



# Sustainability Report /2020

2020 CONSOLIDATED  
NON-FINANCIAL STATEMENT

In accordance with the legislative decree 254/2016

**FINECO**  
B A N K



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## LETTER TO STAKEHOLDERS

Fineco was created and has grown as a company always focused on **long-term sustainable growth**, with lasting returns and satisfied stakeholders. To achieve this goal, we have chosen to pursue **transparency** and **fair prices** for the services we offer, in line with our **corporate purpose**: offering our clients quality services and products through a multi-channel system in the three areas of integrated banking, investing and brokerage - at a fair price.

This approach is now being accompanied by a set of ESG goals to be achieved by 2023, divided into six strategic guidelines: **increasing the offering of products and services with added social and environmental value, combating climate change** by implementing an Environmental Management System, **promoting a responsible supply chain, attention to people, supporting local communities, and strengthening dialogue with socially responsible investors**, in addition to **participating in initiatives that support our commitment to sustainable development**.

In 2020, we took many steps towards achieving our ESG goals, including the Bank's participation in two major voluntary initiatives of the United Nations: the **Global Compact**, which promotes corporate social responsibility through adherence to Ten core Principles, and the **Principles for Responsible Banking**, launched in September 2019 to bring the banking industry closer to the Sustainable Development Goals and the objectives set in the 2015 Paris Climate Agreement. We also started the implementation of the **Environmental Management System** in accordance with the EMAS Regulation No. 1221/2009/EC, together with numerous initiatives designed to ensure the well-being of all our employees and give them as much support as possible in the "new normal".

Through our Irish subsidiary Fineco Asset Management DAC, we have also expanded our range of ESG products, moving the company further towards sustainability. FAM has signed up to the United Nations **Principles for Responsible Investment**, aimed at developing a sustainable financial system by integrating social, environmental and good governance criteria into investment practices. One of the most concrete initiatives was the adoption of the green label **"No performance fees"**: a simple and immediate way to flag funds that do not charge performance fees, while also serving to raise awareness across the asset management industry. This has enabled FAM to position itself as a sustainable asset management company, also in terms of reducing costs for clients.

In terms of the Bank's offering, 2020 saw growth in the number of ESG-rated funds available on our platform, together with an increase in the offering of portfolio management based on sustainability strategies. This was accompanied by a strong drive to incorporate green and social bonds into the Bank's internal investments. In addition, the Green Mortgage, which supports the choice of buying energy-efficient property on favourable terms, has established a firm footing in the market.

Fineco's new Non-Financial Statement reveals how 2020 confirmed the resilience of the Group's business model, resulting from its ability to successfully tackle extremely complex market conditions, in a year that also represented an important step in the Bank's process of sustainable growth. The entire society had to face a health crisis that changed established habits, as well as accelerated secular trends that were already underway and have always been a key part of Fineco's DNA and its business model.

The first is **digitalisation**, which is rapidly spreading to all ranges of the population and is enabling sectors of the economy, including the banking sector, to achieve their digitalisation targets for the next five years in just one year. New habits are emerging that will not be lost, setting us on a path of no return towards ever greater use of technology. For a bank like Fineco, which was **born digital**, this has been an opportunity to give our clients the quickest possible support, while continuing to strengthen our existing relationship of trust.

The crisis has also accelerated a second process: raising awareness among **savers** of the importance of being guided by professionals in their investment decisions. Our main objective at Fineco is to create value for our clients, which is why we have taken an approach of **social responsibility** in supporting them. An approach that takes into account their real needs, is transparent in terms of costs, and is geared towards growing awareness of ESG issues, by building economic, environmental and social sustainability into our long-term strategy.

In this second **Non-Financial Statement**, we want to go beyond the concept of mere end of year reporting and tell you about our plan to align the Bank's commitments to the **17 United Nations Sustainable Development Goals**.

Fineco is now at the forefront in **continuing** to accompany its stakeholders on the path towards increasing sustainability, which we will all have to take. We are proud to say that **social responsibility** is part of who we are, and has consistently been a cornerstone of our process of creating long-term sustainable value for our current and future stakeholders.

*Alessandro Foti*  
CEO and General Manager

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## METHODOLOGICAL NOTE

This document is the first **Communication on Progress** regarding the implementation of the Ten Principles promoted by the UN Global Compact, and the second **Consolidated Non-Financial Statement** (“NFS”) of the FinecoBank Group, constituting a separate report from the consolidated management report. The purpose of this document, which has been prepared in accordance with Articles 3 and 4 of Legislative Decree 254/16, is to portray the Group’s activities, trends, results, and impacts for 2020 with respect to the main sustainability topics (reporting period: 1 January to 31 December 2020).

The content of the NFS and the related indicators reported on have been selected based on the results of the materiality analysis, conducted for the first time in 2018 and updated in 2020 (after having been validated by the Corporate Governance and Environmental and Social Sustainability Committee on 18 June 2020 and approved by the Board of Directors on 7 July 2020). The materiality analysis identified the key topics considered to be material for the Group and its stakeholders in consideration of the topics addressed by Legislative Decree 254/16. The GRI Content Index, which presents the indicators that are relevant to the Group according to the materiality analysis, is provided in the appendix to this document.

However, while ensuring a proper understanding of the Group’s activities, it should be noted that:

- Considering the operational and regulatory context in which Fineco operates, the topic of human rights for the Group pertains to relations with employees and suppliers, in line with the principles and values laid down in the Bank’s Code of Ethics and in the “ Human Rights Commitment “ policy.
  
- Climate change information applies to Fineco in terms of risks and mitigation policies concerning the topic “Environmental compliance”. The FinecoBank Group does not have significant exposure to environmental risks in light of its operations and business model. FinecoBank’s lending policy is geared toward retail customers and its investing activity toward government securities, while its exposure to the corporate segment is minor and does not involve the granting of credit. This protects the Group from the risk of both harming the environment through loans to high-environmental-risk customers and suffering the effects indirectly: the broad diversification of its retail portfolio (in individual and geographical terms) constitutes protection against declining customer solvency as a result of environmental factors, such as weather events or natural calamities. In accordance with the recent regulatory developments concerning climate change, the FinecoBank Group is committed to integrating the climate change-related impacts that it has generated and incurred into the analyses for its future reporting.
  
- Given the nature of its operations and its specific business sector, the Group is not a major consumer of water. Even though it is mentioned in Article 3(2) of Legislative Decree 254/16, this topic is not discussed in this NFS because it is not material.

To ensure the utmost transparency to the market and to stakeholders, this NFS describes the Group's key policies, management models, and results for 2020 in relation to the topics expressly cited in Legislative Decree 254/16 (environment, society, personnel, human rights, and active and passive anti-corruption), as well as the main risks associated with these topics and how they are managed. In this regard, the exit from the UniCredit Group has made it necessary to revise all Group policies, a project that was initiated in 2019 and continued in 2020, but had not yet been completed as of the publication date of this document (information on the **policies undergoing revision** is included in the individual chapters of this NFS).

In line with last year, this report has been prepared in accordance with the GRI Standards: Core option and "Financial Services Sector Disclosures", defined by the GRI, have been taken into account. In contrast with the previous report, the issue of Health and Safety has been reported using the most recent version of the Topic-Specific Standard 403 Occupational Health and Safety issued in 2018 by the GRI.

The scope of the economic figures and of the social and environmental information is the same as the scope of the 2020 consolidated financial statement of the FinecoBank Group, which includes the companies consolidated on a line-by-line basis, namely FinecoBank S.p.A. and the Irish subsidiary Fineco Asset Management DAC. In particular:

- unlike the information published last year, in this document the environmental data, unless otherwise specified, cover the Parent Company's registered office in Milan and organisational office in Reggio Emilia, the FAM headquarters in Ireland, the recovery site at Piazza Napoli in Milan, the two data processing centers, and all the Fineco Centers; the environmental information reported in the 2019 NFS only included the Fineco Centers for which the utilities are registered to the Bank (15% of all the Fineco Centers). To ensure the comparability of the figures and information, data based on both reporting scopes have been presented in the NFS 2020 where relevant. For both years, the information does not include the representation office in London;
  
- health and safety data refers to Group employees only and not to other non-employee professionals, a category comprised mainly of personal financial advisors, which are freelance/self-employed workers who provide intellectual services in places outside the Bank's direct control and toward whom FinecoBank does not have the specific health and safety obligations that Legislative Decree 81/2008, as amended by Legislative Decree 106/2009, demands of employers.

Any other limitations in the scope of the data are duly noted in the text.

The information in this document, unless otherwise specified, refers to the year 2020; where available, prior-year figures are reported for comparison and to enable assessment of changes in performance from year to year. Any restatements of previously published comparative information are clearly indicated.

Given that FinecoBank exited from the UniCredit Group on 10 May 2019, the collection of certain types of information relating to the early months of 2019 reported in this document entailed the use of management systems belonging to the UniCredit Group.

To provide an accurate view of performance and ensure the reliability of data, estimates have been used as little as possible; where employed, they are duly noted as such and are based on the best available methods.

This Non-Financial Statement was submitted for review and assessment by the *Corporate Governance* and Environmental and Social Sustainability Committee and the Risk and Related Parties Committee on 28 January 2021 and approved by FinecoBank S.p.A.'s Board of Directors on 9 February 2021.

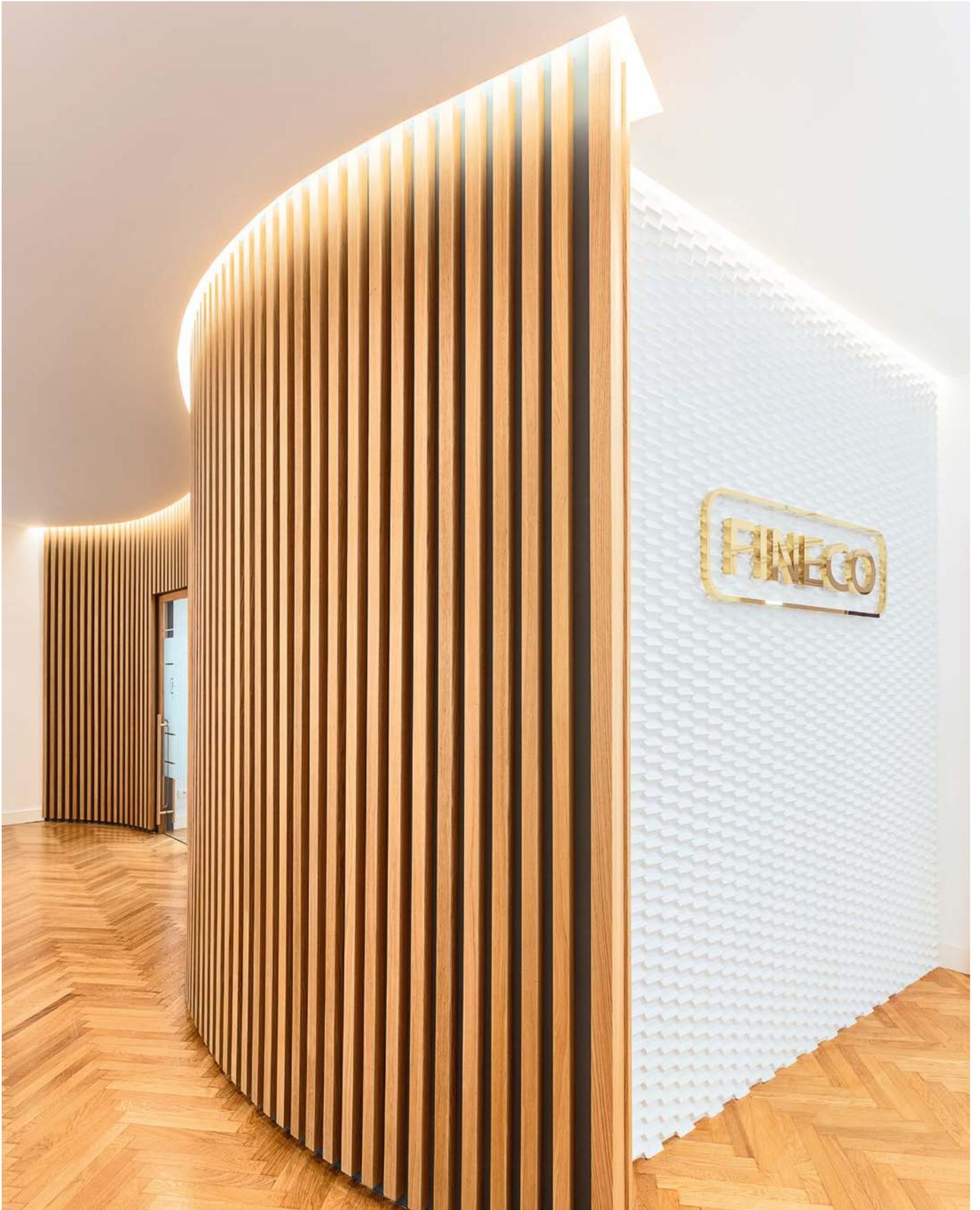
This document has undergone a limited assurance engagement (as defined by ISAE 3000 Revised) by Deloitte & Touche S.p.A., which in a separate report has certified the information presented in accordance with Art. 3(10) of Decree 254/16.

For further information on Fineco's Non-Financial Statement, please contact [sostenibilita@fineco.it](mailto:sostenibilita@fineco.it).

The NFS is available online in the Sustainability section of the Fineco website:  
<https://finecobank.com/en/public/corporate/sostenibilita/report-rating>.









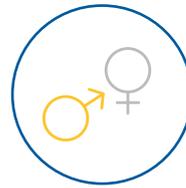
# GROUP PROFILE

- 1.1.** HIGHLIGHTS
- 1.2.** PRIZES AND AWARDS
- 1.3.** ESG RATINGS AND INDICES
- 1.4.** EXTERNAL INITIATIVES
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- 1.8.** MEMBERSHIP OF ASSOCIATIONS
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- 1.10.** THE SYSTEM OF INTERNAL CONTROLS AND RISK MANAGEMENT
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- 1.12.** SUPPLY CHAIN MANAGEMENT

## 1.1. HIGHLIGHTS



1,262  
Employees



532 730  
Women Men



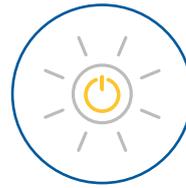
2,606  
Personal financial  
advisors



410  
Fineco Center



20.5  
Tons of paper saved<sup>1</sup>  
vs. 2019



53.6 TJ  
Energy consumption



9.3 bn €  
Net sales



324.5 mln €  
Adjusted net profit<sup>2</sup>



1,341,893  
Customers<sup>3</sup>



28.56%  
CET1<sup>4</sup>

<sup>1</sup> The significant paper savings were mainly due to the use of home working by colleagues as a result of the Covid-19 pandemic.

<sup>2</sup> Net profit adjusted for non-recurring items recognized in 12M20.

<sup>3</sup> The number of customers refers to individuals with a Fineco current account, not to the number of accounts. Individuals with more than one account are considered just once. The number is different from that listed in the consolidated management report (1,369,814) because it does not include customers who own products other than current accounts and the holders of technical accounts for which the corresponding ordinary account is closed.

<sup>4</sup> Common Equity Tier 1 capital ratio.

## 1.2. PRIZES AND AWARDS



Fineco certified as a **2020 Top Employer Italy**: In the review of HR policies, for second year in a row, the Bank stood out for its focus on empowering human resources and on skills development, creating a positive and stimulating workplace.



In 2020 Fineco was again at the top end in the KPMG **“Excellence in Customer Experience”** research, ranking among the 5 Top Brands in Italy and No. 1 in the Financial Services sector. This result was achieved by continuing to ride the wave of digitisation and simplification.



**Private Banking Awards:** Fineco won the award in the “Innovation in customer experience” category for its ability to «maintain its growth even in negative market conditions thanks to its highly customised service».



**MF Innovazione Awards 2019<sup>5</sup>:** Fineco won the award in the “Financing products for private clients” category with the Remix Mortgage, a unique product on the Italian market, which is breaking new ground in the traditional mortgage segment by allowing clients to customise interest rates according to their needs, free of charge and directly online.

<sup>5</sup> 2019 edition, but award given in 2020.

## 1.3. ESG RATINGS AND INDICES



In 2020, Standard Ethics improved the **Standard Ethics Rating** from “EE” to “EE+”, a “very strong investment grade” awarded to sustainable companies with a low reputational risk profile and strong long-term growth prospects. The Standard Ethics Rating is an assessment of sustainability and governance based on the principles and guidelines of the United Nations, the Organisation for Economic Cooperation and Development (OECD) and the European Union. FinecoBank is also included in the **Standard Ethics Italian Banks Index** and the **Standard Ethics Italian Index** (the members of the Index are the 40 largest Italian companies listed on the Italian Stock Exchange FTSE-MIB).



In June 2020, FinecoBank has become a constituent company in the **FTSE4Good Index Series**, a set of indices managed by the FTSE Group that identify and measure the ESG performance of organisations committed to good environmental, social and governance sustainability practices.



FinecoBank also ranked 24th out of 74 in the **Integrated Governance Index**, which aims to provide a snapshot of the level of progress made by companies in sustainability governance, or integrated governance, in relation to key sustainability aspects, such as the presence or absence of a sustainability committee, the existence of a remuneration policy linked to ESG parameters, or the diversity of the board.



According to the analysis completed in 2020, the Group was also included in the 2021 **Bloomberg Gender Equality Index (GEI)**<sup>6</sup> which tracks the financial performance of companies that are committed to supporting gender equality through fair and transparent development of management and representation policies.



**MSCI** confirmed FinecoBank’s “A” rating, on a scale from “CCC” to “AAA”, and therefore within the average for its industry sector.



In 2020, Fineco also ranked among the best banks at international level according to the **Sustainalytics** ESG risk assessments, achieving an ESG Risk Rating of 18.7 (Low risk).

<sup>6</sup> Analysis carried out in 2020 and publication of companies in the index on 27 January 2021.

## 1.4. EXTERNAL INITIATIVES

The FinecoBank Group is committed to actively participating in national and international sustainability initiatives, with a view to promoting a long-term sustainable business able to manage the challenges of climate change and future socio-economic impacts.

### WE SUPPORT



FinecoBank has been a signatory to the United Nations **Global Compact** Principles and a member of the respective Italian Network since September 2020. The objective of these principles is to develop a long-term sustainable business capable of handling the challenges of climate change and future socio-economic impacts, by adhering to the Ten fundamental Principles on human and labour rights, environmental protection and combating corruption.



In 2019, FinecoBank signed an Association Agreement with **Valore D**, an organisation with a network of over 180 companies committed to ensuring an inclusive culture within organisations. Thanks to this partnership, Fineco participated in specific training courses aimed at promoting female talent within the company (Young Talent, Middle Management and Senior Management programme).



In December 2020, FinecoBank SpA became a signatory to the **United Nations Principles for Responsible Banking**, formalising the objective of committing to analysing the consequences of its activities from an environmental and social perspective, and setting goals capable of bringing about measurable improvements in the most significant aspects.

Signatory of:



On 14 October 2020, Fineco Asset Management DAC became a signatory to the **United Nations Principles for Responsible Investments**, in the "Investment Manager" category, reinforcing its commitment to the development of a sustainable financial system by integrating social, environmental and good governance criteria into its investment practices.

Our **Human Rights Commitment** is also guided by the principles enshrined in the United Nations Guidelines on Business and Human Rights and the main international standards, including the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the International Labour Organization (ILO) Conventions on Fundamental Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles, the UN Principles for Responsible Investment, the Declaration of Financial Institutions on Environment and Sustainable Development in the United Nations Environment Programme Finance Initiative (UNEP FI), and the Women's Empowerment Principles.

## 1.5. WHO WE ARE, STRATEGY AND BUSINESS MODEL

FinecoBank was founded in 1999 with the aim of building a whole new concept of banking, offering an integrated business model between direct banking and networks of financial advisors.

**FinecoBank S.p.A.** is a joint-stock company listed on the Mercato Telematico Azionario in Italy, organised and managed by Borsa Italiana S.p.A. Since April 2016 it has been included in the **FTSE Mib** stock index and in the **Stoxx Europe 600** index since 2017. It is the parent company of the **FinecoBank Banking Group** (hereinafter also “Fineco” or “Group”), which includes the Irish asset management company, **Fineco Asset Management Designated Activity Company** (hereinafter also referred to as Fineco Asset Management DAC or FAM).

Until 10 May 2019, FinecoBank was subject to the management and coordination of UniCredit S.p.A., which held 35.3% of the capital. On 11 May 2019, FinecoBank was registered as a Parent Bank in the Bank of Italy’s register of Banking Groups, following UniCredit’s sale of its majority holding in FinecoBank, resulting in its exit from the Group. UniCredit’s remaining stake in the Bank’s capital was sold on 11 July 2019 and, following this event, FinecoBank became an **autonomous and independent public company**.

The subsidiary **Fineco Asset Management DAC** has made it possible to increase the Bank’s competitiveness in the **wealth management** sector, going beyond national borders and adopting a vertically integrated business model, through the internalisation of the creation and management of investment funds, specifically designed to meet clients’ needs more promptly. Its establishment, in 2018, in one of Europe’s largest asset management markets has made it possible to diversify and improve the Bank’s range of asset management products, as well as offering customers a range of UCITS (Undertakings for Collective Investment in Savings), focusing strategy on strategic asset allocation and the selection of the best international asset managers.

On a national level, at 31 December 2020 the FinecoBank Group was operating in **20 Italian regions**, with a network of **410 Fineco Centers** (offices where advisors carry out their activities) distributed throughout Italy. The registered office and the Head Office are located in Italy, respectively in Milan and Reggio Emilia<sup>7</sup>. Outside Italy, the subsidiary Fineco Asset Management DAC is based in Dublin; the Group also has a contact office in London.

