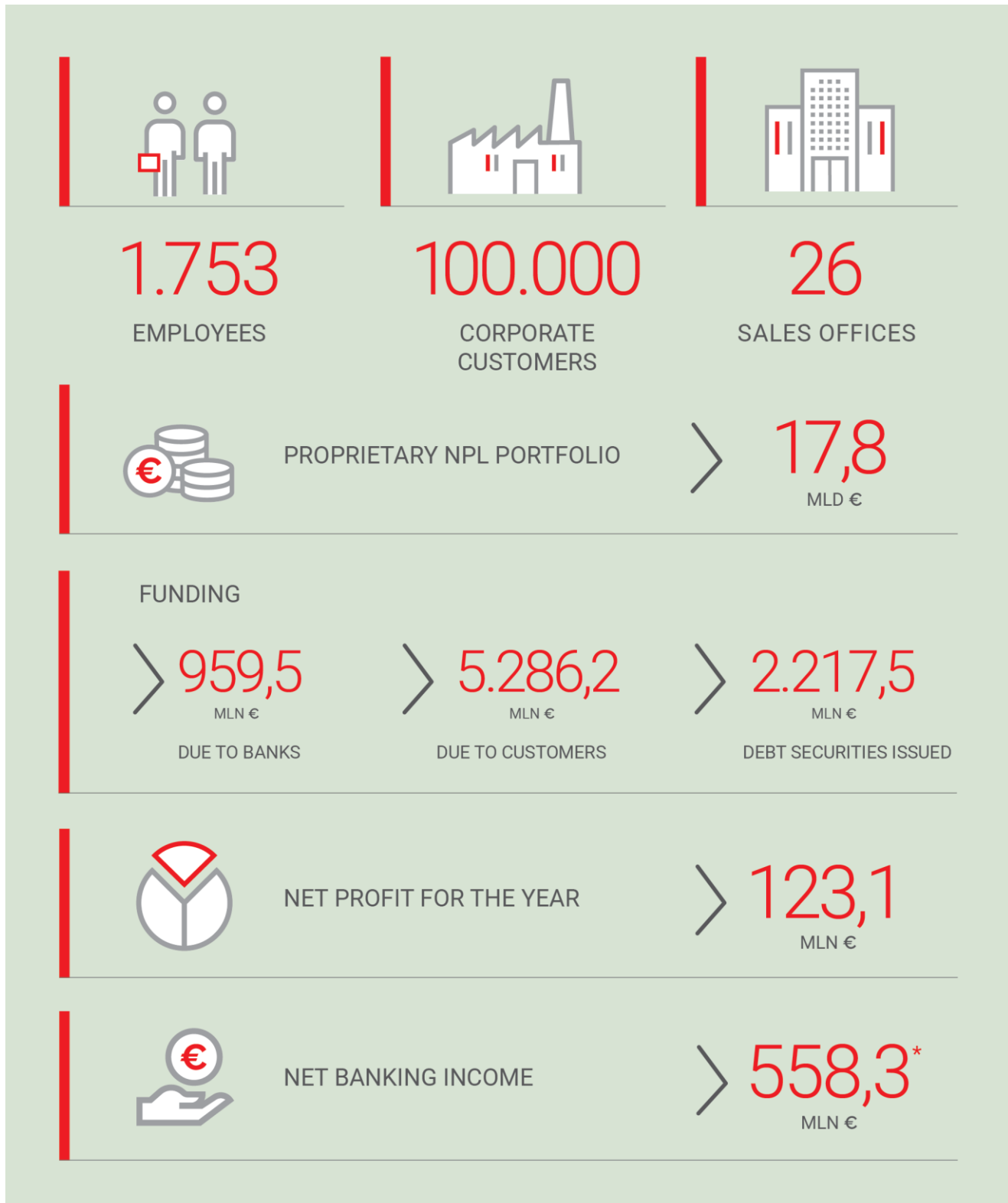
### Group History

[GRI 102-10]



## Group highlights

[GRI 102-7]



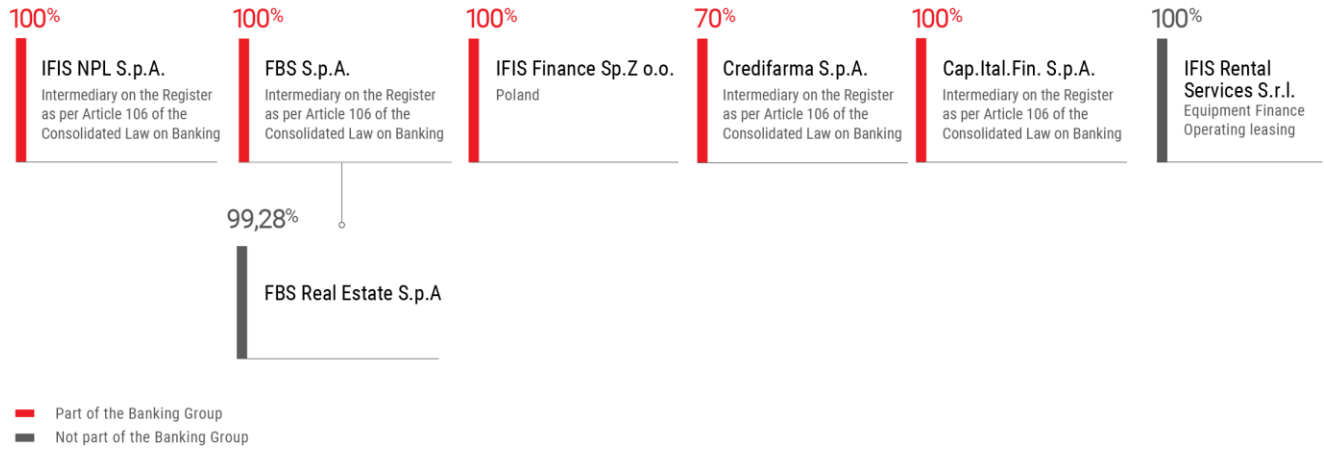
\* Reclassified data: net impairment losses/reversals on receivables of the NPL segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment



## Corporate structure

[GRI 102-45]

### BANCA IFIS



## 1.2 Business model and competitive positioning

[GRI 102-2]

[GRI 102-6]

The Banca Ifis Group is a speciality finance player focussed on market segments offering high levels of profitability. It partners Italian Small and Medium Enterprises (SMEs) with a dedicated service model and a complete range of customised products, offering its proven experience in the non-performing exposure sector as leader in unsecured NPLs.



### Competitive positioning on the SME credit market

Banca Ifis markets itself as a specialised operator in support of small and medium enterprises. It is the number-four operator in factoring in terms of turnover with market share of 5,7%; it has market share of 1,8% in leasing. Additionally, in its bid to specialise by product/market, it operates in the purchase and management of tax credits, on the structured finance market, in financing major public health suppliers and, through Credifarma, in the pharmacy segment.

The level of concentration of the customer portfolio is quite modest due to a sound level of fragmentation of exposures towards customers, represented primarily by micro, small and medium enterprises.

**The Ifis world is a highly composite one, with different objectives and products, but right at the heart of being a bank is supporting enterprises.**

**Luigi Macchiola** – General Manager of ASSILEA  
*Opinion leader involved in the materiality analysis process*



## Competitive positioning in the NPL market

Banca Ifis is the number-five<sup>4</sup> NPL operator on the Italian market in terms of volumes managed (24,4 billion Euro of NPLs) and is the leader in the unsecured bad loans segment. Banca Ifis was among the first companies to enter the non-performing loans market, and since 2011 it has purchased over 22 billion Euro of non-performing loans by nominal amount, recovering over 1 billion Euro in cash from its proprietary NPLs.

Banca Ifis operates on the non-performing loans market as a primary investor and owns one of the main servicers currently operating in Italy. Banca Ifis hinges its competitive advantage on the combination of capacity to purchase and manage NPL portfolios and a proprietary database numbering more than 1,2 million debtors.

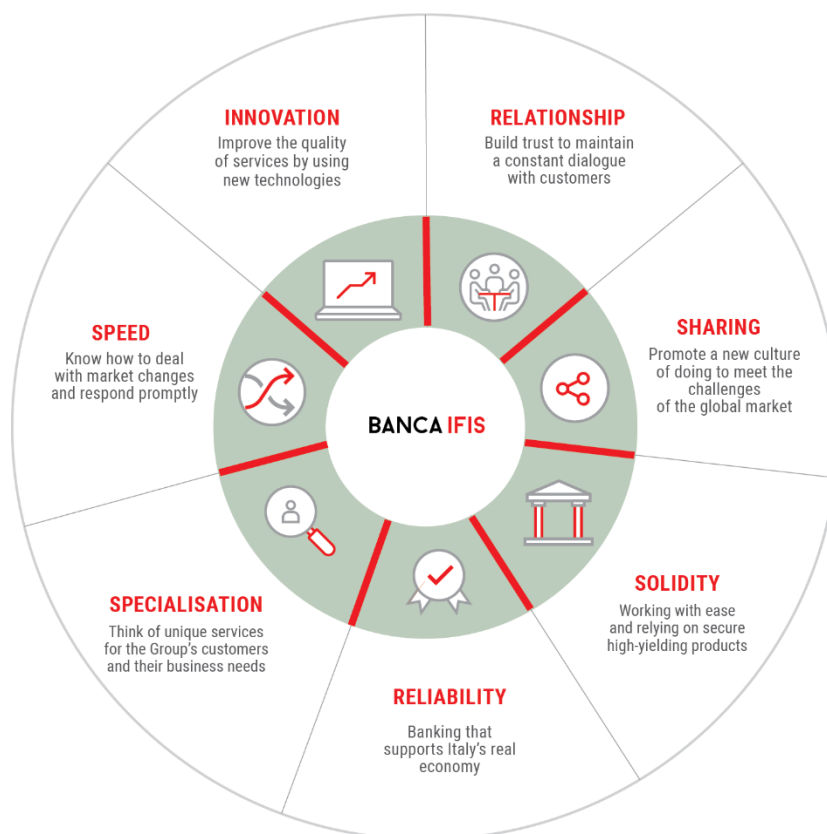
## Vision and values

[GRI 102-16]

### IFIS Vision

Banca IFIS wishes to confirm its role as a bank to the real economy focused on SMEs that generates sustainable profits and creates value for all its stakeholders and shareholders. Over the next three-year period the Bank seeks to further strengthen its leadership in the sectors in which it already operates with a strong competitive advantage. Human resources are, and remain, a key aspect of the management of our Bank: a service company must, first and foremost, take proper care of its people.

### Values



The rebranding envisaged for the current year, which will make the Bank's image conveyed externally stronger and clearer, will also result in a new evolution of the value system.

<sup>4</sup> Market Watch NPL data – January 2020

## Segment associations

[GRI 102-13]

The Group is a member of the following segment associations:

- ASSIFACT – Italian factoring association;
- Assonime – Association of Italian corporations;
- ABI – Italian banking association;
- FCI – Factor Chain International;
- Pri Banks – Association of private Italian banks;
- Assilea – Italian leasing association;
- UNIREC – National Enterprises Union for Credit Protection;
- FIMAA – Italian Federation of Business Brokers.

## Governance and risk management

[GRI 102-7]

The Share Capital of Banca IFIS is Euro 53.811.095 fully paid up, divided into 53.811.095 ordinary shares, each worth a nominal amount of Euro 1. Below are Banca Ifis's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 2% of Banca IFIS's share capital:

- Sebastien Egon Fürstenberg also through la Scogliera S.p.A. (50,4%);
- market (48,9%);
- treasury shares (0,7%).

[GRI 102-18]

Banca Ifis is the parent company of the Banca Ifis Group and adopts the traditional administration & control model, considering it to be the most suited for ensuring the efficiency of operations and effectiveness of controls given its specific characteristics.

Under the model adopted by Banca Ifis:

- strategic supervision is performed by the Board of Directors;
- the CEO is responsible for the company's operations. the General Manager is involved in management;
- control is performed by the Board of Statutory Auditors.

Social, economic and environmental decisions are made by the Chief Executive Officer and the Board of Directors insofar as coming under each of their purviews.

For more details on the composition and responsibilities of the corporate bodies and the relevant policies, please see the 2019 Report on Corporate Governance and Shareholding Structure.



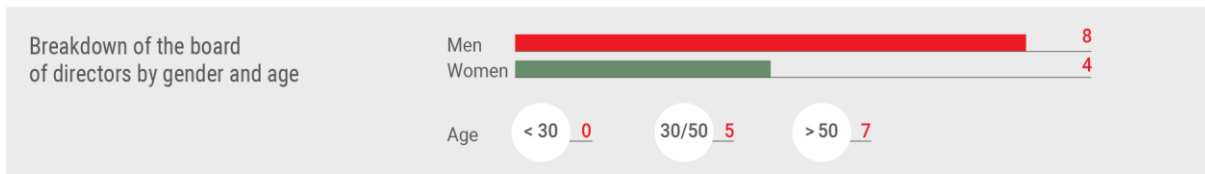
[GRI 405-1]

BOARD OF DIRECTORS AND COMMITTEES

<p><b>Chairman</b> Sebastien Egon Fürstenberg</p>	<p><b>Deputy Chairman</b> Ernesto Fürstenberg Fassio</p>	<p><b>CEO</b> Luciano Colombini</p>
<p><b>Independent Director (LID)*</b> Simona Arduini</p>	<p><b>Director</b> Alessandro Csillaghy de Pacser</p>	<p><b>Independent Director</b> Daniele Umberto Santosuosso</p>
<p><b>Independent Director</b> Monica Billio</p>	<p><b>Independent Director</b> Antonella Malinconico</p>	<p><b>Independent Director</b> Roberto Diacetti</p>
<p><b>Independent Director</b> Divo Gronchi</p>	<p><b>Independent Director</b> Beatrice Colleoni</p>	<p><b>Director</b> Luca Lo Giudice</p>

\* Lead Independent Director

● Control and Risks Committee ● Appointments Committee ● Remuneration Committee



<p><b>GENERAL MANAGER</b> Alberto Staccione</p>	<p><b>BOARD OF STATUTORY AUDITORS</b>  <p><b>Chairman</b> Giacomo Bugna</p> <p><b>Standing Statutory Auditor</b> Franco Olivetti</p> <p><b>Standing Statutory Auditor</b> Marinella Monterumisi</p> <p><b>Substitute Statutory Auditor</b> Giuseppina Manzo</p> <p><b>Substitute Statutory Auditor</b> Alessandro Carducci Artenisio</p> </p>	<p><b>MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS</b>  <p>Mariacristina Taormina</p> <p>Independent Auditors EY S.p.A.</p> </p>
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## Internal control and risk management system

The Banca Ifis Group's internal control system consists of rules, procedures and organisational structures aimed at ensuring, among other things, adherence to the business strategies, the effectiveness and efficiency of processes, and compliance of operations with the law, supervisory regulations, and the policies, procedures and codes of conduct adopted by the Group. All business operations are subject to audits by the functions or business Areas that own the various processes and operations (line controls or first line of defence), as well as by second line of defence functions (Risk Management, Compliance and Anti-Money Laundering) and third line of defence functions (Internal Audit).

[GRI 102-11]

**Risk Management** identifies the risks the Parent and the Group companies are exposed to and measures and monitors them on a regular basis through specific risk indicators, planning potential actions to mitigate material risks. The goal is to provide a holistic and comprehensive view of the risks the Group is exposed to, ensuring an adequate reporting to governance bodies. Risk Management regularly reports to corporate bodies on its operations through the Dashboard—as well as, if required, to the Bank of Italy and Consob (Italy's stock market watchdog).

The Group's overall risk governance and management structure is governed by the Risk Appetite Framework and the relevant documents, which are constantly updated based on the evolution of the Group's strategic framework. Concerning the changes in the Group's scope, Banca IFIS promptly aligns and integrates risk governance and management methods while taking into account the peculiarities of each business.

Specifically, Banca Ifis has prepared a Taxonomy of Risks describing how it identifies the existing and/or potential risks the Group could be exposed to in pursuing its strategic goals as well as the tools for preventing and mitigating each type of risk.

The Parent carries out an initial identification of risks based on the list of the minimum risks laid down by supervisory regulations, adding any additional material risks emerged during the analysis of the business model and reference markets in which the Group's companies operate, the strategic outlook, operational methods, and the characteristics of loans and funding sources.

Identifying risks and regularly updating the relevant taxonomy is the result of the joint work of second line of defence functions (Risk Management, Compliance, Anti-Money Laundering) and third line of defence functions (Internal Audit), which meet once a year to discuss whether to introduce new risk events and/or review the assessment of potential risks based on the risk management outcomes of the previous year. The Supervisory Body is responsible for identifying and adequately monitoring the existing or potential risks as per Italian Legislative Decree no. 231/2001 relative to actual business processes, constantly updating the mapping of risk areas and “sensitive processes”.

The Control and Risks Committee, composed of members of the Board of Directors selected from among non-executive Directors, most of whom are independent, is responsible for supporting the Board of Directors in making assessments and decisions concerning the internal control and risk management system based on preliminary analyses.

The audit work performed by **Compliance** (systematic audits and inspections) is based on the plans approved by the Board of Directors and seeks to evaluate the effectiveness of the required, proposed or implemented organisational measures intended to manage the risk of non-compliance. Therefore, these audits apply to all areas for which said risk exists. The audit findings are formally presented in reports shared with the relevant business structures, which must provide feedback on the remedial actions identified and the relevant implementation time line. The function monitors compliance with these requirements and regularly reports to the corporate bodies through the Dashboard—as well as, if required, to the Bank of Italy and Consob.

Concerning the regulations for which there is specialised supervision (e.g.: occupational safety or personal data processing), the responsibilities of Compliance can be adjusted, for instance by making the



organisational unit responsible for coordinating methods, so that it can provide the Corporate Bodies with a comprehensive view of the exposure to the risk of non-compliance. In any case, Compliance, at a minimum and together with the relevant specialised structures, is responsible for defining non-compliance risk assessment methods, identifying the relevant procedures, and reviewing whether these are adequate.

Compliance operates using two types of approaches:

- **ex ante:** the function provides advice to support the business either as planned, on regulatory topics that are identified and updated under a risk-based approach and in line with the Group's Strategic Plan, or when called upon for specific needs (e.g. new products or operations);
- **ex post:** the function conducts compliance audits in accordance with the Annual Compliance Plan as well as systematic inspections, whose findings are shared with the functions concerned, reported to the BoD through the Dashboard, and notified to the Bank of Italy.

## COMPLIANCE FUNCTION



In addition, when starting a major project (such as acquisitions or the launch of new products or operations), the Compliance function actively participates by providing operational and other recommendations on how to properly manage the risk of non-compliance, for instance in terms of precautions and controls to be implemented, regulations to consider, and monitoring actions to be taken.

To promote a culture of respect for the law at all organisational levels, in 2019 the Group provided refresher courses and training programmes to employees to make sure they acquire and develop the knowledge necessary to comply with the law, internal rules, and industry regulations. Compliance informs the structures concerned of any regulatory changes deemed significant, and either provides training or encourages more comprehensive training initiatives by involving Human Resources.

**Anti-Money Laundering** performs systematic second line of defence audits concerning the risk of money-laundering and terrorist financing to ensure the relevant procedures are properly applied to operational processes, and develops Key Risk Indicators representing the most significant risk factors to be monitored. The function shares the audit findings and the action plan with the relevant Management. These audits and indicators are also displayed in the Dashboard on a quarterly basis and reported to the Board of Directors as well as, if required, to the Bank of Italy. Anti-Money Laundering also monitors the evolution of the relevant legislation, providing the structures impacted with information and taking action for the necessary adjustments. In order to guarantee an effective application of anti-money laundering legislation, the department also assures the delivery of training programmes to staff, guaranteeing a complete understanding of the purposes, principles of the obligations and corporate liability in terms of the fight against money laundering.

The audit work performed by **Internal Audit** concerns all processes and consists in regularly monitoring the application of all the Bank's operational policies, procedures and practices to identify potential anomalies or violations of internal rules as well as evaluate the effectiveness of the internal control system as a whole.

Internal Audit operates based on the plans approved by the Board of Directors and conducts unplanned audits if required. Audit findings are shared with the relevant organisational unit as well as second line of defence functions, which are involved because of either their expertise or their responsibilities on a case-by-case basis, and submitted to the Board of Statutory Auditors as well as the Control and Risks Committee. Internal Audit reports to the Corporate Bodies, specifically by presenting specific reports (Annual reports and Quarterly Dashboards) that, if required, are also submitted to the Bank of Italy or Consob.

### The value of ethics: Code of Ethics

[GRI 102-16]

Banca Ifis conforms to the purposes and guidelines of the Corporate Governance Code for Companies Listed on the Italian Stock Exchange, and its governance system is aligned with the principles contained therein, the relevant recommendations issued by Consob, and, in general, best practices, which are intended to ensure an appropriate separation of responsibilities and powers by striking the right balance between operational and control functions.

