



Standard Ethics Rating [corpSER]: **EE+**
 Long Term Expected corpSER [2y to 3y]: **EEE-**

Issuer: FinecoBank SpA
Listing: Milan Stock Exchange
ISIN: IT0000072170
Market Capitalisation: 8.5 Bn EUR
Sector: Financial
Industry: Banking
Type of rating: Corporate Standard Ethics Rating [SER]
Date: 21st June 2021
Expiry Date: 21st June 2022
Last action: 30th June 2020
Previous corpSER: EE
Type of document: Rating Report

Level of Compliance

EEE	EEE-	EE+	EE	EE-	E+	E	E-	F
Full	Excellent	Very strong	Strong	Adequate	Non-compliant	Low	Very Low	Lowest level

Investment Grade	Lower Investment Grade	Non-investment Grade
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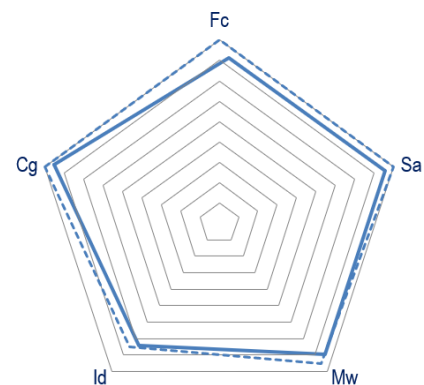
Summary

Finecobank is a direct multichannel bank offering banking, credit, trading and investment services. FinecoBank is a public company listed on the stock exchange.

Over time, changes of ownership that have characterised the Bank' story – as well as leaving the UniCredit Group in 2019 – have not affected its managerial structure, flexibility and attitude to react quickly to market challenges. Over the last few years, these characteristics have meant that the Bank was very fast in implementing ESG (Environmental, Social and Governance) strategies in line with international sustainability guidelines issued by the UN, the OECD and the EU. The implementation of the strategic approach to sustainability has entailed preparing non-financial reporting as well as introducing appropriate tools for sustainability governance, starting from the top levels of FinecoBank. These tools can be considered a good practice in terms of independence, variety of professional skills and gender parity.

Other significant issues such as technological innovation, privacy and data management, training and competition, tax matters, work-life balance, gender pay gap and ESG risk management are being properly dealt with.

Snapshot (adj.)



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LIST OF CONTENTS

BACKGROUND, METHODOLOGY, RATING

- STANDARD ETHICS
- STANDARD ETHICS RATING
- SE ANALYSIS UNIT
- RESEARCH OFFICE AND RATING COMMITTEE
- S.E. ALGORITHM OF SUSTAINABILITY
- ISSUED RATING
- ALGORITHM – INPUT VALUES (SUMMARY)

CLIENT REPORT

- MARKET AND DOMINANT POSITIONS
- CONTRACTS, FINANCINGS AND PUBLIC AIDS
- MARKET DISTORTIONS, FAVOURITISM & CORRUPTION
- INTERNAL VOLUNTARY RULES ON OWNERSHIP
- OWNERSHIP AND CONFLICT OF INTERESTS
- NON-CONTROLLING SHAREHOLDERS (MINORITY) PROTECTION AND DIRECTORS APPOINTMENT
- INTERNAL VOLUNTARY RULES ON DIRECTORS
- DIRECTORS AND CONFLICT OF INTERESTS AND RELATED COMMITTEES
- DISCLOSURE AND TRANSPARENCY AND STAKEHOLDERS
- PARTICIPATION AND VOTE IN GENERAL MEETINGS
- EMPLOYMENT AND HUMAN RESOURCES SELECTION
- HEALTH, SAFETY AT WORK AND SOCIAL DIALOGUE
- ADAPTATION TO CHANGES
- ENVIRONMENT
- CONSUMERS AND QUALITY
- SCIENCE AND TECHNOLOGY
- LOCAL COMMUNITIES
- BUSINESS PARTNERS
- HUMAN RIGHTS
- EUROPEAN AND INTERNATIONAL STRATEGIES
- CONCLUSIONS

BACKGROUND, METHODOLOGY, RATING

New elements – such as the evolution of the Internet – have created open and transparent financial markets, in which growing segments of the population participate. This has resulted in:

- greater attention to **extra-financial** factors, both tangible and intangible, with repercussions on the level of trust and credibility of issuers;
- new assessments of the quality and long-term durability of listed financial products, related to both companies (stocks, bonds, green bonds) or institutional issuers (such as government bonds).

Standard Ethics has ascertained that we have reached the end of the classic financial era, which was focused exclusively on economic variables. Despite their fallibility and volatility, regulated markets have evolved and are proving to be the most important and independent system in assessing the long-term **sustainability**¹ of numerous human activities.

The Standard Ethics Rating helps refine the strategies, language and ways in which an issuer operates on the market.

STANDARD ETHICS

Standard Ethics Ltd (SE) is a Self-Regulated Sustainability Rating Agency² that issues Non-Financial Solicited Ratings to companies and sovereign nations. The Standard Ethics® brand has been around since 2004 in the world of “sustainable finance” and ESG (Environmental, Social and Governance) studies.

Standard Ethics is supervised by internal control and audit offices. The composition of the Board complies with the international guidelines on diversity of nationality, professional skills, independence and gender equality.

STANDARD ETHICS RATING

The Standard Ethics Rating, which has been put to the test over the last 15 years, is a Solicited Sustainability Rating (SSR). It has 3 main characteristics:

- **Solicited:** it is issued only at the request of an applicant, by means of a direct, bilateral and regulated agreement.
- **Standard:** it is always comparable to other ratings, as the methodology and issuance parameters are aligned to pre-established guidelines, and the algorithm takes into account the size and typology of the issuer.
- **Independent:** in order to remain third party to investors, Standard Ethics does not provide any individual investor with advice, analysis or data regarding companies under rating, it does not use the data gathered for asset.

¹ Standard Ethics synthesizes its vision in three cornerstones of **sustainability**:

1. *Sustainable development policies are about the generations of the future; they have taken on a global dimension; and they are implemented on a voluntary basis. It is up to the main supranational organisations, officially recognised by nations across the globe, to establish the definitions, guidelines and strategies related to sustainable development through science.*

2. *Economic entities do not define the guidelines, goals and strategies on sustainability: they pursue them to the extent deemed possible.*

3. *Measuring the sustainability of economic entities means providing comparable and third-party data on their overall compliance with international guidelines.*

² In the absence of supervisory bodies and international legislative standards for ESG solicited ratings to corporates, Standard Ethics has, since the beginning of its activity, been **self-regulating applying the models of credit rating agencies**. In the main: Standard Ethics' clients are the companies that apply for a rating (Applicant-pay Model); in order to remain third party to investors, Standard Ethics does not provide any individual investor with advice, analysis or data regarding companies under rating.

- management advisory services (to banks or funds) and it does not share it with third parties.

In short, the Standard Ethics Rating indicates the level of compliance by companies (and sovereign nations) in the field of sustainability on the basis of documents and guidelines published by:

- the European Union (EU);
- the Organisation for Economic Cooperation and Development (OECD);
- the United Nations (UN).

Standard Ethics uses an analyst-driven rating process, meaning the analysis performed does not require applicants to fill out forms and questionnaires or to provide any documents other than those already available and that Standard Ethics does not use artificial intelligence or software either in data analysis or in decision-making.