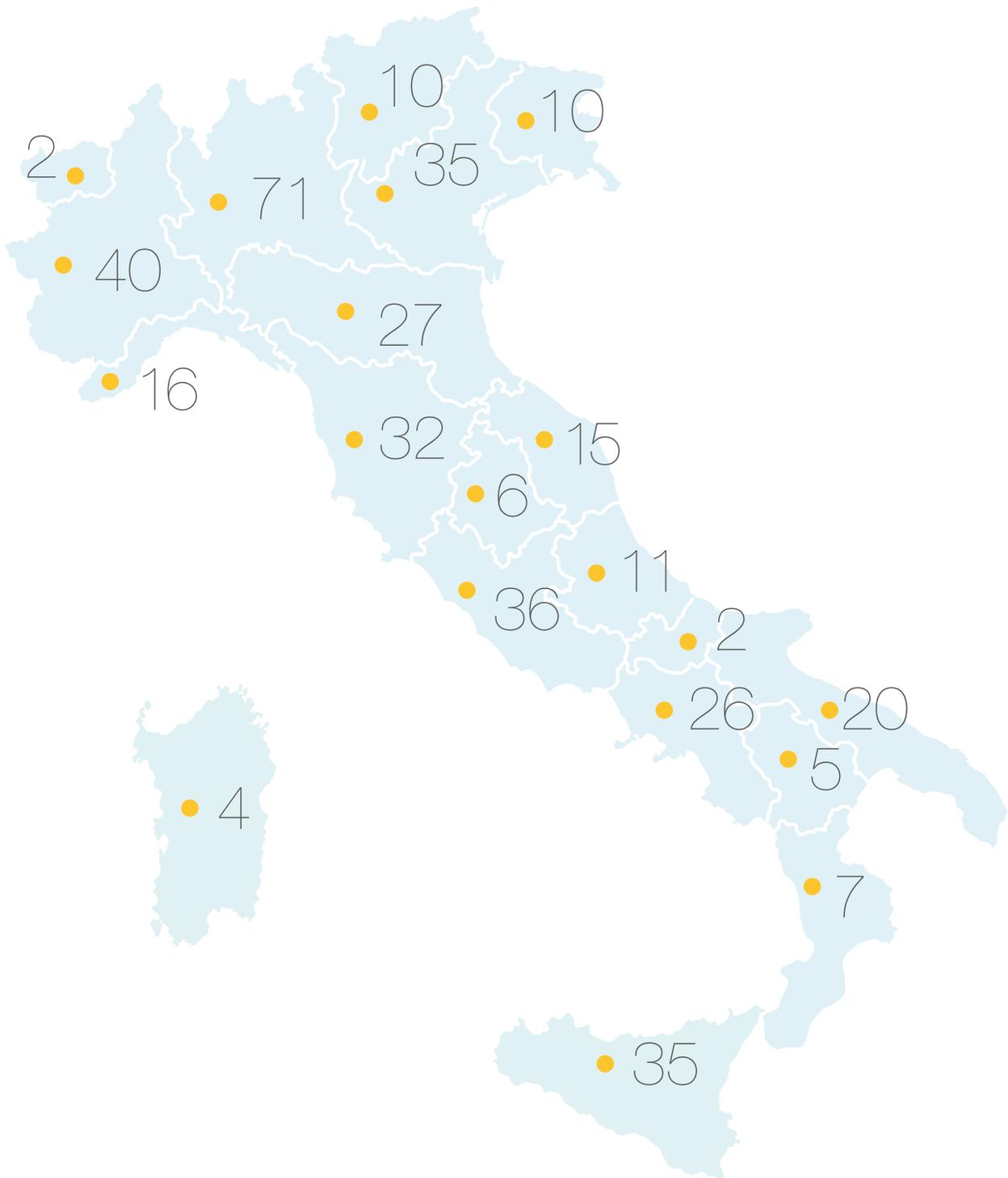
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<sup>7</sup> Registered Office: 20131 Milan - Piazza Durante, 11; Head Office: 42123 Reggio Emilia - Via Rivoluzione d'Ottobre, 16

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## DISTRIBUTION OF FINECO CENTERS

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Since its foundation, Fineco's mission has been to provide top quality services to customers by focusing on two key concepts: **simple banking** and **continuous innovation**, both applied to the financial instruments offered and services provided.

The Group is based on three main pillars: efficiency, innovation and transparency, the key principles of its strategy, leading the way towards sustainable growth.



#### EFFICIENCY

**IT and operations, as the Bank's strengths supporting the business, greater flexibility and lower costs.**

Efficiency is a distinctive feature of the Bank and characterises every activity: thanks to its proprietary back-end systems, internal development and automated processes, Fineco benefits from a lean and efficient cost structure as well as rapid time-to-market for new products and services.



#### INNOVATION

**Anticipating new needs to simplify clients' lives.**

Innovation is the path taken by Fineco to achieve its mission. From the outset a pioneer in anticipating clear structural trends generated by the **increasing digitisation of customers and consumers**, who increasingly choose their banks according to the quality of services offered.



#### TRASPARENCY

**Fairness and transparency towards all stakeholders.**

Fairness and transparency are part of Fineco's DNA. The Group strongly believes that these key elements underpin the creation of long-term sustainable values for all its stakeholders.

Long-term **organic and sustainable growth** is the cornerstone of Fineco's development strategy and is achieved through the practical implementation of the strategic pillars. Maintaining and developing the client base is pursued by continuously providing **high-quality** services, contractual **transparency** and **fair prices** aligned to the services offered. Operational efficiency is the key to Fineco's competitive advantage thanks to the Bank's solid and extensive **internal IT culture** and its core systems developed and managed in-house. The Bank has a sound, sustainable and **low risk** capital structure, with highly liquid assets. **ESG** is a part of the corporate governance, with the Bank having set up Sustainability Committees at board and management level, together with a dedicated Unit, tasked with developing and overseeing the sustainability strategy.

FinecoBank is one of the most important FinTech banks in Europe and has one of the largest financial advisory networks, with over 2,600 financial advisors. It is a leading bank in brokerage in Europe and No. 1 in Italy in terms of number of transactions and equity trading volumes. The Bank's transactional platforms and advisory services are developed **in-house** using state-of-the-art **proprietary technologies** to **make the client experience a more fluid and intuitive experience on all channels**.

FinecoBank is also one of the most important players in the Italian **private banking** sector, owing to a consultancy approach tailored to the needs of individual clients, which includes advice on fiduciary services, protection and succession planning of personal and corporate assets and, more in general, risk management.

The business model is structured into **three areas of integrated activities: Banking and Credit, Investing and Brokerage**. The Bank's services (banking and investment) are delivered in a coordinated and integrated way through its network of financial advisors and on online and mobile channels.

The main products and services by area of activity are shown below:

## BANKING AND CREDIT

These include current account and deposit services, payments, issuing debit, credit and prepaid cards, mortgages, Lombard loans and personal loans.

During 2020, work continued to expand the range of banking and payment-card products and services, alongside the development of process digitisation, with a view to making processes more responsive to clients' needs.

## INVESTING

The Group uses a "guided open architecture" business model to offer customers an extremely wide range of asset management products - comprising collective asset management products, such as units of UCITS and SICAV shares - from carefully selected Italian and international investment firms, as well as pension and insurance products and investment advisory services.

Thanks to a vertically integrated business model, asset management activities carried out by the subsidiary FAM include product placement and distribution services, mutual funds and SICAV sub-funds managed by 70 leading Italian and international investment firms, insurance and pension products, and investment advisory services through a network which, as of 31 December 2020, includes 2,606 financial advisors.

The main services / products offered are:

- **Advice:** personalised advisory services to meet any clients' complex requirements and monitor portfolio performance over time;
- **Plus:** innovative advisory service whereby financial advisors facilitate the achievement of clients' objectives by exploring all available avenues, such as funds, SICAV shares, shares, bonds, ETFs and ETCs, always providing global and detailed investment reports;
- **Asset management services** for private clients;
- **Insurance solutions and pension funds;**
- **Funds** managed by our asset management company FAM, such as FAM Sustainable, FAM MegaTrends and FAM Target.

## BROKERAGE

Providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates.

In this area, the Bank coordinates and oversees the development of trading products and services to be offered on the domestic and international markets according to the needs of the customer base and to changes in the target market and in regulations.

## 1.6. SHAREHOLDERS

Fineco proactively promotes constant and effective communication with investors and the global financial community, underlining its commitment to transparency.

The relationship is managed through periodic meetings and conference calls with institutional shareholders and analysts. The **Investor Relations** team provides accurate, effective and timely communications on the Bank's financial performance, strategy and development, in order to facilitate a fair evaluation of the Bank and build its shareholder base in the long term.

The year 2020 was a period of **very intense dialogue with the financial community**, particularly as a result of the Covid-19 pandemic. This dialogue mainly took place virtually in the form of:

- **26 days** of participation in **international conferences** (30% more than in 2019);
- **18 days** of virtual and physical **roadshows** around the world (6% more than in 2019);
- Individual **one-to-one meetings/group meetings/conference calls and video calls**;
- **Four official conference calls** to present quarterly financial results to the market.

During the year, there were 683 interactions with institutional investors (7% more than in 2019), up by 89% compared to the average interactions between 2015 and 2018, before becoming a public company, and more than double the amount in 2015, the first year after the listing in July 2014. With regard to **ESG** issues, **engagement** increased by 75% compared to last year, reaching 21 interactions during 2020, in addition to specific requests concerning these issues received continuously throughout the year. Also of note was Fineco's participation in the Italian Sustainability Week organised by Borsa Italiana in July 2020.

Lastly, the engagement work with major institutional investors in preparation for Shareholders' Meetings, focused on issues relating to governance and remuneration, in 2020 included 11 meetings held with investors, in addition to those with proxy-advisors.

During the year, Fineco saw an increase in the shareholdings of major institutional investors. According to Consob, the main shareholders are **BlackRock** (8.8%), **Capital Research and Management Company** (5.1%) and **FMR** (3.4%).

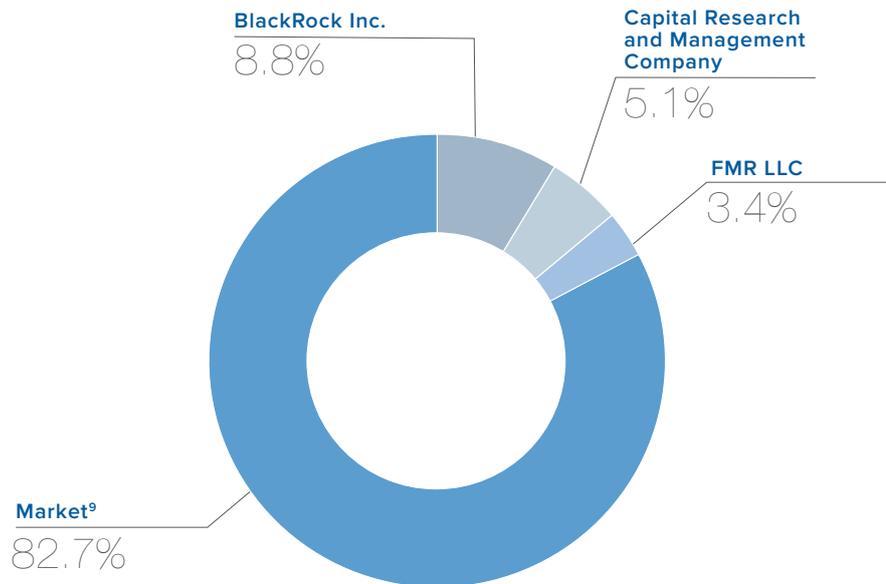
Fineco's fully subscribed and paid-in share capital amounts to €201,152,834.19, divided into 609,554,043 ordinary shares with a nominal value of €0.33 each.

Fineco's shareholder structure<sup>8</sup> in 2020 breaks down as follows:

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### SHAREHOLDER BREAKDOWN

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<sup>8</sup> Source: Consob, Significant Shareholdings - 28 December 2020.

<sup>9</sup> This refers to the share of capital held by shareholders without significant shareholdings, i.e. less than 3%.

## 1.7. SUSTAINABLE DEVELOPMENT GOALS AND 2020 – 2023 ESG PLAN

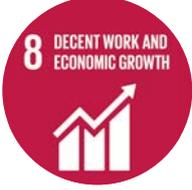
Fineco is aware that its strategy, focused on stable and organic growth, must necessarily be accompanied by the progressive integration of environmental and social sustainability principles in its business and operational management choices.

In order to ensure an increasing integration of environmental, social and governance aspects within its strategy, in December 2019 the former Corporate Governance, Appointments and Sustainability Committee approved a first proposal of **sustainability goals to be pursued in the years 2020-2023**. These goals will be progressively integrated with quantitative targets defined according to the results identified in the first reporting year. The ESG goals were approved by the Board of Directors on 15 January 2020. Following the exit from the UniCredit Group, they include the adjustment of main policies on sustainability issues across the various corporate functions and the progressive identification and integration of the main ESG risks in corporate risk management model. They involve specific activities in six macro areas: human resources, responsible finance, financial education/community support projects, supply chain, shareholders and environment.

As part of Fineco's sustainability strategy, in 2020 the Group aligned these targets with the **Sustainable Development Goals**<sup>10</sup> (SDGs) considered to be the most relevant based on the similarities between the 169 targets and the material topics.

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<sup>10</sup> In September 2015, the UN approved the 17 Sustainable Development Goals (SDGs) for the period 2015-2030, divided into 169 targets and adopted by 193 countries worldwide. Each UN Member State is responsible for drawing up a National Sustainable Development Strategy, which sets out the most relevant SDGs for the country and their respective targets at local level.

Goals	SDGs and related Target	KPI	2020	2019
<b>HUMAN RESOURCES</b>				
<b>Diversity and equal opportunity</b>				
<p>Monitoring and ongoing attention to the <b>Gender Pay Gap</b> issue; focus on issues such as the <b>promotion of women in managerial roles</b>, equal <b>gender representation</b> and the <b>monitoring</b> of how the <b>return from maternity leave</b> is managed</p>	 <p>5.1 End all forms of discrimination against all women and girls everywhere</p>	% female employees by employment category	Executives: 17% Managers: 28% Professional employees: 51%	Executives: 14% Managers: 28% Professional employees: 51%
	 <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	% of returns from parental leave to the same role <sup>11</sup>	95%	90%
	 <p>16.b Promote and enforce non-discriminatory laws and policies for sustainable development</p>			

<sup>11</sup> The percentage of returns from parental leave to a different role consisted of people who specifically requested the change of role.

Goals	SDGs and related Target	KPI	2020	2019
Implementation of an <b>employee training and awareness plan on Diversity &amp; Inclusion</b> and sustainability		Diversity & inclusion and sustainability training initiatives	Initiatives in partnership with Valore D on issues such as: unconscious bias, inclusive language, working in diverse teams, empowering staff, and gender and sexual harassment in the workplace	-

### Career development e Performance management

<b>Performance management programme</b> , aimed at all employees		Percentage of employees receiving regular performance and career development reviews <sup>12</sup>	- <sup>13</sup>	96%
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### Evolution of the welfare plan

Implementation of <b>initiatives related to flexible work</b> (greater use), creation of <b>employee areas</b> (such as break areas), <b>preventive health and healthcare</b>	 <p>10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality</p>	% of employees set up for home working	100%	50%
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### Engagement / Retention

Initiatives for <b>consultations and turnover monitoring</b>	Engagement Index	82%	81% <sup>14</sup>
	Hiring rate [no. of new hires/no. of employees at period end]	6%	12% <sup>15</sup>
	Termination rate [no. of terminations/no. of employees at period end]	3%	7% <sup>16</sup>

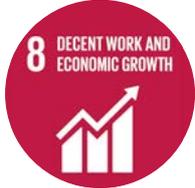
<sup>12</sup> The percentage not assessed refers to people who did not work at least 3 months during the year, either due to long periods of absence or because they were hired at the end of the year.

<sup>13</sup> Figure not available at the time of publication of this document because the assessments are carried out at the beginning of the year following the reporting year.

<sup>14</sup> This figure refers to the 2017 People Survey carried out by the UniCredit Group.

<sup>15</sup> In 2019, all movements to and from the UniCredit Group were considered as hirings and terminations from the FincoBank Group's perspective.

<sup>16</sup> In 2019, all movements to and from the UniCredit Group were considered as hirings and terminations from the FincoBank Group's perspective.

Goals	SDGs and related Target	KPI	2020	2019
<b>RESPONSIBLE FINANCE</b>				
<b>Lending</b>				
<p><b>Increased supply of products with social and environmental value</b> within the mortgages and loans sector</p>	 <p>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance</p>	<p>% capital disbursed for green mortgages out of total mortgages granted during the year</p>	<p>21%</p>	<p>15%<sup>17</sup></p>
	 <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</p>			
	 <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>			

<sup>17</sup> The figure refers to mortgages granted in July to December 2019 because the product was launched in July of that year. Due to an improvement in the collection and calculation process, the figure has been restated with respect to the figure published in the 2019 Sustainability Report. See the 2019 Sustainability Report, for the previously published historical figure.

Goals	SDGs and related Target	KPI	2020	2019
<b>Funds/ Investments</b>				
Introduction of <b>ESG criteria in product</b> evaluation. ESG evaluation extended to <b>100% of new FinecoBank Group funds</b> <sup>18</sup>		% ESG-rated ISINs out of total ISINs in the platform	57%	55%
		€/mln assets under management ESG-rated funds	13,667	11,342
		% "≥ Average" ESG-rated ISINs out of ESG-rated ISINs in the platform	75%	73%
		€/mln assets under management "≥ Average" ESG-rated funds	10,852	8,732
<b>Promotion and design of new funds</b> based on ESG criteria		€/mln asset under management Private Value Lines	208	91
<b>Green and Social Bond</b>				
Increased <b>coverage of green and social bonds</b> in FinecoBank's portfolio		% exposure to green and social bonds out of total FinecoBank portfolio (excluding UniCredit)	4.4%	0.9%
		€/mln of exposure in green and social bonds	742	136
<b>FINANCIAL EDUCATION/COMMUNITY SUPPORT PROJECTS</b>				
<b>Financial Education</b>				
Promotion of specific <b>training and awareness-raising</b> courses on topics such as savings' management, which in the future will particularly involve targeted groups such as young people	 <p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>	Financial education initiatives carried out	Participation in Financial Education Month	-

<sup>18</sup> Excluding UK representing for Fineco a new opening market.

Goals	SDGs and related Target	KPI	2020	2019
<b>Training of Personal Financial Advisors</b>				
Provision of <b>specific training on ESG issues for Financial Advisors</b> in order to meet the demands of clients more attentive to these issues and, at the same time, to promote sustainability among less interested clients		No. of ESG training hours provided to Financial Advisors	_19	-
<b>Community Support</b>				
Allocation of annual investments in <b>projects that benefit the community</b> , according to different local needs (e.g.: schools, universities, hospitals and health and cultural associations) and allocation of natural disaster funds (to postpone mortgage and loans payments, and suspend debt collection actions for insolvent customers in the event of disasters or natural disasters)		Charitable donations by Fineco [€]	313,000	116,500
		Charitable donations from clients made through Fineco [€]	2,153,000	123,700
		Sponsorships for social or environmental purposes [€]	366,000	61,000

<sup>19</sup> ESG training for Financial Advisors will be initiated in 2021.

Goals	SDGs and related Target	KPI	2020	2019
<b>SUPPLY CHAIN</b>				
<b>Suppliers assessment</b> on the basis of ESG criteria, through an initial self-assessment questionnaire <sup>20</sup>		% suppliers assessed based on ESG criteria out of total suppliers at year end	-	-
<b>SHAREHOLDERS</b>				
Strengthening <b>dialogue with socially responsible investors (SRI) and sustainability rating agencies</b>		No. of ESG-related meetings with institutional investors	21	12
<b>Participation in external initiatives</b> that support the company's commitment to ESG themes (such as: <b>Valore D and UN Global Compact</b> )		List of external initiatives joined	<ul style="list-style-type: none"> <li>• Valore D</li> <li>• UN Global Compact</li> <li>• UN Principles for Responsible Banking (FinecoBank)</li> <li>• UN Principles for Responsible Investment (FAM)</li> </ul>	<ul style="list-style-type: none"> <li>• Valore D</li> </ul>
<b>ENVIRONMENT<sup>21</sup></b>				
Implementation of the <b>Environmental Declaration</b>	 <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	Preparation/updating of the Environmental Statement pursuant to the EMAS Regulation (EC) 1221/2009	In progress	-

<sup>20</sup> The assessment will focus, for example, on compliance with environmental and occupational health and safety regulations, on the presence of a Code of Ethics and on possible certifications (ISO 14001, ISO 45001, SA8000, ISO 50001 and ISO 37001).

<sup>21</sup> The data for the year 2020 were strongly influenced by the use of home working by colleagues due to the Covid-19 pandemic.

Goals	SDGs and related Target	KPI	2020	2019
<b>Energy consumption/ emissions:</b> monitoring of internal company consumption with the aim of reducing consumption and emissions		Total energy consumption [GJ]	53,553 (38,214 on same perimeter as 2019)	41,813
	7.3 By 2030, double the global rate of improvement in energy efficiency	Energy intensity [GJ/worker <sup>22</sup> ]	14	19
		Scope 1, 2 and 3 emissions (market-based) [tCO <sub>2</sub> e]	3,062 (1,855 on same perimeter as 2019)	2,087
	13.2 Integrate climate change measures into national policies, strategies and planning	Emission intensity (Scope 1, 2 and 3) [tCO <sub>2</sub> e/worker]	0.79	0.93
<b>Company fleet:</b> the modernisation of the car fleet with hybrid / electric cars (with the possibility of recharging in the parking lot of company offices)		Number of hybrid/electric cars in the fleet	8	— <sup>23</sup>
13.2 Integrate climate change measures into national policies, strategies and planning				
<b>Sustainable Mobility:</b> refund of employees' annual bike-sharing subscriptions, upon request (both in Milan and Reggio Emilia)		Setting up the possibility of requesting reimbursements	#BikeToFineco activated	-

<sup>22</sup> Here "Worker" refers to employees and financial advisors. This figure reflects the number of workers at 31 December who were users of the premises included in the scope of the respective reporting year.

<sup>23</sup> The figure for 2019 is not available.

Goals	SDGs and related Target	KPI	2020	2019
<p><b>Material/waste management:</b> reduction of plastic consumption by creating digital credit cards; replacement of plastic bottles by installing water dispensers and providing all employees with water bottles; purchase of recycled or certified paper and provision of separate collection facilities to all offices</p>	 <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p>	Per capita paper consumption [kg/employee]	5.8	22.7
		% of FSC-certified paper	100%	100%

## 1.8. MEMBERSHIP OF ASSOCIATIONS

Fineco's commitment is also realised through close and trusting partnerships with major local and national bodies and institutions. Major memberships and collaborations within the finance industry include:

**ABI (Italian Banking Association)** - A non-profit industry association whose purpose is to protect banks' interests by organising research and debates on particular issues as well as providing assistance and information sessions.

**ASSIOM FOREX** - An internationally major representative financial association. It promotes training and the dissemination of technical information and market practices, contributing to the development and integrity of domestic, European and international financial markets.

**ASSOAML** - An Italian association whose objective is to establish the first and only "core hub" for obliged entities and experts on regulations for the prevention of the use of the financial system for the purpose of money laundering and terrorist financing ("AML-CTF Regulations").

**ASSOGESTIONI** - Italian Association of Savings Managers; Represents the main Italian and foreign asset management companies operating in Italy, as well as banks and insurance companies active in both individual and collective asset management and supplementary pensions. From 2019, membership fees to Assogestioni are paid by Fineco Asset Management DAC.

**ASSONIME** - The Italian association of joint stock companies that studies and addresses problems involving the interests and development of the Italian economy, offering its member companies a full range of highly specialised customised services, tailored to the needs of each company. In particular, the Association provides its member companies all the tools they need to navigate a complex legislative scenario through studies, research, in-depth analysis and opinions, in addition to providing an exclusive advisory service.

**ASSORETI** - An association of banks and investment firms that provide investment advisory services, keeping up-to-date with the planning and evolution of related regulations, ensuring constant contact with main institutions, and promoting and organising studies, publications, conferences and other initiatives aimed at deepening the knowledge of related issues.