Pursuant to Italian Legislative Decree no. 231/2001 on the “Rules for the administrative liability of legal entities, companies and associations, including those without legal status”, the Banca Ifis Group makes the Code of Ethics and the Supervisory Body’s Regulations publicly available.

The Code of Ethics, which was most recently updated on 22 December 2016, outlines the set of rights, duties and responsibilities of the Group’s companies towards all the parties it works with, establishing rules of conduct to be kept in mind during day-to-day operations as well as reference standards and behavioural norms aimed at strengthening business decision-making processes and guiding the conduct of all employees.

In accordance with the principles laid down in the Code of Ethics, all Group employees must behave ethically in their relationships with colleagues, customers, debtors, suppliers, competitors, and public institutions. Illegal or unethical behaviour, including with reference to legal provisions, codes and regulations adopted by the Group, is not acceptable.

### Business model

Banca Ifis seeks to ensure conditions of transparency and fairness in conducting its business, so as to safeguard its institutional role and image as well as meet the expectations of shareholders and of those who work for and with the Bank: to this end, it has decided to adopt the organizational and management model as per Italian Legislative Decree no. 231/2001.

This is a complex set of principles, rules, provisions, and organisational charts with the relevant duties and responsibilities allowing to establish and duly manage a system to control and monitor sensitive operations in order to prevent the risk of committing the offences set out in Italian Legislative Decree no. 231/2001. The Model – adopted in 2004 and constantly aligned with the latest regulatory changes – is part of a broader control system that consists mainly of the Internal Control Systems and Corporate Governance rules of Banca Ifis. The Group’s companies adopt the same approach.

In addition, viewing its organisational and management Model as a key company policy tool, Banca Ifis extends the organisational instruments that form part of the Organisational Model adopted by the Bank to its subsidiaries as applicable. To this end, the Parent’s Organisation Unit provides specific methodological support to all the Group’s Supervisory Bodies in order to standardise the organisational models in place at the subsidiaries, update or draft the Regulations of Supervisory Bodies and guarantee, with the help of the Compliance Department, the monitoring of any significant regulatory changes, as well as assist the Parent’s Supervisory Body in providing guidance and coordination on liability as per Italian Legislative Decree no. 231/2001 to the other companies of the Group.

Among other offences, the Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001 covers also crimes strictly related to non-financial topics, such as corporate offences (corruption and bribery), crimes of manslaughter and negligently causing serious or grievous bodily harm



committed with breach of occupational health and safety regulations, as well as environmental offences and crimes associated with human trafficking and exploitation and the employment of illegal immigrants.

Please note that in view of the regulatory updates made in December 2019, the Organisation, Management and Control Model as per Italian Legislative Decree no. 231/2001 of the Bank and subsidiaries will be updated to include tax offences.

Monitoring the functioning of, and compliance with, the Organisational Models is the responsibility of the Parent's Supervisory Body and the Supervisory Bodies of the subsidiaries, if any, which have their own independent powers of initiative and control.

Banca Ifis's Head of Internal Audit is a member of all Supervisory Bodies and currently plays a crucial role in coordinating, integrating and maintaining the information flows required from the Supervisory Bodies of the Group's companies.

## The supply chain

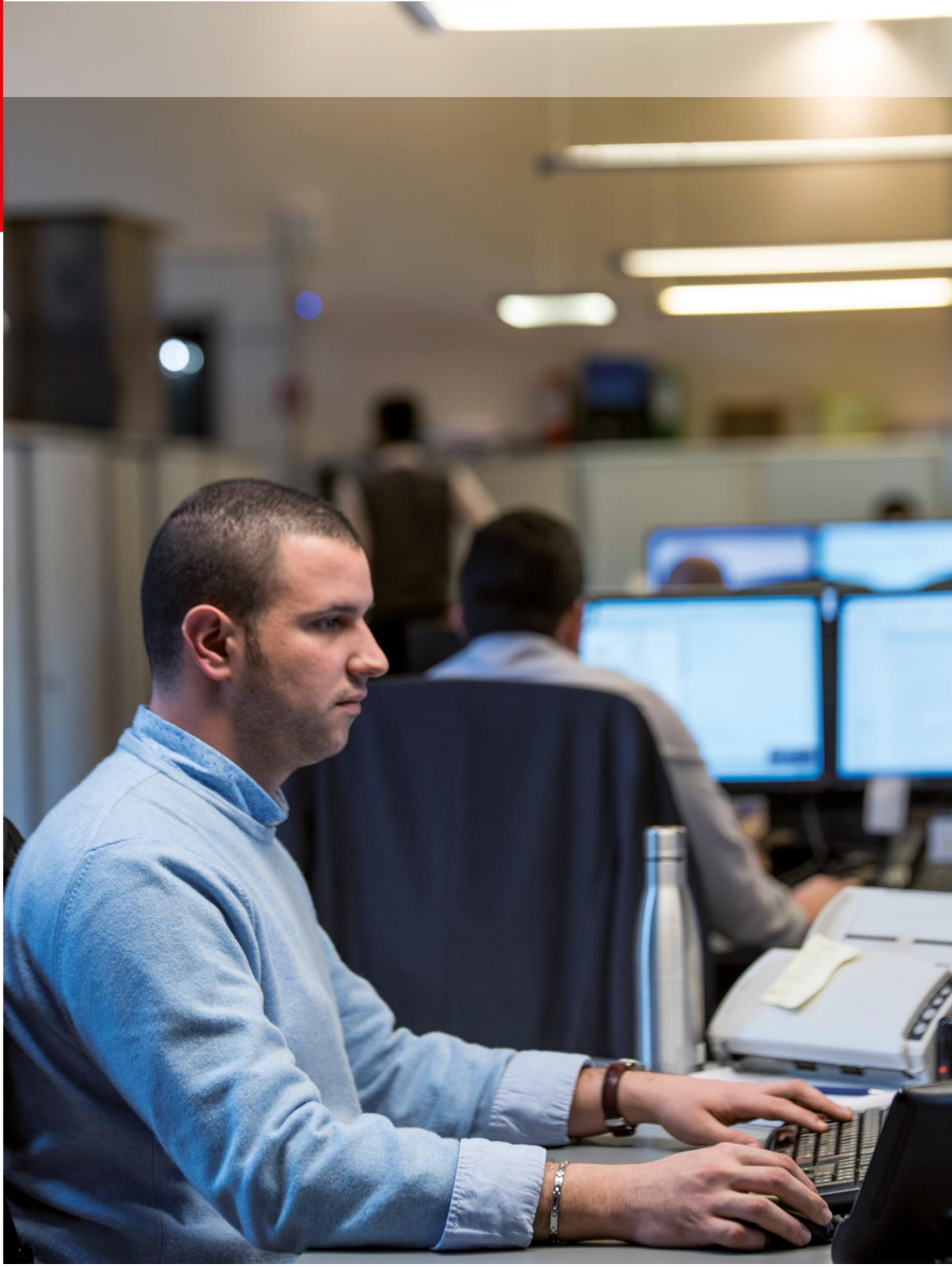
[GRI 102-9]

The Banca Ifis Group regulates relations with the supply chain through internal procedures and policies (e.g. at end 2018, the Group Expenditure Cycle Management Policy was updated and in December 2019, the Corporate Goods and Services Procurement Management Organisational Procedure was updated).

In 2019, the Group used 5.338 suppliers, mainly based in Italy, of which the main categories related to professional and non-professional services: in particular consultancy or legal services, outsourcing, customer information services and services related to software use or assistance.

# 2.

## Materiality analysis



## 2.1 The 2019 materiality analysis

[GRI 102-46]

According to the principle of “materiality”, the topics potentially relevant for the purposes of non-financial reporting are those that reflect the economic, social, and environmental impacts of an organisation and/or can substantively influence the decisions of its stakeholders<sup>5</sup>.

The process to update the materiality analysis was conducted in order to fully comply with the requirements of the GRI Standard and regulatory guidelines, chief among them those in Italian Legislative Decree no. 254/2016 and the European Commission Communication “Guidelines on non-financial reporting” (2017/C 215/01).

The materiality analysis was divided into four stages:

- identifying material topics;
- topic prioritisation;
- definition of the materiality matrix;
- validating the materiality matrix.

### Identifying material topics

[GRI 102-49]

For the 2019 materiality analysis, the topics identified as “potentially relevant” during 2018, were confirmed. These can be traced - as for the previous year - back to six macro areas, of which five coincide with those required by Italian Legislative Decree no. 254/2016. The sixth area, which concerns “business topics”, includes the topics that, although not expressly required by the Decree, were found to be potentially material to assuring the understanding of the Group’s business by its stakeholders. Finally, the topics are related to Banca Ifis's four sustainability pillars, which correspond to the subsequent sections of this statement.

### Topic prioritisation

According to the European Commission's “Guidelines on non-financial reporting”, each company assesses, among the topics potentially material to its business, which ones are relevant for the purposes of non-financial disclosure, based on its analysis of how important that information is in understanding its development, performance, position, and impact. This relevance assessment should take into account internal and external factors.

The GRI Sustainability Reporting Standards also suggest considering a combination of internal and external factors when assessing the relevance of the different topics, and recommend several “materiality tests” to take into account.

In line with these references, in order to prioritise the potentially material topics and identify those to be addressed in the 2019 Non-Financial Statement, the Group gathered different types of data in order to assess two dimensions of relevance (*internal and external*).

The investigation methods used for the 2019 Non-Financial Statement, refined in respect of the assessment dimension of external relevance, were as follows:

- **internal relevance**, assessed through meetings with Top Management and the main reference persons of the subsidiaries, in order to evaluate their strategic relevance to Banca Ifis's Business and their potential impacts;

[GRI 102-40]

<sup>5</sup> GRI 101 Foundation



[GRI 102-42]

[GRI 102-43]

- to investigate **external relevance**, the Group has analysed the needs of all relevant stakeholder categories<sup>6</sup>. More specifically, it launched a progressive direct listening path, which this year involved customers (through surveys) and representatives of community and trade associations (through one-to-one interviews), the categories of stakeholders selected due to their great importance for the Banca IFIS Group. Additionally, a desk analysis was performed of the “Factor I” initiative<sup>7</sup>, using the Bank’s web listening activities as an innovative method for listening, also in terms of the materiality analysis, with a view to valuing the expectations of customer stakeholders, in particular SMEs, through a “neutral”, mass recording of the expectations of the reference markets. A “mediated assessment” was also performed of the interests and expectations of stakeholders who were not heard directly, through meetings with the main corporate departments most involved in dialogue with the main stakeholders (employees, investors, agents).

In both cases, the topics were scored on a 1-5 scale, where 1 is little interest in the topic and 5 is extremely high interest.

In addition to the investigation of internal and external relevance, a desk analysis was also carried out to integrate the direct internal and external assessments, considering various internal and external sources. A list of examples is given of the documentation analysed: policies, procedures, results of listening and involvement initiatives run previously, emerging industry trends, regulatory evolutions, etc.

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<sup>6</sup> The main stakeholders identified by the Group are: Customers, Employees, Agents, Investors, Community, Trade associations

<sup>7</sup> This initiative is described in the chapter on “Support to enterprises and financial inclusion”

## Definition of the materiality matrix

The findings of this process were subsequently condensed into a “Materiality matrix” that plots the internal relevance assessment on the y axis and the external relevance assessment on the x axis, representing the “material” topics (i.e. those scoring at least 3,5 - 5).

Below is the Banca Ifis Group's 2019 **Materiality matrix**:

[GRI 102-47]



## Topics as per Leg. Decree 254/16



## TEMI MATERIALI

	ENVIRONMENTAL	SOCIAL	EMPLOYEES	ANTI-CORRUPTION	HUMAN RIGHTS
<b>Ifis Integrity</b>	1. CORPORATE INTERGITY AND ANTI-CORRUPTION			●	
	2. CREDIT QUALITY*				
	3. DATA PROTECTION		●		
	4. BRAND REPUTATION*				
<b>Ifis Customers</b>	5. SUPPORT TO ENTREPRENEURSHIP AND FINANACIAL INCLUSION		●		
	6. DIGITAL INNOVATION		●		
	7. QUALITY OF PRODUCTS AND SERVICES		●		
	8. TRANSPARENCY OF INFORMATION ON PRODUCTS AND SERVICES		●		
<b>Ifis People</b>	9. EMPLOYEE WELL-BEING			●	
	10. PROMOTION AND DEVELOPMENT OF EMPLOYEES			●	
	11. DIVERSITY AND INCLUSION			●	●
<b>Ifis Responsibility</b>	12 SUSTAINABLE FINANCE	●	●		●
	13 COMMITMENT FOR LOCAL COMMUNITIES		●		
	14 DIRECT ENVIRONMENTAL IMPACTS	●			

\* Business Topics

## Validating the materiality matrix

The resulting materiality matrix was submitted to the Chief Executive Officer and subsequently approved by the Board of Directors on 20 December 2019.



## 2.2 Main risks associated with non-financial topics

[GRI 102-15]

For each material topic, the Banca Ifis Group has identified the nature of the relevant risks as well as the main risks and how they are currently managed. The findings are summarised in the following table.

Banca Ifis topics	Nature of risk	Main risks	Main safeguards/mitigating actions
<b>Corporate integrity and anti-corruption</b>	Reputational; Compliance / Operational	<ul style="list-style-type: none"> <li>Internal fraud, perpetrated by the Group's employees and Agents that work together with the Group</li> <li>Aggressive debt collection practices/instances of abnormal conduct on the part of collectors</li> <li>Involving, even unwittingly, the Group in money-laundering and terrorist financing</li> </ul>	<ul style="list-style-type: none"> <li>Code of Ethics</li> <li>Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001</li> <li>Whistleblowing</li> <li>Specific safeguards for the Group's agents</li> <li>Systematic anti-money laundering and terrorist financing monitoring</li> <li>Employee training</li> </ul>
<b>Credit quality</b>	Credit	<ul style="list-style-type: none"> <li>Insolvency or deteriorating creditworthiness of the counterparties the Group is exposed to</li> <li>Failure to collect receivables due from counterparties in default</li> </ul>	<ul style="list-style-type: none"> <li>Individual creditworthiness assessment processes and system for the delegation of risk-taking</li> <li>Systems for scoring prospective lessees (leasing)</li> <li>Systems for verifying the collection potential of the positions on a portfolio level and per individual counterparty (NPL)</li> <li>Credit monitoring procedures</li> </ul>
<b>Data protection</b>	Reputational; Compliance / Operational	<ul style="list-style-type: none"> <li>Loss or misuse of the Group's data deriving from internal or external threats involving employees or IT systems</li> </ul>	<ul style="list-style-type: none"> <li>Centralised organisational structure to manage the Group's Privacy and Security</li> <li>Organisational measures to handle personal data</li> <li>Organisational measures to ensure business continuity</li> <li>Procedures for dealing with IT incidents</li> <li>Employee training</li> </ul>

Banca Ifis topics	Nature of risk	Main risks	Main safeguards/mitigating actions
<b>Brand reputation</b>	Reputational	<ul style="list-style-type: none"> <li>Negative coverage in local, national, or international media; negative comments on social networks</li> <li>Customer dissatisfaction and negative turnover</li> <li>Loss of market share and decline in the share price</li> <li>Complaints, legal disputes, administrative/ civil/ criminal penalties</li> </ul>	<ul style="list-style-type: none"> <li>Corporate information handling policy and relevant organisational control units</li> <li>Listening to and engaging with key stakeholders</li> <li>Timely communication to the markets and the press</li> <li>Monitoring reputational risk indicators</li> </ul>
<b>Support to enterprises and financial inclusion</b>	Reputational; Compliance / Operational; Credit	<ul style="list-style-type: none"> <li>Failures and mistakes in operations related to financial inclusion initiatives, giving rise to reputational impacts or credit risk</li> </ul>	<ul style="list-style-type: none"> <li>Credit management policy and subsidised financing procedures</li> <li>Local information/training initiatives</li> </ul>
<b>Digital innovation</b>	Reputational	<ul style="list-style-type: none"> <li>Malfunctioning or non-operational new technology</li> <li>Customer dissatisfaction, potentially leading to customer complaints or loss</li> </ul>	<ul style="list-style-type: none"> <li>ICT strategic planning policy</li> <li>Digital solutions to improve the customer experience and monitoring</li> </ul>
<b>Quality of products and services</b>	Reputational	<ul style="list-style-type: none"> <li>Rising customer dissatisfaction, leading to negative turnover</li> <li>Lower perceived reliability and security of the Bank and the services it provides</li> </ul>	<ul style="list-style-type: none"> <li>Process for approving new products and services, starting new operations, and entering new markets</li> <li>Products committee</li> <li>Constant efforts to make operational processes more efficient in order to reduce customer service response times</li> </ul>
<b>Transparency of information on products and services</b>	Reputational; Compliance / Operational	<ul style="list-style-type: none"> <li>Operational risks and ensuing reputational impacts in terms of transparency, eligibility, disclosure, and fiduciary relationship with customers</li> </ul>	<ul style="list-style-type: none"> <li>Centralised organisational structure to manage communications with customers</li> <li>Grievance mechanisms</li> </ul>
<b>Employee well-being</b>	Reputational; Compliance / Operational	<ul style="list-style-type: none"> <li>Employee workplace injury</li> <li>Occupational diseases</li> <li>Injuries attributable to insufficient safety and/or health of work places and tools</li> </ul>	<ul style="list-style-type: none"> <li>Integrated Safety and Environment Manual</li> <li>Training on health and safety practices and procedures</li> <li>Risk assessment document (DVR)</li> <li>Smart working – Agile working guidelines</li> </ul>

Banca Ifis topics	Nature of risk	Main risks	Main safeguards/mitigating actions
Promotion and development of employees	Reputational	<ul style="list-style-type: none"> <li>Lawsuits against the Group related to the handling of the employment relationship or recruitment and concerning remuneration, job levels</li> </ul>	<ul style="list-style-type: none"> <li>Group employee management policy</li> <li>Occupational welfare system</li> </ul>
Diversity and Inclusion	Compliance / Operational; Reputational	<ul style="list-style-type: none"> <li>Claims for all kinds of discrimination based on gender identity, disability, age, religion, nationality, race, personal beliefs, etc.</li> <li>Defamation disputes with employees</li> <li>Harassment and mobbing disputes with employees</li> </ul>	<ul style="list-style-type: none"> <li>Code of Ethics</li> <li>Whistleblowing</li> </ul>
Sustainable finance	Reputational; Credit	<ul style="list-style-type: none"> <li>Reputational consequences of negative events concerning the company (operating in sectors with high environmental and/or social impacts) financed by the Group</li> <li>Insolvency or deteriorating creditworthiness of the counterparties the Group is exposed to.</li> </ul>	<ul style="list-style-type: none"> <li>Leasing: excluded business sectors</li> <li>Identifying the sectors that pose the greatest reputational risk as part of the policy for Significant Transactions</li> </ul>
Commitment to local communities	Reputational	<ul style="list-style-type: none"> <li>Reputational consequences of negative events that generate social impacts and concern beneficiaries of donations made by the Group</li> </ul>	<ul style="list-style-type: none"> <li>Code of Ethics</li> <li>Centralised organisational structure to manage initiatives</li> </ul>
Direct environmental impacts	Reputational; Compliance / Operational	<ul style="list-style-type: none"> <li>Environmental damages caused by failure to comply with environmental management standards or the adoption of inappropriate operations and practices</li> <li>Negative perception of the Group image and reputation as a result of the above negative events</li> </ul>	<ul style="list-style-type: none"> <li>Integrated Safety and Environment Manual</li> <li>Group Environmental Policy</li> </ul>

The following sections describe in detail how the Group addresses the main risks.



# 3.

## Ifis Integrity



## 3.1 Corporate integrity and anti-corruption

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### Policies and other reference documentation

- Code of Ethics
- Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001
- Technical-operational manual Certification of positions by matching with anti-money laundering and anti-terrorist blacklists
- Group Whistleblowing Policy
- Organisational Procedure Management of distressed loan non-judicial collector network (Banca Ifis, IFIS NPL)
- Organisational Procedure Due diligence and customer profiling by risk class - onboarding phase (Banca Ifis)
- Organisational Procedure Due diligence and customer profiling by risk class - hereinafter
- Group policy for managing the risk of money laundering and terrorist financing
- Organisational Procedure Due diligence and NPL customer profiling by risk class (IFIS NPL)
- How to complete this form Agents
- How to complete this form SDR
- Anti-Money Laundering Manual (Banca Ifis)
- Anti-Money Laundering Manual Cap.Ital.Fin.
- Operational manual “Embargo and anti-terrorism: Checks on incoming and outgoing bank transfers” (Banca Ifis)
- Organisational Procedure for Managing tax receivables (Banca Ifis)
- Organisational Procedure Contomax activation (Banca Ifis)
- Organisational Procedure Rendimax (Banca Ifis)

The way Banca Ifis conducts its business is closely watched by stakeholders. The Banca Ifis Group is committed to developing and disseminating its corporate culture and values both within and without the organisation, as well as compete with integrity and in accordance with all areas of regulatory compliance, and specifically anti-corruption. The Code of Ethics is the “manifesto” of the corporate culture of Banca Ifis and the other Group companies. It is intended to provide information/training to Employees as well as promote said culture among all stakeholders. Making sure that the Organisational Model and the Code of Ethics are effective requires promoting a “culture of control” among all employees and raising the awareness of all structures concerned. This is why the Group trains employees on the contents of the Organisational Model pursuant to Italian Legislative Decree no. 231/01 and the Code of Ethics.