SE ANALYSIS UNIT

According to the methodology, guidelines and procedures of Standard Ethics, the Analysis Unit working on this rating has carefully analysed the following areas based on the set-up of the Client (the areas have been divided into about 220 analysis points):

1. MARKET AND COMPETITORS (13 analysis points)
2. MARKET AND DOMINANT POSITIONS (10 analysis points)
3. CONTRACTS, FINANCING AND PUBLIC AID (7 analysis points)
4. MARKET DISTORTIONS, FAVOURITISM & CORRUPTION (8 analysis points)
5. OWNERSHIP, SHARE CAPITAL AND SHAREHOLDERS (8 analysis points)
6. INTERNAL VOLUNTARY RULES ON DIRECTORS (8 analysis points)
7. INDEPENDENCE AND CONFLICTS OF INTEREST (12 analysis points)
8. PROTECTION OF NON-CONTROLLING (MINORITY) SHAREHOLDERS AND APPOINTMENT OF DIRECTORS (7 analysis points)
9. COMMUNICATION, INFORMATION AND TRANSPARENCY (5 analysis points)
10. TRANSPARENCY OF BOARD OF DIRECTORS AND EXECUTIVE GROUPS (9 analysis points)
11. INTERNAL VOLUNTARY RULES ON MANAGEMENT (10 analysis points)
12. DIRECTORS AND CONFLICTS OF INTEREST (13 analysis points)
13. DISCLOSURE AND TRANSPARENCY (22 analysis points)
14. PARTICIPATING AND VOTING IN GENERAL SHAREHOLDERS' MEETINGS (5 analysis points)
15. HIRING POLICIES AND HUMAN RESOURCE MANAGEMENT (11 analysis points)
16. HEALTH AND SAFETY IN THE WORKPLACE (16 analysis points)
17. ADAPTING TO CHANGES (6 analysis points)
18. ENVIRONMENT (17 analysis points)
19. CONSUMERS AND QUALITY (9 analysis points)
20. SCIENCE AND TECHNOLOGY (4 analysis points)
21. LOCAL COMMUNITIES (3 analysis points)
22. BUSINESS PARTNERS (9 analysis points)
23. HUMAN RIGHTS (6 analysis points)
24. EUROPEAN STRATEGIES (2 analysis points)

RESEARCH OFFICE AND RATING COMMITTEE

The Research Office compiles a Final Report and issues a rating based on its review of the work of the Analysis Unit.
 The Rating Committee analyses the conformity of the collected data and the ensuing conclusions and it approves the issued rating.
 Chinese Walls between the Analysis Unit, the Research Office, the Rating Committee and all other company offices ensure maximum transparency. A Compliance Officer oversees all steps and processes.

S.E. ALGORITHM OF SUSTAINABILITY ©

Standard Ethics has developed a **proprietary algorithm** based on five “standards” and a premium variable - “k” - to process the data provided by the Analysis Unit (F_{CEU} ; $S_{aEU-OECD}$; Mw ; $I_{dEU-OECD}$; $Cg_{UN-OECD-EU}$). The balance between the five "standards" is the final pre-assessment underlying the rating.

F_{CEU} = Fair competition. Main areas: Fair competition, including analysis of dominant positions, market distortions, cartels. Factors that can affect the other variables (Sources: the EU, and the main OECD regulators).

$S_{aEU-OECD}$ = Shareholders’ agreements. Main areas: Shareholders’ agreements, rights of minority shareholders, access to information (Sources: the EU and OECD, and the main OECD regulators).

Mw = Market weight. Main areas: Shareholding structure, weight and type of major shareholders, potential conflicts of interest in relation to other variables (Sources: mainly OECD regulators).

$I_{dEU-OECD}$ = Independent directorship. Main areas: Structure and quality of boards and executive groups, ESG Risk and Control Management system, Risk Analysis. This standard is most likely to mitigate the risks associated with other variables and can increase the "k" variable. (Sources: the EU and the OECD).

$Cg_{UN-OECD-EU}$ = Corporate Governance and Sustainability. Main areas: Overall assessment of applicant’s ESG strategies and corporate governance (in terms of shareholding structure and sustainability) by weighting the various elements also in relation to the balance of the other variables (Sources: the EU, OECD and UN).

k = Sustainability at Risk (SaR). Statistical projections:

©	$\frac{(F_{CEU} + S_{aEU-OECD} + I_{dEU-OECD} + Mw * f(S_{aEU-OECD}) * f(I_{dEU-OECD}) + Cg_{UN-OECD-EU} * f(F_{CEU}) * f(I_{dEU-OECD}))}{10} + k$
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ISSUED RATING

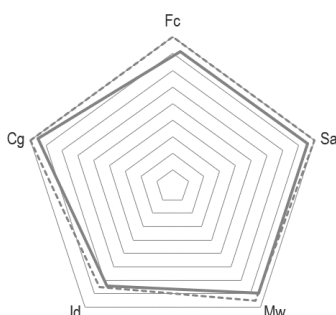
Corporate Standard Ethics Rating [^{corp}SER]: **EE+**
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ALGORITHM – INPUT VALUES (SUMMARY)

The values for each standard are between **0 and 2**.
 Assigned and input values are as follows:

- Fc**_{EU} = 1.90
- Sa**_{EU-OECD} = 1.90
- Mw** = 1.70
- Id**_{EU-OECD} = 1.80
- Cg**_{UN-OECD-EU} = 1.80

The values are subsequently adjusted by the algorithm.
 See final diagram below:



Other companies in the *Banking Industry*³:

Unicredit	EE+	Standard Chartered	EE-	Banca Finnat	E
Banca Generali	EE	AIB Group (pos.)	E+	Banca Ifis	E
Banca Popolare di Sondrio	EE	Banca Mediolanum	E+	Banca Intermobiliare	E
BBVA	EE	Banca Profilo	E+	Banca Sistema	E
BNP Paribas	EE	Banco Comercial Port.	E+	Bank of Communications	E
BPER Banca	EE	Banco Santander (pos.)	E+	Barclays Plc	E
HSBC Holding	EE	Bank of China HK Holdings	E+	BNP Paribas Fortis	E
Intesa SanPaolo	EE	Bank of Ireland	E+	China Construction Bank	E
Nordea Bank	EE	Bank Pekao	E+	CITIC Limited	E
Svenska Handelsbanken	EE	Bankinter	E+	Credit Industriel et Com.	E
Swedbank (neg.)	EE	CaixaBank	E+	Credito Emiliano	E
ABN Amro	EE-	Credit Agricole	E+	Illimity Bank	E
Banca MPS (pos.)	EE-	Credit Suisse	E+	KBC Group	E
Banco BPM (pos.)	EE-	CYBG Plc	E+	National Bank of Greece	E
Banco de Sabadell	EE-	Erste Group Bank	E+	Bank of China	E-
Banco Desio	EE-	Goldman Sachs	E+	Deutsche Bank	E-
Bankia	EE-	Hang Seng Bank	E+	Natwest Group	E-
Commerzbank	EE-	ING Group	E+	Banca Carige	Pen.
Credito Valtellinese	EE-	JPMorgan Chase	E+	Danske Bank	Pen.
Deutsche Pfandbriefbank	EE-	Lloyds Banking Group	E+	DNB Group	Pen.
Mediobanca	EE-	Mitsubishi UFJ Financial	E+	Skandinaviska Enskilda B.	Pen.
Mizuho Financial Group	EE-	Natixis	E+		
PKO Bank Polski	EE-	Raiffeisen Bank Int.	E+		
Societe Generale	EE-	UBS Group (neg.)	E+		

³ A full list of other global and Italian companies in the industry can be found at www.standardethicsrating.eu.

FINECOBANK REPORT

1. MARKET AND DOMINANT POSITIONS

FinecoBank S.p.A. (hereinafter FinecoBank) is a **direct multichannel bank** and a leader in European brokerage with about 1.4 million clients and a wide network of financial advisors.⁴

In 1999 it became a Bank and in 2008, following some transfers and the integration with UniCredit Xelion Banca, it joined the UniCredit Group which it left in 2019 to become a *public company*.⁵

Since its foundation, FinecoBank has adopted an innovative approach to financial services thanks to new technologies to handle traditional banking instruments as well as investments and trading activities. It has been one of the major online trading operators in Europe since 2001.

The Bank mainly focuses on the Italian market.

FinecoBank operates in a supervised and strictly regulated context⁶.

The regulatory framework is organic and has three levels: national, supranational (EU) and international. However, there are some common general objectives such as ensuring that free market principles are properly applied, and that fair competition, transparency and consumer protection are applied and complied with.

At international level, there are a number of organisations⁷ that focus on regulatory activities to: a) draft common global standards in order to promote financial stability and the best possible functioning of the market; b) foster international cooperation among supervisory authorities; c) reduce risks; and d) manage systemic crises.

The main sources of Italian law⁸ are the **Consolidated Banking Act (TUB)**, the **Consolidated Act on Financial Intermediation (TUF)** and Law no. 262/2005 for the protection of savings. All these instruments have been amended a number of times, in particular to be in line with that part of the EU legislation⁹ that regulates many aspects of banking and financial regulations and laws.

⁴ Once again, in 2020 the Bank was the no. 1 Italian intermediary for equities with a 27.82% share of the market. It has held this record since 2004 thanks to an exhaustive offer of shares, futures, CFDs, Forex as well as the most advanced apps to operate in these markets. Source: Corporate website.

⁵ A renewal process of the Group's policies has followed. This process is still ongoing.