**ASSOSIM (Associazione Italiana Intermediari dei Mercati Finanziari)** - One of the main Italian associations of financial market intermediaries that carries out research and training activities and represents members in consultations on regulatory and financial issues promoted by CONSOB (Italian government authority for the regulation of the Italian securities market) and by the Bank of Italy.

**Associazione Italiana Private Banking (Italian Private Banking Association)** - An association representing companies that operate in the private banking sector in Italy, aiming to bring together, share and develop private business culture.

**CBI – Associazione per il Corporate Banking Interbancario (Association for Interbank Corporate Banking)** which provides a wide range of financial, informational and commercial functions, using a single standard of communication and guaranteeing a service based on the cooperation of banks but without reducing the competitive space.

**Conciliatore Bancario Finanziario (Banking and Financial Arbitrator)** – A non-profit association specialised in financial and corporate banking disputes.

**Fondo Interbancario di tutela depositi (Interbank Deposit Protection Fund)** - Obligatory consortium recognised by the Bank of Italy that covers nominative deposits in the event of bank default. The Bank also participates in the Voluntary Scheme of the Interbank Deposit Protection Fund.

**Fondo Nazionale di Garanzia (National Guarantee Fund)** - A fund whose members are financial intermediaries (such as banks, brokerage companies, asset management companies), set up in 1991 and subsequently recognised as a compensation scheme. The purpose of the Fund is to guarantee compensation to investors who are clients of its members (such as banks, brokerage companies, asset management companies) in the event of compulsory administrative liquidation, bankruptcy or composition with creditors.

**PRI.Banks** - Association of Italian Private Banks, founded in 1954 as Assbank, which is the key organisation for banking firms with a solid ownership structure, often family and management based, strongly focused on operational management.

**ABI (Italian Banking Association) – Charter “Women in banking: enhancing gender diversity”:** Fineco has signed up to this charter, which sets out the commitment to enhancing, promoting and strengthening diversity, including gender diversity, at every level of the organisation.

**Valore D** - The first association of companies in Italy – 200 to date, with a total of over two million employees and an aggregate turnover of more than €500 billion – which for the last ten years has been committed to promoting gender balance and an inclusive culture in organisations in Italy.

**Utenti Pubblicità Associati (UPA - Advertising Users Associated)** - A membership body that brings together important industrial, commercial and service companies that invest in advertising and communication in order to make their products and services better known.

## 1.9. THE GOVERNANCE SYSTEM

The FinecoBank Group's Corporate Governance system promotes clear and responsible development of banking operations, contributing to the creation of sustainable long-term value.

In particular, it has been defined in compliance with current laws and regulations, also bearing in mind the recommendations contained in the **Corporate Governance Code for Listed Companies** which indicates the fundamental standards for good governance, based on transparency, responsibility and a long-term perspective<sup>24</sup>.

The central role of the Board of Directors, the correct management of conflicts of interest, an efficient internal control system and transparency in relations with the market, with particular reference to reporting corporate management decisions, are the main principles recognised by international best practices as key to good governance.

With this in mind, FinecoBank adopts a traditional administration and control system, based on two bodies appointed by the Shareholders' Meeting: the **Board of Directors** ("BoD" or "Board"), which exercises the powers of strategic supervision, and the **Board of Statutory Auditors**, which has auditing functions. The CEO & General Manager performs the management function as defined by the Supervisory Provisions. Accounts are audited by an external auditing company, in compliance with applicable laws.

In order to promote an efficient system of information and consultation that allows the Board of Directors to better evaluate certain matters under its jurisdiction, in accordance with the Supervisory Provisions issued by the relevant Supervisory Authorities and the recommendations of the Corporate Governance

Code, four committees are also established within the Board of Directors with investigative, proposal, advisory and coordination functions:

- **Corporate Governance and Environmental and Social Sustainability Committee;**
- **Appointments Committee;**
- **Remuneration Committee;**
- **Risk and Related Parties Committee.**

During the year, these committees met respectively as follows: 8 meetings of the **Corporate Governance and Environmental and Social Sustainability Committee**, 5 meetings of the Appointments Committee, 15 meetings of the Remuneration Committee and 17 meetings of the Risk and Related Parties Committee, in addition to the 10 meetings of the previous *Corporate Governance*, Appointments and Sustainability Committee held prior to the Shareholders' Meeting of 28 April 2020.

<sup>24</sup>On 31 January 2020, the Corporate Governance Committee promoted by trade associations and Borsa Italiana S.p.A. approved and published the new Corporate Governance Code for listed companies. Companies adopting the Code will apply it from the first financial year starting after 31 December 2020 and will inform the market of this in the corporate governance report to be published in 2022. On 15 December 2020, the Bank's Board of Directors resolved to subscribe to the new Corporate Governance Code and, consequently, approved several amendments to the document "Regulation on FinecoBank's Corporate bodies" to incorporate the new recommendations of the Code. The updated version of the above-mentioned regulation is available on FinecoBank's website ([www.finecobank.com](http://www.finecobank.com), "Governance/Company Boards" section).

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**The governance structure of FinecoBank as at 31 December 2020**


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In 2020, FinecoBank continued the review of its corporate governance, started in 2019, aimed at aligning it with the Bank's new shareholding structure, following its exit from UniCredit Group. Specifically, the extraordinary session of the Shareholders' Meeting of 18 February 2020<sup>26</sup> approved the following amendments to the wording of the Bank's Articles of Association:

- further strengthening of the requirements for the bank's legal representatives, in line with Italian legislation and current practice;
- introducing the power for the Board of Directors to submit its own list of candidates for the office of director when renewing the Board. This amendment complies with the provisions of the Corporate Governance Code and is in line with international best practice;
- extending the participation and representation of the minority shareholders;
- increasing the Board of Directors' minimum number of members from 5 to 9 in order to optimise the Board's minimum composition in light of the Bank reaching a new level of operational complexity and also in view of the wide range of skills required of Board members.

The new provisions of the Articles of Association were applied upon reappointment of the corporate bodies whose term of office ended on the date of the Shareholders' Meeting for the approval of the annual financial statements as at 31 December 2019, held on 28 April 2020. To this end, the selection process for candidates for election to the Board of Directors was carried out in accordance with the **Process for selecting candidates for membership of the Board of Directors**<sup>27</sup>, based on the criteria set out in the "Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A." (the "Qualitative and Quantitative Profile of the Board").

In particular, subject to compliance with the legal requirements, the Board of Directors, within its Qualitative and Quantitative Profile, has identified the optimal composition that will assure the most appropriate balance of experience and skills. To this end, it has developed a "skills' matrix" that lists the collective experience, knowledge and expertise required, also in the area of sustainability<sup>28</sup>.

<sup>25</sup> In accordance with the Supervisory Regulations for Banks, the Internal Audit function operates independently from other company functions and reports its activities and results quarterly to the Board of Directors (also via the Risk and Related Parties Committee) and the Board of Statutory Auditors.

<sup>26</sup> For further details, please refer to the Shareholders' Meeting documentation and the Notice of Call, available on the Bank's website ([www.finecobank.com](http://www.finecobank.com) - Governance/Shareholders' Meeting).

<sup>27</sup> The Process for selecting candidates for membership of the Board of Directors is the document that governs the rules for selecting candidates for membership of the Board of Directors of the Bank and is the Annex B to the "Regulation on FinecoBank's corporate bodies" published on the Bank's website in the "Governance/Company Boards" section.

<sup>28</sup> For more details on the skills of each Director, see the documents published on the Bank's website ("Governance/Shareholders' Meeting" section) entitled "List No. 1 BoD - List of the Board of Directors and proposal on the number of Directors and duration of their term of office" and "List No. 2 BoD - List submitted by Institutional Investors".

## SUSTAINABILITY GOVERNANCE

When the corporate bodies were reappointed in 2020, the Board of Directors decided to set up a special committee exclusively responsible for sustainability matters, particularly in light of how important this issue is also becoming for the financial and banking sector. To this end, the responsibilities for corporate governance and sustainability, previously given to the Appointments Committee, have been assigned to the new **Corporate Governance and Environmental and Social Sustainability Committee**.

Specifically, with regard to sustainability issues, the Corporate Governance and Environmental and Social Sustainability Committee supervises sustainability matters connected with FinecoBank's business activities and the interactions with all its stakeholders, providing support to the Board of Directors. It oversees the evolution of the Group's sustainability strategy, assesses the risks associated with sustainability issues; examines and, if necessary, makes proposals regarding company plans, objectives, rules and procedures relating to social and environmental issues; monitors the positioning of the Company and the Group with respect to the financial markets on sustainability issues and relations with stakeholders; and examines the Non-Financial Statement (NFS) before it is submitted for approval to the Board of Directors.

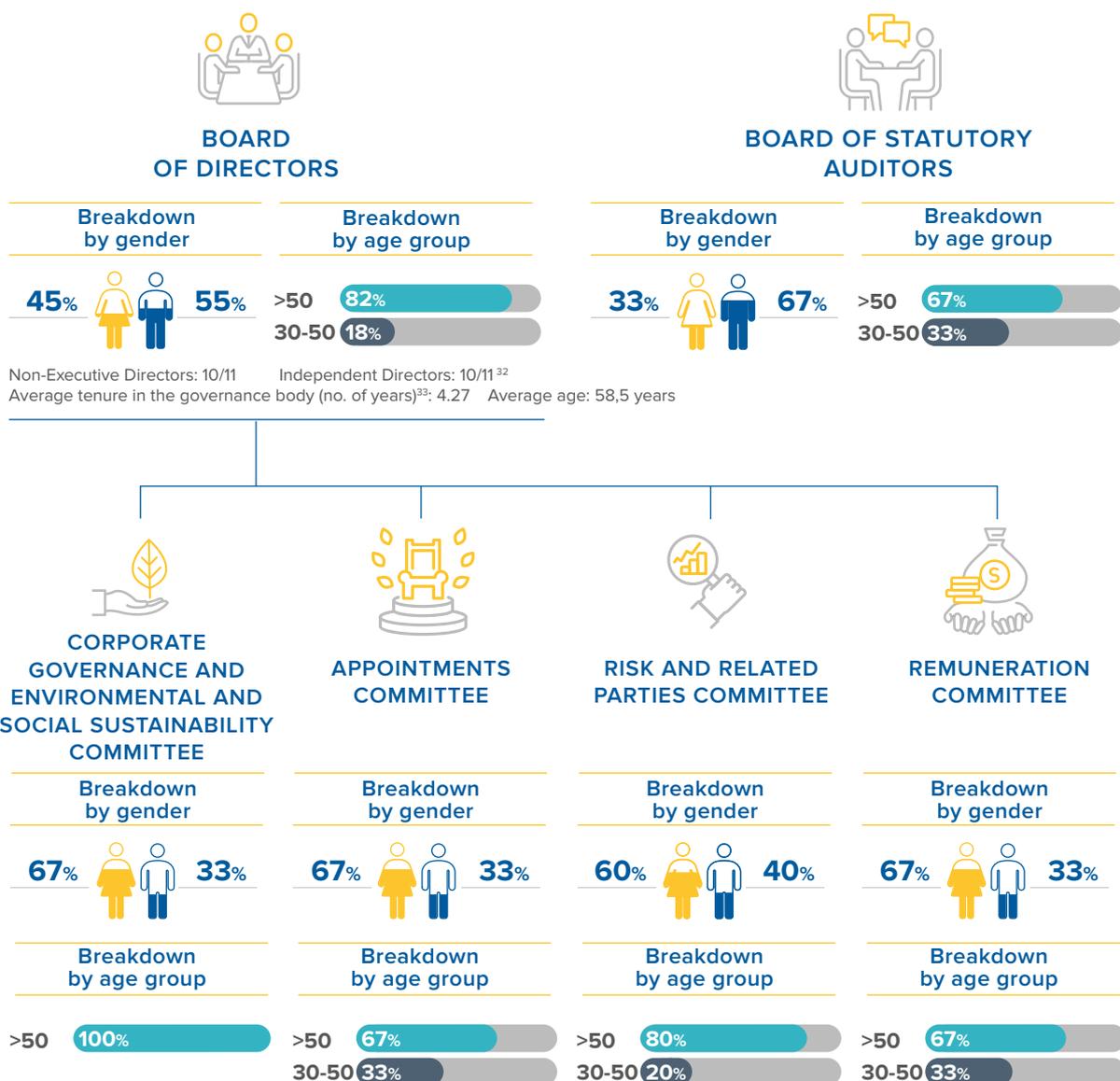
In support of this committee, a **Sustainability Management Committee** has also been in place since 2019, consisting of FinecoBank managers, who have the main task of drawing up a proposal for the Bank's sustainability strategy (company plans, rules and procedures in relation to social and environmental issues) and the related objectives to be achieved, to be examined by the Corporate Governance and Environmental and Social Sustainability Committee and where necessary approved by the Board of Directors.

Lastly, since July 2019, the Bank has established a **Sustainability Office**, a technical structure supporting the CFO and the Sustainability Management Committee.

## Composition of the Board, Committees and Supervisory Body

As at 31 December 2020, FinecoBank's Board of Directors comprised eleven<sup>29</sup> members, including the Chairman and the CEO & General Manager. The current board was appointed at the Shareholders' Meeting of 28 April 2020 and its term of office will end at the Shareholders' Meeting for the approval of the annual financial statements as at 31 December 2022.

The members of the Board of Directors (and of the Board of Statutory Auditors) are appointed by the Shareholders' Meeting according to the list voting system. This voting system entails lists of competing candidates and ensures the appointment of representatives of minority shareholders<sup>30</sup>. The composition of the Board in office as at 31 December 2020 is quantitatively and qualitatively consistent with the theoretical profile (as referred to above, the Qualitative and Quantitative Profile of the Board) approved by the Board of Directors on 25 February 2020 – upon reappointment of the corporate bodies<sup>31</sup> – including compliance with the limits on the number of offices held and the time availability required to fulfil the role at FinecoBank. In addition, the Board of Directors meets the requirements of **integrity**, **experience** and **independence** (including suitability) set forth in the Articles of Association and regulations applicable to the Board of Directors in office at the date of this document.



## Skills of the Board of Directors



## Composition of the Board of Directors of FinecoBank S.p.A. by age group and gender

	2020		2019	
	n.	%	n.	%
< 30	0	0%	0	0%
30-50	2	18%	2	25%
> 50	9	82%	6	75%
<b>Total</b>	<b>11</b>	<b>100%</b>	<b>8</b>	<b>100%</b>
 <b>Men</b>	6	55%	5	62%
 <b>Women</b>	5	45%	3	38%
<b>Total</b>	<b>11</b>	<b>100%</b>	<b>8</b>	<b>100%</b>

For information and details on the structure and functioning of the corporate bodies, the governance practices applied, and the activities of the board committees, please refer to the **“Report on the corporate governance and ownership structures”**, as well as to the **“Regulation on FinecoBank’s corporate bodies”** both available on the website (in the “Governance/Report on Corporate Governance” and “Governance/Company Boards” sections, respectively).

<sup>29</sup> In accordance with the provisions of the Articles of Association effective as of 31 December 2020, the Board of Directors must be composed of no less than 9 (nine) and no more than 13 (thirteen) members.

<sup>30</sup> The better representation of minority shareholders has also been ensured by the new provisions of the Articles of Association submitted by the Extraordinary Shareholders’ Meeting of 18 February 2020 and approved by it. For further details, see the wording of the Articles of Association published on the Bank’s website ([www.finecobank.com](http://www.finecobank.com), “Governance/Documents” section).

<sup>31</sup> In accordance with the sector’s laws and regulations, the Board of Directors of FinecoBank defines its qualitative and quantitative composition as optimal for the effective performance of the tasks and responsibilities entrusted to it by law, by the Supervisory provisions for banks and by the Articles of Association. The Board also articulates the requirements that must be met by directors of FinecoBank, in addition to those already stated by current laws and regulations. Moreover, the Board asserts its own position regarding the maximum number of roles that directors might hold in other companies. Prior to its appointment, the Board informs the shareholders of its most optimal composition, so that the required skills can be taken into account when choosing a candidate. Regarding this, please refer to the documents entitled *“Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A.”*, published on the Company’s website.

<sup>32</sup> The Chairman of the Board of Directors is independent in line with the Consolidated Finance Act, but he does not qualify as independent in accordance with the Corporate Governance Code (in force until 31 December 2020), because he is considered a “significant representative” of the issuer (Criteria 3.C.1 and 3.C.2).

<sup>33</sup> The number of years is calculated from the date of first appointment to the Board of Directors until the Shareholders’ Meeting called for the approval of the annual financial statements as at 31 December 2020.

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## Policies on the diversity of the governing body

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The composition of the Board must include a combination of abilities and managerial skills, in compliance with the requirements of integrity, independence, experience and gender as stated by current laws, regulations and the Articles of Association, as well as with the recommendations of the Corporate Governance Code. The number of board members must be such that the Board includes:

- all the different components of its social base;
- all the necessary skills for competent internal debate;
- a sufficient number of independent members in accordance with the Corporate Governance Code;
- adequate gender representation.

As described in the reference documents, the **“Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A.”** aims to ensure a balance of profiles and experience, promoting diversity in both specific skills and those pertaining to the banking sector, the distribution of seniority, also in terms of age, in Director roles. Compliance with gender diversity policies as set forth in the current legislation is also reflected in the Articles of Association: the current composition of the Bank’s Board of Directors reflects the gender balance stated in the regulations for the Board of Directors as of 31 December 2020 (two fifths of the elected members must belong to the least represented gender)<sup>34</sup>.

Finally, internal regulations also provide specific guidelines regarding the structure and membership requirements for corporate bodies, to ensure a proportionate presence of dependent and independent members, adequate gender representation and a composition suitable to effectively oversee the entire company’s operations, considering also the size and complexity of the Company’s organisational structure.

Lastly, upon the reappointment of the corporate bodies in 2020, the Board of Statutory Auditors – despite there being no regulatory obligations in this regard – decided to identify the optimal theoretical profile of its members, preparing a specific document called “Qualitative and Quantitative Composition of the Board of Statutory Auditors of FinecoBank S.p.A.”, which was approved by the Board of Statutory Auditors on 11 March 2020. With regard to diversity in particular, the provisions of Article 144-undecies.1 (Gender balance) of the Issuers’ Regulation<sup>35</sup> also apply to the Board of Statutory Auditors.

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<sup>34</sup> It should be noted that following the amendments made, inter alia, by law no. 160/2019 (Budget Law) to Article 147-ter, paragraph 1-ter of the Consolidated Finance Act, at least two fifths of the elected directors of the supervisory body should belong to the least represented gender. This will come into force from the first renewal of the Board following the new regulatory provisions.

<sup>35</sup> Resolution no. 21359 of 13 May 2020 amended Article 144-undecies.1 of the Issuers’ Regulation, paragraph 3 of which, in its current wording, establishes that “Where the application of gender division criteria does not result in a whole number of members of the administrative or control body belonging to the least represented gender, this number is rounded up, except for the corporate bodies made up of three members, for which the rounding takes place by default to the lower unit”.

## 1.10. THE INTERNAL CONTROLS SYSTEM AND RISK MANAGEMENT

Fineco has always promoted a solid risk culture based on shared values and consistent behaviour, which are necessary to ensure long-term sustainable profitability.

The **Risk Management** function is responsible for identifying, quantifying and mitigating the Group's risks, using a series of rules, methodologies, policies and strategies in line with the regulatory requirements established by the Supervisory Authorities, and supporting the Group's strategic planning. Specifically, Fineco has adopted an effective and efficient **centralized Internal Control System (ICS)**, with the aim of ensuring that the company's activities are based on sound and prudent management practices that guarantee capital solidity and company earnings, whilst also ensuring informed risk-taking and operating conduct based on fairness and compliance with internal and external regulations.

This System also provides broad support for strategic choices and control over targets, not only in economic terms but also as regards risk appetite, promoting stability and transparency and protecting the interests of stakeholders.

Specifically, the ICS consists of the set of rules, functions, structures, resources, processes and procedures that aim to ensure the achievement of the following objectives:

- containment of risk within the limits indicated in the Group **Risk Appetite Framework (RAF)**;

- **verifying** the implementation of the **Bank's strategies and policies**;
- **protecting the value** of assets and **preventing losses**;
- ensuring the **effectiveness** and **efficiency** of corporate processes;
- **ensuring the security and reliability** of the Bank **information** and ICT procedures;
- **preventing the risk of the Group being involved**, even involuntarily, in **illegal activities** (with particular reference to money laundering, usury and financing terrorism);
- **ensuring** transactions comply **with the law, supervisory regulations** and **internal policies, procedures and regulations**.

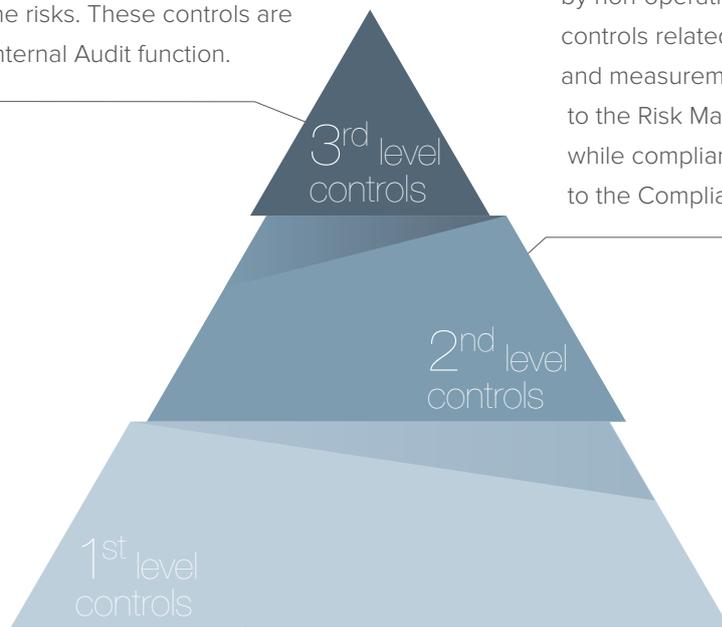
From a methodological point of view, the Group's Internal Control System provides for **three types of controls**:

### THIRD LEVEL CONTROLS

controls typical of internal auditing, aimed at identifying breaches of procedures and regulations and periodically assessing the completeness, adequacy, functionality in terms of efficiency and effectiveness, and reliability of the internal control system and the information system (ICT audit), at predetermined intervals in relation to the nature and intensity of the risks. These controls are assigned to the Internal Audit function.

### SECOND LEVEL CONTROLS

controls related to daily operations connected with the process of measuring risks and carried out continuously by non-operating units. More specifically, controls related to risk management and measurement are entrusted to the Risk Management structure, while compliance controls are entrusted to the Compliance unit.



### FIRST LEVEL CONTROLS

("line controls"): controls aimed at ensuring the proper conduct of operations, carried out by the operational structures.

In addition to the controls carried out by the corporate functions, the supervisory controls carried out by the Parent Company's supervisory bodies, including, in particular, the **Board of Statutory Auditors and the Supervisory Body** (pursuant to Legislative Decree no. 231 of 8 June 2001), also play an important role.