As far as the Code of Ethics is concerned, the Supervisory Body is responsible for, among other things, monitoring compliance with it and its implementation, taking disciplinary action if required, coordinating the drafting of rules and procedures to implement it, promoting a regular review of the Code and its implementation mechanisms, and reporting to the Board of Directors on the work carried out and the problems concerning the implementation of the Code of Ethics.





## Anti-corruption

In order to prevent the risk of committing corruption and bribery, the Banca Ifis Group has adopted guidelines laid down in the Code of Ethics and the Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001. This was updated in 2019 mainly to:

- specify the role of the Parent, assuring that it has the power to dictate criteria and general instructions and verify, through the control functions, the compliance of the Models of the Group companies with such criteria and instructions;
- set out the Group's guidelines as to the administrative liability of Entities and in particular specify that each Group company is called to: (i) adopt its own Model; (ii) appoint the Supervisory Body, ensuring the systematic update of the Model according to regulatory and organisational changes; (iii) prepare training plans; and (iv) adopt a suitable form of monitoring the Decree sensitive processes;
- as regards the risk activities, include some additional example hypotheses of opportunities to commit offences and update the main structures and subjects involved.

### The integrity of the conduct of Group agents

In addition to establishing rules of conduct for its staff, the Banca Ifis Group considers it essential to assure the integrity of conduct of the Leasing area agents too, as well as those of the company Cap.Ital.Fin. and the agents and collection companies of IFIS NPL.

For instance, several precautions are taken to ensure the integrity of the behaviour of debt collection agents and companies, including:

- ensuring observance of the Code of Ethics and Organisational Model envisaged by Decree no. 231/01 when stipulating the contract;
- controlling the number of mandates: agents can have up to three mandates, and only for non-competing activities;
- adopting an incentive scheme that discourages agents from engaging in inappropriate or persistent behaviour.

As regards the management of the IFIS NPL company call centre dedicated to phone collection, the available resources have increased further, the organisation of internal work has been optimised and instruments have been created for the constant monitoring and analysis of performance; the aims of these measures include the limitation of the risk of "aggressive" conduct or unfair commercial practices implemented by operators. The company IFIS NPL uses different methods to evaluate the effectiveness of the adopted management approach:

- inquiries by the "monitoring" call centre - separate from the one dedicated to collection operations, which contacts all customers that have successfully repaid their debts thanks to the proposed settlement plans, as well as a sample of customers with whom an agreement has not been finalised, so as to ensure the members of the network acted with fairness and integrity;



- requiring agents to prepare a "Meeting report" at the end of each visit with a customer describing what transpired during the meeting and any agreements reached. This report must be signed by the customer, so as to keep a transparent and objective record of any agreements reached;
- reviewing any rejected complaints on a quarterly basis to identify potential emerging problems or issues of increasing interest to customers, so as to define the necessary corrective actions;
- constantly monitoring the Bank's social channels;
- interviewing customers that have successfully repaid their debts;
- constantly listening to the grievances and needs of network agents.

The Code of Ethics specifies that, when dealing with the Italian Public Administration, it is prohibited to promise or offer government officials or employees payments or benefits to promote or advance the interests of the Group when finalising agreements, for the purposes of the award or management of authorisations, when collecting receivables—including due from tax authorities—during inspections or audits, or as part of judicial proceedings.

Anyone either asked for or offered benefits by government officials shall immediately consult with their supervisor and the Supervisory Body.

Banca Ifis's Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001 covers the following corruption-related offences:

- Bribery of office;
- Corruption for an act contrary to official duties;
- Corruption in judicial proceedings;
- Corruption of the person in charge of a public service;
- Bribery, undue inducement to give or promise money or other advantages and corruption;
- Corruption between private individuals;
- Solicitation to commit corruption between private individuals.

The Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001 of Banca Ifis specifies that the structures responsible for monitoring the commission of potential corruption-related offences are the second and third line of defence functions, the Supervisory Body, and the Board of Statutory Auditors.

[GRI 205-2]

The Board of Directors is briefed on the anti-corruption procedures at the time it approves the Group's Code of Ethics. All employees are required to know and comply with anti-corruption rules, including with reference to the table attached to the Model that specifically governs potential sensitive activities as well as the main structures and safeguards put into place in terms of policies, internal rules, and control structures. In addition, all the Group's employees can access internal regulations, and specifically the Code of Ethics, the Organisational and Management Model, and the relevant protocols and procedures using the company Intranet.

The Group makes sure that all employees receive suitable cyclical (and whenever the legislation is updated) training (differently from last year, in 2019, there were no updates to legislation and the related training needs) on the anti-corruption policies and procedures as per the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001. Indeed, a specific e-learning course is available on the IFIS Talent platform, as part of the mandatory Bank staff training and for which completion is required from time to time.

The table below specifies the number of employees who have received training on the matter during the last two years, from the implementation of the IFIS Talent platform:

Number and percentage of employees who received training on the fight against corruption, divided up by category		2019 <sup>8</sup>	2018
	No.	476	798
	%	27,2%	48,7%
Senior managers	No.	8	5
	%	10,8%	8,2%
Middle managers	No.	116	223
	%	22,7%	45,9%
Clerical staff	No.	352	570
	%	30,1%	52,2%

To date, the Banca Ifis Group has not provided specific training modules on corruption-related offences reserved for Directors. However, it must be considered that in 2019, the members of the Board of Directors approved the update to the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001, which also contains rules on the prevention of the risk of the commitment of crimes of corruption and concussion.

As already mentioned, the Group takes several precautions to ensure debt collection agents and companies conduct themselves with integrity: among other things, it requires them to abide by the Code of Ethics and the Organisational Model as per Italian Legislative Decree no. 231/01 at the time the agreement is signed.

Finally, concerning the Bank's stakeholders, the Code of Ethics and the "General Part" of the Organisational and Management Model as per Italian Legislative Decree no. 231/01 are published on the Group's website.

[GRI 205-3]

As in the previous year, during 2019 there were no incidents of corruption or legal cases brought against the employees of the Group or the external networks.

## Anti-money laundering and terrorist financing

Preventing the risk of money laundering is key for protecting the Bank's financial strength and, more generally, its reputation, and reflects its constant effort to actively co-operate with Supervisory Authorities. The Group refuses to do business, either directly or indirectly, with individuals or companies that are known or suspected members of organisations engaging in criminal or illicit activities. Therefore:

- the Leasing segment examines negative press reports using an automated system integrated with the auto-decision making procedure: if there are any matches, the position is put on hold and marked for a manual assessment, involving also the Anti-Money Laundering function. Following these checks, the position is assigned a risk profile that serves as the basis for activating an approval process at different hierarchical levels;
- in the Trade Receivables segment, the above checks are integrated with master data management procedures. Also in this case, based on the matches found, the counterparty is assigned a specific level of money laundering risk, and the decision of whether to open/maintain the relationship is left to the appropriate hierarchical level;

<sup>8</sup> The count considers employees who have completed at least one of these courses:

- E-learning course "The liability of entities ed. 2018", made available starting July 2018.
- Two external training courses attended by two employees.

- the NPL segment conducts a review at the time the receivables portfolio is acquired as well as subsequent checks on individual counterparties when defining settlement plans.

If a relationship with a customer classified as high risk is activated, the position is subject to stricter and more frequent reviews in terms of updates and monitoring operations, and any decision is escalated to higher levels.

Anti-Money Laundering helps define the contents of mandatory anti-money laundering training, especially for those employees that are in direct contact with customers. In 2019, training on anti-money laundering was delivered through classroom courses and the e-learning course “Anti-money laundering regulations in light of the incorporation of Directive IV, ed. 2018”, activated on the IFIS Talent platform. During the year, a total of 2.366 anti money laundering training hours were delivered (around 3.961 hours in 2018), involving 38% of the company population (62% in 2018).

Besides being required by law, training is key for raising awareness and promoting a culture among employees of preventing the risk of unwittingly involving the Bank in this kind of incidents.

## Whistleblowing

As the Parent company, Banca Ifis, in accordance with industry regulations and best practices, has established an internal system allowing to report actions, events or omissions potentially in violation of laws and internal procedures governing the operations of the Parent and its Subsidiaries with the guarantee that the personal data of the complainant and the alleged offender will remain confidential. The whistleblowing system is governed by the Group Whistleblowing Policy, which is part of Banca Ifis's Organisational Model and adopted by the Group companies. The Banca Ifis Group's employees, its collaborators, and licensed independent contractors working with the Group on a regular basis can file a report. This report may concern any action or omission in breach of the rules governing the Group's operations that causes or could cause harm to the Banca Ifis Group. This includes, for instance, actions or omissions, either committed or attempted, related to criminal conduct or incidents in violation of laws and regulations, codes of conduct such as the Code of Ethics, or other company provisions that could result in disciplinary action and cause pecuniary damage to the Group, endanger the health and safety of employees or customers, or negatively affect the environment.

The reports can be submitted using different channels and are handled by the Head of Internal Audit, who examines and investigates them based on the principles of impartiality, privacy, dignity of the employee and protection of personal data.

After completing the investigation, the Head of Internal Audit formally submits his or her assessment to the Chief Executive Officer and the General Manager (or the Chairman of the Board of Statutory Auditors in the event of potential incompatibilities), who will decide what corrective actions need to be carried out. Internal Audit prepares an annual report on the proper implementation of the process, including aggregate information on the findings of the audits carried out based on the complaints received, that is approved by the Board of Directors and made available to employees.

In 2019, similar to the previous year, no reports were filed through the Whistleblowing system.



PEOPLE WHO CAN SUBMIT A REPORT



REPORTS CAN BE SUBMITTED THROUGH



The Head of Internal Audit examines and investigates the reports. After completing the investigation, he or she formally submits his or her assessment to:

CEO

General Manager

Chairman of the Board of Statutory Auditors



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## 3.2 Credit quality

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### Policies and other reference documentation

- Group system of delegation of authority to manage credit risk
- Group policy for managing significant transactions
- Group policy for reviewing business operations
- Ordinary credit management policy (Banca Ifis)
- Policy for managing portfolios of receivables purchased outright and due from Public Administration entities (Banca Ifis)
- Ordinary debt collection and monitoring policy (Banca Ifis, Credifarma)
- Impairment Policy
- Methodological manual: individual evaluation of non-performing loans (Banca Ifis)
- Organisational Procedure Management of tax receivables (Banca Ifis)
- NO 112 – Leasing BU - Leasing preparation process (Banca IFIS)
- NO 111 – Leasing BU - Redemption assessment and setting process (Banca Ifis)
- NO 103 – Leasing BU - Subjective credit quality assessment (Banca Ifis)
- Leasing debt collection and monitoring policy (Banca Ifis)
- Policy for managing the acquisitions of distressed loan portfolios (IFIS NPL)
- Non-performing loan classification and management criteria (IFIS NPL)
- Procedure for Assigning NPLs to debt collection units (IFIS NPL)
- Organisational Procedure for Collecting debts through non-judicial actions (IFIS NPL)
- Organisational Procedure for Collecting debts through judicial actions (IFIS NPL)
- Organisational Procedure for Managing payments associated with distressed debt collection operations (IFIS NPL)
- Organisational Procedure - Concession and Management of Structured Finance
- Ordinary credit management policy (Cap.Ital.Fin.)
- Organisational Procedure Management of distressed loan non-judicial collector network (Banca Ifis, IFIS NPL)
- Anti-Money Laundering Manual Cap.Ital.Fin.

Credit quality is closely associated with financial strength, which is key for the sustainability of the Group's business model and represents one of the fundamentals of the Banca Ifis Group strategy. The quality of credit and counterparties can significantly affect the Bank's share price, credit rating, dividends, and financial position - all of which are material to shareholders, financial analysts, ratings agencies, lenders, and Supervisory Authorities - as well as customer trust in the Bank's ability to service its obligations, which is especially important for the retail customers of the Rendimax and Contomax business lines.

In the case of Trade Receivables, the Group's commitment to safeguarding its capital position and credit quality translates into three levels of counterparty checks, so as to prevent the risks of default as well as of involvement in transactions with potentially damaging reputational consequences:

- automated checks on both individuals and legal entities to determine whether the prospective customer is on watch lists (terrorism, embargoes, etc.) or lists of "Politically Exposed Persons"; based on the level of risk, Anti-Money Laundering also analyses press reports;

- individual assessment by the Transaction Assessment and Counterparty Assessment Teams of the customer, the invoice sellers, and the factored exposure; system of delegation of authority to assume credit risk based on the amounts and risk classes involved;
- continuous dialogue with the national network, which may provide reports and feedback on potential clients.

As for salary- and/or pension-backed loans, Banca Ifis, in accordance with privacy regulations, considers also the family situation if relevant to assessing the reliability of customers.

The policies governing Leasing operations describe how to evaluate the future user of the asset based on reliability and credibility criteria through a scoring system and the preliminary work carried out by specialised teams. Specifically, these assess the soundness of the counterparty's credit position and whether the requested asset is consistent with its operations.

Credit monitoring as well as the monitoring of individual exposures are conducted on a regular basis using effective procedures that can provide timely warnings of potential issues and ensure the adequacy of impairment losses and write-offs. Risk Management ensures the credit monitoring of individual exposures, specifically non-performing ones, is properly carried out and evaluates the consistency of the classifications, the provisions set aside, and the adequacy of the debt collection process at the central and peripheral level.

Overall, the Enterprises Segment reported no change in the Gross NPE Ratio at 31 December 2018, while the Net NPE Ratio has dropped slightly on end 2018 (5,2% at 31 December 2018).

<b>GROSS AND NET NPE RATIO</b>	<b>2019</b>
Gross	9,5%
Net	5,1%

IFIS NPL, which specialises in acquiring and managing non-performing loans, focuses on assessing whether the receivables can be recovered and preparing settlement plans compatible with the specific debt situation by adopting several mechanisms throughout the various loan acquisition stages:

- first, the Area verifies whether the loans being acquired can be recovered, so as to exclude non-existing or time-barred receivables and prevent the risk of non-payment as well as the reputational risk that trying to collect bad loans would entail. After establishing a first contact with the account debtors, the NPL Area assesses the legitimacy of any complaints and, if these are based on reasonable grounds, writes off the position or seeks indemnification from the seller, if allowed by the contract;
- it prepares settlement plans suited to the customer's finances and tailored to each individual case;
- it assesses the probability the customer will actually settle its debts.



## 3.3 Data protection

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### Policies and other reference documentation

- Group IT security management policy
- Group IT risk assessment and management policy
- Information security incidents management organisational procedure
- Organisational Procedure Handling of privacy issues concerning the rights of data subjects and the relationship with the Italian Data Protection Authority
- Organisational Procedure Management of Personal Data Processors
- Methodological manual for data processing risk analysis and data protection impact assessment (DPIA)
- Privacy regulatory manual
- Technical regulations governing the use of company equipment
- Group business continuity policy
- Group ICT strategic planning policy (Banca Ifis)
- Group software and IT service procurement policy (Banca Ifis)
- ICT performance monitoring policy (Banca Ifis)
- Organisational Procedure for managing logs (Banca Ifis)
- Organisational Procedure for managing logical access (Banca Ifis)
- Group internet payment system policy (Banca Ifis)

The growing spread of ICT products and services based on processing personal data has made privacy and information security more and more strategic for companies over the years.

The Banca Ifis Group considers the protection of personal data a mandatory principle that is key for building trust and developing a sense of security with customers as well as protecting the Group's reputation. The Group is also committed to preventing and managing information security incidents in a timely manner in order to protect the Bank's proprietary information, which includes, among other things, the data of customers, employees, suppliers, and any other party with which Banca Ifis does business. 2019 saw the Group further consolidate the measures required by the European General Data Protection Regulation (GDPR).

**The Privacy & Security area has consolidated its reference role within the corporate group.**

**The structure consists of ten people and deals with issues such as Privacy, Business Continuity, and Cyber Security.**

**Laura Quaroni** – Head of the Privacy & Security area, DPO and BC Manager.

## Information security

The Privacy & Security organisational unit constantly monitors information security and helps assessing IT risk through the Information Security Organisational Unit.

### Raising employee awareness of cyber security

In order to raise the awareness of all colleagues in regard to cyber security and the related new legislation, in 2019 an awareness-raising campaign was launched in regard to all Group employees, with the publication of news on the corporate intranet with a view to ensuring knowledge of information regarding harmful e-mail campaigns in respect of the dissemination of malware, phishing, attempted fraud and ransomware. Cyber Intelligence services were activated and OSINT research carried out in support of the structure's activities and awareness throughout the company. The Bank has adhered to the CERTFin service so as to receive real time reports of attempted fraud in the banking area. Such reports have been shared with the colleagues of the other bank structures concerned.

The information security incident management process is aimed at ensuring that any unusual events with potential repercussions on the Group's level of physical and logical security and the availability of IT Services are promptly recognised as information security incidents, and therefore addressed appropriately by the competent structures.

The warnings and events that can give rise to security incidents can originate from internal channels (other organisational units) or external ones (customers, suppliers, and institutional channels). The Information Security organisational unit manages such warnings in partnership with any other concerned and interested parties, based on the extent and type of the event.

## Personal data protection

The main internal document governing personal data protection is represented by the Privacy Regulatory Manual approved by the Board of Directors of Banca Ifis as Parent Company, and incorporated by the subsidiaries through a Directive. Said document and the privacy regulations and procedures make up the privacy management model as well as the set of guidelines and rules defining how data is protected within the organisation.

The **Privacy & Security** department, specifically through the unit dedicated to Privacy:

- prepares and updates the internal documents required by privacy regulations;
- monitors and regularly assesses compliance with regulations and the implementation of the security measures required by law;
- analyses the personal data processing methods adopted by the Bank and the relevant risks;
- assesses the privacy impacts that result from launching new products and services, starting new operations, entering new markets, and in all instances in which the Bank plans to internally develop or purchase new software;
- notifies the Bank's organisational units of any changes in privacy regulations concerning their respective areas of expertise and provides compliance support;
- supports Human Resources in developing an appropriate corporate privacy culture.

In addition, as far as business continuity is concerned, it carries out an impact analysis on business processes and prepares the relevant plan through the Business Continuity Organisational Unit.

[GRI 418-1]

In 2019, the Group received 4 complaints concerning privacy breaches compared to 6 in 2018, almost all associated with operational/human mistakes. In any case, no sensitive data was exposed.

During the year, 10 events took place involving the loss, access or unauthorised disclosure of personal data (e.g. theft of tablet or loss of hard copy forms).

<b>Substantiated complaints concerning breaches of customer privacy and losses of customer data</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total number of complaints documented as received concerning customer privacy breaches</b>	<b>4</b>	<b>6</b>	<b>144<sup>9</sup></b>
<i>from third parties and substantiated by the organisation</i>	4	6	144
<i>from regulatory bodies</i>	0	0	0
<b>Total number of events relating to substantiated losses and thefts of customer data</b>	<b>10<sup>10</sup></b>	<b>8</b>	<b>7</b>

<sup>9</sup> In 2017, the Group received 144 complaints concerning privacy breaches, almost all associated with an operational mistake made in preparing a market research survey. In any case, no sensitive data was exposed.

<sup>10</sup> The data shows the number of incidents (it does not coincide with the total number of data exposed to loss or theft). For one of these incidents, please note that during the regular transparency communication, a technical error led to 60 letters being sent recorded delivery to subjects who had given guarantees to the Bank, containing data of other guarantors and guaranteed parties. Following due analysis, the breach was notified to the Data Protection Authority. The Bank has now established measures to prevent any similar such breach in the future, such as the review of the characteristics of files containing details of positions to allow for a better monitoring, ex ante, of the process and reinforced ex post controls on the IT procedure outputs, before postmarking the communications.



## 3.4 Brand reputation

### Policies and other reference documentation

- Investor Relations Policy
- Corporate Information Handling Policy
- Group operational and reputational risk management policy

[GRI 102-15]

The Banca Ifis Group has grown significantly in recent years, also as a result of the gradual expansion of the business areas it operates in and the brands offered to customers - be they businesses or consumers.

Brand reputation has thus become increasingly strategic in order to ensure the Banca Ifis Group remains committed to its values in its dealings with stakeholders.

