

3.

Ifis Integrity



We are committed to developing and spreading the business values and culture, both internally and externally, and pursuing the fight against corruption with integrity.

Ifis Integrity represents the Group's integrity, our constant commitment to guaranteeing **credit quality** and spreading awareness of the **business values and culture** both within and outside the Bank. We promote virtuous behaviour, consistent with the Group's values, such as the **fight against corruption**, the **protection of our customers' privacy** and attention to sustainability.

3.1 Corporate integrity and anti-corruption

Policies and other reference documentation

- Code of Ethics (Banca Ifis)
- Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001
- Group Whistleblowing Policy (Banca Ifis)
- Group Anti-Money Laundering Policy
- Self-assessment of the risks of money laundering and terrorist financing
- Group guidelines on the Internal Control System
- Organisational Procedure for Due diligence and customer profiling by risk class - onboarding phase (Banca Ifis)
- Organisational Procedure for Due diligence and Npl customer profiling by risk class (Ifis Npl Investing, Ifis Npl Servicing)
- Organisational Procedure Due diligence and customer profiling by risk class - hereinafter
- Organisational Procedure for Managing tax receivables (Banca Ifis)
- Organisational Procedure for the Management of the Rendimax Current Account (Banca Ifis)
- Organisational Procedure for the Management of the Rendimax Deposit Accounts (Banca Ifis)
- Organisational Procedure for the Management of the Ifis Current Accounts (Banca Ifis)
- Organisational Procedure for the Management of distressed loan non-judicial collector network (Ifis Npl Investing, Ifis Npl Servicing)
- Organisational Procedure - Due diligence, customer profiling and the reporting of suspicious operations (Ifis Npl Servicing)
- Organisational Procedure for Suspicious Transaction Reports (Banca Ifis, Ifis Npl)
- Parent Company Anti-Money Laundering Manual (Banca Ifis)
- Anti-Money Laundering Manual Cap.Ital.Fin.
- Credifarma Anti-Terrorism and Anti-Money Laundering Manual
- Operating manual on Embargo and anti-terrorism: Checks on incoming and outgoing bank transfers (Banca Ifis)
- Operating manual Certification of Positions on Negative Lists
- Distribution Policy (Cap.Ital.Fin)

The **Code of Ethics**, an integral part of the Organisational and Management Model envisaged by Italian Legislative Decree no. 231/2001, 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.

SUPERVISORY BODY



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.

Anti-corruption

In order to prevent the risk of committing corruption and bribery, the Group has adopted the Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001, as well as the guidelines set out in the Code of Ethics.

In October 2020, the Parent Company's Organisation, Management and Control Model was updated to assign particular relevance to the reform of the Special Part of the Model and proceed according to the routine directives characterising the document structure, namely: the recording of existing processes and their formalisation, the mapping of inherent risks and the preparation or better presentation of the related measures.

Part of the intervention was aimed at identifying risk areas, in a more detailed, concrete manner than in the previous version of the Model, so as to direct the action of managers, employees and collaborators of the Bank and, consequently, in order to assure an effective Model in accordance with Art. 6 of Italian Legislative Decree no. 231/01.

The offences dedicated greater, priority attention in the context of the update of the Banks' Organisational Model were, for example: money laundering, corporate offences, market abuse and tax crime.

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.
- Observation of the "Code of Conduct" drafted by forumUnirec - Consumer Associations

With reference to the distribution network of Cap.Ital.Fin., the Control Functions carry out regular audits on compliance with reference legislation governing transparency and money laundering. On the basis of the evidence that emerges from

the audits performed, specific initiatives are then taken (e.g. training sessions on specific topics), so as to guarantee a high quality standard and professionalism by the distribution network.

As regards the management of the Ifis Npl company call centre dedicated to phone collection, 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 management approach implemented:

- 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 Organisational, Management and Control Model as per Italian Legislative Decree no. 231/2001 of Banca Ifis 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;
- Embezzlement, embezzlement by means of profiting from a third party error;
- Trafficking of unlawful influences;
- Abuse of office.