The Internal Control System is **pervasive in the Group's organisational structure** and involves the Corporate Bodies, the above-mentioned corporate control functions and the line structures.

In order to ensure full integration of the ICS into the Group, as well as to allow maximum alignment between risk and profitability, Fineco sees the **Risk Appetite Framework** (RAF) as the instrument to monitor the risk profile that the Group wants to adopt in the implementation of its business strategies and in the pursuit of sustainable

profitability in conjunction with solid business growth. The RAF uses a set of risk limits and metrics to formalise risk objectives, tolerance thresholds and operating limits that the Group intends to comply with as part of the pursuit of its strategic guidelines.

The recent additions made to the strategic goals include the integration of environmental and social sustainability (ESG) principles into the strategy, business decisions and management of operations. In order to ensure an effective and pervasive transmission of risk objectives, where possible the Group breaks down overall risk appetite into operational limits that govern the work of organisational structures, within a structured framework consistent with the policies for the governance and control of individual risks.

Finally, RAF metrics are regularly **monitored and reported**, at least quarterly: monitoring is carried out by the Chief Risk Officer and Chief Financial Officer Departments and reported to the Corporate Bodies. As such, the Risk Management function supports the Board of Directors in defining a risk appetite proposal for the Group. Aligning the incentive schemes for top management and the network of personal financial advisors with the RAF encourages a conservative approach to risk-taking and the maintenance of adequate risk levels.

In the 2021 RAF, updated in 2020 and approved by the Board of Directors in January 2021, a number of **new ESG elements** were added to implement the recent European guidelines on this subject. In particular, indicators were added to the dashboard of risk/performance indicators aimed at monitoring the strategic goal related to ESG investments in the Group's own portfolio and the concentration of the real estate protection guarantees in areas with high seismic/hydrogeological risk (to control the exposure to climate and environmental risk). Finally, the RAF is also relevant to Major Significant Transactions (hereinafter also referred to as MSTs), i.e. all those transactions that can significantly change the Group's business environment and risk profile. Specifically, all operations classified as MSTs are subject to a prior opinion by Risk Management, which carries out a comprehensive risk analysis and verifies their consistency with the RAF.

To manage the **operational risks** related to human error, deficiencies in internal procedures and incorrect execution of processes, Risk Management collects and classifies loss data from Fineco's various business areas and creates a system of operational risk indicators. Both the loss data and any anomalous values recorded by the indicators are used for the purposes of management and continuous internal improvement of operations and are brought to the attention of the Board of Directors through the Quarterly Report on Group risk exposures. Some of these indicators are defined as relevant for ESG purposes, because if their value is abnormal they may signal specific risks concerning relations with clients (e.g. complaints received from clients, availability or security issues in IT systems), with staff (e.g. turnover) or with the regulators, affecting the sustainability of the business. This second-level monitoring accompanies the operational management by the designated first-level functions.

In 2020, the Group Risk Management function updated the set of indicators in accordance with the most recent guidance from the Supervisory Authorities (for example, introducing indicators relating to data processing and data privacy), in addition to the already mentioned RAF indicators relating to climate/environmental risk and the Group's ESG investments.

In accordance with Bank of Italy Circular 285, the Risk Management structure **identifies the risks** to which the Group is or could be exposed on an annual basis when it defines the Risk Appetite Framework and the internal capital adequacy and liquidity self-assessment processes (ICAAP and ILAAP). The **risk assessment** is also carried out whenever a new product is introduced; the "New Product Process" consists of an in-depth analysis by all the Bank's functions for their respective areas of responsibility and requires unanimous approval by the Product Committee (of which the Chief Risk Officer is a permanent member).

The FinecoBank Group is committed to developing and standardising a common **risk culture** at all levels of the organization, to ensure sustainable earnings over the long term. To this end, the Group encourages the development of transferable skills aimed at acquiring an overall and integrated vision of control activities, including through programmes for rotating resources between the corporate control functions, as well as the possible participation of employees and managers of the aforementioned functions in the Risk and Related Parties Committee.

For a full description of the risks and uncertainties that the Group faces in the current market situation, see Part E - Information on risks and related hedging policies in the 2020 Annual Report and Accounts.

## ESG RISKS

In 2020, the Group continued its examination of the **main ESG risk factors** related to the main non-financial issues relevant to the Group. Among the risks with potential ESG implications, **operational risks** and **reputational risks**, which could be determined by specific social, environmental and customer relationship risks, are particularly important.

In particular, the system of operational risk indicators includes around **70 Key Risk Indicators**, developed and maintained by the Risk Management function and divided into different control areas: Payment Cards, Compliance, HR, Legal, Operations Securities, Payment Systems, Complaints, Risk Management, IT Systems, Security, Administration, Audit. The prevention and management of operational and reputational risks allows, on the one hand, the limitation of losses by reducing business risk and, on the other hand, the maintenance of good relationships with customers. These risks are overseen not only through a series of policies and procedures for the measurement, monitoring and reduction of risk, but also through the assessment of each product by the Product Committee – of which the Chief Risk Officer, the Head of the Risk Management Function and the Head of the Compliance Function are members – which ensures that each current or prospective risk is examined in detail.

In addition, the **Initial Environmental Analysis** is being completed as part of the design and implementation of the **Environmental Management System** in accordance with the requirements of the **EMAS regulation 1221/2009/EC**. This analysis serves to map the needs and expectations of stakeholders in relation to the environment, identifying the respective risks for FinecoBank and using the company activities as the basis for developing a classification of the risks generated and suffered by the organisation associated with the most significant environmental aspects. The final analyses will be released in the course of 2021.

The table below shows the main ESG risk factors to which the FinecoBank Group could be exposed, as well as the related management and mitigation approach.

Material topics identified by Fineco	Risk Factor and Description	Management Approach (control/mitigation)
<b>Legislative Decree 254/2016: Social</b>		
Socio-economic compliance  Protection of privacy	Internal fraud: actions carried out with the intent to defraud, misappropriate assets, violate laws or company policies involving at least one Company employee or similar.  Internal fraud takes on particular social and reputational importance when perpetrated to the detriment of customers	<ul style="list-style-type: none"> <li>• Risk is overseen by the various functions of the Parent Company (Network Control, Risk Management, Compliance, Information Security &amp; Fraud Management, etc.) by means of specific monitoring activities</li> <li>• Fraud monitoring in accordance with EU and national legislation, to ensure the protection of information systems from incidents that may affect the rights of the persons concerned</li> <li>• “PFA Network Control System” Policy, containing the control criteria and methods and the information flows between the various units involved in ensuring efficient management and prevention of conduct by PFAs that does not comply with the applicable internal and external regulations</li> <li>• The Network Control Unit collects the results of the controls carried out by the various organisational units and analyses the individual cases, to enable the Bank to promptly take the most appropriate action against the PFAs based on the severity of the misconduct</li> </ul>
Protection of privacy	Risk of lack of protection of personal data and privacy	<ul style="list-style-type: none"> <li>• Global Privacy Policy</li> <li>• Establishment of a Data Protection Officer (DPO) to manage the theme and the launch of new projects, including assessing their feasibility and the way they are applied</li> <li>• Enforcement of the relevant legislation, with the support of the DPO</li> <li>• Technical and organisational security measures to prevent data loss and unlawful use of data</li> </ul>
Correctness and transparency in the sale of products and services; Socio-economic compliance	Compliance risk: non-compliance with obligations to customers (providing products that do not comply with their risk profile) and risk of lack of transparency in marketing communications	<ul style="list-style-type: none"> <li>• “PFA Network Control System” Policy</li> <li>• Remote and on-site audits of the sales network by Compliance, Audit, Monitoring and Network Services</li> <li>• Group guidelines for the preparation of marketing and advertising initiatives</li> </ul>

Material topics identified by Fineco	Risk Factor and Description	Management Approach (control/mitigation)
Innovation and Customer Experience	Risk of not being able to maintain the standards of quality/ innovation already provided to clients with repercussions for the level of customer service	<ul style="list-style-type: none"> <li>• Business model that has always been underpinned by principles of innovation, transparency and simplicity, with a focus on customer satisfaction</li> <li>• Ongoing development and updating of digital platforms and services</li> <li>• Investments aimed at ensuring business continuity and full maintenance of service levels, also in emergency situations</li> <li>• Thorough and proactive handling of complaints</li> </ul>
Innovation and Customer Experience	Operational interruption and system failures: vulnerabilities and risks related to the use of information and communication technology can also have significant social consequences. In the event of an interruption of operations, customers may, for example, be unable to access their finances	<ul style="list-style-type: none"> <li>• Ongoing development and updating of digital platforms and services</li> <li>• Investments aimed at ensuring business continuity and full maintenance of service levels, also in emergency situations</li> <li>• Thorough and proactive handling of complaints</li> </ul>
Information & Cyber security	External fraud: actions committed by third parties with the intention of misappropriating company or client assets and infringing regulations or laws	<ul style="list-style-type: none"> <li>• At level 1, this risk is controlled by the Information Security &amp; Fraud Management team with regard to the security of client transactions (e.g. home banking services, credit cards), providing safeguards, in accordance with industry regulations, to meet strict security requirements and offer an appropriate level of protection for the risks involved</li> <li>• At level 2, this risk is managed by the Risk Management function through the monitoring of RAF indicators, the second level controls (KRI), the collection of loss data and the annual ICT risk assessment, also performed through scenario analysis</li> <li>• Intelligence gathering and prevention through the collection and analysis of data and the establishment of rules and appropriate mitigation actions, aimed at identifying and combating fraudulent conduct and transactions</li> </ul>

Material topics identified by Fineco	Risk Factor and Description	Management Approach (control/mitigation)
Information & Cyber security	ICT and security risk	<ul style="list-style-type: none"> <li>At level 1, the risk is managed by the ICT &amp; Security Office, which is responsible for adopting and managing policies and technical and organisational measures to guarantee the security of company information and assets, in order to avoid loss/damage of data</li> <li>At level 2, the risk is managed by the Risk Management function through the monitoring RAF indicators, the second level controls (KRI), the collection of loss data and the annual ICT risk assessment, also performed through scenario analysis</li> </ul>
Responsible Products and Investments	Market risk related to lack of preparation or delay in understanding changes in customers' preferences for products and investments that are socially and environmentally responsible	<ul style="list-style-type: none"> <li>Objective included in the 2020-2023 Multi-Year Plan which includes training on ESG issues for financial advisors</li> <li>Evaluation of market risks and definition of objectives for their management as part of the project to implement the Environmental Management System, launched in 2020 and to be completed in 2021</li> </ul>
Socio-economic, environmental and tax compliance	Supply Chain: reputational risk from selecting suppliers involved in unlawful actions or affected by social responsibility disputes	<ul style="list-style-type: none"> <li>Evaluation of the required documentation during the selection process, such as: regulations concerning social security, health and safety at work, any ISO 9001 and ISO 14001 certifications, self-declaration on the exploitation of labour (i.e. illegal recruitment)</li> </ul>
Socio-economic, environmental and tax compliance	Risk of error in tax compliance: operational risk, which may arise when carrying out the activities within the business processes	<ul style="list-style-type: none"> <li>Risk mapped in the Tax Control Framework</li> <li>When an operational error occurs, Fineco takes steps to promptly rectify the infringement where possible (e.g. by using the voluntary remediation procedure) and records the failure identified in the reporting on the internal control system</li> <li>The Tax Compliance Officer submits a report to the tax authorities with the rectifications of the operational errors made in the previous year, according to the terms and conditions agreed in each case</li> </ul>
Socio-economic, environmental and tax compliance	Tax fraud risk: risk of Fineco incurring tax violations as a result of criminal conduct, also by third parties	<ul style="list-style-type: none"> <li>Tax fraud risk is controlled by monitoring, analysing and assessing compliance and interpretation risk</li> <li>Cases involving a risk of tax fraud arising from the actions of third parties are always reported to the tax authorities. Corporate functions that receive formal notices from the legal authorities must immediately inform the Tax function for it to examine the related tax implications</li> </ul>

Material topics identified by Fineco	Risk Factor and Description	Management Approach (control/mitigation)
Socio-economic, environmental and tax compliance	Tax interpretation risk: tax issues of a purely interpretative/assessment nature that can be understood differently by the Bank and the tax authorities	<ul style="list-style-type: none"> <li>• Specific escalation procedure for the analysis and assessment of tax risk and dialogue with the tax authorities, which governs the procedures for the (i) detection of the existence of a possible interpretation risk, (ii) qualitative and quantitative assessment of the interpretation risk (iii) triggering of the internal authorisation escalation procedure and (iv) potential dialogue with the tax authorities</li> </ul>
<b>Legislative Decree 254/2016: Social/Human Rights</b>		
Responsible Products and Investments	Financing of and investment in unethical activities, activities that do not comply with standards and practices relating to Human Rights, working conditions and the environment	<ul style="list-style-type: none"> <li>• Commercial Credit Policy, which was recently supplemented with ethical values incorporating environmental, social and governance (ESG) assessments into the granting of credit:</li> <li>- the Group does not, under any circumstances, grant credit to companies operating in sectors with a high social/reputational impact (e.g. defence and armaments sector) or environmental impact (dams, mining, coal)</li> <li>- the Group is committed to offering its credit products in a responsible manner, assessing the specific circumstances of individual clients and ensuring that the criteria for granting credit do not lead to undue hardship and over-indebtedness of clients and their families</li> </ul>
<b>Legislative Decree 254/2016: Personnel</b>		
Protection of health and safety at work	Accident risk for financial advisors operating within the Fineco Centers and customers who attend them	<ul style="list-style-type: none"> <li>• Inspections of Fineco Centers to verify that the premises and equipment comply with current health and safety regulations</li> <li>• Training for Fineco Center managers on how to run them in compliance with current health and safety regulations</li> </ul>
Protection of health and safety at work	Practices that do not comply with occupational health and safety laws or conventions, resulting in losses and harm to reputation	<ul style="list-style-type: none"> <li>• Circular 131/2019 defining the roles and responsibilities of FinecoBank's structures and corporate personnel in applying and meeting Legislative Decree 81/2008</li> <li>• Inspections carried twice a year at head offices and financial shops in accordance with Legislative Decree 81/2008</li> </ul>

Material topics identified by Fineco	Risk Factor and Description	Management Approach (control/mitigation)
Human Resources Management Policies (Recruiting, Talent Acquisition, Development, Engagement)	Lack of applications, lack of attractiveness to talents on the market, turnover with relative loss of key personnel and skills	<ul style="list-style-type: none"> <li>• Organizational unit dedicated to Personnel Management and Development</li> <li>• Processes and global policies issued by the HR function dedicated to personnel management</li> <li>• Partnerships with the main Italian universities and participation in targeted events, presence and dedicated campaigns on the main social networks</li> <li>• Evaluation system consistent with a structured and transparent compensation system</li> <li>• Remuneration policy for executives and below executives</li> <li>• Strategies and employer branding campaigns</li> <li>• Definition of pipeline leadership and succession plans</li> </ul>
Policies for Human Resources Management (Engagement and working environment)	Fall in employee engagement level with consequent impact on performance	<ul style="list-style-type: none"> <li>• Listening initiatives on specific topics</li> <li>• Engagement &amp; Reputation Survey</li> <li>• Using the company intranet as an information tool</li> </ul>
Personnel training	Inadequate personnel training initiatives	<ul style="list-style-type: none"> <li>• Existence of a structure for Personnel Management and Professional Training</li> <li>• Skills mapping to analyse gaps to be filled</li> <li>• Traceability of training needs through the performance management tool</li> <li>• Mandatory Training Policy</li> <li>• Training, Learning and Professional Development Policy</li> </ul>
Protection of diversity and equal opportunity	Lack of effectiveness of programmes and initiatives related to diversity and equal opportunities	<ul style="list-style-type: none"> <li>• Global Gender Equality Policy</li> <li>• Annual gender pay gap analysis</li> <li>• Joint committee on work-life balance, innovation and company welfare</li> <li>• Continuous learning through participation in relevant associations</li> <li>• Objectives included in the 2020-2023 Multi-Year Plan on the topic</li> <li>• Monitoring of the gender pay gap and gender balance included in the targets of the CEO's Short Term Incentive Plan</li> </ul>

Material topics identified by Fineco	Risk Factor and Description	Management Approach (control/mitigation)
Industrial relations management	<p>Failure to comply with the understandings in the second-level agreements</p> <p>Failure to comply with level-one legislation: (e.g. provisions of the Workers' Statute concerning the exercise of trade union rights)</p>	<ul style="list-style-type: none"> <li>• Constitution of the Welfare Commission for corporate welfare issues, in which the parties hold discussions in order to analyse, monitor and gain a deep technical understanding of tools for work-life balance (e.g.: flexible work, additional leave, part-time work), the performance of the company welfare plan and the performance of the main supplementary pension fund</li> <li>• Internal audits carried out in accordance with Circular no. 285 of the Bank of Italy, to ascertain that the Company allows the parties concerned to take advantage of the leave offered for trade-union activities</li> </ul>
<b>Legislative Decree 254/2016: Personnel/Human Rights</b>		
Non-discrimination policies	Risk of human rights violations resulting from discriminatory behaviour in the company	<ul style="list-style-type: none"> <li>• Human Rights Commitment</li> <li>• Global Policy on "Combating Harassment, Sexually Inappropriate Behaviour and Bullying"</li> </ul>
<b>Legislative Decree 254/2016: Environmental</b>		
Reducing environmental impact	Natural disasters and public safety: Events caused by natural disasters or similar events. These events, in addition to having an impact in terms of operational losses, may have a social impact if the continuity of the business cannot be guaranteed	<ul style="list-style-type: none"> <li>• Business Continuity Plan. This is a strategic plan to ensure adequate levels of business continuity even in the event of major incidents</li> </ul>
Reducing environmental impact	Risk of inadequate monitoring of the use of resources and energy consumption at Group level, with the consequent lack of measurable objectives in this area	<ul style="list-style-type: none"> <li>• Presence of a Management Committee and a Board-level Committee on sustainability that sets targets for reducing environmental impact</li> <li>• Objectives included in the 2020-2023 Multi-Year Plan concerning monitoring of energy consumption, modernisation of the company car fleet, sustainable mobility initiatives, reduction of plastic consumption and the purchase of certified paper</li> </ul>
Compliance with environmental laws and regulations	Risk of lack of adequate tools and methodologies to analyse the impact generated and sustained by the Group in the field of climate change and the evolution of legislation on the subject	<ul style="list-style-type: none"> <li>• Presence of a Management Committee and a Board-level Committee on sustainability</li> <li>• Presence of a Sustainability unit with corporate coordination and regulatory monitoring objectives</li> </ul>

Material topics identified by Fineco	Risk Factor and Description	Management Approach (control/mitigation)
<b>Legislative Decree 254/2016: Corruption</b>		
Fighting corruption	Risk of losses and harm to reputation due to the Group's involvement in both active and passive corruption. The risk relates not only to completed actions, but also to attempts, instigations and being an accessory	<ul style="list-style-type: none"> <li>• Zero-tolerance policy towards corruption, formalised in the Global Anti-Corruption Policy</li> </ul>
Fighting corruption	Risk of money laundering or funding terrorism: providing direct or indirect support for money laundering or funding terrorism. The risk has reputational consequences and also carries significant sanctions	<ul style="list-style-type: none"> <li>• Risk controlled by the "Anti Money-Laundering" function</li> <li>• "Global AML/CFT Policy"</li> </ul>
Prevention of anti-competitive behaviour	Risk of loss and harm to reputation due to non-compliance with antitrust regulations and to anti-competitive practices	<ul style="list-style-type: none"> <li>• Antitrust Compliance and Antitrust Training Programme</li> <li>• Group Policy "Single Antitrust Rulebook - Antitrust and Unfair Commercial Practices", containing practical rules of conduct for managing meetings with competitors</li> </ul>

## 1.11. REGULATORS

The Bank must ensure, on the basis of the current regulatory framework, that the supervisory disclosure requirements are met as expressed by the Regulatory Authority, as part of transparency and fairness practices, in order to support the stability of intermediaries and a competitive and sustainable financial market.

The **Regulatory Affairs team** – for the Bank and for the entire Group – manages relations with the Resolution Authority and the Supervisory Authority, both at European level (e.g. the SRB<sup>36</sup> and ECB<sup>37</sup>) and at local level. In particular, it manages relations with the Bank of Italy which directly supervises the FinecoBank Group, following FinecoBank's classification as a Less Significant Institution-High Priority.

These relationships are ensured through proper and effective dialogue with:

- Off-site and on-site inspections, which ensure on-going off-site checks on the intermediary, the management of the on-site inspections and all the activities related to the Supervisory Review and Evaluation Process and the Recovery Plan;
- the Resolution Authority, to support the drafting of the Resolution Plan and the Resolution Strategy.

As a result of the above, the interaction with the regulators may also be on a daily basis.

The Bank is committed to ensuring that the supervisory disclosure requirements are met, as part of its transparency and fairness practices, in order to contribute to the stability of intermediaries and a competitive and sustainable financial market. Relations with the Authority are therefore based on the principles of integrity, transparency, fairness, professionalism and cooperation, and not only in accordance with the procedures laid down by the applicable regulations.

In May 2020, the Bank of Italy announced the start of the procedure for the imposition of additional capital requirements (P2R - Pillar 2 Requirement - and P2G - Pillar 2 Guidance) on the Fineco Group, identified following the Supervisory Review Evaluation Process (SREP)<sup>38</sup>. At the end of the SREP process, the Bank of Italy notified the Fineco Group, through a final ruling, of its minimum capital requirements, which were among the lowest in the market.

Following the ongoing dialogue between the Regulatory Affairs Team and the Bank of Italy's representatives, the Capital Decision procedure recognised the effectiveness of the prudent management approach continuously adopted over the years, which has resulted in the Bank maintaining a low risk profile within a clear and sustainable business model.

<sup>36</sup> Single Resolution Committee.

<sup>37</sup> European Central Bank.

<sup>38</sup> The SREP is the supervisory evaluation process that is carried out annually by the Supervisory Authority based on an in-depth analysis of four main elements: 1) Sustainability of the business model; 2) Adequacy of the risk governance and management; 3) Risk to capital (including credit, market, operational and interest rate risks); 4) Risk to liquidity & funding.

Important updates were also made to the Group's **Recovery Plan** in 2020. Based on the guidance in Directive 2014/59/EU ("Bank Recovery and Resolution Directive" - BRRD), the Recovery Plan identifies the measures that the institution is required to take to restore its financial situation following a significant deterioration. Accordingly, the Plan is drawn up to establish the actions needed to maintain business continuity if the institution undergoes significant financial or operational stress, but has not deteriorated to the point where liquidation or resolution is imminent.

Following the deconsolidation from the UniCredit Group, FinecoBank, as part of the regulatory requirements for its role as Parent Company, was required to prepare the Group Recovery Plan, to be sent to the Bank of Italy and the Resolution Authority. The **"2020 Group Recovery Plan"** project, coordinated by the Regulatory Affairs team, was started in October 2019. The Recovery Plan, which is founded on Fineco's business model, strategic plan and Risk Appetite Framework (RAF), has been developed on a sound governance structure. In addition, the decision-making, monitoring, escalation and reporting processes are fully integrated into the Bank's risk management and control system.