Transparency and engagement have always been the hallmarks of the process for communicating information about the Parent company and the other entities. The Bank engages with customers, investors, shareholders, and employees, identifying their different needs through, for instance, customer care services on social networks, websites, projects, and events. In addition, the Bank strives to do its best to provide the best possible experience to the parties it engages with as well as address doubts and requests for information as quickly as possible. Brand reputation is monitored also with specific dedicated tools.

Specifically, the Parent Company's Investor Relations department maintains relationships with shareholders, investors, and analysts guided by the principles of fairness, transparency, collaboration, and absolute respect for the independence of their respective roles. Maintaining a relationship and dialogue with the financial market is strategically key for the Group: the Bank ensures the timeliness and transparency of market disclosures and acts proactively towards its stakeholders by presenting and analysing short-term information, illustrating the Group's strategic guidelines, and developing trust with market participants and the business community. The most significant ways in which the function interacts with the financial community are: press releases, quarterly earnings conference calls, investor meetings, communications on the Bank's official website and social media pages, and the publication of the Group's financial statements in an interactive format to facilitate its understanding.

### Reputational risk

#### **Banca Ifis monitors and protects its reputation as well as that of the Group's companies.**

To assess the level of reputational risk, the Group conducts a periodic Risk Self Assessment taking into consideration both internal and external factors that could damage the reputation of the Group and the stakeholders concerned from time to time.

The main external factors include the materialisation of operational risk or other risks not adequately monitored (e.g.: market, liquidity, legal, strategic risks), the violation of laws and regulations and corporate governance rules (such as the Code of Ethics), an ineffective or incorrect management of internal or external communication, and the conduct of management, employees, and collaborators.

External factors can refer to comments and discussions in the media and on social networks, blogs, or other digital communication tools concerning information or opinions detrimental to the reputation of the Group or its Companies.

Reputational risk can affect different kinds of stakeholders. For instance:

- **Customers:** potential erosion of trust in the Bank and Group because of, for instance, inefficient operational practices or sales abuses;

- **Depositors:** potential erosion of trust in the Bank and Group, causing customers to withdraw part of their deposits;
- **Employees and collaborators:** employees and collaborators: decline or loss of trust in/respect for the company among employees and collaborators;
- **Shareholders and investors:** decline or loss of trust in/respect for the company among shareholders and market participants because of, for instance, the alleged inability to deliver satisfactory results, conduct inconsistent with ethical standards, perceived lack of managerial integrity, etc.;
- **Local community and society:** local community and society: decline or loss of trust in/respect for the company among local communities and opinion makers;
- **Supervisory Authorities:** decline or loss of trust in/respect for the company among Supervisory Authorities due to omissions or negligence deriving from the failure to comply with legal and regulatory obligations;
- **Suppliers and counterparties:** decline or loss of trust in/respect for the company among suppliers and counterparties.

In addition, the Group has defined a set of indicators that can promptly identify the presence of vulnerabilities in the exposure of the Bank and its subsidiaries to reputational risks, as well as the relevant warning and alarm thresholds where necessary.

The Group constantly monitors said risks and, if the predefined thresholds are violated, it considers from time to time whether to take any mitigating action.

# 4.

## Ifis Customers



## 4.1 Support to enterprises and financial inclusion of customers

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### Policies and other reference documentation

- Ordinary credit management policy (Banca Ifis)
- NO 112 – Leasing BU - Leasing preparation process (Banca IFIS)
- NO 111 – Leasing BU - Redemption assessment and setting process (Banca Ifis)
- NO 103 – Leasing BU - Subjective credit quality assessment (Banca Ifis)
- Policy for managing the acquisitions of distressed loan portfolios (IFIS NPL)
- Ordinary credit management policy (Cap.Ital.Fin.)
- Credit management policy (Credifarma)
- Organisational Procedure - Concession and Management of Structured Finance

As the main independent operator on the speciality finance market in Italy, the Banca Ifis Group optimises support to entrepreneurs and the financial inclusion of its customers through the core businesses in the sector dedicated to non-performing exposures and small and medium enterprises.

**The Banca Ifis Group also contemplates the financial inclusion of private individuals in its strategy**, with the aim of allowing companies and families to meet their debts in times more appropriate to their real possibilities through the activity of the NPL segment, dedicated to acquiring and transforming non-performing loan (NPL) portfolios, as well as managing guaranteed and other portfolios of third parties, with the aim of creating value for customers, the market and the entire financial system.

The Group also operates in the retail segment with the Cap.Ital.Fin. brand, proposing pension- or salary-backed loans and payment delegations for the retired and for private, public and government employees. This instrument, which goes by the name of CrediQuintum, is intended for debtors of IFIS NPL, as a possible solution in the event of impaired credit, allowing for the assessment of a financial solution to their debt position, which enables them to obtain an effect of new financial inclusion.

Banca Ifis markets itself as a **specialised operator in support of small and medium enterprises** by offering financial services and instruments that allow business customers to grow healthily, supporting them in day-to-day operations through local personnel. Customers can access the services through its sales network, which spans the entire country and is concentrated especially in Italy's main economic and industrial hubs: commercial offices, which are fully accessible to all customers in accordance with Italian laws; and cutting-edge on-line and digital services allowing the Bank to always remain in contact with its customers regardless of physical constraints.



Banca Ifis has always supported Italian small and medium enterprises offering a professional, highly specialised product and service.

The operation with the EIB, the first ever in the Bank's history, provides yet further confirmation of our commitment and the desire to inject new finance into the Italian economic system.

**Luciano Colombini** – Chief Executive Officer of Banca Ifis.

[FS16]

#### **FACTOR I**

This is the project that reflects the desire of Banca Ifis to stand firmly alongside Italian businesses, in particular SMEs, investigating the reality behind the data. The aim is to discover the factor that determines the company's success. To understand this, Banca Ifis has embarked on a route in the discovery of SMEs, based on:

- Numbers - quantitative analysis and estimation and forecasting methodology applied to the companies' financial statements data;
- People - interviews and in-depth analyses with entrepreneurs and managers;
- Enterprises - study of products, reference markets and business models and territories;
- New generation observatory - predictive analysis of the companies' managerial priorities through the use of web listening, whose founding mechanisms are machine learning and the semantic engine.

The project stories and results are represented and communicated through a trans-media storytelling made up of videos, photographs, written tales and podcasts featured on the Bank's social channels and the project website.

Another key element of the project is the Market Watch SME, the observatory organised by the Banca Ifis Study Office, which studies and highlights the needs and trends of Italian SMEs and production segments.

#### **MARKET WATCH SME and NPL**

A Studies Office has been operating in Banca IFIS, involved in research, analysis and data processing, both in order to implement corrective actions and in reference to the planning of medium and long-term strategies. The general topics are broached with a technical-economic approach. The key results include the Market Watch, the observatory dedicated to the study of the main emerging trends in the two areas of Bank specialisation: small and medium enterprises and the non-performing loans market. In particular:

- The **Market Watch SME** provides an analysis of the financial statements and performance of Italian SMEs, focussing on the main production segments of Made in Italy;
- Through a proprietary database, the **Market Watch NPL** offers key indications on the trends and dimension of the non-performing exposures market, comparing the main segment operators and providing a complete overview of the context.

This year, the study office data used for the Market Watch NPL was used as a source of reference for the International Monetary Fund Global Financial Stability Report April 2019 ("Vulnerabilities in a Maturing Credit Cycle", presented on 10 April by the International Monetary Fund in Washington).

2019 also saw the continued pursuit of the project to raise awareness about the opportunities offered by investment incentive schemes among SMEs - regardless of whether they are customers or not:

- **Finance Leases associated with the New Sabatini Law incentive scheme:** Concerning the New Sabatini Law incentive scheme, the Bank has implemented a training programme aimed at enabling the sales force to offer advisory services to businesses on how to qualify for this incentive, which can boost the competitiveness of Italian SMEs, spur new investments, and facilitate access to credit. Under the New Sabatini Law, the Italian Ministry of Economic Development gives SMEs an annual grant - for 5 years - related to equipment on leases or loans specifically intended for investing in capital goods. The incentive scheme, with which the Bank has associated a leasing product with a specific contractual package, has been refinanced by the Budget Law for 2020 too, for a higher amount than last year and a particular focus on the micro and small enterprises of southern Italy and an extension of the incentive to include low environmental impact goods.
- **Financing backed by the SME Guarantee Fund:** The SME Guarantee Fund allows to obtain credit thanks to a guarantee covering up to 80% of any financing arrangement, with a limit of 2,5 million Euro per applicant—be it a company or an independent contractor. The measure is intended to facilitate access to credit for borrowers that could not otherwise provide creditors with the necessary guarantees.
- **Financial leasing backed by the SME Guarantee Fund:** starting November, the Guarantee Fund has been activated for leasing too, thanks to which 80% of the amount financed is guaranteed and access to credit can be facilitated for those who, without this public benefit, would be unable to invest in their business. The assessment as to the applicability of this type of guarantee to financial lease contracts is left to the Credits Assessment Office, which decides according to guidelines that state that the Guarantee Fund can be requested for contract proposals worth more than 250.000 Euro in reference to instrumental lease products and for contract proposals of subjects that are already leasing clients relative to vehicles (in this second case even for amounts below 250.000 Euro).

[FS7]

Legal Entity/ Business Line	Product/Service with Social Purposes	Operations for 2019			Stock at end 2019	
		Number of cases	Amount financed (mln Euro)	% vs total proceedings	Number of cases	Residual capital (mln Euro)
Banca Ifis/Leasing	Finance Leases associated with the New Sabatini Law incentive scheme	1.216 (2018: 1.332 <sup>11</sup> )	97,69 (2018: 103,13 <sup>12</sup> )	6,23%	3.498 (2018: 2.397)	209,26 (2018: 159,34)
Banca Ifis/Leasing	Finance Lease associated with the MCC Guarantee Fund (data from November 2019)	9	1,92	0,02%	9	1,92
Banca Ifis/Trade receivables	M/L financing backed by the MCC Guarantee Fund	552 (2018: 198)	105,29 (2018: 40,6)	66%	740 (2018: 219)	129,25 (2018: 43,63)

[FS16]

Besides offering products and services, Banca Ifis **focuses on disseminating information** that allows entrepreneurs to know more about the financial instruments that can help their business.

<sup>11</sup> The data differs from that published in the 2018 NFS insofar as, last year, the applications received were counted, whilst in 2019, the contracts fulfilled during the calendar year are counted.

<sup>12</sup> The amount indicated is the amount financed (therefore net of the advance); in the 2018 NFS, the amount relative to the historic cost had been indicated.

On a rapidly evolving, extremely competitive market, where the product, including banking products, has now become a commodity, the difference today is made by the intelligence and flexibility of the distribution models, the immediacy in responding to customers' urgencies and, above all, the confidence that we will be able to instill in them.

Raffaele Zingone – Banca IFIS Head of the Central Affairs Department

The Group continued to provide information to entrepreneurs and SMEs through the following portals in 2019:

- **MondoLeasing:** this is the blog dedicated to the main topics of interest on leasing and hire, for enterprises and freelance professionals. MondoLeasing was created as a point of reference for these contexts: and on-line magazine, but also a platform for an open discussion with experts and operators about news linked to the financial product, encompassing, for the purpose of disclosure, opinions and contributions from the main points of reference operating in leasing and the main related topics.
- **MondoPMI:** this is the blog dedicated to the main topics of interest for those facing the context of a small and medium enterprise every day. It offers food for thought on matters of business strategy, finance, innovation and everything that may be of interest for those at the helm of a business activity.

In addition, the Group works on **several local initiatives** to the benefit of businesses, independent professionals and SMEs, helping to promote the management culture and raise awareness on best practices as well as new technologies and tools supporting growth—chief among them digitisation.

<b>New #TourPMI (SME tour)</b>	<p>A journey in the discovery of Italian businesses through the eyes of university students. New #TourPMI is a research and analysis format looking the business world, created by Banca Ifis to assure a profitable osmosis of universities and small and medium enterprises. Launched in October 2018, the second edition of the New #TourPMI created 22 links between 22 client businesses of different production chains and 150 students aged between 21 and 26 years old, enrolled with the Faculty of Economics of the Ca' Foscari University of Venice and on the Communication degree course run by the University of Padua. Students operatively entered the businesses chosen starting October 2018, in a constructive dialogue with "customer" businesses. The flanking process concluded with a workshop, on 29 January 2019, at the Central Management of Banca Ifis, during which students and researchers from the partner universities met with entrepreneurs and managers of the SMEs, to present their business and communication assessments.</p>
<b>Fintech community</b>	<p>Banca Ifis, in collaboration with TEHA Ambrosetti, has assured the second edition of the FinTechnology Forum - a series of meetings held throughout the year that culminated in the Forum, where financial players and institutions discuss the impact of fintech on the market and the risks and opportunities associated with it.</p>
<b>Support to financial entrepreneurial disclosure</b>	<p>In 2019, Banca Ifis sponsored events organised throughout Italy by professional and trade associations, Universities, and Research Centres on topics such as corporate crises, bankruptcy laws, and the relevant proceedings contributing to the development of a business culture and raising awareness on specific issues.</p>

<b>Manifatture aperte (Open manufacture)</b>	In 2019, Banca Ifis took part as main sponsor in the second edition of Manifatture Aperte, the initiative promoted by Milan City Council with the aim of bringing the protagonists of manufacture, crafts and digital manufacture of Milan back to the heart of discussion, through a programme of visits, meetings and laboratories and the possibility of accessing and visiting the places where Milan industry takes place. More specifically, Banca Ifis took part in the programme with the aim of making Milan a qualifying ecosystem for the birth and growth of companies operating in digital manufacture and crafts, thereby creating employment, regenerating the outskirts and promoting social cohesion. On this occasion, Banca Ifis also developed a special edition of the Market Watch SME, focussed on Greater Milan, bringing the topics of innovation in the Milan area to the heart of the debate.
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**Credifarma** is instead the Group company specialised in credit that has been assisting more than 2.700 pharmacies throughout Italy for more than 30 years. It is intended to support pharmacy owners in a wide range of areas. The combination of Credifarma and the already established Group Pharmacies division makes the Banca Ifis Group the leader in terms of financial support as well as development and use of digital tools for the pharmaceutical industry.

Credifarma pays particularly close attention to **rural pharmacies** located in small centres and that play an important social role insofar as they are often the only healthcare facility in the territory, disbursing its financial products quickly, responding to loan proceedings within an average of ten days.

More specifically, in 2019, Credifarma promoted the “next generation pharmacy” product, whereby it proposed financing pharmacies to facilitate the transaction from sole trader to company; this product, in fact, aims to cover the substitute tax due to the Revenue Agency in the event of the booking of the goodwill of businesses that are conferred into companies.

[FS16]

Through Credifarma and in collaboration with Federfarma, the Banca Ifis Group is also committed to taking part in **different initiatives on the territory** benefiting pharmacies with a view to spreading awareness of experiences and innovative instruments supporting business development:

<b>Inspiring the Future Pharmacy</b>	This is the project promoted by Banca Ifis and Credifarma in collaboration with Federfarma, with the aim of outlining the pharmacy of the future. Through its collaboration with the students of three prestigious Italian universities (the POLI.Design University - Department of Design of the Polytechnic University of Milan, the Department of Planning, Design, Technology and Architecture of La Sapienza University of Rome and the masters course in Digital Architecture run by the IUAV University of Venice), Banca Ifis has created a path of co-creation and contamination to identify the future trends of Italian pharmacies, both in terms of services and products offered and physical spaces. The project results, which are gathered together in a specific volume, were presented during an event held in Rome in November 2019. The nine project proposals identified a link with social topics, developing territorial presence and redesigning the figure of the pharmacist as an all-round consultant.
<b>Credifarma on the road</b>	Under the Credifarma brand and in partnership with Federfarma, Banca Ifis hosts meetings all across Italy to present financial solutions tailored to pharmacies and discuss the main issues facing the industry. In 2019, a total of 43 meetings were held in Italy.



## 4.2 Digital innovation

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### Policies and other reference documentation

- Group ICT strategic planning policy

Given the digital transformation also underway in the financial industry, Banca Ifis believes that each organisation must strive to digitally innovate its internal or external business processes.

For the Group, digital innovation is seen as a competitive advantage that offers significant opportunities for improving the service rendered to customers, making the access to intermediated services as well as the execution of customer transactions easy and immediate.

The Banca Ifis Group has always operated on national territory using a strategically capillary network of commercial branches and sales processes are performed almost exclusively on-the-go or remotely.

The development of digital innovation is confirmed as being amongst the key, priority actions for the implementation of the Group's strategy, which aims to expand the offering of the Bank's products to entirely digital sales channels, improve the user experience for all types of users, and streamline and digitise internal processes.

The all-digital sales solutions made available by the Group are the digital signature and vocal order. The digital signature, created as a challenge for the motor vehicles segment of IFIS Leasing back in 2017, is today available for various different contract types, like Retail and NPL. In particular, in 2019:

- **for Leasing**, a total of 1.165<sup>13</sup> contracts were signed by digital signature (175 in 2018), allowing for a total reduction of an estimated more than 90 thousand pages of print-outs. The ultimate aim is to increase the number of contracts signed digitally and eventually cover 80% of annual volumes;
- **for Retail**, similarly to last year, 100% of customers opened the account using a digital signature, as well as having digitally ordered 100% of transactions on the current account;
- **for NPL**, 10% (12% in 2018) of subscriptions of repayment plans were carried out through physical signature and 17% by means of subscriptions made by vocal order (14% in 2018).

Additionally, again during the year, **various project initiatives were completed, aimed at enriching the customers' operations with innovative and digital functions** focussed on the initial phases for the first commercial contact or of a consolidated relationship. The projects considered the most significant include:

- **for NPL customers**, the introduction, through the digital portal Paga Chiaro, of the payment method by means of SDD<sup>14</sup>, for the repayment plans stipulated: on this platform, the personal financial situation can also be monitored and on-line payments be made autonomously for instalments using electronic payment cares and defining a repayment plan;
- **for factoring customers**, the electronic billing service through a dedicated application solution, to date chosen by 40 customers;
- **for transferred debtors**, the implementation of an on-line portal with consulting and advisory functions that enables the recognition of receivables (for total or partial amount, with due date changes, etc.) and the request for extensions with digital signature service of documents produced (this portal will be evolved and extended in functions during 2020/21).

<sup>13</sup> Comprising an average of approximately 80 pages per contract.

<sup>14</sup> SSD (SEPA Direct Debit): payment instrument that allows for collections to be made in Euro within the SEPA area, enabling the automatic debit of the debtor's account.

Besides bolstering the solutions that ensure the customer's satisfaction, the Banca Ifis Group is committed to **gradually digitising processes** so as to boost efficiency, curb operational risk, and make the sales process more effective:

<p><b>Sale process effectiveness</b></p>	<p>Once the evolution of the Group's Customer Relationship Management System has been completed, it allows the sales network to:</p> <ul style="list-style-type: none"> <li>• have an overview of the customer (e.g. personal data, relations between subjects, products owned, etc.), perform contact strategy, propose campaigns, measure performance and own objectives. Additionally, it is an operative console for the Filo Diretto (Direct Wire) Contact Centre that can perform contact strategy both towards sales staff and leads obtained from web forms and assess own and team performance;</li> <li>• perform origination where there is a qualitative overview of the customer, which allows them to perform a pre-analysis on the value of the records (e.g. financial statements, risks centre, negative events) and the possibility of configuring the products to be added to the sales basket, as well as to manage documentation.</li> </ul> <p>This platform also simplifies the activities of the credits back office structures, reducing controls on proceedings received.</p>
<p><b>Greater efficiency</b></p>	<p>Artificial intelligence instruments have been implemented into the debt collection award processes of the NPL business, so as to make the most appropriate choice as to the subscription of repayment plans and the effective attribution of the positions to be worked to the agency network and debt collection companies.</p> <p>Extension of Datawarehouse solutions on Big Data technology to support the leasing business, which enable greater use of summary data on operations, product sales, etc.</p>
<p><b>Digitisation of processes and reduction of operational risk</b></p>	<p>The development of the new "Digibox" application is approaching completion. This will simplify and even up the processes involved in generating, sending and archiving documents, introducing advanced document tracking and handling tools to/from factoring customers.</p> <p>Robotics instruments have been introduced in support of the reconciliation of NPL collections.</p> <p>Evolution of the systems in support of autodecisioning processes for the resolution of lease contracts that can considerably speed up their sale and facilitate internal assessment, which focusses the activities only on contracts of greater value, or which are higher risk for the Bank.</p>

Banca Ifis is also ever attentive to the **latest innovations in services offered to its employees**:

- **January 2019** saw the creation of the **IFIS4You** intranet, an integrated portal on Sharepoint platform, tailored to the user, who truly is put right at the heart of the browsing experience, thanks to a user-centred design and the implementation of a chatbot and AI. Employees are thus rewarded with a completely overhauled tool that aims not only to optimise internal processes, bringing about tangible savings also in terms of the time freed up from resources that can then be dedicated to customer-oriented activities;
- during the year, additional innovations were applied to the Banca Ifis Talent Management System (IFIS Talent), designed to improve the staff recruitment, development and management processes. For more details, see the section entitled "Promotion and development of employees" in this document;
- **in May 2019, the "Digital Collaboration" project** was launched as a training programme to make all employees aware users of the Office 365 tools.