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, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 and applicable protocols and procedures.

The Group makes sure that all employees receive suitable cyclical (and whenever the legislation is updated) training on the anti-corruption policies and procedures as per the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01. More specifically, starting July 2020, the new edition has been published on the corporate intranet of the mandatory training course on the “Administrative liability of Entities ed. 2020”. The table below provides details of the number of employees who have completed at least one anti-corruption course.

Number and percentage of employees who received training on the fight against corruption, divided up by category		2020 ¹⁵	2019
		No.	691
	%	40,0%	27,2%
Senior managers	No.	14	8
	%	17,9%	10,8%
Middle managers	No.	179	116
	%	35,3%	22,7%
Clerical staff	No.	498	352
	%	43,6%	30,1%

In October 2020, the members of the Parent Company's 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.

Several precautions are taken 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 Model pursuant to Italian Legislative Decree no. 231/01, at the time of stipulating the contract. More specifically, following the update of the Model and Code of Ethics, the new documentation has been sent out to the agents and suppliers of Banca Ifis by e-mail.

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

[GRI 205-3]

As in the previous year, during 2020 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. This principle translates into **specific procedures and audits** in the various business areas:

- 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;
- as for the **Trade Receivables** and account products, 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;
- 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.

¹⁵ The count considers employees who have completed at least one of these courses:

- E-learning course "The liability of entities ed. 2018"
- E-learning course "The liability of entities ed. 2020", made available starting October 2020
- One external training courses attended by one employee.

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.

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.

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 2020, training on anti-money laundering was delivered through virtual courses and the e-learning course "Anti-money laundering regulations, ed. 2020", activated on the Ifis Talent platform. During the year, a total of 4.217 hours of training on anti-money laundering measures was delivered (approximately 2.366 in 2019) with the attendance of at least one course on the matter by 60,8% of the company population (38% in 2019).