The analyses conducted by the Bank and the findings of the Recovery Plan showed the Group's very strong ability to respond to financial stress scenarios and maintain or restore its capital position and financial sustainability, mainly thanks to its business model, which provides strong support to the Bank's earnings and liquidity, with low exposure to credit risk and a positive track record in managing operational risks (Standard & Poor's report of July 2019).

In December 2020, the Bank of Italy provided its assessment on the suitability of the Group's 2020 Recovery Plan, which did not identify any substantial impediments to the implementation of the Plan and highlighted a number of areas for improvement, most of which already recognised and addressed by the Internal Audit function, to be implemented during 2021.



## 1.12. SUPPLY CHAIN MANAGEMENT



### Policy and regulatory instruments

- Expenditure Regulation

FinecoBank's procurement model is based on the principles of transparency and responsibility, and was handled by the Procurement Office of the UniCredit Group until 31 December 2019, namely during the months leading up to the Bank's exit from the Group.

The FinecoBank Procurement Office has been in charge of the entire procurement process since January 2020. It ensures that the supply chain management is in line with the criteria of transparency and objectivity and that suppliers are selected on the basis of professional knowledge and skills, meet the minimum quality-price ratio requirements for internal customers, and adopt socially responsible behaviour. Where necessary, it requests mandatory documentation and reviews the completeness and the accuracy of the information received.

Moreover, the entire procurement process, at Group level, is governed by the Expenditure Regulation, a policy updated after FinecoBank left the UniCredit Group and issued on 5 August 2019. This Regulation, in particular, will continue to ensure that the supplier selection process is conducted using clear procedures and employing objective, transparent, and non-discriminatory parameters linked to the quality of the products and services offered.

Furthermore, the **Code of Ethics** and the **Organisation and Management Model** of FinecoBank S.p.A., updated in November 2019, define the principles of cooperation, fairness, transparency and professionalism, as key principles in relations between FinecoBank and its suppliers. In particular, these principles prohibit dealing with counterparties for which there is a substantiated suspicion that they are involved in illegal activities and do not meet the necessary requirements of professionalism and reliability.

In addition to reviewing the Code of Ethics, which requires compliance with the principles of the International Labour Organization regarding Fundamental Human Rights, child labour, freedom of association, working conditions, equal pay, health, safety and business ethics, during the qualification phase, suppliers are asked, where applicable, to provide:

- **DURC** (Documento Unico di Regolarità Contributiva - single document certifying payment of taxes on wages) and **CCIAA** (Chamber of Commerce, Industry, Craft Trades and Agriculture certificate);
- **Regulations concerning social security, accident prevention and insurance** and on occupational health and safety;
- **ISO 9001** and **ISO 14001** certificates;
- **Self-declaration concerning the exploitation of workers** (i.e. illegal recruitment).

This process makes it possible to monitor any risks related to the procurement process, mainly related to the possible selection of suppliers involved in illegal operations or who have been involved in disputes regarding social responsibility.

With regard to other minimum sustainability standards to ask from suppliers, it should be noted that the Group is in the process of integrating the «Expenditure Regulation» to include social responsibility and environmental aspects in the supplier selection process.

During 2020, the Procurement Office managed **€120.5 million** in expenditure, involving a total of **4,156 suppliers**, the majority of which relating to services, followed by technology and goods.

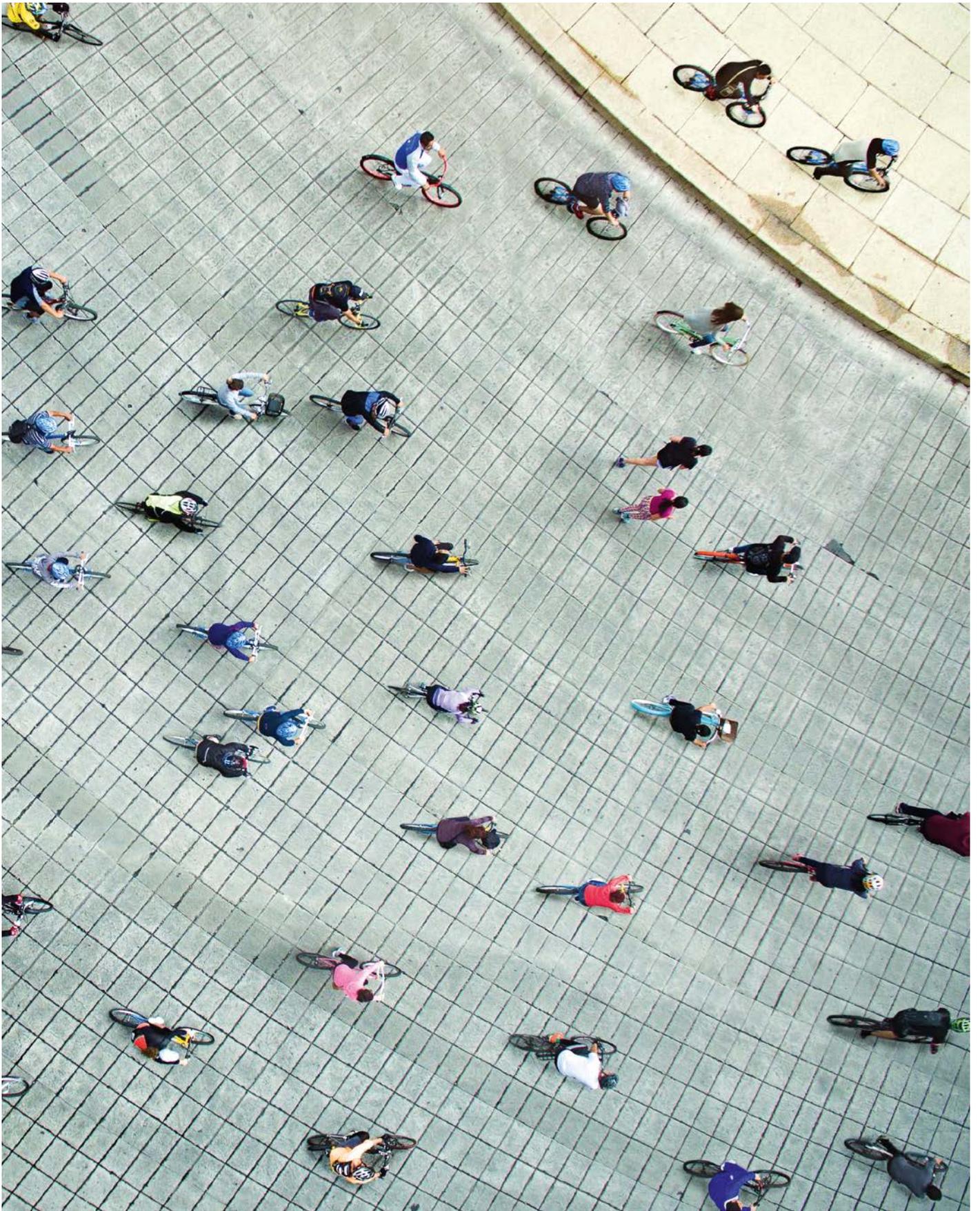
Following the termination of the relationship with UniCredit Procurement, which had provided support for procurement activities throughout 2019, Fineco Procurement began managing the procurement process completely independently from January 2020. There were no other significant changes concerning the supply chain.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

One of the procurement activities most affected related to goods from China, such as Lenovo notebooks, which were blocked for some time during the initial lockdown and could not be delivered until China reopened its borders. To cope with urgent requests, the Bank made use of what was available on the Italian market, having to opt for a slightly more expensive type of notebook in order to obtain a rapid supply of computers.

Events scheduled for the year 2020 were also significantly impacted, especially those that were due to take place during the first lockdown and for which the supply chain had already been set up.

There were also new procurement activities due to Covid-19, especially those related to PPE (Personal Protective Equipment). Of these, nitrile masks and gloves (for the financial advisers) were the most difficult items to procure, especially during the initial phase of the pandemic, after which the current supplier was identified by tender.



# 2/

## GROUP STAKEHOLDERS AND MATERIALITY ANALYSIS

- 2.1.** STAKEHOLDER ENGAGEMENT
- 2.2.** MATERIAL TOPICS

## 2.1. STAKEHOLDER ENGAGEMENT

Doing business responsibly means working to create value for all stakeholders, as well as understanding how Fineco's actions can be influenced or influence those who have an interest in its activities, i.e. its stakeholders.

Accordingly, in 2018, Fineco's management identified and mapped the main categories of stakeholders that are most affected by the Group and have the greatest influence on the Group's organisation, considering their interest in Fineco's activities, strategies and results.

Stakeholders with an above-average rating for both dimensions - significance to Fineco / interest in Fineco - were considered to be relevant. The stakeholder map produced at that time did not change significantly in 2020 and is still valid.

In order to engage stakeholders in its activities, making the most of their roles and potential, over the years Fineco has developed numerous listening and interaction initiatives that involve the Bank's stakeholders on an ongoing basis, so as to better manage relations with them. Through a careful analysis of the needs and opinions of each stakeholder, the Group can develop more targeted strategies and improve its decision-making process and range of products and services.

The categories of stakeholders (internal and external) assessed as being material to Fineco and the main dialogue tools used with them are set out below:

## CUSTOMERS

- Evaluation of customer satisfaction
- Evaluation of brand reputation
- Customer Care
- Social Media



## EMPLOYEES

- Engagement and Reputation survey on working life at Fineco and in the Group
- Annual Performance Management for employees/ Talent Management Review/ Executive Development Plan
- On-boarding of new hires, with assistance from managers, Human Resources and trade union organisations
- Ad-hoc surveys on specific topics



## REGULATORS

- Meetings
- Conference calls

## PERSONAL FINANCIAL ADVISORS

- Dedicated platform
- Specific meetings at different levels
- Calls and web conferences
- Workshops and dedicated working groups
- Committees
- Training



## SHAREHOLDERS

- General Shareholders' Meeting
- Meetings with analysts, investors and proxy advisors
- Investor Relations activities



## 2.2. MATERIAL TOPICS

The materiality analysis is the core process of preparing the Non-Financial Statement. Its aim is to select and assess the “material” economic, environmental and social topics that are most significant for the Group and its stakeholders.

To this end, the first list of material topics for the FinecoBank Group was produced for the 2019 NFS, also thanks to the scientific support of ALTIS (Università Cattolica del Sacro Cuore di Milano), based on how much influence the main sustainability issues have on the decisions, actions and performance of the organisation and its stakeholders. The result of this analysis therefore became the reference point for all the reporting activities, as well as the starting point to direct the sustainability journey now underway and associated target setting.

The selection of the material aspects was the result of a process of **direct engagement by FinecoBank management** and an indirect **analysis of materiality as perceived by stakeholders** based on information sources available to the Bank (Customer Satisfaction and Corporate Reputation surveys, organizational climate surveys, press, analysis of regulatory sources and regulations, ethical rating reports).

In 2020, the previously defined list of material topics was updated taking into account: (i) the events of the last two years, including the Covid-19 pandemic, (ii) the new stakeholder expectations that have emerged in particular from recent investor engagement activities and requests from the main ESG rating agencies, and (iii) the changes in the applicable regulations.

The resulting material topics identified were approved by the Sustainability Management Committee on 12 June 2020, by the Corporate Governance and Environmental and Social Sustainability Board Committee on 18 June 2020 and, lastly, by the Board of Directors on 7 July 2020.

In particular, the update involved the formal streamlining of some material topics and the introduction of two new topics: tax compliance and identification and management of IT security risks.



## THERE ARE 19 MATERIAL TOPICS FOR FINECO, GROUPED INTO 9 MACRO-ASPECTS

MACRO-ASPECT	ASPECT	LD 254/2016
TRANSPARENCY	Fairness and transparency in the sale of products and services and reporting of ESG risks	Social
PEOPLE DEVELOPMENT	<ul style="list-style-type: none"> <li>• Human resources management policies</li> <li>• Management of welfare and industrial relations</li> <li>• Protection of health and safety at work</li> <li>• Training of human resources</li> <li>• Protection of diversity, equal opportunity and inclusion</li> <li>• Non-discrimination policies</li> </ul>	Personnel  Respect for human rights
EFFICIENCY AND SOLIDITY	Economic performance and capital strength	Social
CONTROL AND RISK MANAGEMENT SYSTEM	Risk management (financial and ESG risks)	Fighting active and passive corruption Environmental
ENVIRONMENTAL SUSTAINABILITY	Reducing environmental impact	Environmental
FAIRNESS	<ul style="list-style-type: none"> <li>• Fighting corruption</li> <li>• Prevention of anti-competitive behaviour</li> <li>• Socio-economic, environmental and tax compliance</li> <li>• Protection of privacy</li> <li>• Clear approach to the markets</li> </ul>	Fighting active and passive corruption  Environmental  Social
RESPONSIBLE FINANCE	<ul style="list-style-type: none"> <li>• Financial inclusion and education</li> <li>• Responsible products and investments</li> </ul>	Social  Social
INFORMATION SECURITY AND CYBER SECURITY	Identification and management of ICT security risks	Social
INNOVATION AND CUSTOMER EXPERIENCE	Innovation and digitisation to improve service quality	Social



### Equity statement

Current year 1,774,576

Comprehensive income 80,000  
Issue of share capital 23,800  
Dividends

Previous year 166,830

Comprehensive income 110,327  
Issue of share capital 58,300  
Dividends 87,676

### Cash flow statement

Operations 12,978,516

Net earnings 12,871,892

Depreciation 106,624

Investing 6,372,535

Real estate 1,285,396

Equipment 4,438,138

Financing 6,505,981

Notes payable 6,505,981





## ECONOMIC PERFORMANCE AND CAPITAL STRENGTH

- 3.1.** ECONOMIC VALUE GENERATED AND DISTRIBUTED
- 3.2.** CAPITAL MANAGEMENT

The health emergency caused by the spread of the COVID-19 pandemic and the uncertainty regarding its duration have had serious repercussions on the banking and financial system, whose outlook for the near future is still difficult to foresee.

Even under these circumstances, FinecoBank's business model is diversified and well-balanced: the Group's **diverse sources of revenue** allow it to face complex stressors like this crisis. The FinecoBank Group's revenues are based on three main components (banking, brokerage, and investing) whose performance tends to be uncorrelated during periods of crisis. In 2020, the indirect effects of the health emergency at first caused a decrease in customer assets under management, which was partially reabsorbed in the following months. However, compared with the Bank's competitors, that impact has been sharply mitigated by the absence of performance fees, which are structurally variable and penalize institutions at times of market crisis. Conversely, as evidence of the decorrelation of the Group's revenue sources, there was a notable increase in brokerage revenues.

Looking forward, the Group does not expect to see a substantial impact on its strategic orientation, objectives or business model, which in fact come out **stronger**; nor does it estimate an overall impact on earnings and capital thanks to its diversified sources of revenues.

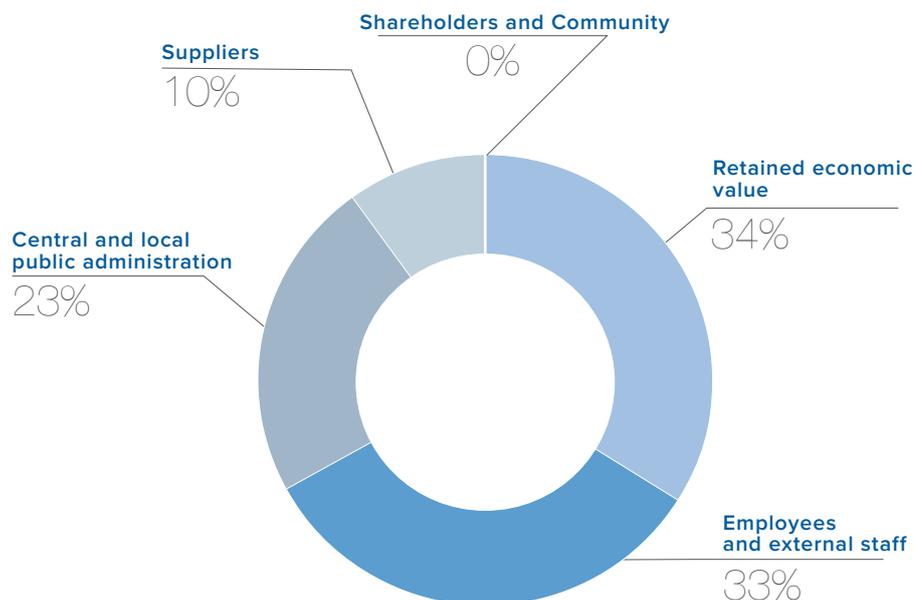
For more information please refer to the paragraph "Risks, uncertainties and impacts of the Covid-19 pandemic" of the Consolidated Report on Operations within the 2020 Annual Report and Accounts.

### 3.1. ECONOMIC VALUE GENERATED AND DISTRIBUTED

The FinecoBank Group also operates in the market with the aim of **generating long-term economic value** for all its stakeholders.

In this regard, the economic value generated by the Group during 2020, which represents the overall wealth generated by FinecoBank thanks to the production and commercial capacity linked to its business activities, amounted to approximately **€1.1 billion**, of which approximately **66%** was redistributed to its stakeholders: **human resources, suppliers, shareholders, public administration** and the **community**<sup>39</sup>.

#### BREAKDOWN OF THE ECONOMIC VALUE GENERATED



<sup>39</sup> To determine the economic value generated and distributed, the Group adopted the "Statement of determination and distribution of value added" defined by ABI (October 2019), prepared from the balances of the items in the consolidated income statement of FinecoBank Group at 31 December 2020, also taking into account the Parent Company's proposed allocation of profit for the year. The income statement has been reclassified in order to highlight the process of value creation and its distribution to the various categories of stakeholders.

Item	(Amounts in € thousand)	
	31/12/2020	31/12/2019
10. Interest income and similar revenues	278,318	297,908
20. Interest expenses and similar charges	(10,647)	(16,631)
40. Fee and commission income	720,503	627,773
50. Fee and commission expense	(65,201)	(63,056)
70. Dividend income and similar revenue	108	1,695
80. Gains (losses) on financial assets and liabilities held for trading	87,678	41,429
90. Fair value adjustments in hedge accounting	(259)	(160)
100. Gains and losses on disposal or repurchase of:	9,005	3,636
a) financial assets at amortised cost	7,235	2,909
b) financial assets at fair value through other comprehensive income	1,770	727
c) financial liabilities	-	-
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	(758)	(1,839)
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily at fair value	(758)	(1,839)
130. Impairment losses/writebacks on:	(9,584)	5,380
a) financial assets at amortised cost	(9,569)	5,378
b) financial assets at fair value through other comprehensive income	(15)	2
140. Profit/loss from contract changes without cancellation	23	-
160. Net premiums	-	-
170. Net other income (expense) from insurance operations	-	-
230. Other net operating income	111,869	105,547
250. Gains (losses) on equity investments	-	-
280. Gains (losses) on disposal of investments	(6)	-
320. Gains (losses) after tax from operating activities	-	-
<b>A. TOTAL ECONOMIC VALUE GENERATED</b>	<b>1,121,049</b>	<b>1,001,682</b>
190. b) other administrative expenses	(116,349)	(108,805) <sup>40</sup>
<b>ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS</b>	<b>(116,349)</b>	<b>(108,805)</b>
190. a) staff expenses	(367,007)	(350,693)
<b>ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND EXTERNAL STAFF</b>	<b>(367,007)</b>	<b>(350,693)</b>
340. Profit (Loss) for the year attributable to minorities	-	-
<b>ECONOMIC VALUE DISTRIBUTED TO MINORITIES</b>	<b>-</b>	<b>-</b>

<sup>40</sup> Due to an improvement in the collection and calculation process, the figure has been restated with respect to the figure published in the 2019 Sustainability Report. See the 2019 Sustainability Report, for the previously published historical figure.

Item	(Amounts in € thousand)	
	31/12/2020	31/12/2019
Net profit attributable to shareholders	- <sup>41</sup>	(195,052) <sup>42</sup>
<b>ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS</b>	<b>-</b>	<b>(195,052)</b>
190. b) other administrative expenses: indirect taxes and duties (-)	(116,731)	(108,593)
190. b) other administrative expenses: charges for resolution funds and guarantee on deposits (-)	(26,805)	(18,129)
300. Tax expense (income) related to profit or loss from continuing operations: current tax, adjustment to current tax of prior years, reduction of current tax for the year	(117,805)	(116,443)
<b>ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL ADMINISTRATIONS</b>	<b>(261,341)</b>	<b>(243,165)</b>
190. b) other administrative expenses: donations (-)	(313)	(116)
<b>ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT</b>	<b>(313)</b>	<b>(116)</b>
<b>B. TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>(745,010)</b>	<b>(897,831)</b>
200. Net provisions for risks and charges	(7,310)	(8,996)
a) provision for credit risk of commitments and financial guarantees given	(39)	27
b) other net provisions	(7,271)	(9,023)
210. Impairment/write-backs on property, plant and equipment	(19,683)	(17,415)
220. Impairment/write-backs on intangible assets	(5,757)	(5,449)
250. Profit (loss) from investments (for the measurable portion) "write-downs/write-downs", "write-downs/write-backs", "other charges and income")	-	-
260. Gains (losses) on fair value of tangible and intangible assets	-	-
270. Impairment of goodwill	-	-
300. Tax expense (income) related to profit or loss from continuing operations: adjustment to current tax of prior years, adjustment of deferred taxes	(19,718)	21,322
. Profit allocated to reserves	323,571	93,313
<b>C. TOTAL ECONOMIC VALUE WITHHELD</b>	<b>(376,039)</b>	<b>(103,851)<sup>43</sup></b>

<sup>41</sup>In line with the recommendations of the European Central Bank and the Bank of Italy concerning the dividend distribution and share buy-back policies that credit institutions and significant supervised groups should adopt in the economic environment affected by the Covid-19 emergency, the Board of Directors proposed to the Shareholders' Meeting to allocate the profit for 2020 entirely to reserves.

<sup>42</sup>In accordance with the applicable regulations, guidance from the regulators and established best practice, the Board of Directors' meeting of 6 April 2020 decided to suspend the proposed lump-sum dividend distribution of €0.32, totalling €195,052,000, as approved by the Board of Directors on 11 February 2020. Instead the Board resolved to propose to the Ordinary Shareholders' Meeting called for 28 April 2020 that the profit for the 2019 financial year be allocated to the reserves. The Ordinary Shareholders' Meeting held on 28 April 2020 approved the above proposal.

<sup>43</sup>As a result of the restatement of the value of item 190) Other administrative expenses, the total economic value withheld was also restated with respect to the figure published in the 2019 Sustainability Report to ensure the correctness of the reclassification presented. See the 2019 Sustainability Report, for the previously published historical figure.

## 3.2. CAPITAL MANAGEMENT

The Group gives priority to activities aimed at managing and allocating capital based on the risks taken, in order to ensure that its operations are focused on creating value.