The new working hub, which seeks to foster the spread of an innovative business culture and give all employees the option of using modern tools to best manage and organise their work and time. The #Office365 course has been assigned to all company staff and at 31/12/2019, 650 employees are recorded as having completed it.

## 4.3 Quality of products and services

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[FS15]

### Policies and other reference documentation

- Code of Ethics
- Products Committee Regulation (Banca Ifis)
- Policy for approving new products and services, starting new operations, and entering new markets (Banca Ifis)
- Operative Note - Leasing BU - Monitoring of Business Partners and Unaffiliated Suppliers (Banca Ifis)
- Operative note - Activities of the leasing sales network (Banca Ifis)

The quality of the service and products offered has a major impact on satisfaction over the service received, on the sense of closeness perceived by the customer and the perception of the reliability and security of the Bank and operators working on its behalf. Quality and transparency are therefore strategic for the Group, which seeks to consolidate its reputation in Italy and abroad - as well as to study, design and test products and services that are always aligned with the market's needs and of the best possible quality.

Through a Policy for approving new products and services, starting new operations, and entering new markets, Banca Ifis sets the rules for developing and distributing new products in accordance with business strategies and objectives. Specifically, in the Leasing area, during the preliminary phase of new business relationships with a potential supplier or partner, and before purchasing assets to be leased to customers, the Group performs a series of checks:

- **in the case of potential affiliated partners/vendors**, with which the bank intends to establish an on-going relationship, the activation of commercial agreements is subject to an investigation aimed at verifying the quality of the assets supplied and compliance with the criteria of reliability, credibility and soundness from a financial and reputational standpoint. A Code of Conduct must also be signed in order to conclude commercial agreements;
- **in the case of occasional suppliers** (for example, proposed directly by the customer for the purchase of a specific asset), the checks aim to verify the quality of the asset, the actual existence of the company and the possession of the main credentials, in order to prevent any fraud involving the brand and the customer.



### Banca IFIS Impresa service level

For Banca IFIS, our commitment is to guarantee customers a high level of service through quick and timely responses that stand out on the market. Below are the results obtained in 2019 for the leasing, factoring and SME loan products:

Average time for assessing lease proposals:

- Cars, commercial and industrial vehicles: 1,5 days (1,5 days in 2018)
- Instrumental assets (industrial, IT and Office) worth less than or equal to € 250.000: 3 days (2 days in 2018)
- Instrumental assets worth more than € 250.000: 6 days<sup>15</sup> (5 days in 2018)

Average time to respond to requests made by leasing customers:

- Time for managing customer requests: 2 days<sup>16</sup> (1,5 days in 2018)
- Telephone call abandon rate: 4% (4% in 2018)
- First Call Resolution: 95% (95% in 2018)
- Issue of deed of sale for the asset after the lease contract: 2 days (2 days in 2018)

Average time for assessing factoring proposals: 6,7 days (7 days in 2018)

Average time for assessing SME loan proposals: 11,9 days (11 days in 2018)

IFIS NPL promotes on-going operator-customer relationships to build trust over time, and implements various safeguards to guarantee the quality of the service provided by network operators (debt collection companies, agents, internal call centres), including:

- **credentials and qualifications:** all agents must be registered in the list of the OAM (Association of Credit Agents and Brokers). If they are not registered, Banca Ifis accompanies operators throughout the certification process, from training up to the final exam (this applies also to agents promoting salary- and/or pension-backed loans). Before establishing the relationship, debt collection companies are assessed on their reliability, credibility, and financial soundness;
- **incentives for agents and debt collection companies:** the Group has stringent KPIs to monitor the quality of the positions processed, imposing penalties in the case of prolonged poor performance.

<sup>15</sup> The figure on timing for instrumental assets worth less than or equal to € 250.000 has, for reasons of prudence, been increased on that for 2018 (5 days) because starting November, the MCC Guarantee fund has been introduced into Credit Assessment, requiring further analysis and the verification of additional documents.

<sup>16</sup> The figure has increased by 0,5 days on 2018 due to the fact that in 2019, the management volume of prospects grew by 20% on 2018 and electronic billing in 2019 involved resources in monitoring and operative interventions.

### Debt collection company agents and employees monitoring model

The structure that manages the out-of-court networks and the monitoring structure have defined a debt collection and agents monitoring model based on different types of KPIs:

- Behaviour KPIs such as, by way of example, complaints upheld, disputes and anomalous conduct.
- Performance KPIs such as, by way of example, processing time, quality of repayment plans defined in terms of number and value, amount of outstanding collections.

These KPIs are monitored monthly and, if applicable, a dialogue is activated with agents and debt collection companies to launch any corrective actions.

And, in addition to the usual inspections run at the collection companies, specific inspections may be held or questionnaires submitted with a view to verifying various aspects, including the adequacy of the collection processes adopted in respect of the industry best practices. Once a year, when the results of the above-described control activities have been processed, an overall assessment takes place of the collectors and, depending on the outcome, the most appropriate action to be taken is decided, to protect the interests of the Banca Ifis Group and its customers.

When faced with risk events, the internal structures duly inform the control organisation units and, in particular, Risk Management, as responsible for handling operational and reputation risks.

To evaluate the effectiveness of the adopted management approach, the Business Areas that own each product or service verify whether those comply with the Bank's sales processes to make sure the customer's needs are met effectively, and the control functions can schedule and conduct reviews in accordance with the Bank's policy.

Specifically concerning the definition and introduction of new products and services:

- Compliance monitors the risk of non-compliance, for instance by assessing the adequacy of controls relative to applicable laws or verifying the compliance of the proposed advertising campaign, and, in partnership with the Human Resources function, evaluates the adequacy of employee training in raising awareness about the risks inherent in the new product and how to mitigate them.
- Anti-Money Laundering helps evaluate the risk that the new initiative could pose to the Bank concerning the potential for it to become involved in money-laundering and terrorist financing as a result of the new product.

## 4.4 Transparency of information on products and services

### Policies and other reference documentation

- Code of Ethics
- Group dispute management policy
- Organisational Procedure for Marketing Communications to Customers (Banca Ifis)
- Organisational Procedure for the Transparency of Banking and Financial Operations and Services (Banca Ifis)

Transparency towards customers impacts their trust in the Bank, which represents the basis for a healthy and long-lasting relationship—and therefore an asset to protect and develop. This concerns both the various communications issued by the physical network as well as specific contractual aspects within the different Business Lines.

The Group establishes direct relationships with its customers and operates guided by principles of professionalism, honesty, and transparency, providing detailed information on their mutual obligations and any potential risks inherent in the transactions carried out.

All contractual relationships, communications, and documents are written in a clear and comprehensible manner, ensuring customers fully understand the decisions they make.

The NPL Area has an additional mechanism in place to guarantee the transparency of the agent-customer relationship: at the end of each visit by the agent, the customer must sign a "Meeting report" describing what transpired during the meeting and any agreements made. Also when transmitting information to external parties, through advertising or other channels, the Group makes sure its communications are honest, true, clear, transparent, verifiable, and consistent with business policies and programmes.

The organisational units that report to Operations are responsible for managing transparency processes towards customers and the terms applicable to the products offered by the Bank at a centralised level, as well as for operations subject to transparency regulations (e.g. sending recurring documents to customers) and helping the Business Areas prepare customer communications.

The Compliance function supervises the implementation of banking transparency regulations and is also involved in preparing communications about significant changes to the terms and conditions applicable to a product or service to ensure they are written clearly.

[GRI 417-2]

[GRI 417-3]

<b>Number of episodes of non-compliance concerning transparency</b>		<b>2019</b>	<b>2018</b>	<b>2017</b>
In the area of information on products and/or services	No.	0	2	1
In the area of advertising communications	No.	0	0	0

### Grievance mechanisms

Banca Ifis adopts several mechanisms to receive feedback and grievances from key stakeholders, and especially employees, collaborators and professionals that work with the Group on a regular basis, as well as through complaints from customers or debtors. These mechanisms help management identify potential inefficiencies, anomalies or issues concerning business processes. Therefore, along with the controls, they help evaluate the effectiveness of the management approach to the various topics.

## Handling of complaints

The complaint represents not only a useful instrument to improve the quality of products, services, and customer relationships, but also a way to monitor the conduct of the business functions and those that act on behalf of the Group (such as the members of external networks), and thus keep the mutual trust between the Group and the Customer alive. Complaints can concern the quality of products and services, transparency, privacy, IT security, and multichannel instruments, as well as the respect for the principles of integrity and fairness on the part of the Group's employees or the members of the network, compliance with regulations, non-discrimination, and activities to support entrepreneurship and financial inclusion.

The complaints handling policy, applied at the Group level, sets the guidelines for handling the complaints received by the Group's companies in an appropriate and timely manner based on the principle of the fair treatment of customers and in accordance with applicable laws.

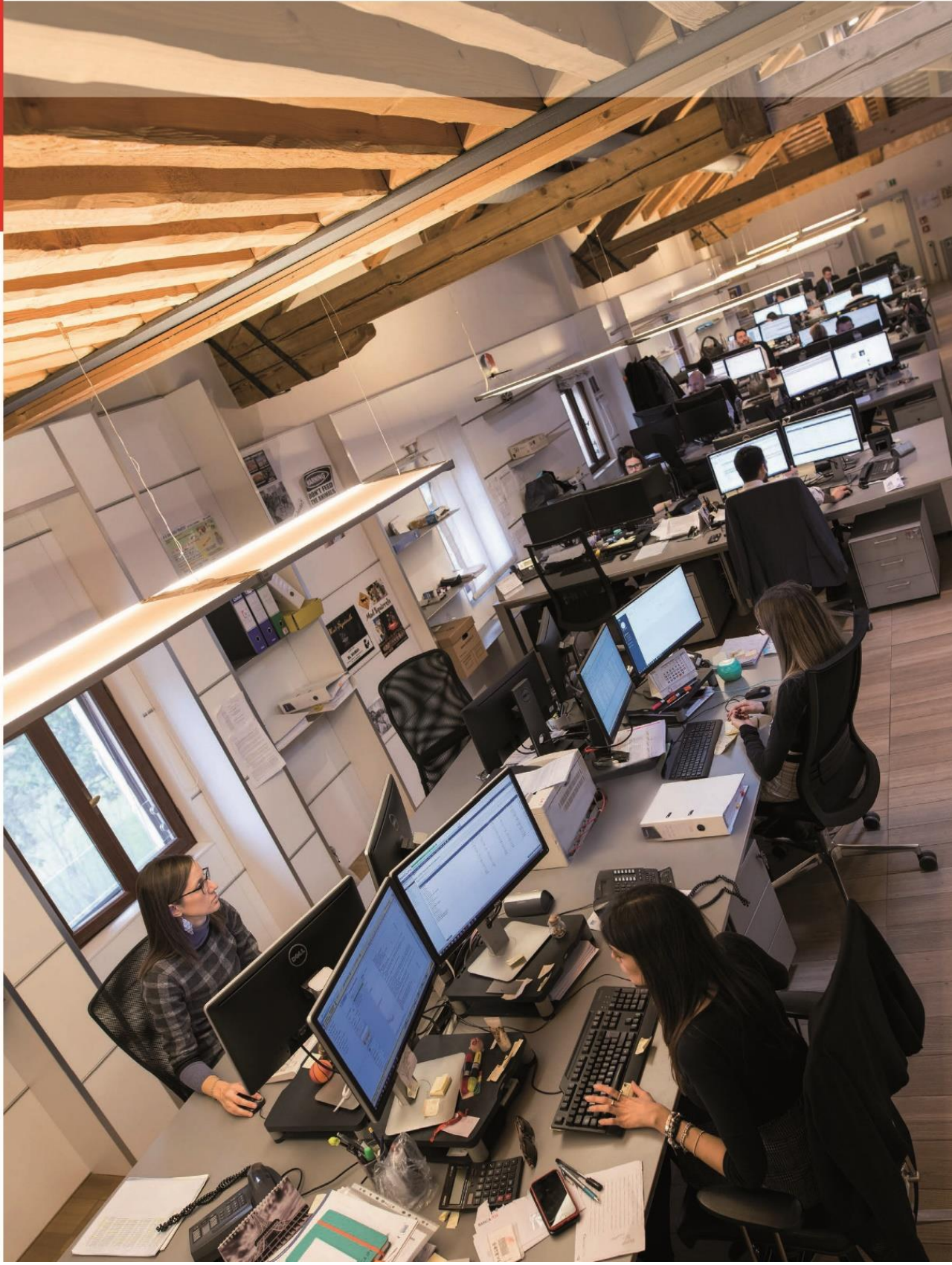
The goal of the complaints handling process is to handle in an appropriate and timely manner any grievance received from customers unsatisfied with the products and services provided or offered, taking corrective and preventive actions to prevent any problem from recurring in the future. These actions can consist in specific initiatives addressing the individual complaint or the activation of general solutions to address the causes underlying the individual complaint or multiple complaints concerning the same area.

The Group has established a Parent Company Complaints Office, which ensures the centralised management of all complaints, including those received by subsidiaries. The office dedicated to handling complaints receives complaints and duly and impartially handles them, informing the business units concerned from time to time. The Complaints Office has a dotted-line reporting relationship to Compliance and operates according to the guidelines set by the latter.



# 5.

## Ifis People



In 2019, the Banca Ifis Group began the **consolidation of its organisational structure**, following company acquisitions that took place in the last three years. Indeed, the Group has been joined by companies of different nature, and territorial contexts and with different resource professionalism and training.

Indeed, these acquisitions have brought about a **sudden change in the Bank's and Group's internal context**, thereby requiring a standardisation and improvement in the conditions of employees, also with a view to assuring that their integration into very different contexts, would be as smooth as possible. On this basis, Human Resources and Communication have been busy working on the project for the integration of the people of Banca Ifis with those of the legal entities acquired. In order to standardise methods, processes and working tools and to foster the sharing of the objectives and values of the new banking group, throughout 2019, onboarding and integration initiatives took place involving essential cohesion.

Following the **Group climate survey** organised late 2018 in collaboration with Doxa, involving a total of 82% of employees, in 2019 two working parties were established to prepare proposals and bridge the gaps detected. In connection with the targets of this phase, four web discussion sessions were held, split by target and each lasting three days, with approximately 20 participants.

At each web discussion, amongst other points raised, participants were asked to describe the value of the climate survey and its results. Transversally, the survey was deemed to be useful and interesting in itself and for Banca Ifis, as:

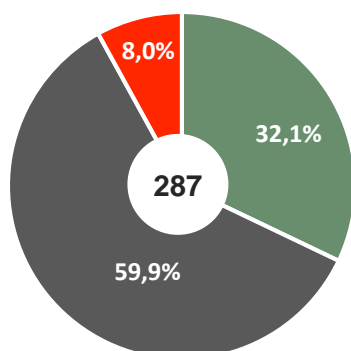
- a tool by which to redefine objectives and processes in view of the recent changes;
- an opportunity to get to know and promote employees' points of view;
- a sign that Banca Ifis was approaching new business management methods.

As for the **breakdown of employees** at 31 December 2019, the Group's staff numbered 1.753, compared to 1.638 at the end of 2018, rising by 115 units (nearly 7%) year-on-year - also as a result of the acquisitions made during 2018.

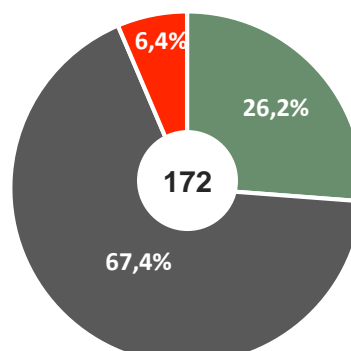
[GRI 401-1]

As in the previous year, the rate of new employee hires (16%) was higher than the turnover rate (10%). Specifically, 287 employees joined the Banca Ifis Group during the year, and approximately 32% of them were less than 30 years old—evidence of the Group's focus on facilitating the involvement and inclusion of young people into the labour market as well as its interest in introducing new talents into the organisation.

**New employees hired by age group**



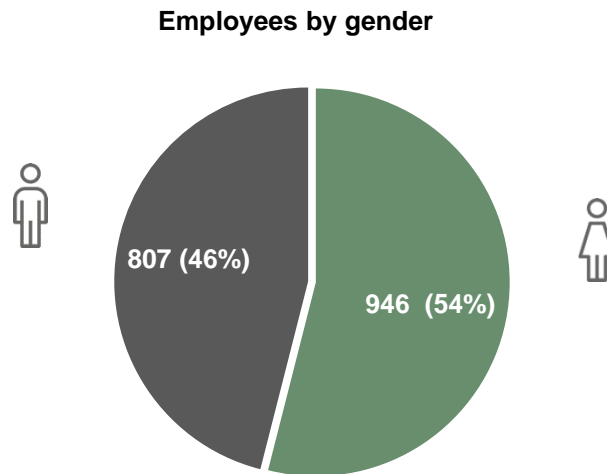
**Employee turnover by age group**




■ less than 30 years old ■ between 30 and 50 years old ■ more than 50 years old

[GRI 405-1]

As for the differences between genders, 54% of the Group's employees are women, and these specifically account for 41% of management personnel (Senior and Middle Managers). These percentages are in line with previous years.



In addition, similarly to previous years, nearly all employees are on permanent contracts, which is testament to the Group's commitment to ensuring job stability and security.

 For more information on employees, see the tables at the end of this section.

## 5.1 Employee well-being

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### Policies and other reference documentation

- Code of Ethics
- Group employee management policy
- Integrated Safety and Environment Manual
- Risk assessment document (DVR)
- Smart working- Agile working internal guidelines

Promoting the physical and psychological well-being of employees, workplace health and comfort, occupational welfare policies and schemes, work flexibility, and work-life balance—these are just some of the issues that may positively contribute to the organisational well-being as well as to improving the organisation's performance, for instance in terms of reduced turnover, increased productivity, and fewer workplace injuries.

Some of the initiatives implemented in 2019 intended to promote the well-being of employees sought to extend the existing occupational welfare schemes to the companies that recently joined the Group.

### Occupational health and safety

First and foremost, all the Group's operations must meet adequate safety standards at all times. Through the Safety Policy included in the Integrated Safety and Environment Manual, Banca Ifis sets out and communicates the fundamental principles and criteria that guide decisions on occupational health and safety as far as the offences described in Italian Legislative Decree no. 231/2001 are concerned.

In accordance with applicable laws, the Group's companies guarantee an adequate work environment from the perspective of health and safety. The Group's employees must thoroughly comply with health and safety provisions as well as attend mandatory training programmes. In 2019, the Group provided more than 1.440 hours of mandatory training on health and safety practices and procedures.

The reduction in safety training as compared with 2018 (corresponding to approximately 2.500 hours) is linked to the temporary suspension of refresher courses on the specific part delivered by the external entity as the aim is to deliver it internally in the future. Moreover, the reduction in the number of new employees to be trained and the collection of certificates relative to previous safety training for new employees, all helped further reduce the figure. Finally, while 2018 was a year in which there was a considerable need for training in connection with the fire-fighting refresher courses, no such need was seen in 2019.

Responsibility for health and safety lies with the Head of the Prevention and Protection Service (RSPP, Responsabile Servizio Prevenzione e Protezione in Italian), the Prevention and Protection Service Officer (ASPP, Addetto al Servizio di prevenzione e protezione in Italian), and the Human Resources and General Services functions, as delegated by the Employer, each within the scope of their responsibilities. Specifically, General Services organises and supervises operations as well as manages facilities and equipment at the Group's headquarters and commercial offices concerning health and safety.

Ultimate responsibility for identifying and managing measures to protect employee health and safety lies with the Employer.



[GRI 403-2]

The following safety indicators are produced in accordance with the standard UNI 7249 and concern the number of injuries (including commuting accidents), the injury rate, and the lost day rate.