Whistleblowing

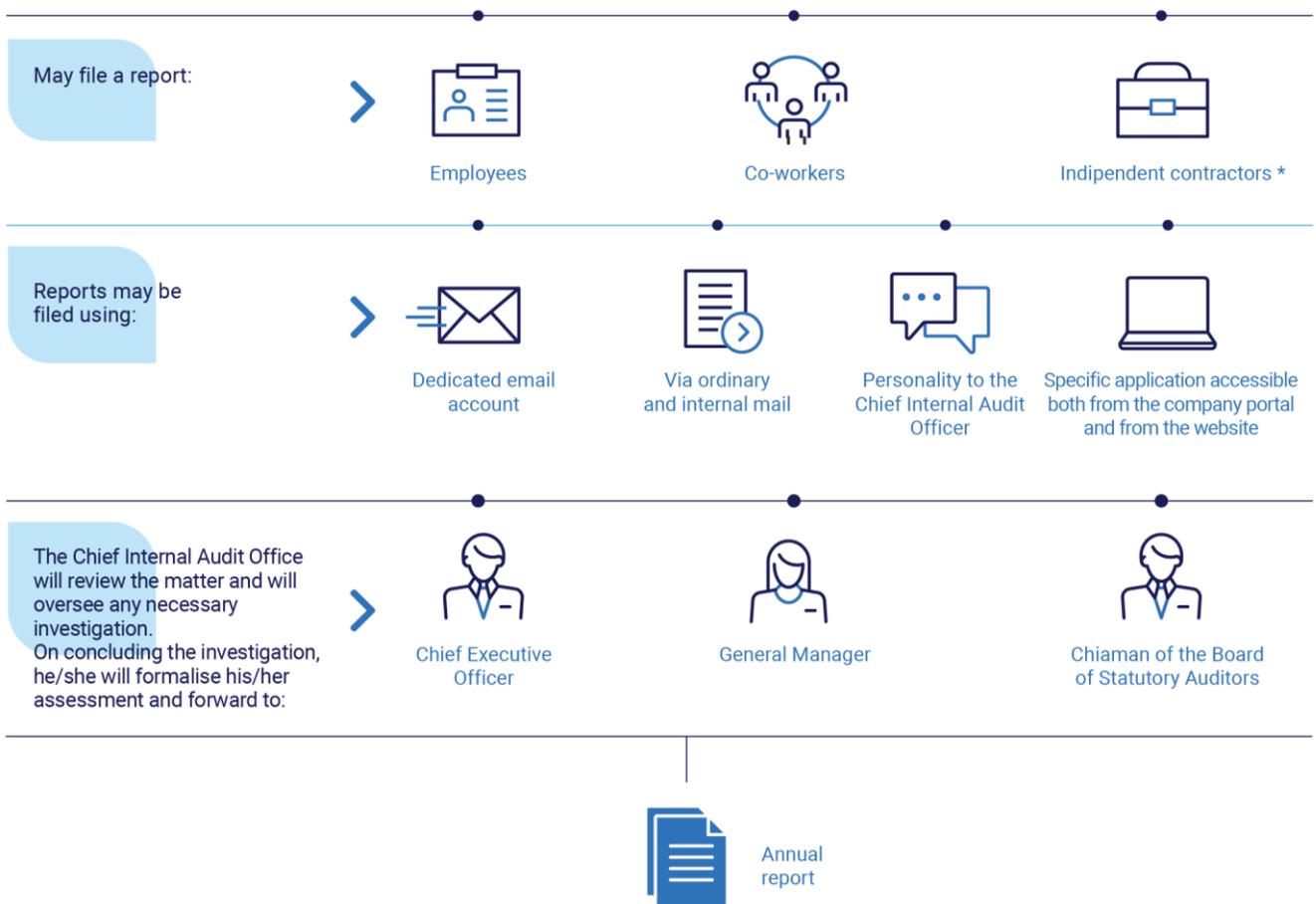
As the Parent company, Banca Ifis, in accordance with industry regulations and best practices, has established an internal system allowing to report actions, events or omissions potentially in violation of laws and internal procedures governing the operations of the Parent and its Subsidiaries with the 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, which can cause pecuniary damage to the Group, endanger the health or safety of staff or customers or damage 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 2020, as for the previous year, no reports were filed through the Whistleblowing system.



* Independent contractors who work prevalently and continuously with the Group

3.2 Credit quality

Policies and other reference documentation

- Group system of delegation of authority to manage credit risk
- Group system of delegated powers on the assumption of credit
- Group system of delegated powers for the assumption and management of the credit risk (Cap.Ital.Fin.)
- Group Policy for managing the Most Significant Transactions (MSTs)
- Group policy for reviewing business operations
- Ordinary credit management policy: PHARMA BU (Banca Ifis)
- Ordinary credit management policy: Pharmacies BU (Banca Ifis)
- Ordinary credit management policy: Impresa Italia (Banca Ifis)
- Ordinary credit management policy: Impresa International (Banca Ifis)
- Impairment Policy
- Policy for managing portfolios of receivables purchased outright and due from Public Administration entities (Banca Ifis)
- Ordinary debt collection and monitoring policy (Banca Ifis)
- Monitoring and collection policy (Cap.Ital.Fin.)
- Monitoring and collection policy (Credifarma)
- Policy for the management of the process of verifying the correct monitoring and adequacy of the collection process (Banca Ifis) Methodological manual for the 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 and relating monitoring (Ifis Npl investing)
- Distribution Policy (Cap.Ital.Fin.)
- Policy for the management of the collection of distressed captive loans (Ifis Npl Servicing)
- Procedure for Assigning Npls to debt collection units (Ifis Npl Servicing)
- Organisational Procedure for Collecting debts through judicial actions (Ifis Npl Servicing)
- Organisational Procedure for Collecting debts through non-judicial actions (Ifis Npl Servicing)
- Organisational Procedure for Managing payments associated with distressed debt collection operations (Ifis Npl Servicing)
- Organisational Procedure - Concession and Management of Structured Finance (Banca Ifis)
- Organisational Procedure - Concession and Management of Special Situations (Banca Ifis)
- Organisational Procedure Management of distressed loan non-judicial collector network (Ifis Npl Servicing, Ifis Npl Investing)
- Policy on insurance distribution carried out by the Bank (Banca Ifis)

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 **pillars of the Group strategy**.