The control of capital adequacy at individual and consolidated level is ensured through the capital management process, which identifies the size and optimal combination of the various capital instruments, in compliance with the regulatory constraints and in line with the Group's risk profile.

The activities consist of the different stages of the planning and control process and, in particular, the planning and budget, and the monitoring processes. As part of this active capital management, the Parent Company draws up the financial plan and monitors the regulatory capital requirements, anticipating the actions needed to achieve the targets.

Capital and its allocation therefore play a very important role in setting long-term strategies, because it represents the shareholders' investment in the Group, which must be adequately remunerated, but it is also a resource subject to external limits, set by the supervisory regulations.

Fineco's attention to capital management has maintained its position as one of the most solid banks in Italy and Europe in 2020, thanks to a CET1 ratio of 28.56% and a leverage ratio of 4.85%.

For more details, see the document "FinecoBank Group Public Disclosure – Pillar III as at 31 December 2020", published on the Bank's website.







## INTEGRITY IN BUSINESS CONDUCT

- 4.1.** ORGANISATION AND MANAGEMENT MODEL
- 4.2.** FIGHT AGAINST CORRUPTION, CONFLICT OF INTEREST  
MANAGEMENT AND ANTI-COMPETITIVE PRACTICES
- 4.3.** PROTECTION OF HUMAN RIGHTS
- 4.4.** WHISTLEBLOWING
- 4.5.** TAX COMPLIANCE

## 4. INTEGRITY IN BUSINESS CONDUCT



### Policy and regulatory instruments

- Global Policy Compliance Culture

Integrity in business conduct is a fundamental value for Fineco. If business is at the core of the Bank's operations, compliance and integrity are how it carries out its business activities.

In light of the Bank's commitment to promoting compliance behaviour in all employees, it is of paramount importance to maintain strong cooperation between the Compliance function and the business units, and to build and implement a common compliance culture involving the organisation at all levels.

The **Group's Global Policy Compliance Culture** - adopted by the Bank in November 2016 and due for update in 2021 – defines the key principles of the compliance culture at Group level, as well as the roles and responsibilities of the internal functions responsible for implementing this policy (e.g. Compliance, Human Capital and Communications).

The Group proactively monitors and manages compliance risks by conducting business in line with applicable laws, internal procedures, best practice standards and ethical principles. In doing so, the Compliance function regularly defines, develops and monitors the implementation of and conformity to the Bank's rules, procedures, methodologies and other compliance standards. The management, which oversees this process, promotes an integrated compliance culture.

**Compliance Culture - Tone from the Top** initiatives have been implemented since 2018. These initiatives, aimed at consolidating the Bank's compliance culture, have supported the top management's efforts to interpret and disseminate a culture of respect, prudence and integrity to all those who work for and on behalf of the organisation, enhancing internal risk mitigation procedures. The programme continued in 2020, with senior managers focusing on specific compliance issues and communicating directly with employees via e-mail or the company intranet portal. In particular, all employees received communications regarding expectations on conduct and behaviour at Fineco; furthermore, specific insights have been promoted through communications relating to important issues such as anti-money laundering, counter-terrorism, financial sanctions and whistleblowing.

The following paragraphs introduce the main documents and regulatory instruments that reflect the Group's values and ethical principles. These paragraphs concretely address stakeholders' expectations towards the Group and vice-versa, illustrating mutual commitments in relation to conduct and monitoring principles.

## 4.1. ORGANISATION AND MANAGEMENT MODEL

FinecoBank S.p.A. has adopted an **Organisation and Management Model**, in accordance with Legislative Decree 231/2001 (“Model” or “Model 231”), concerning the administrative liability of entities, companies and associations. The aim of adopting the Model is to ensure that the Bank provide its own customers with banking and financial services with respect for the values and principles of integrity, professionalism, diligence, honesty, fairness and responsibility. Although organisations are not legally obliged to implement the Model, it nonetheless performs the important function of preventing offences, including corruption, that could give rise to the Bank’s administrative liability.

The Model, approved by the Board of Directors and updated in December 2020, is aimed at all corporate bodies’ members, all FinecoBank personnel and external parties, such as, for instance: advisors, independent professionals, personal financial advisors, suppliers and business partners. The adoption of Model 231 pursues the following fundamental objectives:

- to remind and raise awareness among its intended readers of correct behaviour and compliance with internal and external regulations, rejecting any conduct contrary to the principles of sound and transparent business operations to which the Bank aspires;
- to prevent offences within the Bank, including criminal offences, through continuous monitoring of all areas of activity at risk and personnel training on how to correctly perform assigned tasks;
- to implement the values stated in the relevant Code of Ethics.

The Bank’s organisational framework, a structured and complete system, geared towards monitoring and preventing unlawful conduct, including those detailed in specific regulations on the administrative liability of Companies, consists of a set of rules, structures and procedures that ensure the proper functioning of the Model.

In particular, FinecoBank has identified the following tools for formulating, planning and implementing company decisions and for carrying out the related controls: the Corporate Governance rules, the internal controls system, the delegation of powers system, the Integrity Charter and the Code of Conduct. Moreover, as regards risks arising from Legislative Decree 231/2001, the Bank has formalised specific decision-making protocols governing the principles of conduct and the rules on controls, designed to prevent the offences, and has established additional rules of conduct in the Code of Ethics pursuant to Legislative Decree 231/2001. In drafting the Model, the Bank took explicitly into account the ABI (Italian Banking Association) guidelines.

## CODE OF ETHICS PURSUANT TO LEGISLATIVE DECREE 231/2001, CODE OF CONDUCT AND CHARTER OF INTEGRITY

FinecoBank has adopted a **Code of Ethics** to mitigate operational and reputational risk and promote a widespread culture of internal control. The Code of Ethics is an integral part of the Organisation and Management Model pursuant to Legislative Decree 231/2001. It contains a series of principles of ethics and rules intended to ensure that the conduct of all addressees is always guided by criteria of fairness, collaboration, loyalty, transparency and mutual respect, as well as to prevent the perpetration of offences or administrative offences set forth in Legislative Decree 231/2001. In order to ensure compliance with the rules set out in the Code of Ethics, the Bank undertakes to ensure that all addressees of the code (who are also addressees of the Organisation and Management Model) are aware of it and promptly receive the clarifications requested with respect to performing their work duties.

The **Charter of Integrity** and the **Code of Conduct** of the FinecoBank Group, both of which are being revised and updated, set out the Group's own principles of ethics and conduct. In particular, with a view to promoting the compliance culture and the Group's commitment to sustainability issues, the Code of Conduct sets out the general principles that must be observed by all members of the executive, strategic and control bodies, employees and third parties, in order to ensure high standards of professional conduct and integrity in carrying out activities performed within or on behalf of the FinecoBank Group.

Employees who violate or engage in conduct that is not in line with the obligations arising from this document may be subject to disciplinary action by the Human Resources function. Serious violations of the provisions of this Code of Conduct and of the local laws and regulations referred to in the Code may instead result in termination of employment.

## 4.2. FIGHT AGAINST CORRUPTION, CONFLICT OF INTEREST MANAGEMENT AND ANTI-COMPETITIVE PRACTICES



### Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- FinecoBank Organisation and Management Model (Legislative Decree 231/2001)
- Global Policy - Anti-Corruption
- Global Policy - Compliance Culture
- Global Policy on Managing transactions with possible conflicts of interest
- Global Policy - Anti-trust and Unfair Commercial Practices
- Global Policy - Whistleblowing

Fineco has a “zero tolerance” approach to corruption, prohibits “facilitation payments” and does not allow any transfer of goods to public officials without prior approval. Political donations in any tangible or intangible form are also prohibited, as specified in the Anti-Corruption Policy. No such contributions were therefore made in 2020.

Following the introduction of the Group’s Anti-trust regulations in 2016, the Bank has adopted an **Anti-trust** Compliance Programme that is monitored and reviewed on a regular basis and aims to:

- consolidate Anti-trust governance;
- consolidate compliance culture by enhancing the Bank’s reputation in the markets;
- more efficiently manage and mitigate anti-trust risks and sanctions.

The Bank’s activities and organisational structures are subject to **anti-corruption** checks, as per implementation of the Organisation and Management Model in accordance with Legislative Decree 231/2001. The Group has also adopted specific mechanisms to monitor the effectiveness of the adopted anti-corruption and bribery approach, including: escalation procedures for significant and strategic issues, quarterly information requests from management, analysis and testing of the results of activities relating to managing second-level controls,

compliance risk assessment processes carried out for each regulatory area of the Compliance Function, and internal audit inspections.

The two latter mechanisms (the compliance risk assessment process and the internal audit inspections) result in risk mitigation actions, which must be completed within the established timeframe in order to ensure that the identified risks are managed.

Non-compliance risks are managed through a dedicated risk assessment process and second-level controls. In the event of non-compliance, specific corrective actions are implemented to mitigate any significant risks.

Fineco’s approach to preventing corruption and bribery is defined in the **Global Anti-Corruption Policy**, adopted in 2018, and in the related Operating Instructions, both of which are being updated in 2021. These documents set minimum standards for anti-corruption compliance and apply to all members of Fineco’s strategic, control and executive bodies, employees, personal financial advisors and occasional collaborators. The Anti-Corruption Policy aims to define principles and rules aimed at identifying and preventing potential acts of corruption in order to protect the integrity and reputation of the Group and to provide recipients with general information on the measures taken to identify, mitigate and manage the risks of corruption.

The Code of Ethics, in accordance with Legislative Decree 231/2001, obliges the recipients to conduct all activities in compliance with current laws and regulations related to non-competition agreements and forbids any act of intimidation against the Bank's competitors.

In terms of managing conflicts of interest, on 19 January 2021 the Board of Directors approved a new version of the **FinecoBank Group's Global Policy for the management of transactions with parties in potential conflict of interest**. This policy defines, within the Bank's and the Group's scope of operations, the principles and rules to be observed to manage risks arising from situations of possible conflict of interest due to certain parties' proximity to the Bank's and its subsidiary's decision-making functions. In this respect, it should be pointed out that the Global Policy, which in this version incorporates the new developments introduced by the Bank of Italy Circular 285/2013 on "Risk activities and conflicts of interest towards related parties", with update no. 33 of 23 June 2020, will be subject to further revisions over the course of 2021 as a result of the coming into force (on 1 July 2021) of the new CONSOB Regulation no. 17221 of 12 March 2010, setting out provisions regarding related-party transactions.

Fineco issued the **Group Anti-trust and Unfair Commercial Practices Policy**, updated in January 2020, which includes practical rules of conduct for the proper management of meetings with competitors and surprise inspections by the Anti-trust Authorities.

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## 4.3. PROTECTION OF HUMAN RIGHTS



### Policy and regulatory instruments

- Human Rights Commitment
- Code of Ethics pursuant to Legislative Decree 231/2001

The Group recognises the importance of respect for human rights, as an essential element for proper business conduct. For this reason, in October 2020, the Board of Directors approved the update of the document entitled “**Human Rights Commitment**”, which reinforces FinecoBank Group’s desire to shape its own activities by ensuring and promoting respect for all human rights, in accordance with national and international regulations and standards. This document aims to outline an inclusive approach that makes it possible to manage the effects and mitigate the potential risks of violations by paying attention to stakeholders such as employees, customers, financial advisors, suppliers and local communities.

This commitment defines the roles and responsibilities, as well as the principles, rules, procedures and reporting systems that FinecoBank adopts in order to create a corporate culture that is capable of guaranteeing human dignity and a working environment that is free of any form of discrimination, and promoting the diversity and inclusion of its own staff and personal financial advisors. Indeed, it highlights the protection of, the importance placed on and the commitment to recognising all forms of diversity, be it in terms of gender, physical characteristics, skills, sexual orientation, gender identity/expression, or beliefs and opinions, valuing the richness and innovation thereof to benefit the company.

The company is particularly mindful of the indirect impact that sales and financial advisory activities can have on human rights and therefore promotes a dialogue with customers that is based on clarity and transparency, as well as considering the potential risks related to respecting human rights when it comes to making investment decisions.

FinecoBank is committed to promoting sustainability in its own supply chain by minimising the risks of human rights violations; in this respect, it has therefore made its assessment of its suppliers more efficient, in terms of their social and environmental impacts, as well as evaluating the characteristics of the supply chain in terms of respect for and the protection of human rights. Last but not least, the Bank is committed to raising and maintaining greater awareness among communities of issues associated with human rights.

Any impact on human rights must be managed and reduced in such a way as to protect privacy and identify and mitigate any risk of corruption. With this in mind, the “whistleblowing”<sup>44</sup> infringement reporting system has been put in place with the aim not only of reporting unlawful behaviour, which can result in the violation of human rights, but also of protecting confidentiality with regard to the identities of both the whistleblower and the accused in order to prevent discriminatory behaviour as a result of such reporting.

<sup>44</sup> Group Whistleblowing Policy – February 2020.

## 4.4. WHISTLEBLOWING



### Policy and regulatory instruments

- Global Policy Whistleblowing

Whistleblowing helps to protect the company and its reputation, as well as its employees.

Through the **Global Compliance Policy - Whistleblowing**, implemented in 2016 and updated in early 2020, FinecoBank has adopted a system through which employees, personal financial advisors and third parties can report any conduct that violates the law or the Bank's internal rules. Any employee, personal financial advisor or third party can use this mechanism if they have reason to believe that an illegal act or potentially damaging conduct has occurred or may occur.

In the event that there is any reason to suspect that unacceptable conduct has occurred or may occur, it can be reported to the company's Compliance Officer (the local anti-corruption manager), as the person responsible for the internal reporting systems, who ensures that the procedure is properly conducted.

If the Compliance Officer is hierarchically and 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 of judgement, the Internal Audit department may be contacted directly as a "reserve function", sending the report to the head of the company's Internal Audit Department. This process is designed to guarantee the maximum possible confidentiality with regard to the identity of the whistleblower and the accused person and to prevent any possible retaliation or discriminatory behaviour as a result of the report.

The channels made available by the Group to employees, personal financial advisors and third parties to report irregularities – also anonymously – are the following:



by phone, via the FinecoBank SpeakUp line, leaving a voice message, also anonymously;



on the website, via the FinecoBank SpeakUp web service, leaving a written message, also anonymously;



using the dedicated e-mail address;



by writing to the dedicated postal address.

Information on whistleblowing is also made available to employees and financial advisors in a specific section of the company Intranet dedicated to the importance of this issue, which provides details on how and when to make a report.



## 4.5. TAX COMPLIANCE



### Policy and regulatory instruments

- Code of Conduct
- Global Policy “FinecoBank Group Fiscal Strategy”
- Global Policy “Fiscal Framework”
- Local Policy on the escalation procedure regarding tax risk analysis and assessment, and dialogue with the tax authorities

In order to ensure tax compliance, the Fineco Group has adopted, since 2014<sup>45</sup>, various documents relating to tax management, notably including the following<sup>46</sup>:

- the **Code of Conduct**, which sets out the behavioural standards with which all employees must comply, including the management of the tax aspects inherent to the activities for which they are responsible, and which forms an integral part of the contractual obligations that they are required to fulfil<sup>47</sup>;
- the “**FinecoBank Group Tax Strategy**” Global Policy, which outlines the guidelines and principles for managing tax issues and, in particular, the associated risk;
- the “**Fiscal Framework**” **Global Policy**, which aims to illustrate the mission of the Tax function within the Fineco Group, as well as to define the principles and rules that must be adhered to with regard to managing tax matters within the Group and the main activities that must be carried out by the Tax function;
- the “**Escalation procedure regarding tax risk analysis and assessment and dialogue with the tax authorities**”, which outlines the procedure that all corporate functions must follow in order to allow the Bank to comply with the relevant obligations - deriving from the admission, in 2016, to the **Regime di adempimento collaborativo** (“Collaborative Compliance Regime”), referred to in Articles 3 to 7 of the Legislative Decree of 5 August 2015, no.128 - to recognise, measure, manage and communicate to the tax authorities the assumption of any potential tax-related risk.

<sup>45</sup> These regulations were also updated over the course of 2020 to take into account the exit from the UniCredit Group.

<sup>46</sup> The set of regulations also includes a number of other internal rules, such as on transfer pricing and on the exchange of information between foreign tax authorities.

<sup>47</sup> In the Code of Conduct, more specifically, Fineco commits not to undertake any transactions, investments, products or other initiatives with the intention of avoiding and/or circumventing taxes, or obtaining undue tax advantages that violate the law. The activities undertaken by the Bank must be based on sound economic reasons: Fineco employees are prohibited from purchasing or offering, either in written or verbal form, investments, products or other transactions based solely on the tax benefits they would provide to customers or other counterparties; the information provided to the taxation authority and other relevant bodies must be correct, complete and truthful; it is forbidden to delay or hinder the activities carried out by said authorities in the framework of tax auditing activities or during inspections.

As stated in the **Group Tax Strategy**<sup>48</sup>, the contribution that Fineco Group makes from a tax perspective is a key part of the wider economic and social role that it plays in the countries in which it operates. The group's aim is to (i) pay all of the taxes it owes and to act promptly upon all of the obligations imposed by the applicable tax laws; (ii) at the same time, safeguard the efficiency of the Group's taxation on a global level, avoiding double taxation and reducing its own tax burden only where legitimately permitted.

To this end, the Fineco Group is committed to ensuring the correct management of the tax variable, compliance with the tax rules applicable in the countries in which it operates, and ensuring constant and transparent collaboration with the taxation authorities, including through adherence to the aforementioned *Regime di adempimento collaborativo* ("Collaborative Compliance Regime") that provides for means of communication and enhanced cooperation with the taxation authorities.

With this in mind, Fineco fulfils all the transparency obligations set out in the regulations on the exchange of information between Countries; the reference is, in particular, to the obligations deriving from the ratification of the international agreements known as the FATCA - Foreign Account Tax Compliance Act - and what is known as the CRS - Common Reporting Standard -, in addition to those deriving from the transposition in 2020<sup>49</sup> of the DAC 6 Directive - Directive (EU) 2018/822 of 25 May 2018, on which the initial reporting is expected in the first months of 2021.

Each Group's Company guarantees the presence of a specific internal Tax function or, in the case of small entities, of an internal manager. The Tax function is responsible for defining domestic, international and supranational tax scenarios and implementing appropriate and effective procedures for the correct fulfilment of tax obligations and the correct and efficient taxation of the Group. Within the Tax function there is a **technical Tax Compliance structure**, as a specialist facility for the Compliance function, which has the task to monitor and control the risk of non-compliance with the relevant tax regulations of the activities carried out by the Bank, in order to prevent violations of current tax legislation and to avoid the risks associated with situations that could constitute an abuse of rights.

In view of the specific nature and complexity of the subject at hand, the Tax function undertakes to ensure that its own staff receive the continuous **training** (basic, advanced and specialist) required in order to perform their tasks. With this in mind, the Head of the Tax function monitors and coordinates the training needs of their own staff. Furthermore, the Tax function promotes the dissemination of the **tax culture** among the Group's employees, as an opportunity to discuss and collaborate with other company functions, as well as the organisation of and participation in internal training activities.

To ensure that the above objectives are met, Fineco has put in place an effective tax risk control system (**Tax Control Framework - TCF**) as part of its corporate governance system, which guarantees a constant overview of any tax risks that might involve the Bank. In particular, the Fineco TCF 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.

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<sup>48</sup> Based on the Tone from the Top principle, Fineco's tax strategy is defined by the Board of Directors.

<sup>49</sup> See Legislative Decree no. 100 of 30 July 2020 and subsequent Implementing Decree of 17 November 2020 of the Ministry of Economy and Finance.

The system of evaluating the effectiveness of methods for managing tax compliance, as well as analysing the results of the evaluation of this management method, involves a series of checks and controls by both bodies and functions internal to Fineco and external parties.

It should be noted that, with reference to **reports** of unlawful actions relating to taxation, the various corporate functions shall communicate to the Tax function any assumed tax fraud offences by third parties of which they have received formal notification.

The Bank actively participates, via the Tax function, in meetings organised by the **representative and trade associations** of which it is a member and which promote initiatives aimed at developing good practices in tax matters, acting as spokesperson, in such forums, for the interests of stakeholders, by requesting the introduction of new rules or interventions to modify existing rules or by directly participating in the drafting thereof and the request for legislative, administrative or doctrinal clarification on issues involving interpretative uncertainty.

Stakeholders are also involved through the processes of gathering and taking on board their opinions, including through the various **meetings with investors**, for example, as well as by means of direct contact between the customer and the Bank via the **Customer Care** division.

Finally, the complexity of the business areas in which the Group operates and the presence of specific legislative requirements to which it must comply require the support of technological tools. Also in the tax field, therefore, there is, a commitment to providing for **activities' digitisation** processes so that these technological resources can be used and cover all the activities and obligations provided for by the legislation. Work on developing a tool for the digital preparation and entry of the tax return, for example, began in 2020. This already high level of digitisation of activities has meant that the impacts of the Covid-19 pandemic have been relatively limited.

Country by Country reporting	Unit of measurement	2020		2019	
		Italy	Ireland	Italy	Ireland
Name of the resident entities	Head Count	FinecoBank SpA	Fineco Asset Management DAC	FinecoBank SpA	Fineco Asset Management DAC
Primary activity of the organisation	-	Regulated financial services			
Number of employees as at 31/12	Head Count	1,226	36	1,201	24
Revenues from third-party sales	€/1000	967,239	179,412	856,468	162,274
Revenues from intra-group transactions with other tax jurisdictions	€/1000	85,951	-	77,212	-
Profit/loss before tax	€/1000	453,094	60,077	373,738	58,055
Tangible assets other than cash and cash equivalents	€/1000	150,883	989	150,925	1,123
Corporate income tax paid on a cash basis	€/1000	108,475	7,037	105,411	7,383
Corporate income tax accrued on profits/losses	€/1000	110,235	7,570	109,270	7,269

The difference between the corporate income tax accrued on profits/losses and the tax due is down to the tax advances paid by FinecoBank S.p.A. over the course of the financial year. The reconciliation of the theoretical tax rate with the actual tax rate, stated in the financial statements, to which reference is made, is mainly down to the combined tax effect of non-significant revenues and costs with regard to determining the taxable income as required by law.



# 5/

## OUR PEOPLE

- 5.1.** PERSONNEL MANAGEMENT
- 5.2.** EQUAL OPPORTUNITIES AND NON-DISCRIMINATION
- 5.3.** PEOPLE ENHANCEMENT AND DEVELOPMENT
- 5.4.** WELFARE AND WORK-LIFE BALANCE
- 5.5.** INDUSTRIAL RELATIONS
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## 5.1. PERSONNEL MANAGEMENT



### Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Global Policy “HR Policy Framework”

Aware that the ability to innovate and continuous evolution cannot exclude the enhancement of human capital and the development of the corresponding professionalism and talent, as well as the richness deriving from the diversity of its composition, the goal that Fineco aims to achieve every day is to become **“The Place To Be”** for its staff; a workplace in which everyone can fully express their potential and aspirations, contributing to the success and sustainability of the business.

People, in fact, constitute one of the main Key Success Factors and Fineco is committed to constantly investing in their development and growth by supporting them and creating an inclusive and sustainable working environment that is conducive to achieving a good work-life balance.