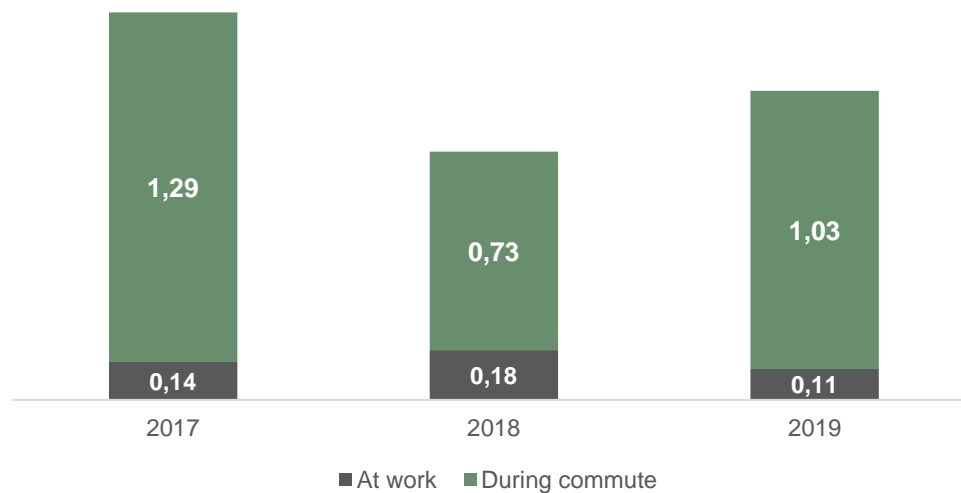
[GRI 403-2]

Total number of injuries <sup>17</sup>	No.	2019	2018	2017
			20	15
Men	No.	6	6	11
Women	No.	14	9	10

Specifically, in 2019 there were only 2 workplace injuries and 18 were commuting accidents. Commuting accidents (rear-end collisions in general) represent the most frequent type of injury. During the year, no injuries involved temporary staff.

Similarly to last year, there were no cases of occupational diseases or deaths linked to work.

#### Injury rate\* by type



\* The ratio of injuries occurred to total employees at 31/12

<sup>17</sup> The data does not include the companies Cap.Ital.Fin. SpA and Credifarma SpA, FBS SpA and employees abroad.

	2019 <sup>18</sup>	2018
<b>Injury rate (total)</b>	<b>6,9</b>	<b>5,2</b>
Men	4,4	4,5
Women	9,1	5,8
<b>Lost day rate (total)</b>	<b>0,1%</b>	<b>0,1%</b>
Men	0,1%	0,1%
Women	0,2%	0,1%
<b>Absenteeism rate (total)</b>	<b>2,3%</b>	<b>2,1%</b>
Men	1,5%	1,4%
Women	3%	2,7%
<b>Occupational disease rate (total)</b>	<b>0</b>	<b>0</b>
Men	0	0
Women	0	0

Injury rate = no. of injuries x 1.000.000 / no. of working hours

Lost day rate = no. of lost days x 1.000 / no. of working hours

absenteeism rate = percentage ratio of number of days lost (for illness, injury, public appointments, blood donation permits and other, handicaps, assemblies/strikes, etc.) and theoretical working days

## Workplace health and comfort

To evaluate the effectiveness of the adopted management approach, General Services conduct environmental monitoring and surveys to assess the internal well-being of work environments, performing air quality and electromagnetic field analyses, among others, at the Group's main locations. As part of its continuous improvement effort, the Group monitored noise levels and microclimate conditions, and this led to adopting several improvements.

The Prevention and Protection Service instead conducts safety audits on a regular basis, especially at newly opened locations or offices, in the event of significant changes to the layout of work environments or during annual evacuation drills. Moreover, in 2016 the Group embarked on a review of its sites to increase flexibility and sustainability (including environmental sustainability), thereby confirming the Bank's close focus on and commitment towards adopting ecological behaviour.

The recent site restructuring operations have been designed and carried out to make for practical, comfortable environments with attention paid to design. Offices, meeting rooms, and common areas feature furnishings and new technologies that promote the exchange and sharing of information:

- The building that houses the Florence office, opened in 2016, has been completely renovated to the highest eco-friendly and environmental sustainability standards and features a large solar array.
- The Rome office is located in the Eur district and was opened in 2017, inside a modern building surrounded by greenery - a structure that combines design, innovation, and space efficiency.
- For the Mondovì property, with a view to hosting employees in suitable spaces and creating smart working environments, several restructuring and requalification interventions have been planned to satisfy the needs for improvement that emerged in the internal survey on the organisational well-being of the people working at the bank, run in October 2018.
- The new building in Venice Mestre, whose construction began in 2019 and is expected to be completed towards mid-2022, will feature high energy efficiency plants with heating and air-conditioning systems supplied by renewable sources; for more details, see the chapter on "Direct environmental impacts".

<sup>18</sup> In order to calculate the injury rate and lost day rate, 217 employees (40 Credifarma, 42 Capitalfin, 106 FBS and 29 abroad) were subtracted from the total number of employees, of whom: 91 men and 126 women.

## Occupational welfare policies

In September 2018, a two-fold agreement was stipulated with trade unions to introduce innovative bonus policies and schemes as well as expand the existing occupational welfare system.

The proposal stemmed from the awareness that only by promoting a healthy work-life balance the Group can help employees realize and develop their full potential as well as create shared value consistently over time. To foster an optimal life-work balance, the Group offers solutions like part-time employment, particularly suitable for new mums, and smart working, to which the company is paying growing attention.

The agreement also establishes new variable compensation mechanisms (for the employee categories concerned) in order to involve employees more in accomplishing the Group's goals while boosting profitability, productivity, competitiveness, and efficiency. The eligibility criteria are based on the position, the achievement of profitability target, and the performance review. The bonus is contingent on the 2019 net profit from financial activities growing at a faster pace year-on-year than any potential increase in operating costs compared to 2018.

The initiatives linked to harmonisation and ever increasing attention paid to employees included, during the year, the trade union agreement stipulated for the transfer to the Credit national collective bargaining agreement with reference to the companies FBS S.p.A. and FBS Real Estate S.p.A.. This brought about a clear improvement in the economic and regulatory treatment of the companies seeking to achieve employee integration, fairness and well-being.

From 1 January 2019, for the first time ever, following an agreement reached with the trade unions, a basket of goods and services were made available to employees, constructed around individual and family needs. These offers, divided into the areas required by the law (education expenses, supplementary pension schemes, mortgages, healthcare fund, public transportation, leisure time, and vouchers), have been made available to employees and their relatives, either as a "redemption" or a direct purchase or payment.

This instrument, which will also be available in 2020, completes the wide range of benefits already granted to employees, which includes, amongst others, insurance cover, complementary pension guarantees and subsidised loans.

Starting March 2019, the new **Corporate Benefits project** was added to the corporate intranet: this is a new portal setting out agreements reached with the company for discounts on travel, technology and a wide range of products and services of the most prestigious makes and best companies. The portal does not make credit disbursed from the bank available, but rather the purchase of discounted goods and services both on-line and from certain local commercial retailers.

[GRI 401-2 a.]

Employees can enjoy certain benefits, to different levels depending on the role played in the company and/or reasons for service, regarding:

- health policy (for employees on permanent contracts and apprentices);
- professional and other injuries policy;
- life policy;
- luncheon vouchers;
- company car;

- company contribution towards complementary welfare (for employees on permanent contracts and apprentices);
- special-rate mortgages for first homes;
- access to tax assistance to fill in the 730 Declaration.

[GRI 102-41]

<b>Employees covered by collective bargaining agreements</b>		<b>2019</b>	<b>2018</b>	<b>2017</b>
Employees covered by collective bargaining agreements	No.	1.724	1.613	1.457
Percentage of total employees	%	98% <sup>19</sup>	98%	99%

<sup>19</sup> The figure represents all employees based in Italy. The remaining 2% are employees based abroad and subject to local laws, which do not envisage collective bargaining agreements.



## 5.2 Promotion and development of employees

### Policies and other reference documentation

- Code of Ethics
- Group employee management policy

These are challenging times for the Bank and the entire credit industry, requiring dramatic changes in terms of new technologies as well as skills. Banca Ifis strives to develop training plans based on the concept of continuous learning and dynamically managing the skills and careers of human resources.

Another key aspect is guaranteeing transparent performance review systems and professional growth plans for the Group's entire population, allowing all employees to work to the best of their abilities.

Late 2019, all employees were offered<sup>20</sup> a new e-learning course aiming to promote greater awareness within our Bank as to good practices to be applied in order to guarantee business continuity and preserve business performance in crisis situations.

Again during the year, the Bank launched its “Digital Collaboration” project aimed at promoting the use of shared work digital tools. For more information on internal digital training, please refer to the chapter on “Digital innovation” of this document.

### Training

**Those able to design promotion and development programmes for human resources, protecting the young, as well as others, from professional obsolescence, will successfully attract the best talents.**

**Stefano Micelli** – Teacher of International Management at Ca' Foscari University of Venice  
*Opinion leader involved in the materiality analysis process*

Training is of paramount importance to the Banca Ifis Group, as it is key for constantly upgrading employee skills—which is crucial for growing the business and retaining talent. An adequate training positively impacts the performance and effectiveness of employees as well as external agents, the dissemination of the corporate culture, and engagement. This has positive implications also for customers, as complying with professional standards, promoting a culture of preventing risks, and empowering the members of the network influence the quality of the service rendered. Mandatory training required by law also plays a crucial role, as it prevents employees and the Bank from committing, including unwittingly, acts that could constitute criminal offences.

Banca Ifis commits to providing training to all employees with investments over the three years amounting to 3 million Euro, in order to promote participation in refresher courses and training programmes in order to help each individual fully realise his or her skills and expectations, and thus contribute towards the Group's goals.

<sup>20</sup> With the exception of FBS S.p.A. and FBS Real Estate S.p.A.

**IFIS Week Up**

IFISWeekUp is the Friday podcast whereby the Bank gives out the main news of the week about the bank and current affairs in general, to all employees. The voices of colleagues tell the latest news about technology, the world of finance and oddities about the markets on which we operate.

[GRI 404-2 a.]

Every year, based on the result of the performance appraisal process and the training needs identified, Banca Ifis designs, prepares and implements a Training Plan for all employees. Said Plan is proposed by the Human Resources Development function and approved by the General Manager.

The Group supports its employees' professional growth through:

- basic training, aimed at providing general information about the company's operations, products, services, and procedures;
- career mobility, intended to build specialist, business, and management skills;
- specific professional growth projects tailored to the different types of positions / employee categories or clusters.

For 2019, the Group recorded 31.897 hours of training and considerable investments that reached more than 2,8 million in the last three years.

<b>Training hours delivered (h)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total</b>	<b>31.897,4</b>	<b>39.719,7</b>	<b>32.362,7</b>
<b>by gender:</b>			
Men	15.886,5	18.372,4	16.164,0
Women	16.010,9	21.347,3	16.198,7
<b>by professional category:</b>			
Senior managers	693,4	1.491,6	1.076,9
Middle managers	6.930,8	12.525,6	9.219,1
Clerical staff	24.273,1	25.702,5	22.066,7

[GRI 404-1]

<b>Average training hours per capita (h)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total</b>	<b>18,2</b>	<b>24,2</b>	<b>22,0</b>
<b>by gender:</b>			
Men	19,7	24,6	23,9
Women	16,9	23,9	20,4
<b>by professional category:</b>			
Senior managers	9,4	24,5	18,9
Middle managers	13,6	25,8	20,3
Clerical staff	20,8	23,6	22,9

Total training hours provided by type/area (h)	2019	2018	2017
<b>Total</b>	<b>31.897,4</b>	<b>39.719,7</b>	<b>32.362,7</b>
Total about Health and Safety	1.440,5	2.498,0	2.820,0
Total about anti-corruption policies and procedures	732,5	1.313,5	630,0
Total "Other"	29.724,4	35.908,2	28.912,7

The reduction in the hours of training seen in 2019 is mainly due to the reduction in the need for training as a consequence of the previous bridging of the gap and the hiring of staff with previous training that is in line with the business requirements. In particular:

- for compulsory training, as in the case of anti-corruption training, the e-learning course "The liability of entities ed. 2018" had been made available from July 2018 and, accordingly, completed by some of the employees back in 2018;
- for managerial training, in 2018 specific courses were delivered both to managers currently in office and those newly appointed. In 2019, follow-up hours were delivered on the important course developed in 2018.

[GRI 404-2]

Training programs cover three main areas:

- managerial, behavioural and technical training, based on the staff evaluation process;
- mandatory training relative to: administrative liability of entities pursuant to Italian Legislative Decree no. 231/2001, operative requirements linked to the regulations on banking transparency, anti money laundering, worker health and safety, IT security, regulation on personal data protection and business continuity;
- training courses for contingent or emerging needs, such as organizational changes, regulatory changes or new business priorities, which may require specific knowledge in certain areas to ensure the acquisition of specific skills in a short time.

Based on the topic to explore and the target level of knowledge, the Human Resources Development department identifies the most effective and efficient training method among such options as management and behavioural training workshops (in-house and external), specialised technical training (in-house and external), on-line courses, external seminars / conferences, training on the job, coaching, and one-to-one training. The Human Resources Development department assesses the level of satisfaction with, and the effectiveness of, training courses by conducting random surveys.

There is an "Onboarding Process" for new hires and the employees of the companies acquired during the year: this consists in a series of individual and/or group meetings aimed at integrating new hires into the Bank's organisation and their respective structures. In 2019, 245 employees, of whom 152 were new hires and 93 followed the acquisition of FBS S.p.A., took part in specific onboarding sessions.

## Performance review

People are key to accomplishing the Banca Ifis Group's goals. Therefore, human resources management seeks to promote the competencies and skills of each individual by providing opportunities to fulfil their potential.

To this end, clear and transparent performance review systems directly impact the extent to which all the Group's employees are integrated and can make the most of their talents within the new corporate organisation as well as the level of recognition of specific personal skills perceived by each individual, contributing to a sense of belonging and engagement. Banca Ifis thoroughly reviews the performance of its employees on a regular basis in accordance with the Group Employee Management Policy. Besides the proper discharge of their duties, it considers factors such as integrity, professionalism, dedication, fairness, availability, and initiative.

### IFIS Talent

For a company that innovates, it is essential to focus on the development of people and actions that can boost human potential. This was the reasoning behind IFIS Talent, the Banca Ifis Talent Management System: a platform designed to improve the process of recruitment, promotion and management of people in order to satisfy the needs of the organisation and of all current and future employees.

IFIS Talent was launched in 2017 to satisfy some essential needs, of the Bank and the colleagues who share its objectives and values. With this project, employees have a single platform available incorporating all Human Resource development processes and where they can find the tools they need to continue to grow professionally. The platform also represents another step forward in the continuous process of digitising the Bank. IFIS Talent is a tool at the measure of IFIS People: immediate, intuitive and user-friendly.

In a simple click, each employee can enter "his world" and thereby gain a greater understanding and more independence in their work in the Bank. But it is also an innovative tool for managers, who can view and get to know the "history" of their co-workers. All this makes it an absolutely exceptional opportunity to increase the Bank's professional and managerial potential. The Human Resource development digitisation process is evolving constantly.

Last year, a series of tools/processes were released linked to Performance Management, training, the possibility of increasing dialogue between Human Resources and employees and, finally, "continuous feedback".

More specifically, as regards the continuous feedback function, managers can provide collaborators with various types of feedback (achievement of objectives, competences acquired, suggestions for self-improvement and assessment of extra competences over and above the objectives set), using methods that are closer to the world of social networks and instant messaging, such as "likes" or "star ratings". To sponsor the tool, in 2019 a specific event rewarded four managers who had stood out for the quantity and quality of the feedback supplied through the tool.

Again in 2019, additional important changes were made, including the digitisation of the reward system whereby, on the basis of the final assessment pertaining to the previous year, the related results premiums are disbursed to employees. The quality of the work and commitment to the digitisation of a great many processes relative to Human Resources has also been recognised by the HR Innovation Practice Observatory of Milan Polytechnic University. Banca Ifis was proud to stand out amongst all cases presented, winning the 2019 HR Innovation Award in the Performance Management category.

The performance review process is handled by Human Resources and conducted by ensuring the assessments are fair as well as simply and clearly represented.

Every year, the head of each organisational unit formally reviews the performance of the people assigned to their structure. The effectiveness of the management approach is ascertained through internal analyses carried out by the Human Resources Office, namely: verification of compliance with the distribution of expected assessments and the fulfilment of contractual obligations regarding the evaluation of employees by managers.



[GRI 404-3]

<b>Total employees assessed during the year by gender</b>		<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total</b>	<b>No.</b>	<b>1.411</b>	<b>1.226</b>	<b>941</b>
	<b>%</b>	<b>80%</b>	<b>75%</b>	<b>64%</b>
<b>By gender:</b>				
Men	%	642	572	420
	No.	80%	77%	62%
Women	%	769	654	521
	No.	81%	73%	66%
<b>By professional category:</b>				
Senior managers	No.	41	16	7
	%	55%	26%	12%
Middle managers	No.	469	451	218
	%	92%	93%	48%
Clerical staff	No.	901	759	716
	%	77%	70%	74%

The performance assessment process that took place in 2019 is linked to the performance recorded in 2018. This process involves the senior and middle managements and clerical staff of the Banca Ifis Group, hired by 30 September of the previous year and those who worked at least 3 months during the previous year.

## 5.3 Diversity and Inclusion

### Policies and other reference documentation

- Code of Ethics
- Remuneration report (Remuneration and incentive policies)
- Group Whistleblowing Policy

Ensuring fairness in recruitment and employee management and remuneration processes, as well as promoting diversity and equal opportunity in the workplace, is key to spreading the culture of social inclusion and maximising people's potential.

The Group firmly condemns any discrimination against employees or applicants based on gender, age, religious or political beliefs and trade union affiliation, as well as any form of nepotism and preferential treatment.

As the Code of Ethics—the Group's main reference for standards of conduct and ethics—clearly states, all Group employees shall maintain the highest standard of conduct, respecting the dignity and moral personality of everyone.

These rules apply also to external collaborators.

It is possible to report any conduct contrary to these principles, with the guarantee that the personal data of the complainant and the alleged offender will remain confidential, through the Whistleblowing mechanism, which is available to employees as well as collaborators and independent contractors working with the Group on a regular basis.

[GRI 405-1]

Breakdown of personnel		2019	2018	2017
<b>Total</b>	<b>No.</b>	<b>1.753</b>	<b>1.638</b>	<b>1.470</b>
<b>by gender:</b>				
Men	No.	807	746	677
	%	46%	46%	46%
Women	No.	946	892	793
	%	54%	54%	54%
<b>by age group:</b>				
Less than 30 years old	No.	211	193	249
	%	12%	12%	17%
Between 30 and 50 years old	No.	1.253	1.180	994
	%	71%	72%	68%
More than 50 years old	No.	289	265	227
	%	16%	16%	15%

[GRI 405-1]

Total number of employees by category and gender		2019	2018	2017
	No.	1.753	1.638	1.470
<b>Total Senior Managers</b>	<b>No.</b>	<b>74</b>	<b>61</b>	<b>57</b>
Men	No.	57	47	44
	%	77%	77%	77%
Women	No.	17	14	13
	%	23%	23%	23%
<b>Total Middle Managers</b>	<b>No.</b>	<b>511</b>	<b>486</b>	<b>450</b>
Men	No.	287	282	262
	%	56%	58%	58%
Women	No.	224	204	188
	%	44%	42%	42%
<b>Total clerical workers</b>	<b>No.</b>	<b>1.168</b>	<b>1.091</b>	<b>963</b>
Men	No.	463	417	371
	%	40%	38%	39%
Women	No.	705	674	592
	%	60%	62%	61%
<b>Total number of employees by category and age group</b>		<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>1.753</b>	<b>1.638</b>	<b>1.470</b>
<b>Total Senior Managers</b>	<b>No.</b>	<b>74</b>	<b>61</b>	<b>57</b>
Less than 30 years old	No.	0	0	0
	%	0%	0%	0%
Between 30 and 50 years old	No.	38	32	29
	%	51%	52%	51%
More than 50 years old	No.	36	29	28
	%	49%	48%	49%
<b>Total Middle Managers</b>	<b>No.</b>	<b>511</b>	<b>486</b>	<b>450</b>
Less than 30 years old	No.	3	3	5
	%	1%	1%	1%
Between 30 and 50 years old	No.	358	340	310
	%	70%	70%	69%
More than 50 years old	No.	150	143	135
	%	29%	29%	30%
<b>Total clerical workers</b>	<b>No.</b>	<b>1.168</b>	<b>1.091</b>	<b>963</b>
Less than 30 years old	No.	208	190	244
	%	18%	17%	25%
Between 30 and 50 years old	No.	857	808	655
	%	73%	74%	68%
More than 50 years old	No.	103	93	64
	%	9%	9%	7%

The INTERNATIONAL population (29 employees, 15 women and 14 men) was included in the clerical staff category, as it cannot be classified otherwise in accordance with Italian law.

