

2.

Materiality analysis



## 2.1 The 2021 materiality analysis

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>15</sup>.

In 2020, given the **instability of the macroeconomic context resulting from the COVID-19 pandemic crisis, as well as the close correlation between the issues deemed material for the Group and the medium-term corporate strategy**, the Banca Ifis Group had confirmed the results that emerged from the 2019 materiality analysis. This choice made it possible to consolidate the indicators reported and make a precise comparison of performance with the previous year, in order to safeguard the transparency of information.

In order to verify, also following the health crisis of the last two years, the possible changes in the expectations of its stakeholders, in 2021, the Banca Ifis Group decided to update its materiality.

The process carried out in 2021 to update the materiality analysis was pursued with the aim of satisfying the demands of the GRI Standard and the regulatory indications, first and foremost as set out 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;
- prioritisation of the topics identified;
- definition of the materiality matrix;
- validating the materiality matrix.

### Identifying material topics

[GRI 102-49]

For the 2021 materiality analysis, the topics identified as “potentially relevant” during 2019, 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. The importance of issues such as Risk Management, Corporate Governance and Brand reputation, which are represented in the non-financial report as transversal in their various contents, is also recognised. Finally, the topics are related to the Banca Ifis Group’s four sustainability pillars, which correspond to the subsequent sections of this statement.

### Prioritisation of the topics identified

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.

<sup>15</sup>GRI 101 Foundation

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

- Internal relevance was developed by modifying the scores assigned to the topics identified in 2019 based on interviews conducted in March 2021 with key corporate functions to define the ESG framework of the Business Plan.

[GRI 102-40]

[GRI 102-42]

[GRI 102-43]

- To investigate external relevance, the Group has analysed the needs of all relevant stakeholder categories<sup>16</sup>. In particular, a “mediated assessment” was performed of the interests and expectations of stakeholders of the Banca Ifis Group, through meetings with the main corporate departments most involved in dialogue with the main stakeholders. As part of these interviews, direct engagement initiatives with these stakeholders were analysed and considered, such as the smart-working survey of employees, and the “Factor I” survey of customers. Also of particular importance for external relevance was the analysis of the ESG Framework of the Business Plan.

To investigate both relevancies, **the topics were scored on a scale from 1 to 5**, 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**. In detail, the topics considered by the main competitors, emerging industry trends, and regulatory developments affecting the industry were analysed.

As a result of the evidence that emerged in the external and internal listening process, the following changes were made about the material topics:

- Enhancement of **the transversal nature of the “Brand reputation” topic**: as a transversal topic for the Banca Ifis Group's operations, Brand reputation will be treated for the year 2021 not as a separate topic but transversally to other topics, where necessary.
- Renaming the topic **“engagement for the area” to “engagement for the community”** in order to make the subject matter of the material topic clearer and more specific.

<sup>16</sup> The main stakeholders identified by the Group are: Customers, Employees, Agents, Investors

## 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 **Materiality matrix**:

[GRI 102-47]



## Topics as per Leg. Decree 254/16



## MATERIAL TOPICS

	ENVIRONMENTAL	SOCIAL	EMPLOYEES	ANTI-CORRUPTION	HUMAN RIGHTS
<b>Ifis Integrity</b>	1. CORPORATE INTEGRITY AND ANTI-CORRUPTION			●	
	2. CREDIT QUALITY*				
	3. DATA PROTECTION	●			
<b>Ifis Customers</b>	5. SUPPORT TO ENTREPRENEURSHIP AND FINANCIAL 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 TO THE COMMUNITY		●		
	14. DIRECT ENVIRONMENTAL IMPACTS	●			

\* Business Topics

## Validating the materiality matrix

The resulting materiality matrix was submitted to the Chief Executive Officer and the Sustainability Committee and subsequently approved by the Board of Directors on 16 December 2021.

## 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
Corporate integrity and anti-corruption	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 and/or instances of abnormal conduct on the part of external collectors and agents</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>
Credit quality	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>
Data protection	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>
Support to enterprises and financial inclusion	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>
Digital innovation	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>
Quality of products and services	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>

Banca Ifis topics	Nature of risk	Main risks	Main safeguards/mitigating actions
Transparency of information on products and services	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>Mechanisms for handling of complaints</li> <li>Organisational Procedure for the Transparency of Banking and Financial Operations and Services</li> </ul>
Employee well-being	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> <li>Complaints, objections and negative staff turnover following the new full-remote working procedures introduced by the Bank following the continuation of the COVID-19 health emergency</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>
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>
Committed to the community	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>