In order to consolidate this culture and convey this concept within the company, Fineco has set up a regulatory system of policies, procedures and documents governing fundamental aspects of personnel management, such as an appropriate and transparent selection process, proper training for and remuneration of personnel and the obligation for everyone to ensure a peaceful, safe and non-discriminatory working environment.

These principles are emphasised in the **Integrity Charter** and the **Code of Conduct**, which applies to the Group as a whole, in the Code of Ethics pursuant to Legislative Decree 231/2001, and in the **Global Policy “HR Policy Framework”**, issued by the Human Resources (HR) function in 2016 and updated in 2020,

with the aim of ensuring that all individuals have the professional skills and capabilities required to perform the roles and responsibilities assigned to them and that they are appropriately compensated and encouraged. The global policy effectively regulates the main processes in the HR service model, such as: human resources management, people engagement, skills modelling and the main HR processes such as Global Job Model, Training and Development, Talent Acquisition, Compensation & Benefit.

FinecoBank’s **Code of Ethics** deals with several factors required to ensure good personnel management, including the recruitment and selection process, which must be carried out objectively based on competence and professionalism and not involve

any prejudice or discrimination, in accordance with the principle of equal opportunities.

As of 31 December 2020, the Group had a workforce of **3,868 individuals**, of which **1,262 employees** (+3% compared to 2019) and **2,606 personal financial advisors** (+2.6% compared to 2019). **42%** of FinecoBank Group **employees** were **female**, **99%** were employed on **permanent contracts** and the majority of them (97%) were **based in Italy**. The professional category with the highest number of



**42%**  
**female employees**

employees was the **professional employee** category (**64%**). The **average age** of a FinecoBank Group **employee** at the end of 2020 was **41** (39 in 2019).



**99%**  
**employed on permanent contracts**

### Number of employees

BY GENDER	2020			2019		
	Men	Women	Total	Men	Women	Total
<b>BY EMPLOYMENT CONTRACT</b>						
Permanent	727	524	<b>1,251</b>	694	506	<b>1,200</b>
Temporary	3	8	<b>11</b>	12	13	<b>25</b>
<b>BY TYPE OF EMPLOYMENT</b>						
Full time	725	443	<b>1,168</b>	699	433	<b>1,132</b>
Part time	5	89	<b>94</b>	7	86	<b>93</b>
<b>BY EMPLOYEE CATEGORY</b>						
Executives	29	6	<b>35</b>	30	5	<b>35</b>
Managers	302	116	<b>418</b>	285	109	<b>394</b>
Professional employees	399	410	<b>809</b>	391	405	<b>796</b>
<b>Total</b>	<b>730</b>	<b>532</b>	<b>1,262</b>	<b>706</b>	<b>519</b>	<b>1,225</b>

### Number of employees

BY EMPLOYMENT CONTRACT	2020			2019		
	Perm.	Temp.	Total	Perm.	Temp.	Total
<b>BY GEOGRAPHICAL AREA</b>						
Italy - Milan <sup>50</sup>	956	4	960	924	12	936
Italy - Reggio Emilia	259	7	266	252	13	265
Ireland	36	-	36	24	-	24
<b>Total</b>	<b>1,251</b>	<b>11</b>	<b>1,262</b>	<b>1,200</b>	<b>25</b>	<b>1,225</b>

BY AGE GROUP	2020			2019		
	<=30	31-50	>50	<=30	31-50	>50
<b>BY EMPLOYEE CATEGORY</b>						
Executives	1	17	17	-	20	15
Managers	5	328	85	3	321	70
Professional employees	193	543	73	201	538	57
<b>Total</b>	<b>199</b>	<b>888</b>	<b>175</b>	<b>294</b>	<b>879</b>	<b>142</b>

BY EMPLOYEE CATEGORY	2020			2019		
	Executives	Managers	Prof. employees	Executives	Managers	Prof. employees
<b>BY GEOGRAPHICAL AREA</b>						
Italy - Milan <sup>51</sup>	26	362	572	27	346	563
Italy - Reggio Emilia	2	42	222	2	40	223
Ireland	7	14	15	6	8	10
<b>Total</b>	<b>35</b>	<b>418</b>	<b>809</b>	<b>35</b>	<b>394</b>	<b>796</b>

<sup>50</sup> This includes the Pero Data Processing Centre, despite the fact that it is located outside the municipality of Milan.

<sup>51</sup> This includes the Pero Data Processing Centre, despite the fact that it is located outside the municipality of Milan.

## RECRUITING PROCESS

Fineco has always aimed at an organic growth designed to promote the professionalism within the company. Many of the vacancies are, in fact, filled by internal staff.

The Fineco workforce consists mainly of two souls:

- **highly qualified staff** with specific skills working mainly within the product, commercial and ICT fields, with as many as 17% of staff working in the latter field;
- **young people** (so-called **Millennials and Generation Z**), hired mainly in Customer Care, which serves as a “talent incubator” in which they have the opportunity to acquire a thorough knowledge of the Bank’s products, services and processes.

Due in part to the situation related to the global health emergency, 2020 saw a strong acceleration in the **digitalisation** of all HR processes. Thanks to its digital roots, Fineco was able to adapt quickly to this change, switching the entire recruitment process to digital. The Bank has, in fact, been using video interviewing, a tool that can offer a unique “candidate experience” that helps speed up screening times and at the same time reduce travel times and the use of means of transport, for a number of years now. Fineco establishes contact with ‘digital natives’ through the channels of communication that they use most frequently, namely social media and job fairs, which, especially over the past year, have become digital events.

In fact, FinecoBank’s collaboration with the best universities in Italy continued in 2020 through its participation in **Digital Job Fairs**: in 2020, the Bank participated in digital recruitment initiatives promoted by the main Universities of Milan (Bicocca, Bocconi and Cattolica) and Venice, as well as other nationally and internationally renowned digital fairs (such as the #melomerito event for talented young people who currently work in the UK but wish to return to Italy).

Also noteworthy is the Bank’s participation in the **Starting Finance** project, organised in collaboration with the University of Pavia and two student associations, dedicated to young undergraduates and recent graduates with the aim of enhancing skills such as CV writing, soft skills and job interview skills through digital workshops.

Always keen to promote a proper financial culture, Fineco also held a **webinar** entitled “Investing (or not investing is always a choice)”, aimed at young undergraduates and recent graduates during a Digital Talent Fair.

With regard to the main entry point for new employees joining FinecoBank - **Customer Care** (hereafter referred to as “CRM”) -, at the end of a period of on-the-job training (of approximately 2 years), new employees have the opportunity to further specialise in Customer Care or to embark upon a horizontal growth process at FinecoBank through intensive job rotation. In this regard, around 11 people took advantage, in 2020, of the opportunity to get to know and work within other areas of the Bank and, at the end of 2020, 15% of the total workforce was employed in Customer Care, in line with last year’s figure.

### Hires and terminations by gender, age group and geographic location<sup>52</sup>

HIRING AND TERMINATION RATES AND NUMBERS BY GENDER	2020		2019	
	Number	Rate	Number	Rate
<b>HIRES</b>				
Men	43	6%	85	12%
Women	30	6%	56	11%
<b>Total</b>	<b>73</b>	<b>6%</b>	<b>141</b>	<b>12%</b>
<b>TERMINATIONS</b>				
Men	19	3%	46	7%
Women	17	3%	40	8%
<b>Total</b>	<b>36</b>	<b>3%</b>	<b>86</b>	<b>7%</b>

HIRING AND TERMINATION RATES AND NUMBERS BY AGE GROUP	2020		2019	
	Number	Rate	Number	Rate
<b>HIRES</b>				
<=30	44	22%	84	41%
31-50	27	3%	53	6%
>50	2	1%	4	3%
<b>Total</b>	<b>73</b>	<b>6%</b>	<b>141</b>	<b>12%</b>
<b>TERMINATIONS</b>				
<=30	14	7%	23	11%
31-50	22	2%	49	6%
>50	-	-	14	10%
<b>Total</b>	<b>36</b>	<b>3%</b>	<b>86</b>	<b>7%</b>

HIRING AND TERMINATION RATES AND NUMBERS BY GEOGRAPHICAL LOCATION	2020		2019	
	Number	Rate	Number	Rate
<b>HIRES</b>				
Italy - Milan	48	5%	109	12%
Italy - Reggio Emilia	9	3%	16	67%
Ireland	16	44%	16	67%
<b>Total</b>	<b>73</b>	<b>6%</b>	<b>141</b>	<b>12%</b>
<b>TERMINATIONS</b>				
Italy - Milan	26	3%	73	8%
Italy - Reggio Emilia	6	2%	8	3%
Ireland	4	11%	5	21%
<b>Total</b>	<b>36</b>	<b>3%</b>	<b>86</b>	<b>7%</b>

<sup>52</sup> The hiring rate is the ratio between the number of hires over the course of the year and the number of employees at year end (by gender, age group and geographic location). Conversely, the turnover rate is calculated by comparing the number of employees leaving over the course of the year and the number of employees at year end (by gender, age group and geographic location). It should be noted that all movements to and from the UniCredit Group over the course of 2019 were considered as hires and terminations from the Fineco Group's perspective.

The **Code of Ethics** and the **Integrity Charter** and **Code of Conduct** also stress, to the heads of the individual business units, the importance of helping to create a positive environment within the company in order to encourage collaboration and improve employee satisfaction, thus contributing to better turnover management. All those bound by these documents are, in fact, required to help ensure that new colleagues are integrated into the company as effectively as possible by fostering a sense of collaboration and availability, avoid any form of discrimination against colleagues, and share information, paying attention to the contributions made by each co-worker and thus encouraging continuous dialogue and exchange of opinions.

FinecoBank invests on a daily basis in developing a sustainable environment based on trust and a sense of belonging, which is why it has been gauging, through a survey that it has been running for a number of years now, what motivates employees and how engaged they are and, based on the information they provide, defining and implementing specific action plans on which it focuses in the following two years, in line with the Bank's development strategy. Over the course of 2020, a new survey was launched with the aim of determining not only the Engagement Index – that is, the index that measures the level of employee engagement with the company – but also Fineco's level of reputation among employees (**Engagement & Reputation Survey**). The response rate was 68% – a sign of significant interest by all colleagues in these issues – and the Engagement Index stood at 82%. People Care, Working Environment, Work-Life Balance, Best Place To Work and People Development are the fields on which Fineco is focusing as a result of the findings of the engagement initiatives involving all employees.

Work on these issues continued in 2020, with the following initiatives proving to be particularly relevant:

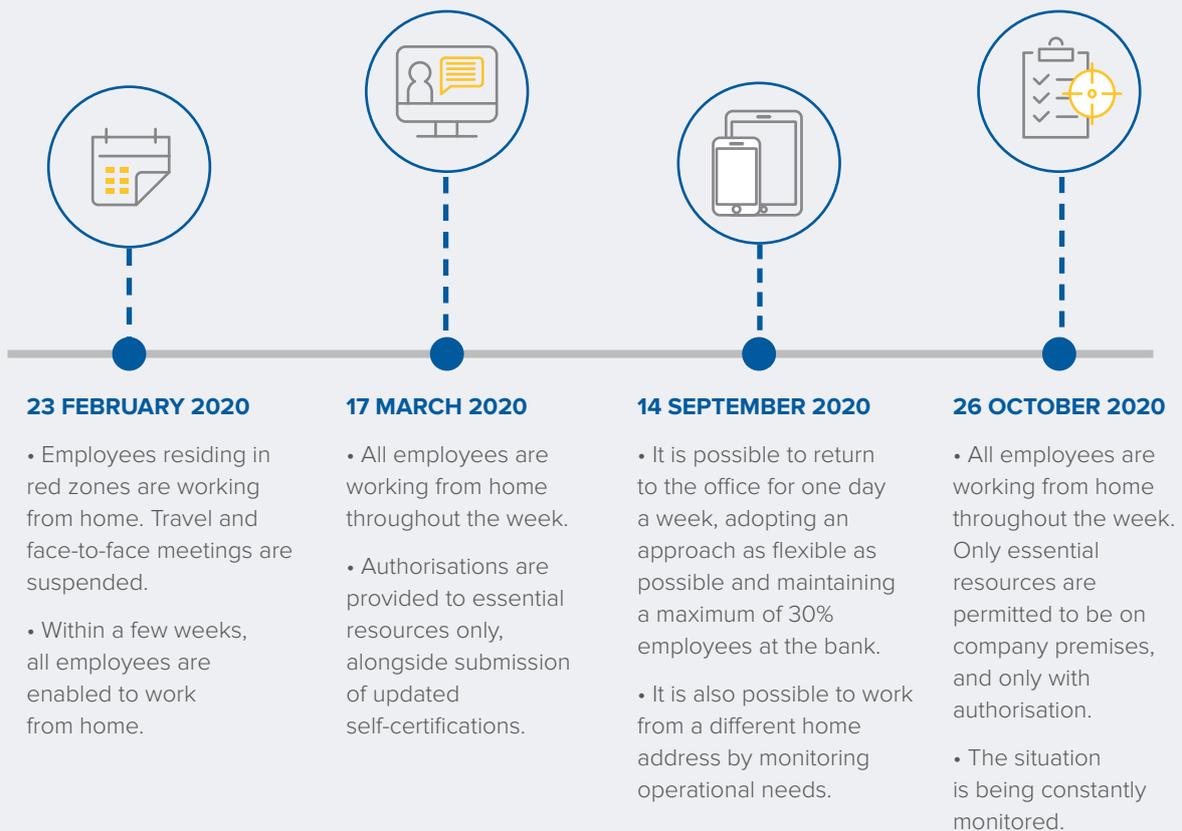
- #FinecoSurvey - Tell us about your new normal: a survey aimed at all employees to help understand what their experiences of the new way of working from home had been like and how they imagined their working future, and to help build a new Fineco together;
- Induction: onboarding, which involves setting aside half a day in which newly hired employees attend information/training sessions with Deputy General Managers and Human Resources. Starting from March 2020, the induction was held entirely digitally and was enriched with a virtual game (escape room) that involved all participants with the aim of making them work together and encouraging networking;
- Induction 1 year later: onboarding initiative that takes place a year after the employee has joined the company;
- Focus groups in which colleagues are involved in discussions on issues relevant to the implementation of products and services.

As proof of its commitment, in 2020 FinecoBank obtained the **Top Employer 2020** certification, awarded to companies that offer excellent working conditions and give employees the opportunity to grow both professionally and personally.

Furthermore, according to Il Corriere della Sera's **Italy's Best Employer 2021** survey, Fineco ranks third among the best companies in the banking and insurance sector in which to work.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

In order to address the health emergency, a series of initiatives have been put in place since the beginning of the pandemic crisis to promote the work and personal management of employees. Timeliness of intervention and constant monitoring of the evolution of the pandemic situation are the key factors on which the HR approach has been based and the fundamental stages of the measures implemented can be represented according to this timeline:



More details on the initiatives implemented can be found in the following chapters for the specific fields in question, in addition to which the following further initiatives have also been put in place, again with a view to supporting colleagues:

- **Coronavirus Emergency and FAQs section:** a dedicated section has been created within the company Corporate intranet where you can find all information related to the initiatives implemented over the course of the Covid period. Furthermore, a FAQs section, where employees can find all the information they need to manage their working days (at home and in the office) and their health situations, has been created and is being constantly updated;
- **SMS Alert:** an automatic trigger system has been activated to send SMSs to all employees in the event of urgent communications;
- **#Fineco “Tell us about your new normal” Survey:** a survey launched to gather the perspectives of colleagues in order to understand their different needs.

## 5.2. EQUAL OPPORTUNITIES AND NON-DISCRIMINATION



### Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Global Policy on Gender Equality
- Global Policy on Combating Harassment, Sexually Inappropriate Behaviour and Bullying
- Human Rights Commitment

As also stated in the **Code of Ethics**, diversity of gender, thought, experience and skills represents a form of value that enhances Fineco's professionalism, not to mention a source of strength in an ever-changing competitive environment, and one that should be valued as a source of new ideas. A **Global Policy on Gender Equality** was adopted in 2013 and updated in 2020, outlining principles and guidelines for ensuring a level playing field on which all employees, regardless of gender, can achieve their full potential. The document also aims to identify principles and guidelines for a Human Resources management system that helps create a gender-balanced leadership pipeline in which men and women are equally represented and the contributions of both genders equally valued in decision-making processes at all levels of the organisation. **By 31 December 2020, approximately 42% of Fineco's employee population was made up of women.**

The FinecoBank Group is committed to respecting civil principles and freedoms, such as fundamental human rights, as stated in the Human Rights Commitment.

With this in mind, the Group does not tolerate any form of discrimination based on age, race, nationality, citizenship, political opinions, religion, marital status, gender, sexual orientation, sexual identity, disability, personal characteristics and experiences or any other aspect that might distinguish an individual over the course of their life, such as personal or corporate culture, the type of employment contract they have, their professional role or their hierarchical position within the organisation. Furthermore, those bound by the **Integrity Charter** and **Code of Conduct** are encouraged to promote an environment based on equal opportunities and to treat others with dignity and respect and under no circumstances discriminate or tolerate any sort of discrimination or harassment.

Also in 2020, the **Global Policy on Combating Harassment, Sexually Inappropriate Behaviour and Bullying** was issued, in keeping with the company's commitment to supporting a peaceful, participatory and professional working environment, free of any form of harassment, sexually inappropriate behaviour or bullying.

**No incidents of discrimination in the workplace were brought to the attention of the Group in 2020.**

Fineco has always stressed the importance of gender pay equality on all levels and, as in previous years, included the **Gender Pay Gap** KPI, within the specific objective relating to ESG 'Stakeholder value' factors, in the 2020 performance evaluation reports for the Group's Chief Executive Officer and all Identified Staff as identified by the Bank with regard to the **short-term incentive system**. For the purposes of calculation, the methodology used takes into account sustainable clusters that make it possible to evaluate both the organisational complexity of the role and the consistency of professionalism. Analyses performed showed that there was no significant gender pay gap within Fineco.

According to the GRI 405-2 standard methodology, the ratio of women's to men's basic salaries<sup>53</sup> in 2020 totalled 88% for executives, 94% for managers and 100% for professional employees, while in 2019 the figures were 100%, 95% and 100% respectively. The ratio of women's to men's total remuneration<sup>54</sup> in 2020 totalled 76% for executives, 94% for managers and 99% for professional employees, while in 2019 the figures were 84%, 95% and 99% respectively.

In 2019, FinecoBank signed an Association Agreement with **Valore D**, an organisation that has a network of over 180 companies committed to ensuring an inclusive culture in organisations and in our country, thus initiating access to new training courses and the possibility of sharing best practices with other member companies. Furthermore, Fineco decided, as of 2019, to use Valore D's **Inclusion Impact Index** methodology to map its diversity and inclusion policies in an integrated manner and gauge their actual organisational impact with the aim of identifying not only its strengths but, above all, those areas in which it should continue to invest in the future.

The Group is constantly committed to promoting gender balance, bridging generation gaps and supporting people belonging to protected categories, which, as of 31 December 2020, stood at 54, including 4 managers and 50 professional employees. A **Diversity Manager** has been appointed within the Bank, providing a point of reference for activities and initiatives relating to the issue of diversity and reinforcing the commitment to developing a culture of inclusion and viewing diversity as a source of strength and competitiveness for the Bank.

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<sup>53</sup> The basic salary is understood as the Gross Annual Salary (GAS). Due to the specific nature of the role entrusted to the CEO, this calculation excludes the CEO's basic salary. The 2019 figure for the Executives category has been restated with respect to the figure published in the 2019 Sustainability Report in order to ensure the comparability of the data in light of the adoption of the new calculation methodology. The information reported includes 34 executives in 2020 and 2019, so changes in the individual pay structure may lead to significant variations in the gender ratio.

<sup>54</sup> Total remuneration is understood as the GAS combined with any additional amounts paid, such as bonuses, benefits, overtime and daily rates. Due to the specific nature of the role entrusted to the CEO, this calculation excludes the CEO's total remuneration. The 2019 figure for the Executives category has been restated with respect to the figure published in the 2019 Sustainability Report in order to ensure the comparability of the data in light of the adoption of the new calculation methodology. The information reported includes 34 executives in 2020 and 2019, so changes in the individual pay structure may lead to significant variations in the gender ratio.

As part of the initiatives dedicated to the protection of diversity and equal opportunities, Fineco participated in two digital events in 2020 aimed at promoting the management of diversity and the employment of people with disabilities and belonging to protected categories:

- **Inclusion Day** held in July 2020;
- **Digital Diversity Day** organised in partnership with private companies, universities, public institutions, the media and communities.

Moreover, the company's collaboration with **Jobmetoo**, an online recruitment company that helps bring together companies and applicants belonging to protected categories, continued in 2020. In addition to posting advertisements, Jobmetoo gives users the opportunity to participate in workshops dedicated to issues such as the management and development of employees with disabilities.

Fineco is also committed to the management and continuous monitoring of employees returning from **maternity and paternity leave** with to the aim of ensuring that they enjoy equal conditions and gender treatment. With this in mind, an analysis was also performed in 2020, looking at three different issues, namely Position and Role, Flexibility and Promotions, highlighting the following with regard to the total of 19 people who returned from leave in 2020:

- **Position and role:** 95% returned with the same role as before the period of absence, including in the case of positions of responsibility, with 5% changing positions at the employee's request;
- **Flexibility:** 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;
- **Promotions:** 32% received a promotion, a pay rise or a bonus during their maternity leave.

## 5.3. PEOPLE ENHANCEMENT AND DEVELOPMENT



### Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Training, Learning and Professional Development
- Circular on “Managing mandatory employee training”
- Global Policy “HR Policy Framework”

Developing human resources is a strategic factor for Fineco and, for this reason, appropriate training plans and programmes designed to develop the individual’s skills and capabilities are encouraged.

In 2020, given the unique nature of the pandemic situation, and in order to ensure continuity of training, all in-person courses were switched to **e-learning mode (virtual classrooms and online courses)**, and online training courses and paths available on the My Learning platform or on external training platforms were guaranteed. In 2020 Fineco provided around **42,000 hours of training** involving all employees, equal to an **average of over 33 hours** of training per employee.

One of Fineco’s main objectives over recent years has been to strengthen its risk and compliance culture in order to make Fineco’s operations increasingly sustainable and robust. For this reason, the Bank also paid particular attention in 2020 to the **mandatory training** of all employees, who attended the courses on an e-learning mode. The main topics covered were anti-money laundering, anti-corruption, financial sanctions and consumer protection. The results were monitored to ensure that all employees learned about the subject matter, thereby protecting the Bank against operational, legal and reputational risks.

Furthermore, for the purposes of ensuring compliance with **occupational health and safety** provisions, Fineco has guaranteed suitable training to all affected resources:

- basic training courses for new recruits and safety officers;
- refresher courses for employees and safety officers involving an external certified training platform;
- annual refresher courses for Employee Safety Representatives (ESRs), organised through virtual classes.