Individuals from minority or vulnerable groups		2019	2018
<b>Total</b>	<b>No.</b>	<b>84</b>	<b>72</b>
<b>Less than 30 years old</b>	No.	7	5
Men	No.	4	4
Women	No.	3	1
<b>Between 30 and 50 years old</b>	No.	<b>60</b>	<b>51</b>
Men	No.	24	18
Women	No.	36	33
<b>More than 50 years old</b>	No.	<b>17</b>	<b>16</b>
Men	No.	5	4
Women	No.	12	12
% individuals from minority or vulnerable groups out of total employees	%	4,8%	4,4%
<i>% individuals from minority or vulnerable groups out of total employees (included in calculation base)</i>	%	6,0%	5,8%

The figure relating to the % of individuals from minority or vulnerable groups out of total employees was calculated on the basis of the companies Banca Ifis - IFIS NPL - IFIS Rental in reference to their calculation bases, as declared in the respective prospectuses pursuant to Italian Law no. 68/99.

[GRI 406-1]

As for last year, no incidents of discrimination were reported in 2019.

Adequately **remunerating** skills is one of the main levers for attracting and retaining top talent—which is key for growing the business.

Banca Ifis's remuneration and incentive policies are defined in accordance with the Group's culture and values, long-term strategies, and prudent risk management policies, consistently with the provisions concerning the prudential control process.

The Banca Ifis Group's remuneration and incentive scheme aims to balance competitiveness and the achievement of objectives with the sound governance of the Group, promoting a healthy and effective risk management, maintaining transparent and fair customer relationships, and seeking to align the interests of the different stakeholders as much as possible.

The Banca Ifis Group has an annual bonus scheme in place that follows the performance review as well as incentive schemes focused mainly on the sales force with bonuses contingent on achieving pre-set goals and awarded on a regular basis. Pursuant to the provisions of the Remuneration Report, which is approved annually by the Board of Directors and then the Shareholders' Meeting, the Group has a specific incentive scheme in place for employees considered to be Material Risk Takers.

The remuneration policy and the annual Remuneration Report are subject to review by the Internal Audit and Compliance functions (the review concerns the consistency of the incentive scheme with internal policies and regulations, and the comprehensiveness of the disclosures in the Report relative to regulatory requirements, respectively). The findings and any potential anomalies are reported to the Remuneration Committee, the Board of Directors, and the competent functions, allowing them to take corrective actions as needed, as well as, in condensed form, to the Shareholders' Meeting convened for the approval of the Financial Statements.



[GRI 405-2]

<b>Ratio of basic salary of women to men by employee category (%)<sup>21</sup></b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Senior managers	91%	79%	89%
Middle managers	90%	93%	91%
Clerical staff	97%	99%	98%

Concerning the ratio of the basic salary of women to men, there is substantial equality within the Clerical Staff category and a limited difference for Middle and Senior Managers.

<sup>21</sup> The calculation excludes the additional amounts paid to workers (e.g. those based on the years of service, bonuses, overtime, additional indemnity for transport, transfers, etc.)

 Additional information on employees

[GRI 401-1]

		2019	2018	2017
<b>Total employees hired</b>	<b>No.</b>	<b>287</b>	<b>318</b>	<b>282</b>
	<b>%</b>	<b>16%</b>	<b>19%</b>	<b>19%</b>
<b>by gender:</b>				
Men	No.	139	145	148
	%	17%	19%	22%
Women	No.	148	173	134
	%	16%	19%	17%
<b>by age group:</b>				
Less than 30 years old	No.	92	124	153
	%	44%	64%	61%
Between 30 and 50 years old	No.	172	153	134
	%	14%	13%	13%
More than 50 years old	No.	23	42	3
	%	8%	16%	1%

		2019	2018	2017
<b>Total employee turnover</b>	<b>No.</b>	<b>172</b>	<b>150</b>	<b>135</b>
	<b>%</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>
<b>by gender:</b>				
Men	No.	78	76	95
	%	10%	10%	14%
Women	No.	94	74	40
	%	10%	8%	5%
<b>by age group:</b>				
Less than 30 years old	No.	45	43	15
	%	21%	22%	6%
Between 30 and 50 years old	No.	116	92	80
	%	9%	8%	8%
More than 50 years old	No.	11	15	40
	%	4%	6%	18%

[GRI 102-8]

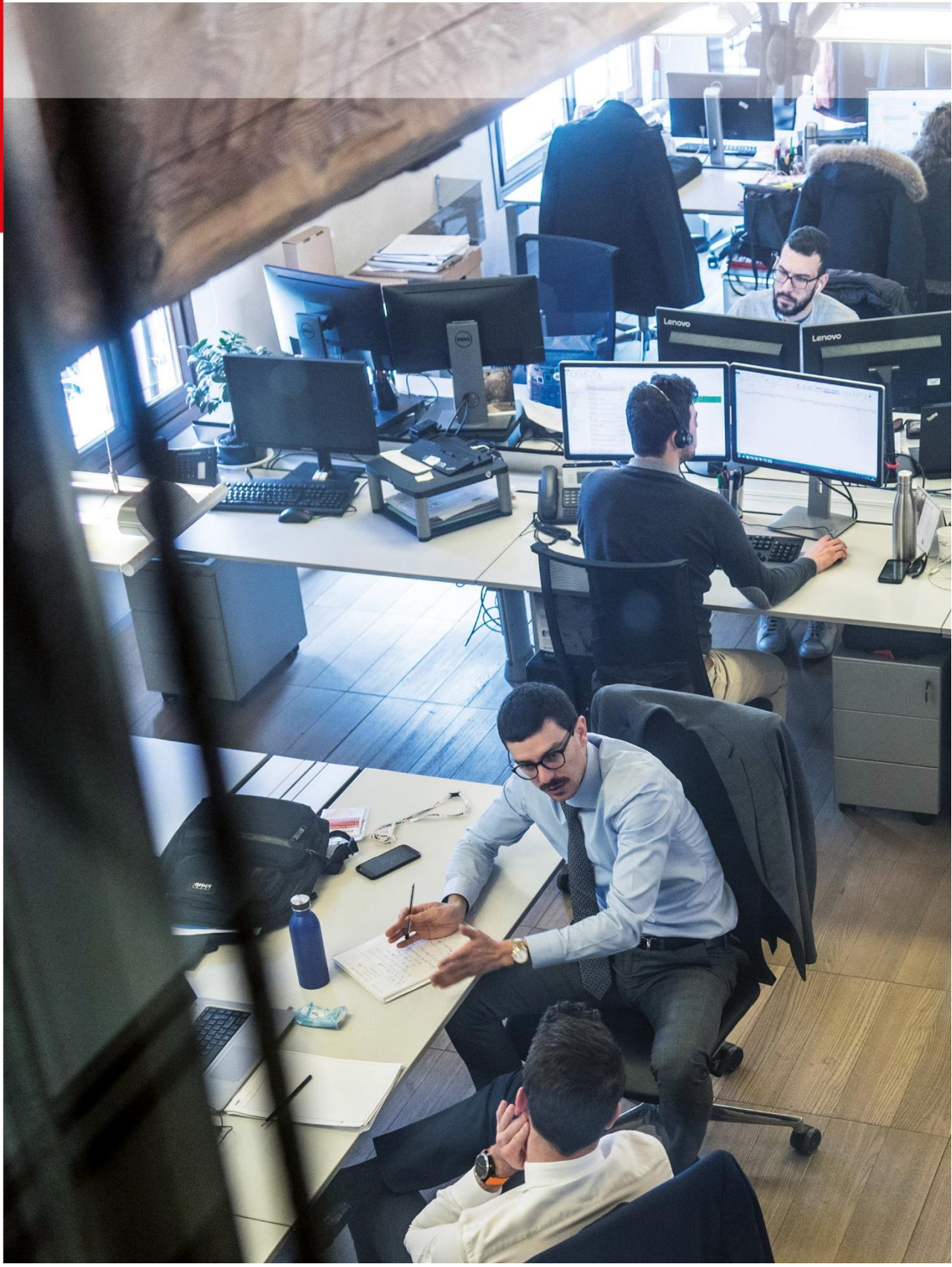
		2019	2018	2017
		No.		
<b>Total employees</b>		<b>1.753</b>	<b>1.638</b>	<b>1.470</b>
<b>On permanent contracts (total)</b>	<b>No.</b>	<b>1.682</b>	<b>1.549</b>	<b>1.367</b>
Men	No.	769	708	621
	%	46%	46%	45%
Women	No.	913	841	746
	%	54%	54%	55%
<b>Fixed term (total)</b>	<b>No.</b>	<b>71</b>	<b>89</b>	<b>103</b>
Men	No.	38	38	56
	%	54%	43%	54%
Women	No.	33	51	47
	%	46%	57%	46%

		2019	2018	2017
		No.		
<b>Total employees</b>		<b>1.753</b>	<b>1.638</b>	<b>1.470</b>
<b>Full time (total)</b>	<b>No.</b>	<b>1.664</b>	<b>1.571</b>	<b>1.419</b>
Men	No.	803	743	674
	%	48%	47%	47%
Women	No.	861	828	745
	%	52%	53%	53%
<b>Part time (total)</b>	<b>No.</b>	<b>89</b>	<b>67</b>	<b>51</b>
Men	No.	4	3	3
	%	4%	4%	6%
Women	No.	85	64	48
	%	96%	96%	94%

Non-employed workers are not a significant portion in respect of the organisation's activities.  
In 2019, there were no significant changes to the number of employees.

# 6.

## Ifis Responsibility



## 6.1 Commitment to local communities

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### Policies and other reference documentation

- Code of Ethics

[GRI 413-1]

The Banca Ifis Group places special emphasis on strengthening its relationship with the communities in which it operates as well as regional and national stakeholders—evidence of its commitment to not only promoting entrepreneurship and a business culture, but also supporting charitable entities and associations, working on projects with schools and Universities, and hosting initiatives and events for the public or the business community on its premises.

The Communication, Marketing and External Relations Department plans and organises the Group's events, initiatives and charitable donations in these areas, ensuring compliance with the principles and rules of conducts set out in the Code of Ethics as far as transparency, compliance with the law, the selection of recipients, and the accounting for the payments made are concerned.

Here below are the main initiatives carried out during 2019.

### Suspension of mortgage and lease instalments in the event of a natural disaster

In 2019, Banca Ifis suspended payment of lease and mortgage instalments when natural disasters and earthquakes struck. The suspensions, implemented in fulfilment of the relevant Council of Ministers' resolutions, involved contracts stipulated on properties that had been cleared or the management of commercial and economic business carried out in cleared properties, as well as buildings that had been destroyed or made unusable by the natural events that, during the year, struck:

- the municipalities of Zafferana Etnea, Viagrande, Trecastagni, Santa Venerina, Acireale, Aci Sant'Antonio, Aci Bonaccorsi, Milo, Aci Catena of the province of Catania (earthquake of 26 December 2018);
- the territories of the Provinces of Brescia, Lecco and Sondrio (exceptional weather of 11 and 12 June 2019);
- the territories of the province of Alessandria (exceptional weather from 19 to 22 October 2019);
- the territories of the municipality of Venice (exceptional weather starting 12 November 2019).

### #RaccontamItalia

In 2019, Banca Ifis celebrated the beauty of Italy and its cities through the new initiative #RaccontamItalia. The project aimed to promote Italy by placing emphasis on the local businesses that represent one of the strengths of its economy through storytelling. More specifically, footage was filmed using a drone and the videos were published on the Bank's social channels. #RaccontamItalia then revealed the secrets of the Italian territory through the work, typical products, beauty, traditions and local language. The project involved 19 cities and have received over 200.000 views as well as extensive coverage in local media.



## Donations and Sponsorships

<b>Team-building activities for charity</b>	During the internal meeting dedicated to the debt collection companies used by IFIS NPL and held in Rome in February, a team-building activity was organised in collaboration with UNICEF, involving the creation of “ <i>Pigotte</i> ”, the UNICEF patchwork dolls. Each “ <i>Pigotta</i> ” supports UNICEF in its important task of reaching all children in danger, wherever they may be, bringing vaccines, therapeutic items, building wells and schools and generally offering assistance. Additionally, during the Ifis NPL agents and call centres’ meeting held in Rome in October, a team-building activity was organised precisely for aggregation purposes. The activity involved the creation of boxed vegetable gardens, which were then donated to various schools in and around Rome.
<b>Social goal</b>	Banca Ifis takes part in the 5-a-side “Social goal” football championship, a company sports championship with a sports social and other mission, the takings from which go to help organise various different social sports programmes for children in difficulty.
<b>“Riempi la ciotola” (Fill the bowl) contest</b>	“Riempi la ciotola” is a solidarity project for animals in difficulty, housed by various associations across Italy; it is based on a community vote. By registering (free of charge) with the Dogalize website, you can vote for your favourite association. The five associations that receive the most votes obtained food for the dogs and cats. The prize was offered by Rendimax Assicurazioni - Banca Ifis Group.
<b>Don Gino Rigoldi Foundation Christmas dinner</b>	Banca Ifis took part in the charity event organised by the Don Gino Rigoldi Foundation of Milan, involved in social activities, to help children, families and disadvantaged youths. Part of the takings from the dinner is given to the Foundation to help fund its projects.
<b>Charitable Christmas gifts</b>	Banca Ifis has decided to transform the annual company Christmas festivities into a chance to do good. More specifically, Christmas 2019, Banca Ifis chose to have its Christmas gifts packaged by a local association, Advax - Casa dei Gelsi, which supports terminal patients at an advanced stage of illness, and their families, with free treatment and care within the hospice.

## Relationships with schools, universities, and the public

### Banca Ifis and Universities

Banca Ifis sponsored the “Democrazia e bilancio pubblico - Il Convegno Nazionale di Contabilità Pubblica” (Democracy and public budgets - the National Congress on Public Accounting) congress organised by Ca’ Foscari University of Venice in collaboration with the University of Pisa, held on 28 and 29 November 2019.

### Festival of Politics

Once again in September 2019, Banca Ifis sponsored Mestre's “Festival of Politics”, organised by the Pellicani Foundation, which seeks to promote a discussion about the main Italian and international political, economic and social issues.

[GRI 413-1]

For 2019, 17%<sup>22</sup> (5,2% in 2018) of total events organised, in which the Bank played an active part or indeed which it sponsored, involved the local communities of the territories involved each time. This engagement was purely for beneficial, social, informative or educational purpose.

The incidence of sponsorship on the communities was 66%<sup>23</sup>, for a total of 171.000 Euro.

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<sup>22</sup> The percentage was calculated taking into account all activities carried out in 2019 for charity/social/information/educational purposes - without, therefore, entailing direct business objectives - targeting a broad, general public representing the local communities of the territories involved each time, specifically 58 events out of a total of 350 organised, participated in or sponsored by the Group.

<sup>23</sup> Out of a total of 260.000 Euro in sponsorship, 171.000 come under this category.

## 6.2 Sustainable finance

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[FS2]

### Policies and other reference documentation

- Group policy for managing significant transactions
- NO 112 – Leasing BU - Leasing preparation process (Banca IFIS)

The Banca Ifis Group pursues a sustainable finance model through measures aiming to mitigate potential negative impacts on the environment and society and by developing products that foster sustainable conduct on the part of customers.

The Banca Ifis Group is sensitive to the indirect social and environmental impacts that may be generated by the business. Therefore, it addresses the indirect social and environmental impacts associated with lending by regulating the sectors in which it operates with reference to the type of products and services it offers through its Business Areas, considering also the potential reputational repercussions of any negative events on the Group.

As for leases, which involve providing assets to several industrial sectors, some of which have potentially negative social and environmental impacts, the Group has counterparty and by type of assets criteria in place governing its operations as part of the creditworthiness assessment process, such as:

- counterparty criteria: sectors in which the Group has decided not to operate or to carefully examine each individual case, according to processes involving the competent structures within Banca Ifis Impresa (e.g. transportation of hazardous materials and asbestos, nuclear waste disposal, gambling, etc.);
- criteria by type of assets: specific assets that the Group has decided to exclude from its operations because they negatively impact the environment (e.g. Production machinery and equipment such as treatment plants).

Starting 2018, the Banca Ifis Group has also expanded the scope of the operations subject to mechanisms for managing social and environmental impacts to include the so-called significant transactions, i.e. transactions whose intrinsic characteristics may modify the structure or risk profile of the Group companies.

Specifically, it defined a list of sectors applicable to all transactions carried out by the Group's entities with potential environmental or social impacts that qualify as significant transactions. The financing arrangements with counterparties that operate in such sectors are subject to a more stringent assessment process that involves an assessment of their creditworthiness by the competent bodies as well as an analysis by Risk Management, which expresses its opinion.

The Group policy for managing significant transactions came into force in September 2018 and, therefore, for 2018 only a single transaction was submitted to Risk Management, for which a positive opinion was given. In 2019, 7 Significant Transactions (“OMR”) were analysed in relation to economic segments entailing high reputational risk; for all of these, the Risk Management Department expressed an opinion in favour.

In 2019, Banca Ifis Impresa embarked on a major project to promote sustainable mobility.

**IFIS Leasing Green** is a package of services entirely dedicated to those wishing to opt for a green vehicle, which combines various models of electric and hybrid plug-in cars with the flexibility of leasing, tax benefits like the Ecobonus and a package of services that range from consultancy/car insurance through to the assignment of bonus vouchers, to be used to recharge at active and on-demand stations, or as discounts for the purchase of public or domestic recharging stations. In order to structure the offer, Banca Ifis has chosen to partner up with some of the leading electric mobility players in Italy: Enel X, E-GAP and E-Station.

[FS8]

Legal Entity/ Business Line	Environmental Leasing product/service	Operations for 2019			Stock at end 2019	
		Number of cases	Amount financed (mln Euro)	% vs total proceedings	Number of cases	Residual capital (mln Euro)
Banca Ifis/Leasing	Leasing Green - electric vehicle leasing (data from October 2019)	673	33,2	1,75	938	47,46

The future of mobility is also tied to the capacity of businesses like ours to introduce new environmental variables into credit policies, supporting the investment strategies adopted by private individuals and businesses.

We aim to raise awareness amongst public opinion in helping them embrace the new technologies.

Electric mobility is not the only solution by far, there are also new generation hybrids and a whole range of more sustainable vehicles that make up the future.

Together, these vehicles will generate a new, ecological mobility for the whole Country and we want to do our part in guiding and facilitating the change.

**Massimo Macciocchi** – Leasing Manager of Banca Ifis Impresa.

## 6.3 Direct environmental impacts

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### Policies and other reference documentation

- Group Environmental Policy
- Code of Ethics
- Integrated Safety and Environment Manual

The Banca Ifis Group endeavours to disseminate and consolidate a culture of environmental protection, raising awareness of environmental issues and promoting responsible practices, providing adequate information and training, and requiring employees to report any deficiencies or failures to comply with applicable regulations in a timely manner.

All employees must fully and substantially comply with legal provisions concerning the environment, as set out in the Code of Ethics and the Group Environmental Policy. To this end, each employee shall carefully assess the environmental consequences of how they conduct themselves in the discharge of their duties in terms of resources consumed as well as emissions and waste generated.

As part of the implementation of the Organisational Model pursuant to Italian Legislative Decree no. 231/01 and in order to prevent criminal offences, Banca Ifis, and all the Group subsidiaries, have adopted the “Integrated Safety and Environment Manual” (originally issued in 2009 and most recently updated in 2019), as approved by the respective Board of Directors. The Manual is regularly updated by incorporating:

- changes to applicable laws;
- changes in the Group's structure and the positions responsible for the environment and safety.

The Manual brings together all the procedures for managing environmental (as per Italian Legislative Decree no. 152 of 3 April 2006), health and safety impacts. The Employer is responsible for setting out, communicating and promoting the fundamental principles and criteria that guide decisions related to protecting the environment so as to prevent environmental offences, published through the Environmental Policy—which is regularly updated. Meanwhile, the Environment and Safety Office, which is part of the Tier-1 Organisational Unit General Services, is responsible for monitoring compliance with the Policy's principles as far as the environment is concerned through the implementation of the procedures in Manual. The Group manages the impacts generated by its operations in accordance with the Integrated Manual and applicable laws.

The most material direct environmental impacts are the electricity consumed for air-conditioning and to power office equipment, the natural gas consumed for heating, and the emissions generated by the Group's vehicle fleet.



[GRI 302-1]

<b>Breakdown of energy consumption by source<sup>24</sup> (GJ)</b>	<b>2019</b>	<b>2018</b>
<b>Total</b>	<b>41.791</b>	<b>40.433</b>
Natural gas consumption for central heating	6.005	5.887
Gasoline consumption for the vehicle fleet	-	146
Diesel consumption for the vehicle fleet	21.903	20.420
<b>Total fuel consumption</b>	<b>27.908</b>	<b>26.453</b>
Consumption of purchased electricity (non-renewable)	13.433	13.711
Consumption of energy from solar panels (renewable)	450	269
<b>Total electricity consumption</b>	<b>13.882</b>	<b>13.980</b>

[GRI 305-1]

[GRI 305-2]

<b>Greenhouse gas emissions<sup>25</sup> (Ton. CO2 eq.)</b>	<b>2019</b>	<b>2018</b>
Scope 1	1.977	1.855
Scope 2 (location based)	1.204	1.229
	1.166	1.155

The Banca Ifis Group has declared its commitment, as confirmation of the close attention paid to the environment, through a series of projects designed to ensure a reduction of the direct environmental impacts connected with its business.