⁶ This is also a consequence of the Italian Constitution that lays down that the freedom of economic enterprise (Article 41) can be restricted in order to safeguard savings in all their forms (Article 47). However, even before its Constitution and, at least since the 1926 Banking Law and, above all, since the 1936 Banking Law, Italy was enjoying a highly regulated financial and banking system. Between 1944 and 1947 and, subsequently, between the 1960s and 1990s, a number of measures were taken to increase the number and powers of supervisory authorities. Since the 1990s, Italian legislation has become even more incisive thanks to an updated regulatory framework (see the 1991 Regulation on Banking Supervision and the 1993 Consolidated Banking Act or TUBC).

⁷ The Financial Stability Board, the Basel Committee on Banking Supervision; the European System of Financial Supervisions; and the International Organisation of Securities Commissions.

⁸ The development of the Italian regulatory framework is the result of a number of factors including pressure to improve checks following the banking crises of the 1970s and 1980s (Franklin National, Continental Illinois, Banco Ambrosiano, Bank of Credit and Commerce International and others). Implementation of measures has led to the so-called "prudential supervision", decided collectively by the central banks meeting as the **Basel Committee** (Basel Committee on Banking Supervision, BCBS).

⁹ Examples are: the reform of the legislation on financial intermediation with Legislative Decree no. 141/2010; implementing Directive 48/2008/EC that amended the regulations on credit agreements for consumers and rationalised controls on financial intermediaries as per Title V of the Consolidated Banking Act (TUB); Legislative Decree no. 72/2015 implementing Directive 2013/36/EU (amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC) on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

This sector can be considered both from a domestic market perspective in terms of free movement of capital and aspects related to competition, and from a wider perspective, i.e., the EU monetary policy supervised by the European Central Bank (**ECB**).

Conditions of access to deposit activities, freedom of establishment of banks in the EU and freedom to provide their services and aspects related to corporate governance¹⁰ are regulated by the so-called **Capital Requirements Directive** that has been recently updated.¹¹ Rules on prudential requirements are set by **Regulation (EU) 575/2013** that applies to all EU banks and aims at ensuring robustness and resilience in periods of economic stress. The new measures on sustainable finance, including **Regulation (EU) 2019/2088 (SFDR)**, are also particularly important.

Ministerial decrees and orders issued by various authorities¹², first and foremost the **Bank of Italy**¹³ that has regulatory powers and can impose sanctions, complete the regulatory framework.

In relation to **fair competition** and as part of the purpose of Standard Ethics Rating, the market where **FinecoBank** operates is characterised by regulatory, strategic and size-related entry barriers. As far as the regulatory entry barriers are concerned, these relate to very complicated procedures to obtain permits and authorisations and meet ordinary legal requirements entailing organisational, financial and compliance efforts that are heavier than those for other economic sectors. Size-related entry barriers have to do with capital requirements and economies of scale that are necessary to compete sustainably. Strategic barriers include lawful behaviours that existing businesses adopt to discourage new entrants. The Italian legislator, however, tends to remove restrictions and obstacles to the free market and the freedom of choice of the various operators.

The Bank focuses on three sectors: **Banking and Credit** (current and deposit accounts; payment services; debit, credit and prepaid cards; personal loans and mortgages)¹⁴, **Brokerage** (fulfilling customers' orders on the main financial markets) and **Investing** (placement and distribution of financial products between mutual funds and SICAV sub-funds, insurance products, saving products and consultancy services).

The Bank does not have a monopoly **in any** of the above three sectors nor is it a party to competition-restricting agreements. Furthermore, Italian,

¹⁰ Even outside the European context, the question of governance became central in the 1990s and even more so after the 2008 crisis. On the basis of the Principles of Corporate Governance issued by the **OECD** in 1999, the **Basel Committee** (BCBS) approved the Enhancing Corporate Governance for Banking Organisations (1999), which was modified in 2006 following the new version of the Principles that the OECD updated in 2004. There is no doubt that the context of the guidelines is wider: suffice it to mention the BCBS Principles for Enhancing Corporate Governance published in 2010, or the Corporate Governance Principles for Banks (2015) as recommended by the **Financial Stability Board**. In this regard, it is worth mentioning the Thematic Review on Risk Governance (2013) and the Principles for An Effective Risk Appetite Framework, (2013). It is also worth mentioning EBA's guidelines on internal governance (2011) and on the assessment of the suitability of members of the management bodies (2012), as well as recent developments in the European legislation on sustainable finance.

¹¹ This is a reference to the amendments to Directive 2013/36/EU (or CRD IV) made by Directive 2019/878/EU of 20 May 2019 on exempted entities, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

¹² Such as the deliberations issued by the CICR (Inter-ministerial Committee for Credit and Savings), the Bank of Italy, Consob (*Commissione Nazionale per le società e le borse*, Italian Securities and Exchange Commission), Isvap (*Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo*, Institute for the Supervision of Insurance); and Covip (*Commissione di vigilanza sui fondi pensione*, Supervisory Commission on Pension Funds).

¹³ The Bank of Italy, in its capacity as national supervisory authority, supervises banks, banking groups, financial intermediaries, electronic money institutions (IMEL), and payment institutions (article 5, para. 2 of the Consolidated Banking Act (TUB)), for the purposes of a) stability, efficiency and competitiveness of the entire financial system; b) sound and prudent management of intermediaries; and c) compliance with credit and financial provisions of law (article 5, para. 1 of the Consolidated Banking Act (TUB)).

¹⁴ The Bank is keeping its commitments on sustainable finance. See note 93 for further details.

European or other foreign supervisory and antitrust authorities have not reported any problem in this regard.

FinecoBank **does not hold** major, direct or indirect **shares** in **other companies operating in the same market**.

Moreover, it is not a party to any major commercial agreements or agreements that distort competition.

2. CONTRACTS, FINANCING AND PUBLIC AID

Unlike many institutions that were affected by the banking crisis of 2008, FinecoBank **did not enjoy public funding**, special terms or other types of State aid. Its position in terms of fair and proper competition has not been distorted.

3. MARKET DISTORSIONS, FAVOURITISM & CORRUPTION

The Bank does not provide public utility services.

For its financial results, the Bank **does not depend** on the outcome of competitions, orders, or assignments by any national or foreign public administration or selected large customer. The Bank is not involved in the public utilities business. Its main relationships with institutions have to do with supervisory and compliance activities. Therefore, the **risk of corruption** or favouritism is low, monitored and regulated by the internal Organisational Model (and related documents), the Code of Ethics, and relevant policies.¹⁵

As far as **whistleblowing** is concerned, the Bank has introduced a policy to regulate the in-house system to report improper behaviour.¹⁶

Local ad hoc bodies manage complaints but, in some specific cases, Finebank's Internal Audit department can replace them.¹⁷

The Bank also has well-established policies on staff training to reduce the risk of fraudulent and anti-competitive behaviour. Further initiatives to disseminate a culture of compliance were introduced during 2020.¹⁸

¹⁵ The Global Anti-Corruption Policy, adopted by the Bank in 2018, and its Operating Instructions set minimum compliance standards on anti-corruption for "members of strategic, control and executive bodies, employees, Financial Consultants and temporary associates of Fineco". The policy is being updated in 2021. Source: 2020 Sustainability Report p. 71. At the beginning of 2020, the following policies were updated: Global Policy on Antitrust and Unfair Commercial Practices; Global Policy on Anti-Money Laundering and Anti-Terrorism; and Global Policy on Financial Sanctions. The Global Policy for the Management of Transactions with Persons in Potential Conflict of Interest has been recently updated (Meeting of the Board of Directors held on 19 January 2021). By the end of this financial year, further changes are planned in order to align the regulatory framework on related-party transactions. Source: 2020 Sustainability Report, p. 72.

¹⁶ The Global Compliance Policy to Report Unlawful Behaviour – Whistleblowing, introduced in 2016, was updated in 2020 and can be viewed in the Bank's website. Complaints can be made by employees, financial consultants or third parties. This procedure aims at guaranteeing the utmost confidentiality of the people involved (whistleblowers and suspects) and preventing discriminatory practices and retaliations after the complaint. Source: 2020 Sustainability Report, p. 74.

Whistleblowing is widely covered at national level by Law no. 179 of 30 November 2017 (Provisions to protect people reporting offences or irregularities they have become aware of as part of a public or private employment relationship) and 'imported' into the forms described by Legislative Decree no. 231/2001. This Law deals with the fight against corruption by regulating a fundamentally important aspect: protection of the individual making the complaint. Following the campaign requesting comments and suggestions that ended in May 2018, whistleblowing was taken up by the European Commission in 2018. The most important measure at EU level is Directive no. 2019/1937 of 23 October 2019 on the protection of persons who report breaches of Union law. The Directive came into force on 16 December 2019 and will have to be transposed by the Member States by 17 December 2021. As far as Italy is concerned, it will be up to the Government to implement the Directive in accordance with the criteria and principles set by Article 23 of the 2019-2020 European Delegation Law (Law no. 53 of 22 April 2021). Therefore, Italian legislation is expected to be amended in line with the Directive over the next few months.