In order to incorporate the impacts of the health emergency, analyses were performed and new prudent logics implemented, as well as the institutional measures introduced to temporarily support the national economy. For more information on the impacts of COVID-19 on the financial position and business performance, please refer to the paragraph entitled "Risks, uncertainties and impacts of the COVID-19 epidemic", Part A - Accounting policies (A.1 - General part, Section 5 - Other aspects) of the "2020 Consolidated financial statements and reports".

The quality of credit 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 product.

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**, the Banca Ifis Group, 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.

The Group companies operating in the **Npl** segment, which specialise in acquiring and managing non-performing loans, focus 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, it 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.

During the year, **changes** were made to the **Operating Segments** in order to fully implement the Group's business model:

- **Commercial & Corporate Banking Segment**, represents the commercial offer of the Group dedicated to companies and consists of the Business Factoring, Leasing and Corporate Banking & Lending;
- **Npl Segment**, dedicated to non-recourse acquisition and managing distressed retail loans. The Segment's results from 07 January 2019 also include the contribution of the business headed by the former Fbs Group, which is mainly specialised in servicing and the management of non-performing secured loans;
- **Governance & Non-Core Services Segment**, which provides the segments operating in the Group's core businesses with the financial resources and services necessary to perform their respective activities. The Segment includes treasury and proprietary securities desk activities, the disbursement of salary- or pension-backed loans and some portfolios of personal loans, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

Therefore, the comparative information in this document has been restated in line with the new Segment reporting. This means that starting 2020, the quantitative indicators (Gross and Net NPE Ratio) will refer to the Commercial & Corporate Banking Segment (also on 2019) and no longer to the Business Segment.

Below are the values of the Gross and Net NPE ratio of the Commercial & Corporate Banking Segment, which are both down on 31 December 2019.

GROSS AND NET NPE RATIO		2020	2019
Gross	%	5,9%	8,5%
Net	%	2,7%	4,2%

In total, the ratios calculated on receivables due from customers, net of the Npl Segment and government securities included in that item, are:

- Gross Ratio: 6,4% (9,8% at 31.12.2019)
- Net Ratio: 3,2% (5,4% at 31.12.2019)

3.3 Data protection

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 (Cap.Ital.Fin., Ifis Rental Service, Ifis Npl, Credifarma)
- Organisational Procedure Management of Personal Data Processors
- Methodological manual for data processing risk analysis and data protection impact assessment (DPIA)
- Privacy regulatory manual
- Group Regulations governing the use of company equipment
- Group business continuity policy
- Group ICT strategic planning policy (Banca Ifis, Ifis Finance)
- Organisational Procedure for the Management of the development, purchase and maintenance of the application software and technological infrastructure
- Group Policy for the monitoring and measurement of performance (Banca Ifis, Ifis Finance)
- Organisational Procedure for managing logs (Banca Ifis)
- Organisational Procedure for managing logical access (Banca Ifis)
- Group internet payment system policy (Banca Ifis, Ifis Finance)

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. 2020 saw the Group further consolidate the measures required by the European General Data Protection Regulation (GDPR).

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 cybersecurity

In order to raise the awareness of all its colleagues to the topic of cybersecurity, in 2020, the Banca Ifis Group made multiple communications with a view to alerting recipients to the risks of the campaigns in progress. For example, an awareness campaign has been launched on the Group's employees, through the "Ifis Talks - Cybersecurity" initiative aimed at sensitising employees to topics relating to harmful e-mail campaigns in respect of the dissemination of malware, phishing, attempted fraud and ransomware. Cyber Intelligence services were also continued, as was 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** function, 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 2020, as for last year, the Group received 4 complaints concerning privacy breaches, almost all associated with operational mistakes/human error. In any case, no sensitive data was exposed.