The **#IFISGREEN** environmental sustainability projects constitute the Group's environmentally-sustainable growth path, as it thus commits to achieving the European goal of reducing emissions by 40% by 2030.

#IFISGREEN is therefore a series of initiatives in support of the environment and sustainable development: electric mobility, reduction of CO2 emissions, reduced use of plastic. In 2019, the Bank launched the following initiatives:

- **Partnership with Seclan for Skywell**

Banca Ifis has partnered up with SECLAN to hire Skywell, a new technology that generates drinking water from the atmosphere. Distributed exclusively in Italy by Sharp Electronics Italia S.p.A., Skywell generators collect the humidity naturally present in the air through condensation. It is an advanced monitoring system that, combined with six filters, two ultraviolet lights and the ozone treatment, guarantees the purity of each and every drop of water, assuring its quality, clarity and flavour.

- **Initiatives for an ever-greener bank**

Banca Ifis has chosen to grow by reducing its environmental impact and it does so starting from the workplace.

- In order to reduce its carbon dioxide emissions, the Bank has chosen clean electricity. Thanks to a contract stipulated with Enel Energia, starting 1 January 2020, the Bank will be using only green energy obtained 100% from renewable sources (wind, photovoltaic, geothermal, hydroelectric, biogas and biomass) in all its offices and branches throughout Italy (for a total of 41 property units). On the basis of consumption, equal to 3,7 million kWh for 2020, we should obtain a reduction of more than a thousand tonnes of CO2.

24 See the section on "Notes for the collection and calculation of energy consumption data [GRI 302-1]" at the end of the chapter

25 For the conversion and emission factors, see the section on "Notes for emissions calculation - Scope 1 and Scope 2 - [GRI 305-1 and 305-2]" at the end of the chapter.

- During the early months of 2020, work will begin on the new office at Via Gatta 11. The building will in fact incorporate high energy efficiency plants, using heating and air-conditioning systems that are also powered by renewable sources. On this occasion, Banca Ifis has committed to replant around 4 thousand square metres of public soil in the province of Venice.
- With the aim of reducing use of plastic by 80% in all its offices, during the Christmas festivities, each employee received a stainless steel thermal flask marked #IFISGREEN. Changes starts with the small things and with this gift, Banca Ifis sought to raise awareness amongst its employees as to the importance of reducing plastic in the workplace.

### Notes for the collection and calculation of energy consumption data [GRI 302-1]

Petrol consumption for the company vehicle fleet: for 2019, the figure is not considered significant insofar as there were no petrol-driven cars in the company fleet.

### Notes for emissions calculation – Scope 1 and Scope 2 – [GRI 305-1] and [GRI 305-2]

The reporting perimeter of consumption and related emissions is based on the concept of control. The reference year is 2018.

The conversion factor is taken from the Italian Banking Association's guidelines on the application of the GRI (Global Reporting Initiative) Environmental Indicators, version GRI standards - December 2018, for banks.

The Gases included in the calculation—and specified in the guidance—are CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O.

The source of the emission factors used to calculate the CO<sub>2</sub> equivalent emissions, according to the “location based” method, is the ISPRA 2016 register. For the GWP (Global Warming Potential), used for CH<sub>4</sub> and N<sub>2</sub>O, the source is the report by IPCC “Climate Change 2013: The Physical Science Basis”. The references were chosen according to the indications defined by the ABI - Italian banking association - in the document “Guidelines to the application of GRI (Global Reporting Initiative) Environmental indicators in the bank” [GRI Standards - December 2018 version].

For the calculation of the emissions according to the "market based" method were considered the residual emissions attributable to the energy purchased from non-renewable sources. The conversion factors present in the European Residual Mixes 2018 of AIB (Association of Issuing Bodies) in version 1.1 of 2019 were used.



# Methodological note



## Reporting method

The Non-Financial Statement has been prepared in accordance with the “Global Reporting Initiative Sustainability Reporting Standards” (hereinafter referred to as GRI Standards), issued in 2016 by the Global Reporting Initiative, following the “GRI-core” approach and referring to the select GRI Standards listed in the table below.

[GRI 102-54]

Specifically, for each material topic, the policies implemented and the due diligence processes were described based on Italian Legislative Decree no. 254/2016 and the “Disclosure on Management Approach” requirements in the GRI Standards, while performance indicators were selected from among those proposed by the GRI based on their relevance and representativeness relative to the Group’s situation and businesses.

## GRI content index

The following table lists the GRI Standards selected for the purposes of the Non-Financial Statement, including the “GRI G4 Financial Services Sector Disclosure”. In all cases, the Global Reporting Initiative (GRI) disclosures refer to the standards issued in 2016, except for the standards from the financial sector supplement whose were published in 2013.

Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement	Page number/Notes	Omissions
General information	Organisational profile			
	102-1	Name of the organisation	Page 2	
	102-2	Activities, brands, products, and services	Page 14,15	
	102-3	Location of headquarters	Page 2	
	102-4	Location of operations	Page 96	
	102-5	Ownership and legal form	Page 2	
	102-6	Markets served	Pages 14,15	
	102-7	Scale of the organisation	Pages 12, 16	
	102-8	Information on employees and other workers	Page 76	As the operations take part mainly in Italy and foreign employees correspond to 1.7% of the total, is not reported a breakdown of the data by geographical area.
	102-9	Supply chain	Page 21	



Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement		Page number/Notes	Omissions
		102-10	Significant changes to the organisation and its supply chain	Page 11	
		102-11	Precautionary principle or approach	Page 18	
		102-12	External initiatives	Page 4	
		102-13	Adhesion to Associations	Page 16	
<b>Strategy</b>					
		102-14	Declaration by a senior manager	Pages 4, 5	
<b>Ethics and integrity</b>					
		102-16	Values, principles, standards, and norms of behaviour	Pages 15, 20	
<b>Governance</b>					
		102-18	Governance structure	Page 16	
<b>Stakeholder involvement</b>					
		102-40	List of stakeholder groups	Page 24	
		102-41	Collective bargaining agreements	Page 65	
		102-42	Identification and selection of stakeholders	Pages 24, 97	
		102-43	Stakeholder engagement methods	Page 24	
		102-44	Key critical issues and topics raised	Page 98	
<b>Report parameters</b>					
		102-45	Entities included in the consolidated financial statements	Page 13	
		102-46	Defining report content and topic boundaries	Page 23, 96	
		102-47	List of material topics	Page 25	
		102-48	Restatements of information	Page 96	
		102-49	Changes in reporting	Pages 23, 98	
		102-50	Reporting period	Page 96	
		102-51	Date of most recent report	Page 96	
		102-52	Reporting cycle	Page 96	
		102-53	Contact point for questions regarding the report	Page 96	

Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement		Page number/Notes	Omissions
IFIS Integrity		102-54	Claims of reporting in accordance with the GRI Standards	Page 88	
		102-55	GRI content index	Pages 88 - 95	
		102-56	External assurance	Page 100	
	Corporate integrity and anti-corruption	103-1	Explanation of the materiality of the topic and its scope	Page 25	
		103-2	The managerial approach and its components	Pages 31 – 36	
		103-3	Assessment of the managerial approach	Pages 34, 35	
		205-2	Communication and training about anti-corruption policies and procedures	Pages 33, 34	It is not currently possible to report the total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. The data will be available starting from the next few years.
		205-3	Confirmed incidents of corruption and actions taken	Page 34	
	Credit quality	103-1	Explanation of the materiality of the topic and its scope	Page 25	
		103-2	The managerial approach and its components	Pages 37, 38	
		103-3	Assessment of the managerial approach	Page 38	
	Data protection	103-1	Explanation of the materiality of the topic and its scope	Page 25	
103-2		The managerial approach and its components	Pages 39 – 41		

Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement		Page number/Notes	Omissions	
		103-3	Assessment of the managerial approach	Page 41		
		418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 41		
	Brand reputation	103-1	Explanation of the materiality of the topic and its scope	Page 25		
		103-2	The managerial approach and its components	Pages 27 - 29, 42		
		103-3	Assessment of the managerial approach	Pages 27 - 29, 42		
		102-15	Key impacts, risks, and opportunities	Pages 27 - 29, 42		
	IFIS Customers	Support to entrepreneurship and financial inclusion of customers	103-1	Explanation of the materiality of the topic and its scope	Page 25	
			103-2	The managerial approach and its components	Pages 45 - 49	
103-3			Assessment of the managerial approach	Page 47		
FS7			Monetary value of products and services for social purposes	Page 47		
FS16			Initiatives to enhance financial literacy by type of beneficiary	Pages 46 - 49		
Digital innovation		103-1	Explanation of the materiality of the topic and its scope	Page 25		
		103-2	The managerial approach and its components	Pages 50 - 52		
		103-3	Assessment of the managerial approach	Pages 50, 52		
Quality of products and services		103-1	Explanation of the materiality of the topic and its scope	Page 25		
		103-2	The managerial approach and its components	Pages 53 - 55		
		103-3	Assessment of the managerial approach	Page 53		

Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement		Page number/Notes	Omissions
		FS15	Policies for the fair design and sale of financial products and services	Page 53	
	Transparency of information on products and services	103-1	Explanation of the materiality of the topic and its scope	Page 25	
		103-2	The managerial approach and its components	Pages 56, 57	
		103-3	Assessment of the managerial approach	Page 56	
		417-2	Incidents of non-compliance concerning product and service information and labelling	Page 56	
		417-3	Incidents of non-compliance concerning marketing communications	Page 56	
IFIS People	Employee well-being	103-1	Explanation of the materiality of the topic and its scope	Page 25	
		103-2	The managerial approach and its components	Pages 61 - 65	
		103-3	Assessment of the managerial approach	Pages 62, 63, 65	
		401-1	New employee hires and employee turnover	Pages 59, 75	As the operations take part mainly in Italy and foreign employees correspond to 1.7% of the total, is not reported a breakdown of the data by geographical area.
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 64, 65 401-2 b) The definition of "significant locations of operations" refers to the Banca Ifis Group: the benefits reserved exclusively for permanent employees (which account	

Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement		Page number/Notes	Omissions
				for nearly all the Group's employees) are defined as a result of decisions that apply to the Group as a whole.	
		403-1	Workers representation in formal joint management-worker health and safety committees	<p>The Employee Safety Representatives, whose number is proportionate to the size of the company pursuant to collective bargaining agreements, represent 78.9% of the Group's employees. Foreign personnel are not included in the percentage, and neither are employees of IFIS NPL and IFIS Rental Services insofar as no new election has been called for the RLS following the corporate changes made in 2018.</p> <p>The company and employees discuss occupational health and safety at regular meetings as well as other consultative meetings held by the Group's companies throughout the year.</p>	
		403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	Pages 62, 63	
		405-1	Diversity of governance bodies and employees	Pages 17, 60, 71, 72	
	Promotion and development of employees	103-1	Explanation of the materiality of the topic and its scope	Page 25	
		103-2	The managerial approach and its components	Pages 66 - 70	
		103-3	Assessment of the managerial approach	Pages 67, 68, 70	



Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement		Page number/Notes	Omissions	
		404-1	Average hours of training per year per employee	Pages 67,68		
		404-2	Programmes for upgrading employee skills and transition assistance programmes	Pages 67,68 404-2 b) The Group does not offer transition assistance and career-end management programmes.		
		404-3	Percentage of employees receiving regular performance and career development reviews	Page 70		
	Diversity and inclusion	103-1	Explanation of the materiality of the topic and its scope	Page 25		
		103-2	The managerial approach and its components	Pages 71 - 74		
		103-3	Assessment of the managerial approach	Page 74		
		405-2	Ratio of basic salary of women to men	Page 74 The definition of "significant locations of operations" refers to the Banca Ifis Group.	For 2019, the Group has given the ratio of the basic salary of women to that of men for each category of employees. The ratio of women's salary to men's for each category of employees will be available starting from the next few years.	
		406-1	Incidents of discrimination and corrective actions taken	Page 73		
	IFIS Responsibility	Commitment to local communities	103-1	Explanation of the materiality of the topic and its scope	Page 25	
			103-2	The managerial approach and its components	Pages 78 - 80	
103-3			Assessment of the managerial approach	Page 78		

Chapters	Material Topic	GRI Standards referred to in the 2019 Non-Financial Statement		Page number/Notes	Omissions
		413-1	Activities that envisage the involvement of local communities, impact assessments and development programmes	Pages 78, 80	
	Sustainable finance	103-1	Explanation of the materiality of the topic and its scope	Page 25	
		103-2	The managerial approach and its components	Pages 81, 82	
		103-3	Assessment of the managerial approach	Page 82	
		FS2	Procedures for assessing and screening environmental and social risks in business lines	Page 81	
		FS8	Monetary value of products and services for environmental purposes	Page 82 The environmental product is a leasing product developed by Banca Ifis Impresa.	
	Direct environmental impacts	103-1	Explanation of the materiality of the topic and its scope	Page 25	
		103-2	The managerial approach and its components	Pages 83 - 86	
		103-3	Assessment of the managerial approach	Page 84	
		302-1	Energy consumption within the organisation	Page 84	
		305-1	Direct (Scope 1) GHG emissions	Page 84	
		305-2	Energy indirect (Scope 2) GHG emissions	Page 84	

[GRI 102-46]

[GRI 102-48]

[GRI 102-50]

[GRI 102-51]

[GRI 102-52]

[GRI 102-53]

## Reporting process and calculation methods

As for the process, the business functions and the main Business Areas have been involved in both identifying the topics to focus the reporting on and gathering the qualitative and quantitative data necessary to prepare the Statement.

Information was gathered through a centralised process as part of which Banca Ifis's functions consolidated the data received from all subsidiaries under the supervision of the Finance function.

The Non-Financial Statement is prepared annually and includes a comparison with the information provided in previous years. The report refers to the period from 1 January 2019 to 31 December 2019 (the last report was published in March 2019).

The data is sourced from accounting and non-accounting records as well as the other IT systems in use at the competent functions, and validated by the relevant department heads. No revisions of data supplied in previous reports are recorded.

[GRI 102-4]

The Group operates mainly in Italian and presents, through Banca IFIS Impresa, an office in Romania and a subsidiary in Poland. Due to the concentration of operations at national level, the data within the document is not presented with a breakdown by geographic area.

The Non-Financial Statement is audited only to a limited extent by an independent auditor, EY S.p.A., which audits also the Banca Ifis Group's financial statements.

For information about the contents of the Non-Financial Statement, please contact:  
[comunicazione@bancaifis.it](mailto:comunicazione@bancaifis.it)

## Materiality analysis method

The materiality analysis was based on the methodological references set out in the GRI 2016 Sustainability Reporting Standards and the Communication 2017/C 215/01 from the European Commission ("Guidelines on non-financial reporting"). In addition, the Group also considered the GRI's Financial Services Sector Supplement and the Guidelines issued by the Italian Banking Association (ABI, Associazione Bancaria Italiana) on the application of the GRI's indicators and the Social Reporting Standards of the GBS Association (Gruppo di Studio per il Bilancio Sociale) to the bank.

For the purpose of the 2019 materiality analysis, the topics identified as "potentially relevant" in 2018, have been confirmed. The topics were divided into six macro-areas, of which five match those set out in Italian Legislative Decree no. 254/2016. The sixth area, which concerns "business topics", includes the topics that, although not expressly required by the Decree, were found to be material to assuring the understanding of the Group's business by its stakeholders.

According to the European Commission's "Guidelines on non-financial reporting", each company assesses, among the topics potentially material to its business, which ones are relevant for the purposes of non-financial disclosure, based on its analysis of how important that information is in understanding its development, performance, position, and impact. This relevance assessment should take into account internal and external factors<sup>26</sup>.

<sup>26</sup> Communication 2017/C 215/01 "Guidelines on non-financial reporting", European Commission, 2017

The GRI Sustainability Reporting Standards also suggest considering a combination of internal and external factors when assessing the relevance of the different topics, and recommend several “materiality tests” to take into account<sup>27</sup>.

The relevance factors or “tests” may include:

- the company's mission, strategy, main risks and opportunities;
- existing management approaches and systems;
- environmental, social and governance challenges considered by other companies in the same sector;
- concerns, requests, and expectations expressed by stakeholders concerning either the company or, more broadly, the sector or businesses in general;
- existing or potential commitments in light of the adoption of voluntary standards or compliance with regulatory constraints.

In line with these references, in order to prioritise the potentially material topics and identify those to be addressed in the 2019 Non-Financial Statement, the Group gathered different types of data in order to assess two dimensions of relevance (internal and external). The investigation methods used for the 2019 Non-Financial Statement, refined in respect of the assessment dimension of external relevance, were as follows:

- **internal relevance**, assessed through meetings with Top Management and the main reference persons of the subsidiaries, in order to evaluate their strategic relevance to Banca Ifis's Business and their potential impacts;

[GRI 102-42]

- to investigate the **external relevance**:
  - a direct engagement initiative was run in regard to customers through the sharing of a survey on potentially relevant topics
  - in-depth one-to-one interviews were held with opinion leaders to assess the expectations of the “Community” stakeholder
  - a “mediated assessment” was performed of the interests and expectations of stakeholders, who were not heard directly, through meetings with the main corporate departments most involved in dialogue with the main stakeholders (employees, investors, agents);
  - desk analysis of the “Factor I” initiative (use of web listening as an innovative method) were performed with the aim of optimising the expectations of the “customers” stakeholder, in particular SMEs.

In accordance with Communication 2017/C 215/01 from the European Commission “Guidelines on non-financial reporting”, which recommends considering several factors when identifying and assessing material topics, in addition to the internal and external relevance assessment, the Group conducted the following desk analyses to complement the direct assessments of Banca Ifis's managers («weighting»). Specifically, it analysed:

- policies, formalised procedures, organisational safeguards;
- main risks associated with non-financial topics;
- outcomes of listening and engagement initiatives already run;
- topics considered by the main competitors;
- emerging industry trends;
- public policies / regulatory changes concerning the industry.

<sup>27</sup> GRI 101: Foundation, Global Reporting Initiative, 2016

The final step consisted in condensing all analyses and assessments carried out in order to determine the overall relevance of the topics considered, and thus identify the most material ones to be included in the 2019 Non-Financial Statement.

The internal and external relevance scores were subsequently arranged in a matrix.

Finally, the Group confirmed a relevance threshold of 3,5 (in line with last year) for the purposes of the 2019 Non-Financial Statement, capable of representing in a significant manner the strategic importance of the topics to Banca Ifis's Business as well as the needs and expectations of its stakeholders.

[GRI 102-44]

[GRI 102-49]

Following the evidence that emerged from the internal and external listening path, it was considered appropriate to make the following changes:

- incorporation of the topic “Development of products and services with social and environmental impacts” and the topic “Responsible lending” into a single topic “**Sustainable finance**”, with the aim of optimising the Bank’s relevant initiatives and policies within a single macro topic that covers the aspects of the value chain (product development and credit);
- inclusion of the topic “**Listening and employee engagement**” in the other topics linked to personnel management insofar as the topic has been conceptualised transversally toward other topics relating to the Group’s human resources (employee well-being, promotion and development of employees and diversity and inclusion).

Additionally, differently to previous years, the 2019 materiality analysis revealed that the topic of “Direct environmental impacts” was relevant, showing the growing sensitivity towards the matter by the Group and its stakeholders.



Independent auditors' report  
on the Non-Financial Statement



## Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of  
Banca IFIS S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Banca IFIS S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on December 31, 2019 in accordance with article 4 of the approved by the Board of Directors on March 12, 2020 (hereinafter "DNF").

### Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Standards" published in 2016 by GRI - *Global Reporting Initiative* ("GRI Standards") identified by them as a reporting standard, as illustrated in the DNF section "Methodological Note".

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC

Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

### **Auditors' responsibility**

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the "Global Reporting Initiative Sustainability Reporting Standards" published in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), as illustrated in the DNF section "Methodological Note". Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Banca IFIS Group's consolidated financial statements;
4. understanding of the following aspects:
  - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
  - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
  - o main risks generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of Banca IFIS S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level (Banca IFIS S.p.A. and its subsidiaries):
  - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- We have selected IFIS NPL S.p.A., FBS S.p.A., Credifarma S.p.A., Cap. Ital. Fin. S.p.A., Finance Sp Zoo, IFIS Rental Services S.r.l. based on their activity, relevance to the consolidated performance indicators, we have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Banca IFIS Group for the year ended on December 31, 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Verona, March 25, 2020

EY S.p.A.  
Marco Bozzola  
(Auditor)

*This report has been translated into the English language solely for the convenience of international readers.*



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