¹⁷ Reports are handled by the Compliance Officer of the company where the alleged unlawful or harmful behaviour has occurred or could occur. If the "Compliance Officer is hierarchically or functionally subordinate to the person to whom the complaint relates or if they are held responsible for the violation or has a potential interest in the report that is liable to compromise their impartiality and independence, the Internal Audit department can be contacted directly as 'reserve function'..." Source: 2020 Sustainability Report, p. 74.

¹⁸ The training programme includes courses on prevention of market abuse as well as specific meetings with the leadership, line managers, their direct reports including Risk Takers. Compliance Culture and Tone from the Top, two initiatives introduced in 2018, have been included in the Scorecards (Short Term Incentives) of the CEO and Top Management. They aim at promoting a

A specific function as well as specific procedures deal with the prevention and management of risks related to **tax** compliance.¹⁹

4. INTERNAL VOLUNTARY RULES ON OWNERSHIP

FinecoBank is listed on the **Italian Stock Exchange** (the *Mercato Telematico Azionario* system or MTA). In 2016, it joined the FTSE MIB and Standard Ethics Italian Index. In 2017, it joined the Stoxx Europe 600.

FinecoBank's **main shareholder** is the **market** that holds 82,286% of its capital²⁰. The remaining capital is held by BlackRock Inc. (9.287%)²¹; Capital Research and Management Company (5.050%); and FMR LLC (3.377%).²² There are no off-shore shareholders.

At 31 December 2020, Fineco's share capital²³ amounted to **€201,2 million**, divided into **609,554,043** ordinary shares, each with a nominal value of €0.33.²⁴

Its **ordinary shares** carry the standard rights provided for by Italian legislation in line with **EU** and **OECD** guidelines.²⁵

There are no special prerogatives – nor is FinecoBank planning to introduce them - for specific types of shares, bonds or securities conferring **special control rights**.

There are no restrictions to the transfer of securities.

There are **no** provisions in the Bank's Articles of Association allowing **multiple votes** or **increased voting rights**.

There are **no** shareholders' agreements.²⁶

Derivatives on regulated markets with underlying FinecoBank securities are conventional and in line with the risk profiles set by the regulators.²⁷

The Bank has adopted a predefined reward policy offering variable remunerations including Bank's shares.²⁸

culture based on respect, prudence and integrity within the Bank and by its staff. The Global Policy on Compliance Culture defines principles and roles related to compliance at Group level. Source: 2020 Sustainability Report, pages 68 & 98.

¹⁹ More specifically, the Bank "has an effective tax risk control system (Tax Control Framework or TCF) as part of its corporate governance" that "provides: (i) a clear attribution of roles and responsibilities to corporate bodies and functions, with adequate skills and experience, (ii) adequate processes for detecting, measuring, managing and controlling tax risks, ensuring compliance with procedures at all levels of the company, and (iii) specific procedures to remedy any shortcomings found and to trigger the necessary corrective measures". Source: 2020 Sustainability Report, pages 76-77.

²⁰ Free Floating Shares

²¹ This is a company that is also active and has interests in finance, like FinecoBank.

²² These are the figures recorded by Consob on 4 May 2021.

²³ The Bank's share capital has increased since 31 March 2021 in order to launch employees' incentive plans. Source: 2020 Report on Corporate Governance and Ownership, p. 15.

²⁴ Source: 2020 Accounts and Reports, p. 77.

²⁵ Fundamentally, these rights are in line with the European regulatory framework. They are: equity rights to profits and share of liquidation; administrative rights to attend and vote at shareholders' meetings; administrative rights to challenge resolutions, consult the financial books, the budgets, the book of resolutions and the shareholders' register; rights to check any report of possible irregularity; disposal rights through pledge of or beneficial interest in shares.

²⁶ Source: 2020 Report on Corporate Governance and Ownership, p. 17.

²⁷ There are many derivatives with underlying FinecoBank shares including futures (with various maturities), traditional options (Call, Put), and other structured products.

²⁸ This is a low impact policy for a small number of managers and employees. Its purpose is to incentivise, motivate and retain selected employees. The Bank offers incentives based on financial instruments offering opportunities of share ownership in full compliance with current provisions of law as integral part of the approach to overall remuneration. In this context, the **Share Ownership Guidelines** "set minimum levels for company share ownership for covered Executives, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in FinecoBank shares over time". Source: 2021 Remuneration Policy and Report, p. 26.

There are **no** policies on **Employee Financial Participation** (EFP) in the Bank's capital.

5. OWNERSHIP AND CONFLICT OF INTERESTS

No shareholder is a public authority. No shareholder seems to be involved in regulating the market segment where Fineco operates.

According to the documents and information in Standard Ethics' possession, there are no direct or indirect major shareholders representing governments or involved in regulatory or control activities.

6. NON-CONTROLLING SHAREHOLDERS (MINORITY) PROTECTION AND DIRECTORS' APPOINTMENT

In compliance with the Italian legislation and the Corporate Governance Code, **minority shareholders** are dealt with in various documents. The Bank has ensured that minority shareholders are represented.²⁹

Following the latest round of appointments within corporate bodies, two members of the Board of Directors, and three standing and two alternate members of the Board of Auditors represent minority shareholders.³⁰

A broad shareholder base, absence of a majority shareholder, and compliance with national regulations mean that further voluntary measures on this aspect are not strictly necessary.

7. INTERNAL VOLUNTARY RULES ON DIRECTORS

FinecoBank has adopted the "traditional" **management** and control **system** based on two bodies appointed by the shareholders' meeting: the **Board of Directors**, with managerial and strategic functions, and the **Board of Auditors**, with control functions.

Internal rules on the composition of the Board of Directors impose requirements such as gender balance, independence and possession of specific skills, including **sustainability** skills.³¹

The **Board of Directors** is vested with the broadest powers for ordinary and extraordinary administration.³²

At the date of this Report, the Board of Directors is composed of **11**³³ **members** of different nationalities. **Most of them are independent**.³⁴ **Its composition complies with gender parity**.³⁵

²⁹ The appointment of representatives of minority shareholders to the Board of Directors and the Board of Auditors is ensured by the list voting system that "entails lists of competing candidates". Source: 2020 Sustainability Report, p. 36. "Specifically, two directors shall be allocated to the list that came second in terms of number of votes, while one director shall be allocated to the list coming third by number of votes provided they obtained at least 2% of the votes cast at the shareholders' meeting." Source: Qualitative and Quantitative Composition of the 2020 Board of Directors of FinecoBank S.p.A.; this is also laid down in Article 13, paragraph 12 of the Bank's Articles of Association.

³⁰ For the Board of Directors: Elena Biffi and Marin Gueorguiev. For the Board of Auditors: Elena Spagnol, Massimo Gatto and Chiara Orlandini (standing members), and Luisa Marina Pasotti and Giacomo Ramenghi (alternate members).

³¹ See: Qualitative and Quantitative Composition of the 2021 Board of Directors of FinecoBank S.p.A., p. 9. As far as gender quotas are concerned, the document is in line with the national banking practices and outlines the need to "ensure at least minimum gender balance as requested by the law" (but still parity) as per article 147-ter, paragraph 1-ter, of the TUF as amended by Law 27 of December 2019, no. 160.

³² Except those powers that the Italian legislation exclusively vests in Shareholders' Meetings.

³³ On 28 April 2020, the Shareholders' Meeting appointed the following Directors on the basis of lists for the 2020-2022 years: Marco Mangiagalli – Chairman; Francesco Saita – Deputy Chairman; Alessandro Foti – Chief Executive Officer and General Director; Paola Giannotti De Ponti; Patrizia Albano; Gianmarco Montanari; Maria Alessandra Zunino de Pignier; Andrea Zappia; Giancarla Branda; Elena Biffi and Marin Gueorguiev. Andrea Zappia resigned with effect from 1 March 2021 and was replaced through co-optation (Article 2386 of the Italian Civil Code) by Alessandra Pasini.