Substantiated complaints concerning breaches of customer privacy and losses of customer data		2020	2019	2018
Total number of complaints documented as received concerning customer privacy breaches	No.	4	4	6
<i>from third parties and substantiated by the organisation</i>	No.	4	4	6
<i>from regulatory bodies</i>	No.	0	0	0
Total number of events relating to substantiated losses and thefts of customer data	No.	32 ¹⁶	10	8

The growing number of incidents that entailed the loss, access or unauthorised disclosure of personal data is mainly due to an increase in the dangers and risks of cyber-attacks in connection with the new methods of remote working. In order to mitigate exposure to these risks, the Bank has launched an internal awareness-raising campaign on cybersecurity.

¹⁶ The figure represents the total number of incidents that took place in 2020, entailing the loss, access or unauthorised disclosure of personal data (e.g. theft or loss of mobile telephones or tablets, loss of paper forms, incorrect sending of correspondence by e-mail). The events can be divided up between the Group companies as follows: 10 incidents for Banca Ifis, 20 incidents for Ifis Npl, 1 incident for Cap.Ital.Fin., 1 incident for Npl Servicing. Another incident impacted the whole of the Banca Ifis Group and took place when an incorrect flow of data was sent in reference to the Group staff to a company providing transport services. None of the incidents that took place involved any risks to the rights and freedoms of the data subjects and, therefore, no communication was made to the Data Protection Authority and/or data subjects.

3.4 Brand reputation

Policies and other reference documentation

- Investor Relations Policy
- Group Policy for the management of inside information
- 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 is increasingly strategic in order to ensure that Banca Ifis Group remains committed to its values in its dealings with stakeholders. This is why, as part of the rebranding project, implemented in 2020, the Group has paid close attention to stakeholder communication and engagement, fostering a positive impact on brand reputation.

Acknowledgements for the commitment to digital communication

As confirmation of the renewal of the brand identity, aimed at strengthening the brand and improving its position on the market, Banca Ifis has obtained various recognitions for its transparent communication and credibility on the digital channels. In particular:

- it has been awarded the title of “Best Improver 2020-2021” in the Italian classification “Webranking by Comprend”, which rewards transparent communication on digital channels by the most important companies listed on the stock exchange. With growth of 34,4 points and a comprehensive assessment of 74,2 (39,8 in 2019), Banca Ifis has obtained acknowledgement as “segment revelation” amongst the best Star companies in Webranking, positioning itself in the top 20 Italian companies, out of 122 analysed, thanks to transparency on digital channels, which shows “a clear desire to dialogue with the various publics” and to describe its strategic vision;
- it has stood out amongst the top 3 “Best Improvers 2020” (+26,2 points on last edition) in the “.trust-listed Italy” report, for its capacity to create credible communication in the eyes of the stakeholders. It also made the best leap in quality in the section “Future of the Company”: +66% on the 2019 analysis, showing, the report explains, that “it has worked well on its communication assets” thanks to “a clear, concrete vision in the presentation of the strategy and approach to innovation”.

Transparency and dialogue 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, it 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.

For details on the **engagement initiatives** that the Banca Ifis Group undertakes in regard to its stakeholders, reference is made to the dedicated section on *Stakeholder engagement*. More specifically, maintaining a **relationship and dialogue with the financial market** is a strategic component for the Group. This is why 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**.

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 an **annual Risk Self Assessment** taking into consideration both internal and external factors that could potentially negatively impact the reputation of the Group and the stakeholders concerned from time to time.

The main **internal 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:** 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. These indicators regard, for example, the percentage incidence of negative comments recorded on the various social accounts of Banca Ifis and the Subsidiaries, as well as articles with negative sentiment published by the press and on-line media; the change in the complaints received or lawsuits initiated by customers or employees against the Bank and other Group companies; the customer turnover rate.

Through constantly monitoring these aspects, if the predefined thresholds are violated, it considers from time to time whether to take any mitigating action.