³⁴ Independent Directors under Article 148 of the Consolidated Act on Financial Intermediation (TUF) and the Corporate Governance Code: Francesco Saita; Paola Giannotti De Ponti; Patrizia Albano; Gianmarco Montanari; Maria Alessandra Zunino de Pignier; Andrea Zappia; Giancarla Branda; Elena Biffi and Marin Gueorguiev. The Chairman of the Board of Directors, Marco Mangiagalli, is independent only under the TUF. Directors' CVs are available in the Bank's website.

³⁵ There are 6 female Directors and 5 male Directors. The Bank states that it is "the first FTSE Mib Company with a Board composed by a majority of women". Source: FinecoBank Press Release dated 16 March 2021.

There are **no** cases of **interlocking directorship** within the Group. There is no employee representative inside the Board.

The Board of Directors³⁶ has duly created the **Risk and Related Party Committee**³⁷, the **Remuneration Committee**³⁸, the **Appointments Committee**³⁹ and the **Corporate Governance & Environmental and Social Sustainability Committee**.⁴⁰

Their functions and powers are duly defined and published.⁴¹

In 2018, the Bank created a Management Committee on Sustainability and, in 2019, a dedicated office on sustainability that supports and coordinates the Group's activities in this area.⁴²

Directors have to comply both with **voluntary regulations** and the regulations outlined in FinecoBank's **Code of Ethics**, the main instruments containing **Internal Voluntary Rules** (IVR) not emanating directly from legislation.

The 'Integrity Charter and the Group's Code of Conduct - FinecoBank Supplementary Rules' (hereinafter the Integrity Charter), that describe Fineco's **ethical, deontological and behavioural principles**,⁴³ are supplemented by the provisions of the Bank's Code of Ethics.

A Supervisory Body, with powers of inspection, ensures compliance with the **Code of Ethics**.⁴⁴ Every function within the Bank (including top level functions) is supervised.

8. DIRECTORS, CONFLICT OF INTERESTS AND RELATED COMMITTEES

Directors' **independence requirements** are laid down in the Consolidated Act on Financial Intermediation (TUF)⁴⁵ and the Corporate Governance Code of the Italian Stock Exchange.⁴⁶ In addition, and in compliance with the legislation, the Code of Ethics, the internal regulations and specific policies contain rules on **conflicts of interests**.⁴⁷

³⁶ Resolution dated 28 April 2020 under the TUF and the Corporate Governance Code.

³⁷ Members (all of them Board members as well): Francesco Saita (Chairman); Elena Biffi; Paola Giannotti De Ponti; Marin Gueorguiev; and Maria Alessandra Zunino de Pignier. Source: Corporate website as at 19 June 2020 and FinecoBank Press Release, 28 April 2020.

³⁸ Members (all of them Board members as well): Gianmarco Montanari (Chairman); Giancarla Branda; and Paola Giannotti De Ponti. Source: Corporate website, as at 1 June 2021.

³⁹ Members (all of them Board members as well): Elena Biffi (Chairwoman); Patrizia Albano; and Gianmarco Montanari. Source: Corporate website as at 19 June 2020; FinecoBank Press Release, 28 April 2020.

⁴⁰ Set up on 28 April 2020 in order to provide, among other tasks, "*opinions and support to the Board of Directors on defining FinecoBank corporate governance, its corporate structure and models/guidelines on Group governance*", as per 2020 Corporate Bodies Regulations, p. 23. Committee members are the following Directors: Maria Alessandra Zunino de Pignier (Chairwoman); Patrizia Albano; and Francesco Saita. Source: Corporate website as at 1 June 2021; FinecoBank Press Release, 28 April 2020.

⁴¹ Part B (pages 16-24) of the Corporate Bodies Regulations.

⁴² The Committee works at executive level whereas the office monitors related regulations and legislation and is in charge of the yearly non-financial reporting. Source: 2020 Sustainability Report, p. 35.

⁴³ Fineco's Organisational and Management Model states that the Integrity Charter expresses the ethical and deontological principles that the Group has recognised. The Group requires all those who work to achieve the Bank's and Group's objectives to comply with these principles. The Code of Conduct defines general behavioural principles and applies to the entire Group. All these rules of conduct on key aspects related to moral integrity aim at promoting a culture of compliance and guiding actions to promote the Bank's ethical commitment. Fineco's Supplementary Rules outline and supplement the Code's provisions on some specific aspects that relate to the Bank. Code of Ethics under Legislative Decree 231/01: it contains all the rules that the recipients have to follow to ensure that their conduct is always inspired to criteria of propriety, cooperation, loyalty, transparency and mutual respect. The Code also aims at preventing any behaviour that could be considered an offence or crime as per Legislative Decree 231/2001.

⁴⁴ The Body supervising the Organisational Model: "*has been conferred independent control and initiative powers as well as independent spending powers; (ii) regularly reports to the Risk and Related Party Committee on the functioning of the Model; and (iii) submits a yearly written report to the Board of Directors (...). (...)*". On 9 June 2020, the Board of Directors passed a resolution appointing the following new members of the Supervisory Body: Marianna Li Calzi (Chairwoman); Salvatore Messina; and Patrizia Verdesca (Responsible for the Internal Audit). Source: Company source.

⁴⁵ Article 148 of the Consolidated Act on Financial Intermediation (TUF).

⁴⁶ FinecoBank subscribed to them with a Board resolution dated 15 December 2020. The Corporate Bodies Regulations of FinecoBank S.p.A. was subsequently amended to be in line with the new Code. The updated version was published on the website.

⁴⁷ In particular, the Bank has adopted a Global Policy for the Management of Transactions with Persons in Potential Conflict of Interest. This policy was updated in January 2021.

Fineco has formalised the **qualitative, quantitative** and **time-availability** aspects that were deemed suitable when choosing its Directors.⁴⁸

According to the documentation available to Standard Ethics:

- There are no shareholders' agreements involving Directors and Managers;
- There are no Directors who are members of national and local government bodies; jurisdiction bodies; licence-granting bodies or bodies exercising control over the markets;
- There are no Directors who are also Directors, managers, auditors or consultant of other companies controlled by shareholders who are members of national and local government bodies, jurisdiction bodies, licence-granting bodies or bodies exercising control over the markets;
- There is no cross-directorship.⁴⁹

The question of **gifts** is dealt with by the **Integrity Charter** that sets out the terms and conditions whereby offering or receiving goods – as long as it is not money – is not an undue influence in the context of business relationships.⁵⁰

The **remuneration** policy is in line with the guidelines of the Supervisory Authority and its definition and approval involve control bodies.⁵¹ Internal guidelines deal with remunerations (including those for Directors).⁵²

The remuneration of non-executive Board members, members of the Supervisory Board and the Board of Auditors, is not linked to financial performance. They do not benefit from incentive schemes based on stock options or, in general, on financial instruments.

However, executives with strategic responsibilities⁵³ receive fixed and variable remuneration linked to achieving individual performance objectives. These objectives can be quantitative in nature or related to sustainability.⁵⁴

9. DISCLOSURE, TRANSPARENCY AND STAKEHOLDERS

The Bank drafts and publishes a Non-Financial Statement in accordance with the **GRI Sustainability Reporting Standards** published by the Global Reporting Initiative (GRI).⁵⁵

⁴⁸ In order to ensure the proper functioning of the administrative body and in compliance with the Supervisory Arrangements for Italian banks on corporate governance (Circular of the Bank of Italy no. 285 dated 17 December 2013), FinecoBank's Board of Directors has declared that its qualitative and quantitative composition is optimal. The Bank publishes a document entitled 'Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A.' on its website. As well as the national and EU legislations, the document takes into account "soft law as it was considered essential that the principles contained therein be reflected in the candidate selection process". Source: Qualitative and Quantitative Composition of the 2021 Board of Directors of FinecoBank S.p.A., p. 5.

⁴⁹ As per latest Report on Corporate Governance and Ownership.

⁵⁰ The Integrity Charter states that: "Partners involved in a business relationship may offer or accept complimentary items, entertainment or hospitality as long as their value is reasonable or commensurate and do not constitute undue influence in present and future business relationships. It is forbidden to offer, promise or bestow (directly or indirectly) any kind of gift to public officials (are they national or foreigner) unless approved by the compliance function. Offering, promising or giving (both directly or indirectly) complimentary items, entertainment, hospitality or any other benefit to foreign or national public sector officials unless approved by the Compliance function in line with local is not allowed. Cash gifts or equivalent are not permissible".

⁵¹ See 2021 Remuneration Policy and Report, pages 20-21.

⁵² The Bank's remuneration policy is described in Section 1 of its Remuneration Policy and Report, approved every year and published on the corporate website.

⁵³ The Chief Executive Officer and General Manager; the Deputy General Manager and Head of Global Banking Services; the Deputy General Manager and Head of Global Business; the Deputy General Manager and Head of Sales and PFA Network & Private Banking; and the Chief Financial Officer. Source: 2021 Remuneration Policy and Report, p. 59.

⁵⁴ Source: 2021 Remuneration Policy and Report, p. 60.

⁵⁵ In 2020, the materiality analysis was updated taking into account the outcome of investor engagement initiatives and the requests made by the main ESG scoring providers. Furthermore, two new elements were introduced: IT security and tax compliance. Source: 2020 Sustainability Report, p. 58.

In 2021 and in line with the European regulatory framework⁵⁶, the Bank has defined and published its **Policies on the Integration of Sustainability Risks into Consulting Services**.⁵⁷

As far as traditional **reporting** is concerned, the Bank uses its own website and communication tools.⁵⁸ In terms of media and investor relations, Fineco is independent and constantly updating these relations.⁵⁹

The **Comply or Explain** principle, included in the 2020 Non-Financial Statement, has been adopted and applied to every corporate communication and message on governance.⁶⁰

The **systema of controls** is structured on the basis of the best practices.

First level checks are carried out within internal activities and/or contacts with clients. There are procedures to be followed for these activities. They are also supervised and updated by process managers.⁶¹ Risk Management and the Compliance office (for compliance procedures) supervise second level checks.⁶² Third-level checks⁶³ are performed by Internal Audit.

ESG risks are monitored by the Chief Risk Officer Department and properly reported within the DNF.

10. PARTICIPATION AND VOTE IN GENERAL MEETINGS

One of the principles laid down in the Code of Ethics provides for ongoing dialogue between the Board of Directors and shareholders. A section within the Bank's intranet is dedicated to this.

11. EMPLOYMENT AND HUMAN RESOURCES SELECTION

This issue is considered by the Code of Ethics as the Bank is committed to carrying out objective assessments in accordance with the principle of equal

⁵⁶ This refers to the regulatory instruments included in the *Action Plan: Financing Sustainable Growth*, launched by the European Commission in March 2018 [COM(2018) 97 final].

⁵⁷ The document, issued on 10 March 2021, is available on the corporate website. In particular, it states that "Since 1 January 2021, the Bank has been integrating sustainability risks in its consulting services through the ESG rating. The Bank is therefore committed to evaluating, selecting and including in its asset management products preferably new products with an ESG rating depending on the availability and coverage of these ratings in relation to the asset class and type of product being considered". Source: Policies on the Integration of Sustainability Risks into Consultancy Services of FinecoBank S.p.A., p. 3.

⁵⁸ The main documents published on the website are: Financial Statements; Report on Corporate Governance and Ownership; Articles of Association; Internal Regulations; Minutes of Board meetings with amendments to the Articles of Associations; Directors' and Auditors' CVs; Regulations for General Meetings; Minutes of General Meetings with related reports; main procedures. Obviously, information that can affect share price is disseminated according to the modalities defined by the TUF and Consob Regulation no. 11971. The website contains a section on sustainability that was updated at the beginning of 2020 and includes reports on ESG as well as the ESG strategy within the Bank's 2020-2023 Multi-Year Plan. The strategy outlines specific targets and sets quarterly monitoring by the Management Committee and the Corporate Governance & Environmental and Social Sustainability Committee.

⁵⁹ As far as contacts with the financial community, the following activities were carried out in 2020: "26 days of participation in international conferences (30% more than 2019); 18 days of virtual and physical roadshows around the world (6% more than in 2019); Individual one-to-one meetings/group meetings/conferences and videocalls; Four official conference calls to present quarterly financial results to the market". During the financial year that has just ended, there was a 75% increase in ESG engagement compared to 2019, i.e., 21 interactions on top of the constant stream of ad hoc requests on these topics that were made throughout the year. Source: 2020 Sustainability Report, p. 20.

⁶⁰ This is a cornerstone of the Principles of Corporate Governance issued by the OECD. Over the last 20 years, this principle has been adopted in different forms by national and EU legislations. It requires businesses to follow up their decisions and communications with appropriate updates, in particular when the development of what has been communicated does not lead to attaining the objectives that have been set or does not take place when scheduled.

⁶¹ The Bank has also appointed an Anti-money Laundering Officer, an Anti-corruption Officer, and a Whistleblowing Officer. See the Organisation Model.

⁶² The Bank's Compliance Plan provides for specific and detailed inspections for this type of controls.

⁶³ These checks are based on the final analysis of data and information.

opportunities and without making distinctions that are not professional.⁶⁴ Specific procedures and policies, updated in 2020, are followed.⁶⁵

In terms of **gender parity**, promoting diversity and gender inclusion within the various organisations is part of the strategic commitments made by the Bank.⁶⁶ **Gender Pay Gap** is being monitored.⁶⁷

The Bank has launched initiatives to fill the generational gaps and support **disabled** people. It employs a **Diversity Manager**.⁶⁸

At 31 December 2020, FinecoBank's **employees** amounted to 1,262 (as against 1,225 for the previous year).⁶⁹

Staff selection is performed by reviewing CVs and through interviews. The Bank's organisation appears to be well structured.⁷⁰

Staff **training** and their professional development appear to be central and there are regular training and refresher courses on selected topics. There are also courses on on-demand topics.⁷¹

12. HEALTH AND SAFETY AT WORK AND SOCIAL DIALOGUE

Health and safety at work are dealt with according to national legislation that seems to be advanced and, therefore, there is no great need for voluntary measures.⁷²

⁶⁴ "The Bank adopts criteria based on objectivity, competence and professionalism by applying the principle of equal opportunities without favouritism in order to acquire the best skills on the labour market and to comply with relevant legislation". Source: Code of Ethics, p. 13.

⁶⁵ For the more general profiles, this is a reference to the Global Policy on Reference Framework for HR Policies, first adopted in 2016. Source: 2020 Sustainability Report, p. 82. As far as gender parity and inclusion are concerned, it is worth highlighting the **Global Policies on Gender Parity** and on the **Fight against Harassment, Sexually Inappropriate Behaviour and Bullying**. Both policies have been recently adopted and are available in the corporate website.

⁶⁶ In 2019, Fineco subscribed to the ABI Charter 'Donne in Banca: valorizzare la diversità di genere' (Women in Banking: Promoting Gender Diversity). It also joined 'Valore D' and has used this network's methodology for the Inclusion Impact Index to map its diversity and inclusion policies in an integrated fashion and to measure their real organisational impact. Continuous monitoring of resources returning from maternity and paternity leave to ensure equal treatment has been adopted. According to a survey carried out by the Bank in 2020, out of 19 people on leave, "95% returned with the same roles as before the period of absence, including in the case of positions of responsibility, with 5% changing positions at the employee's request; (...) 69% returned full-time without the need for any kind of flexibility, whilst 26% requested a part-time role or a more flexible change to their working hours and 5% requested an additional period of leave; all requests were granted; (...) 32% received a promotion, a pay rise or a bonus during their maternity leave". Source: 2020 Sustainability Report, p. 89-91.

⁶⁷ Equal pay is being monitored through the KPI on Gender Pay Gap. This KPI has been included in the performance evaluation forms of the Chief Executive Officer and relevant staff as identified by the Bank in relation to the short-term reward system. Furthermore, starting this financial year, "objectives related to Gender Balance and Gender Pay Gap are monitored as operational risks for the Bank". Sources: Remuneration Policy and Report, p.30; 2020 Sustainability Report, p. 90.

⁶⁸ A Diversity Manager has been appointed by Fineco. The partnership with Jobmetoo, an online recruiting organisation putting businesses and candidates belonging to protected groups in touch with each other, continued thanks to advertisements and workshops on managing, developing and fostering staff with disabilities. In 2020, the Bank took part in the Inclusion Day and the Digital Diversity Day "organised in partnership with private companies, universities, public institutions, the media and communities". Source: 2020 Sustainability Report, p. 91.

⁶⁹ Of these, "42% ...were female, 99% were employed on permanent contracts and the majority of them (97%) were based in Italy". Source: 2020 Sustainability Report, pages 83-84.

⁷⁰ The Global Policy on Reference Framework for HR Policies regulates processes related to human resource management, people engagement, skill model and the major HR processes such as the Global Job Model, Training and Development, Talent Acquisition, Compensation & Benefits. Source: 2020 Sustainability Report, p. 82 and subsequent.

⁷¹ In 2020, during the pandemic emergency, training activities were performed remotely on a dedicated online platform or on external platforms for a total of about 42,000 hours (equivalent to more than 33 hours per employee). Mandatory training and training on health and safety at work were guaranteed to all employees. Sessions aimed at acquiring technical skills were also held "in collaboration with specialist internal trainers, external suppliers, strategic partners and Universities". Language courses (English and Legal English), training courses on communication and courses to ensure quality of service and quality in the relationships with clients were also offered. The Leadership Training Programme continued to be available in 2020. Specific initiatives on diversity and inclusion were launched, in particular on topics such as "unconscious bias, inclusive language, working in diverse teams, empowering staff and gender and sexual harassment in the workplace". Employee training is also provided through on the job training and job rotation schemes. Source: 2020 Sustainability Report, pages 92-93.

⁷² The Bank has introduced a system to manage health and safety aimed at every employee "coordinated and managed by the Prevention and Protection Service, consisting of an external Prevention and Protection Service Manager (hereafter referred to as PPSM), an external competent physician (responsible for coordinating two other physicians, one in Milan and one in Reggio Emilia), an internal safety officer (in accordance with Legislative Decree 81/08) and two employee safety representatives (hereafter referred to as "ESRs"), one responsible for the Milan office and one for the Reggio Emilia office". Employees can also

The Code of Ethics deals with some specific issues including quality of work and optimal work-life **balance**.⁷³ The latter is handled with governance and policy instruments and monitored through yearly surveys.⁷⁴

The Bank has adopted a **welfare** programme offering benefits to supplement the national social security system. The programme includes employees' families and contains provisions for retirement.⁷⁵

The Bank has adopted a strategy for internal communication and dialogue with employees, associates and their representatives.⁷⁶

In 2020, FinecoBank implemented **specific measures** for its employees to deal with the emergency caused by **SARS-CoV-2**.⁷⁷

13. ADAPTATION TO CHANGES

This topic, that includes the management of negative effects in case of delocalisation and is a central issue at EU and OECD levels, does not seem to relate to FinecoBank given its organisational structure and the business it is involved in. Currently, there are no extraordinary initiatives on change.

14. ENVIRONMENT

The Code of Ethics⁷⁸ deals with environmental protection. A **specific policy** on the environment was approved in 2020.⁷⁹

report potential and actual hazards at work through a dedicated communication channel. Fineco regularly assesses the psychological and physical state of its employees and working areas. Source: 2020 Sustainability Report, pages 102-103.

⁷³ Source: Code of Ethics, p. 13.

⁷⁴ In 2020, the Bank carried out an Assessment of Work-Related Stress and will adopt specific measures in relation to its outcome. See 2020 Sustainability Report, pages 102-103.

⁷⁵ Every employee has access to various services that can be divided into four groups: health, savings, work-life balance and family. During 2020 the Joint Committee set up with the trade unions carried on working on reconciliation of life and work, innovation and corporate welfare. During the meetings the development and improvement of services in the following 4 areas were discussed: savings (pension fund, mortgages, loans, financial benefits at low interest rates, welfare account); family (contributions to families with children and support to older and disabled family members); work-life balance (home working, flexible working hours, part-time work, leaves and sabbaticals); health (supplementary healthcare, insurance policies and prevention campaigns). The communication campaign for the Welfare Plan was launched using digital information corners. Furthermore, and given the health emergency, the Bank offered "*the possibility of rolling over to 2021 anything remaining in the Welfare Account, to be used by June 2021*". The Maggiortempo initiatives continued as did the refurbishment of working areas in Milan. Source: 2020 Sustainability Report, p. 99.

⁷⁶ In 2017, a Group trade union agreement was reached. Following this agreement, a bilateral Committee was set up to monitor the implementation of the Group business plan and the technological and digital innovation programmes.

⁷⁷ The Bank adopted many measures in response to the emergency situation caused by the pandemic such as the appointment of a **Crisis Committee** to discuss the actions to take following the measures introduced by the Government, and analyse future developments and consequences for the Bank. Meetings on these matters were arranged with trade unions. Source: 2020 Sustainability Report, p. 101.

Another category of actions focused on **agile working**, available to all employees. The Bank has launched some initiatives to disseminate information among its staff (the 'Home Working' Leaflet and 'Tips&Tricks, from home to the office') and has introduced some free and temporary welfare services to be accessed remotely "*including online wellness and nutrition, on-demand sports and 'bite-size training'*". Following the 'Tell Us About Your New Normality' survey (*Raccontaci la tua nuova normalità*), the Bank has offered "*a kit that includes a chair, a monitor, a keyboard and a mouse to ensure a comfortable home working environment*" (the Home Working Kit). Furthermore, two digital training courses in partnership with the Polytechnic of Milan and Professor Mariano Corso (Smart Working in the New Normal) were organised. Finally, employees can ask for their annual membership to *BikeMi*, in Milan, and *MoBike*, in Reggio Emilia (the #BikeToFineco initiative) to be reimbursed. 2020 Sustainability Report, p. 100. Measures taken on **health and safety** were especially important. In particular, it is worth mentioning the Health Emergency Assistance Service for employees and their families that can be accessed by phone or through videoconferences on a 24/7 basis; the Covid-19 Psychological Support Service; the Home Swab Service whose cost has been born by FinecoBank (100% for employees and 50% for their live-in family members); and the provision of flu vaccines in conjunction with the San Raffaele Hospital. The Protocol on Health and Safety has been constantly updated on the basis of provisions of law. The Protocol has been published on the corporate website. The Competent Doctor has played a fundamental role in designing and implementing related measures, in particular those to manage "*so-called 'fragile employees' and for getting those previously diagnosed with Covid-19 back to work*". Extraordinary measures to sanitise entrances used by employees have been taken, adjustments to working areas have been made and free personal protection equipment has been handed out to staff. Source: 2020 Sustainability Report, p. 105.

⁷⁸ Source: Code of Ethics, p. 16.

⁷⁹ The **Environmental Policy** of the FinecoBank Group "*formalising Fineco's general intentions and orientation with respect to its environmental performance, including compliance with all environmental regulatory obligations and its commitment to continuously improve its environmental performances*". Source: 2020 Sustainability Report 2020, p. 138.

The Bank has started designing and implementing its **Environmental Management System (EMS)** in line with the requirements of EMAS Regulation no. 1221/2009.⁸⁰

In order to minimise its own environmental impact, the Bank is monitoring its energy consumption and emissions and is taking planning and management actions.⁸¹ Most of the activities in this area relate to the Bank's business and are focused on **dematerialisation**.⁸²

15. CONSUMERS AND QUALITY

First and foremost, **quality** is dealt with by the Code of Ethics⁸³, with its references to general criteria of propriety, courtesy, transparency, professionalism and cooperation. Many other internal tools deal with quality too. The Bank's focus is on compliance with procedures, proper communication of risks and costs, handling of conflicts of interests, gifts, proper data management or other critical aspects such as circumvention practices or unlawful behaviour.

The entire operational structure has been harmonised with and implemented after the introduction of the EU General Data Protection Regulation (GDPR) in 2018. Stricter checks as well as new governance, organisational, operational and reporting procedures are the most recent measures adopted by the Bank.⁸⁴

Fineco mainly communicates with **consumers** via the web and proprietary platforms through which it offers services, information, updates and data. Relationships between the Bank and its clients are supported by a dedicated **internal Customer Care** service and a network of financial consultants.⁸⁵

Thanks to virtual classrooms, web conferences and e-learning, the Bank provides customers with the necessary training to manage financial risks and markets and work safely with the highest possible level of awareness.

⁸⁰ In this regard, at the end of the year the initial Environmental Analysis was coming to an end. It focuses "on both direct environmental aspects, such as energy and resource consumption, and waste management, and indirect aspects (i.e., the integration of environmental criteria into policies, company business choices (such as credit development processes and the development of green financial instruments) and procurement policies. (...) The main elements of the Environmental Management System, including the environmental performances of the last two years, will ultimately be confirmed in the Environmental Declaration, which is set to be published in 2021". Source: 2020 Sustainability Report, p. 138.

⁸¹ Some of these actions include the appointment of "an **Energy Manager**, identified in the Head of the Real Estate function, followed by the registration of the appointing entity and the position of the contact person on the portal of the Italian Federation for the Rational Use of Energy (FIRE). A professional consultancy firm specialising in energy management has also been identified for the purposes of conducting specific analyses aimed at designing energy efficiency measures, the launch of "the tender for the selection of a **single national supplier** for the provision of methane gas and electricity, whereby sustainability factors, including any certification, will also be taken into account". In order to reduce consumption, some branches have been downsized. As far as sustainable mobility is concerned, "all the Bank's employees are equipped with video communication tools and have access to video-conferencing systems. Furthermore, as part of the renewal of the contract with the current provider of the company's car fleet, the car list will be updated over the course of 2021 to include only cars with low greenhouse gas emissions, i.e., hybrid and electric cars". Source: 2020 Sustainability Report, p. 142.

⁸² Main initiatives: remote digital signature and graphometric signature in order to automate processes. Furthermore, in order to reduce the use of plastic, towards the end of 2019 the Bank started tests that will lead to the gradual reduction of water bottle dispensers until they will all be replaced by dispensers connected to the water supply network. At the end of 2020, this project was being delayed to 2021. Source: 2020 Sustainability Report, pages 139-140.

⁸³ Source: Code of Ethics, p. 6.

⁸⁴ FinecoBank has implemented a Global Policy on Privacy, a specific policy to comply with Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the GDPR). This Regulation came into force on 25 May 2018. This Global Policy was updated during 2020. The Bank has also adopted a "Response to Incident" Security Plan. The Plan has sections on governance, organisation, operations and reporting. Compliance with the GDPR continued in 2020 as the Bank developed and improved the necessary measures to ensure, in particular, adherence to "the principles of data protection by design and by default, a data protection impact assessment, the fine-tuning of the data processing activity register and the strengthening of security measures". Mandatory training on privacy was given to all employees. Source: 2020 Sustainability Report, pages 122-124.

⁸⁵ Source: 2020 Sustainability Report, pages 117-118.

16. SCIENCE AND TECHNOLOGY	Given the type of business the Bank is involved in, technology is central and is coherently handled. ⁸⁶
17. LOCAL COMMUNITIES	<p>FinecoBank works closely with local communities as it offers financial education activities⁸⁷ and works on charitable initiatives⁸⁸ to support the environment⁸⁹ and culture.⁹⁰</p> <p>The Bank has also forged solid partnerships with local and national institutions and organisations.⁹¹</p>
18. BUSINESS PARTNERS	This issue is dealt with by the Code of Ethics, the internal Organisational Model and the 2020 Sustainability Report. ⁹²
19. HUMAN RIGHTS	The Bank has pledged, through its own Code of Ethics, to reject any form of violation to human and working dignity. The Bank's internal procedure called " Impegno in materia di Diritti Umani " (Human Rights Commitment) explicitly refers to the Universal Declaration of Human Rights as well as international Conventions and guiding principles. It also provides for integration on the basis of the recommendations of the UN Global Compact . In October 2020, FinecoBank subscribed to the 10 Principle of the UN Global Compact . ⁹³
20. EUROPEAN STRATEGIES	<p>European strategies, adequately adopted by the Bank, aim at achieving growth that is: a) smart, thanks to more effective investments in education, research and innovation; b) sustainable, by promoting an economy based on low CO2 emissions; and c) inclusive, i.e., focused on creating jobs and reducing poverty. The strategies are based on the following objectives: employment, innovation, education, poverty reduction and climate changes/energy.</p>

The introduction of **ESG Finance** activities can be included in this area.⁹⁴

⁸⁶ Some of the most recent initiatives (2021) include: the implementation of the Learning Next platform "*that offers employees a wide catalogue of compulsory, language, IT and behavioural courses*"; the launch of the "*new HR web platform enabling colleagues to update their personal details, enter monthly attendance/absences, manage their business trips and reimbursement of expenses and consult their payslips and Certificazioni Uniche (a certificate showing income from work as employee or self-employed, from a pension, or from other sources)*" as well as "*the launch, scheduled in 2021, of HR Next, a mobile app enabling all the Bank's employees to use most of the functions of the platform on mobile devices*". Source: Bank's email dated 1 June 2021.

⁸⁷ Source: 2020 Sustainability Report, pages 128-130.

⁸⁸ The following are some of the initiatives supported by FinecoBank in 2020. Support was given to "*two of the leading Italian hospitals to help deal with the ongoing health emergency (...); the FAI (Fondo Ambiente Italiano) as well as the four projects selected as part of the Christmas solidarity campaign, to which contributions from customers were added. Support was also given to other associations operating across the country, namely Vidas, ALL, Cesvi, L'Aliante, Eracle, Theodora, Croce Rosa Celeste, Anvol and CAF*." Source: 2020 Sustainability Report, p. 146.

⁸⁹ In 2020, the Bank was the main sponsor of all the initiatives launched by the Fondo Ambiente Italiano (FAI). It also took part in "*Cura e adotta il verde pubblico*" (Take Care and Adopt Public Green Areas), a 3-year project launched by Milan City Council whose aim is "*to contribute to the conservation and improvement of existing green areas, by selecting various types of plants (...)* with a total of 516 new plantings". Source: 2020 Sustainability Report, p. 148.

⁹⁰ It is worth highlighting a new partnership with the Giangiacomo Feltrinelli Foundation to promote a series of meetings with Miguel Benasayg, an Argentinian philosopher and psychoanalyst, entitled "Five Lessons in Complexity" (*Cinque lezioni di complessità*). Source: 2020 Sustainability Report, p. 148.

⁹¹ These include: ABI (Italian Banking Association), ASSIOM FOREX, ASSOGESTIONI (Italian Association of Asset Managers), ASSORETI, ASSOSIM (Italian Association of Financial Intermediaries), the Italian Association of Private Banking, CBI (Italian Association of Interbank Corporate Banking), the Italian Financial Banking Arbitrator, the Italian Interbank Deposit Protection Fund, the Italian National Compensation Fund, UPA (Italian Advertisers Association). Source: 2020 Sustainability Report, pages 31-32.

⁹² Supplier evaluation is also based on ESG criteria through a self-assessment entry-level questionnaire. In particular, the evaluation is based on compliance with regulations on the environment and health and safety at work, adoption of a Code of Ethics and certifications (ISO 14001, ISO 45001, SA8000, ISO 50001, ISO 37001). Source: 2020 Sustainability Report, page 28.

⁹³ Source: 2020 Sustainability Report, p. 15

⁹⁴ The objectives of Fineco's 2020-2023 strategy are: a) expanding the offer of social and environmental products in the mortgage area; b) introducing ESG criteria in product evaluation; c) designing and promoting new funds based on ESG criteria; d) increasing

21. CONCLUSIONS

FinecoBank is a direct multichannel bank offering banking, credit, trading and investment services. FinecoBank is a public company listed on the stock exchange.

Over time, changes of ownership that have characterised the Bank' story – as well as leaving the UniCredit Group in 2019 – have not affected its managerial structure, flexibility and attitude to react quickly to market challenges. Over the last few years, these characteristics have meant that the Bank was very fast in implementing ESG (Environmental, Social and Governance) strategies in line with international sustainability guidelines issued by the UN, the OECD and the EU. The implementation of the strategic approach to sustainability has entailed preparing non-financial reporting as well as introducing appropriate tools for sustainability governance, starting from the top levels of FinecoBank. These tools can be considered a good practice in terms of independence, variety of professional skills and gender parity.

Other significant issues such as technological innovation, privacy and data management, training and competition, tax matters, work-life balance, gender pay gap and ESG risk management are being properly dealt with.

* * *

the share of Green and Social Bonds within the Bank's portfolio. Source: 2020 Sustainability Report, pages 25-26. The Bank also subscribed to the UN Principles for Responsible Banking (UN PRB). Furthermore, Fineco Asset Management (FAM), Fineco's Irish subsidiary, is very active in researching and developing sustainable products and services. In 2020, this company subscribed to the UN principles of Responsible Investment (UN PRI) and in 2021 it has adopted a Responsible Investment Policy (available on line). Source: 2020 Sustainability Report, page 5.

SOURCES

*Where there are no dates,
the most recent
versions prevail*

The documents that have been consulted were approved and communicated at least twenty days before the publication of this document.

Main sources (but not exclusively): Code of Ethics; ESG and non-financial reporting (in all its forms); Report on Corporate Governance and Ownership; Financial Statements; Articles of Association; Internal Regulations; Procedures; Policies and Communiqués.

Data and information given during conversations and through correspondence with internal functions were also used. In this case, the source is 'the Company'.

Other Sources

Documents supplied by national and international regulatory bodies, the Italian Stock Exchange and independent sites were consulted provided they had been published at least 20 days before this document was printed.

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