Within the **Customer Care** structure, mandatory training courses in the IVASS insurance field, professional development courses for the purposes of CONSOB regulations and the annual assessment of skills relating to areas stated by ESMA were then provided, where necessary for the type of activity carried out.

To ensure **business continuity** in the event of a crisis, remote Business Continuity training courses were organised by essential resources for replacement resources, amounting to a total of 532 hours.

As the health emergency period allowed, a number of training sessions aimed at developing employees' **technical skills**, in collaboration with specialist internal trainers, external suppliers, strategic partners and universities, were organised to improve business development and enhance employee specialisation. Within the Customer Care division, in particular, where the average age is the lowest in the Bank, a total of 9,240 hours of technical training was provided for new employees. Moreover, in order to maintain a high quality of service and customer care, **behavioural training** courses focusing on communication are held on a continuous basis.

In 2020, FinecoBank continued the **Leadership Training Program** (already trialled in previous years) targeting all managers, team leaders and those dealing with resource management for the first time. In view of the health situation, this course consisted of online individual and group sessions. The initiative was launched with the aim of improving the managerial skills of middle management, helping them to manage their role efficiently and coherently, and creating a shared corporate culture, greater awareness of the role and a common language, which is useful when it comes to encouraging collaboration between different teams. As of 31 December 2020, around 90 people were involved in the project.

Thanks to the collaboration with Valore D, in 2020 Fineco participated in a number of training initiatives specifically designed to enhance **diversity** and promote **inclusion** within the company. The main initiatives covered issues such as unconscious bias, inclusive language, working in diverse teams, empowering staff, and gender and sexual harassment in the workplace.

Over the course of 2020, some 400 employees were enrolled in either group or individual **foreign language training** courses via e-learning, over the phone or online. In some cases, more work-related legal English courses were introduced for executives.

A great deal of importance is also placed on **training on the job and job rotation** pathways, which are extremely useful when it comes to ensuring that employees receive appropriate training in an effective and practical manner.

	2020 <sup>55</sup>	2019
<b>AVERAGE HOURS OF TRAINING PER CAPITA</b>		
<b>BY GENDER</b>	<b>33.3</b>	<b>25.1</b>
Men	35.4	24.1
Women	30.4	26.4
<b>BY EMPLOYEE CATEGORY</b>	<b>33.3</b>	<b>25.1</b>
Executives	30.1	18.9
Managers	28.3	54.7
Professional employees	36.0	10.7
<b>TOTAL TRAINING HOURS</b>		
<b>BY TRAINING AREA</b>		
Technical	13,651	11,677
Foreign language	11,319	8,712
Mandatory	16,659	8,422
Behavioural	444	1,937
<b>Total</b>	<b>41,983</b>	<b>30,748</b>

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

To support all employees in managing the “new working normal” remotely due to the pandemic, ad hoc online **training initiatives** on the theme of **smart working** have been organised in collaboration with the MIP Polytechnic University of Milan.

Furthermore, all classroom training has been switched to **virtual classrooms or taken online** to ensure the continuous training of Fineco employees.

<sup>55</sup> The significant increase in the hours of training per capita recorded in 2020 is also due to the implementation of specific courses on Health and Safety, with particular reference to refresher courses for both employees and managers, involving about 900 people (6 hours per course). Furthermore, 4 new compliance courses on issues such as consumer protection, financial sanctions, anti-money laundering and anti-corruption were made available to all employees.

## SKILLS ASSESSMENT AND DEVELOPMENT

All Group employees undergo an annual performance evaluation by their respective managers that not only takes into account performance and results linked to specific and common objectives but also identifies future opportunities for learning and development.

The main tool used, **Performance Management**, reflects the need to make the evaluation objective and to identify the behaviours that are expected in order to achieve the results. This assessment process consists of several stages:



The evaluator and the individual being evaluated therefore meet officially on two occasions – the first to set objectives and the second at the feedback stage.

**Executives** and **Talents** are assessed based on five levels of performance (from unfulfilled to largely exceeded objectives) and three levels of potential (from potential already achieved to highest potential). The combination of the two variables is then used to identify the individual's position within a matrix. The annual review provides an opportunity to plan, identify and manage career and succession plans in line with the performance and expectations of those concerned and identify activities to support leadership development.

Fineco aims not only to boost skills but also to **promote talent** and a **sense of belonging** for the purposes of encouraging constructive professional development that focuses on achieving long-term results through the consistent implementation of assessment and development measures and the correct management of selection and training processes. By 2019, 96% of employees had undergone an annual performance evaluation using the Performance Management tool<sup>56</sup>.

The **compensation and salary review** process, for its part, is closely linked to the performance evaluation system. All members of staff can be involved in choices regarding their professional growth based on the experience they have acquired and the results they have achieved. The head of the business unit to which the individual belongs offers a promotion and/or pay rise which is analysed by the Human Resources department in accordance with the principles of fairness, transparency and consistency and through a careful and accurate Pay for Performance analysis, which looks at the consistency between the distribution of individual performance evaluations for the year and the relative average bonus paid.

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<sup>56</sup> It should be noted that the most recent data available is that relating to the 2019 evaluation year, since the performance review process takes place at the beginning of the year following the one being evaluated. Therefore, the percentage of employees who have undergone an evaluation of their annual performance for 2020 will be available after the publication of this document.

# REMUNERATION POLICIES



## Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- FinecoBank 2020 Compensation Policy<sup>57</sup>
- Termination Payments Policy

Supporting the sustainable behavioural values shared by FinecoBank, the remuneration strategy is a key tool in protecting and strengthening our reputation and creating long-term value for all stakeholders. With the aim of fostering an inclusive working environment and enabling people to express their potential, as well as attracting, retaining and motivating highly qualified individuals, our remuneration policy is based on the fundamental principles of clear and transparent governance, regulatory compliance, continuous monitoring of market trends and practices, consistency between pay and performance and between compensation and value creation, motivation, and building loyalty among all employees.

The **Compensation Policy**, which is submitted annually at the proposal of the Remuneration Committee to the Bank's Board of Directors and, subsequently, to the Shareholders' Meeting, outlines the guidelines for common remuneration practices in place throughout the company.

Specifically, there are no incentive mechanisms based on financial instruments for **non-executive directors** and members of the **supervisory body**, in line with regulatory requirements. Such individuals' remuneration is based solely on the fixed component, determined according to the importance of the role, any additional tasks they may be required to perform and the commitment required to carry out the assigned activities, and not linked to economic results.

With regard to **employees**, Fineco is committed to ensuring equal treatment in terms of remuneration and benefits, regardless of age, race, culture, gender, disability, sexual orientation, religion, political affiliation or marital status. The overall remuneration approach includes a balanced package of fixed and variable components, both monetary and non-monetary, each designed to have a specific effect on employee motivation and retention. In line with the applicable regulations, variable incentive elements that encourage staff to behave in ways that are not aligned with the Bank's sustainable performance and risk profile are avoided.

For employees belonging to the **Identified Staff** categories (including the CEO and General Manager and key executive personnel), remuneration levels and the relationship between the variable and fixed components of the total remuneration, in accordance with the applicable regulatory provisions, are managed and monitored on the basis of our business strategy and in line with Fineco's performance over time.

Variable remuneration is based on both annual Performance Incentive Schemes (short-term incentives) and Long-Term Incentive Plans (long-term incentives).

<sup>57</sup> The 2020 Remuneration Policy and the Termination Payments Policy published on the company's website (in the Governance section) apply only to FinecoBank. FAM has adapted its Remuneration Policy and Termination Payments Policy in accordance with the applicable local regulations.

**Short-term variable remuneration** is linked to the achievement of specific individual objectives, assigned in accordance with market practices and the position held within the Bank, through the systematic use of indicators that aim to improve the sustainability of the business, such as risk and capital strength indicators and profitability measures. The metrics, which are determined ex-ante and also reflect the categories in the Bank's Risk Appetite Framework, align remuneration with sustainable performance and the creation of value for shareholders over the medium-long term. Payment and deferral (maximum 60% of the incentive) in cash and shares is also provided, and all amounts are subject to the application of malus and/or claw-back conditions, as legally enforceable. The extent and duration of the deferral are in line with the provisions outlined by the Supervisory Authorities and are consistent with the characteristics of the Bank's business and risk profiles.

In order to progressively incorporate the principles of environmental, social and governance sustainability into the framework of its business and operational management choices, **sustainability objectives**, understood as those relating to the ability to generate and maintain value for all stakeholders in the medium-long term, have been included in the 2020 Individual Dashboard of the CEO and General Manager, as well as other Identified Staff. A number of ESG objectives have notably been identified within the specific "Stakeholder Value" objective and incorporated into the Group's 2020-2023 Strategic Plan, and the "Tone from the Top" objective, relating to integrity of conduct and the dissemination of the compliance culture within the organisation, has been maintained.

**Long-term incentive plans**, on the other hand, aim to strengthen the link between variable remuneration and the company's long-term results and to further align the interests of the management with those of shareholders. Bonuses are paid entirely in shares and, as with short-term incentives, are subject to deferral periods and malus and claw-back clauses.

The provisions of the Remuneration Policy also apply to members of the FinecoBank **Network of Financial Advisors** (belonging to the Identified Staff group), in line with their specific remuneration requirements. In order to adapt the rules on the employee remuneration structure, based on the presence of both a fixed and variable component, to the specificities of Personal Financial Advisors who work for the company on a self-employed basis, the legislation has stated that the "recurring" component of the remuneration must be distinguished from the "non-recurring" component.

For further details on remuneration and incentive policies and compensation in the event of early termination of employment please refer to the Compensation Policy 2020 (Section I – Remuneration Policy 2020)" and the Termination Payments Policy, both of which can be found in the Governance section of the FinecoBank website.



## 5.4. WELFARE AND WORK-LIFE BALANCE

FinecoBank wants to support the well-being of its employees and their families, which is why its **Welfare System** is continuously evolving and improving, and particularly so over the course of 2020. In line with FinecoBank's Compensation Policy, benefits are generally aligned by applying a series of common criteria for each employee category, whilst the nature of the benefits is established based on the Bank's practices. Benefits that complement systems of national social security, healthcare and work-life balance support with the aim of ensuring the well-being of employees and their families throughout their working lives and even after retirement, for example, are included. Special access conditions for various banking products and other FinecoBank services are also granted with the aim of providing employees with support throughout the various stages of their lives.

The work of the **Joint Commission on work-life balance, innovation and welfare** continued in 2020. In particular, the Commission met three times over the course of the year with the aim of developing and improving services and initiatives relating to four themed macro areas:



### SAVINGS

such as pension funds, mortgages, loans, financial support at preferential rates, and welfare accounts.



### FAMILY

such as contributions for families with children and support for elderly and disabled family members.



### WORK-LIFE BALANCE

such as home working, flexible working hours, part-time hours, leave of absence and sabbatical years.



### HEALTH

including, for example, supplementary healthcare, insurance cover and prevention campaigns.

The communication campaign dedicated to the Welfare Plan also continued in 2020. In collaboration with the provider, digital information Corners were created through which employees were able to request more information about the various services available. In order to help employees and allow them to take advantage of all the services offered in the way of company welfare, in late 2020, in view of the unique emergency situation that was playing out, the possibility of rolling over to 2021 anything remaining in the Welfare Account, to be used by June 2021, was introduced.

The collaboration established in 2018 between the **MaggiorTempo** service and the Cooperativa Sociale Spazio Aperto cooperative, which aims to help socially disadvantaged people integrate into the workplace, has continued, as have efforts to **renovate the work spaces** at the Milan office, helping to achieve the Group's aim of creating a better workplace for its people.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

With the main objective of protecting the health of its employees, Fineco – in addition to adopting safety measures ordered by the Fineco Prevention and Protection Service in accordance with the DPCM (Decrees of the President of the Council of Ministers) and the Protocols signed between the social partners – has proceeded to develop specific welfare initiatives.

By promptly adopting the recommendations contained since in the first DPCMs to implement **agile working** methods wherever possible for activities that could be carried out at home or remotely, 100% of employees were put in a position to be able to work from home in just a few weeks. Employees unable to work from home (because they were waiting for equipment or a Wi-Fi connection) were granted paid leave so that they did not lose any pay (no forced or partially paid leave was used).

Fineco has made the following available to everyone to help ensure all colleagues experience the situation in the best possible way:

- **Home Working leaflet**: useful tips to apply when working from home;
- **“Tips&Tricks, from home and in the office”**: some useful tips on how to manage the new working normal;
- **Free temporary welfare services**: a number of free temporary services that can be accessed from home have been put in place, including online wellness and nutrition, on-demand sports and “bite-size training”;
- **Home Working kit**: following feedback received from colleagues who responded to the “Tell us about your new normal” survey, Fineco has also made available a kit that includes a chair, a monitor, a keyboard and a mouse to ensure a comfortable home working environment;
- **“Smart Working in the New Normal”**: two digital training courses designed in collaboration with the Polytechnic University of Milan and Professor Mariano Corso were introduced in late 2020. One course was aimed at managers and supporting them in managing teams remotely while the other was aimed at all employees and focused on the themes of autonomy and individual responsibility.

The **#BikeToFineco** initiative that allows all employees to request a reimbursement for an annual subscription to BikeMi or MoBike, for colleagues from Milan, and MoBike, for colleagues from Reggio Emilia, has also been introduced.

## 5.5. INDUSTRIAL RELATIONS



### Policy and regulatory instruments

- Global Policy “Combating Harassment, Sexually Inappropriate Behaviour and Bullying”
- Global Policy on Gender Equality

Also in 2020, the path undertaken by the social partners continued, working closely together to address issues of relevance to the entire company population. In a context such as the health emergency we are currently experiencing, the company, the unions, employees and their safety representatives are moving forward together in order to ensure that the work is carried out under the safest possible conditions.

### The work of the Joint Commission on work-life balance, innovation and welfare continues.

Meetings are inspired by the principles of peer review for promoting and improving work-life balance in the belief that an adequate work-life balance has a positive impact on the working environment, employee engagement, productivity and the sense of belonging, as well as helping to improve quality of life and well-being.

In the framework of the Commission’s efforts, both the Company and the trade union intend to continue to enhance the company welfare system in order to improve personal welfare, introducing measures and solutions that promote a better corporate climate.

All FinecoBank S.p.A. employees are covered by collective bargaining agreements<sup>58</sup>.

### MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

As part of its efforts to manage the emergency situation, Fineco has set up a **Crisis Committee** with the aim of evaluating the actions to be taken following the measures adopted at government level and analysing future developments and the consequences thereof at company level.

Numerous trade union meetings were held on the subject with the aim of encouraging dialogue with trade union representatives so that any measures taken could be shared and made more effective by pooling the experiences of employees, their representatives and in particular Employee Safety Representatives (hereafter “ESRs”). During these meetings, trade unions and ESRs were presented with the measures currently adopted and the directives issued at management level to protect the health and safety of employees, continuing to ensure business continuity.

<sup>58</sup> The figure stated refers to the Group’s Italian perimeter (which accounts for 97% of employees), whose employment relationships for Professional Areas, Managers and Executives are regulated by the respective National Collective Bargaining Agreements (NCBAs) for the credit sector. This NCBA specifies, among other things, the minimum number of weeks’ notice that must be given to employees and their representatives ahead of any significant changes that could have a significant effect on them (according to the NCBA for the credit sector, this notice equates to 50 days, approximately 7 weeks). As far as FAM is concerned, there are no agreements resulting from collective bargaining.

## 5.6. HEALTH AND SAFETY



### Policy and regulatory instruments

- Code of Ethics pursuant to Legislative Decree 231/2001
- Human Rights Commitment
- Health and safety at work (circular no. 131/2019)

The Human Rights Commitment covers the issue of occupational health and safety, expressing its commitment to complying with regulations, appropriate risk assessment and the consequent definition and planning of prevention and protection measures with a view to minimising such risks.

The **Code of Ethics**, on the other hand, lists the obligations that all those bound by it are required to comply with in order to ensure safe, healthy and dignified working conditions and healthy working environments, in accordance with the applicable regulations and available technology. Furthermore, FinecoBank S.p.A.'s **internal circular** no. **131 of 2019** outlines the roles and duties of FinecoBank's various structures and corporate figures with regard to activities relating to the application of and compliance with Legislative Decree 81/2008 on the protection of health and safety in the workplace.

Health and safety in the workplace are fundamental rights for all workers and Fineco is notably committed to always complying with current legislation and ensuring the good health and safety of its people. In addition to the constant monitoring of current legislation, Fineco has set itself the objective of performing a number of additional activities aimed at improving the monitoring of the health and safety conditions of its people.

FinecoBank has implemented an effective **Health and Safety Management System** coordinated and managed by the Prevention and Protection Service, consisting of an external Prevention and Protection Service Manager (hereafter referred to as the 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. The Bank ensures an appropriate working environment from a health and safety perspective by means of a system for monitoring, managing and preventing the risks associated with the performance of professional activities, relating, for example, to the presence of electrical systems and equipment, the use of equipment fitted with display screens, work-related stress and, finally, the risk of robbery, particularly in the retail sector. Furthermore, such a management system standardises methods of involving employees and the relevant structures within the Group, taking the necessary steps with regard to applying and complying with Legislative Decree 81/2008.

The Health and Safety Management System thus defined applies to all employees. With regard to the Fineco Centers, the FinecoBank's Board of Directors has decided to carry out specific inspections to verify that both the premises and the equipment used there comply with the health and safety regulations in force, together with appropriate training for Fineco Centers Managers on how to maintain and run the branch, in compliance with regulation 81/2008.

Some aspects of health and safety management are also being further developed in the context of the implementation of the Environmental Management System pursuant to EMAS Regulation no. 1221/2009/EC, which provides for the monitoring of certain environmental impacts that could also have implications in terms of people's health and safety (e.g. fire management and asbestos management). The EMAS environmental management system, that was in the process of being structured in 2020, will apply to all Fineco employees and personal financial advisors in Italy.

**Suppliers** are also subject to health and safety checks on their employees. Verifications are notably carried out on the insurance coverage of the individuals that the supplier makes available to Fineco for the provision of the agreed services. At the same time, Fineco shares the DUVRI ("Single Document for Evaluation of Risks of Interference") with the supplier in order to indicate the security status of the environments in which the supplier must operate.

The main **risks in the field of health and safety in the workplace**, along with the corresponding management and mitigation measures, are identified and outlined, based on the provisions of Legislative Decree 81/2008, by means of specific periodic checks performed twice a year in the presence of the 81/2008 representative, representing the Employer, the PPSM and the Competent Physician or Coordinator, following which minutes are produced and countersigned by all those present. In 2020, such types of risk were deemed to be medium-low.

Furthermore, certain processes have been made available to employees for **reporting** the presence of any **dangerous hazards and situations in the workplace** in the form of a team that is part of the Real Estate function and a reporting e-mail address. In the event that an employee should feel the need to remove themselves from a workplace situation that they believe might cause injury or ill health, it is possible to report this need to human resources and, through the involvement of the PPSM and the occupational physician, have ad hoc analysis of the situation carried out.

Fineco also provides its employees with **occupational health services**. In particular, the Competent Physician carries out an annual inspection of the company premises in order to verify any conditions that might be less than ideal (e.g. overcrowding, incorrect use of display screens and company devices, etc.) and reports the results of these inspections to the Coordinating Physician. The company medical examinations provided for by Legislative Decree 81/08 are also performed, the type and frequency of such examinations defined on the basis of the activities carried out by the individual in question and their age.

As provided for by Legislative Decree 81/2008, the two ESRs, appointed from among the trade union representatives, participate in specific activities such as safety meetings, inspections and the drafting of documents. All Group employees operating in Italy are represented by the Employee Safety Representatives.

In 2020, the **Work-Related Stress Evaluation** was carried out through a process shared with the Coordinating Physician, Employee Safety Representatives, the PPSM and the Safety Delegate. On the basis of the company population, a representative sample (equal to 50% of the company population) was selected to receive a questionnaire designed to gather objective data (number of accidents, number of illnesses, number of days' absence for other reasons, number of hours worked, etc.). The adoption of measures to reduce the levels of stress encountered – or at least keep them well under control – will be evaluated on the basis of the results obtained, which are being analysed on the date of publication of the present document.

Finally, there is a structured process for **analysing** occupational **accidents** that occurred during the year through an immediate analysis at the time of the event, involving the INPS (National Social Security Institute) for the purposes of inspections in the event of a serious accident, and through an annual review carried out by the main managers where the issues of employee health and safety are concerned, namely the ESRs, the Coordinating Physician, the 81/2008 representative and the PPSM.

ACCIDENT FREQUENCY <sup>59</sup> RATES	2020		2019 <sup>60</sup>	
	NUMBER	RATE	NUMBER	RATE
<b>DEATHS AS A RESULT OF WORK-RELATED INJURIES</b>	-	-	-	-
<b>Italy</b>	-	-	-	-
<b>Ireland</b>	-	-	-	-
<b>WORK-RELATED INJURIES WITH SERIOUS CONSEQUENCES<sup>61</sup> (EXCLUDING DEATHS)</b>	-	-	-	-
<b>Italy</b>	-	-	-	-
<b>Ireland</b>	-	-	-	-
<b>RECORDABLE WORK-RELATED INJURIES</b>	-	-	<b>2</b>	<b>1.04</b>
<b>Italy</b>	-	-	2	1.06
<b>Ireland</b>	-	-	-	-
<b>HOURS WORKED<sup>62</sup></b>	<b>2,025,330</b>		<b>1,926,612</b>	
<b>Italy</b>	1,955,130		1,889,498	
<b>Ireland</b>	70,200		37,114	

<sup>59</sup> Represents the frequency of accidents in relation to the total number of hours worked by Group employees over the course of the year. This data is obtained by dividing the number of accidents by the total number of hours worked and multiplying the result by 1,000,000 -.

<sup>60</sup> The data for 2019 were restated in respect to those previously published by virtue of the adoption of the new GRI 403: Occupational Health and Safety (2018) standard, notably excluding from the count the accidents occurred whilst commuting between the home and the workplace where transport had not been organised by the organisation and using a multiplier of 1,000,000 instead of 200,000. Please refer to the 2019 Sustainability Report for the previously published historical figure.

<sup>61</sup> A "Work-related injuries with serious consequences" means an accident at work which leads to death or injury from which the worker cannot recover, does not recover or it is unrealistic to expect him or her to recover fully and return to the state of health prior to the accident within 6 months.

<sup>62</sup> This data is obtained from the average number of employees, multiplied by the per capita hours worked in a single day (7.5 hours/day) and by the actual days per capita worked, net of sick leave days.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

Over the course of the year, and in line with the numerous regulatory interventions in this field, the “Coronavirus Safety Procedure”, drawn up by the PPSM in collaboration with the Security Delegate, the Coordinating Physician and HR and circulated to all employees (with an obligation to read it), was periodically issued and updated. This procedure outlines the measures already put in place and those to be taken in order to manage different aspects of working within the company (e.g. access to the company premises, managing breaks, managing suppliers, managing symptomatic individuals, etc.).

The health and safety of employees has always been the top priority. This being the case, the Bank took immediate action to provide additional assistance for employees by the following means:

- **Competent Physician:** the Competent Physician has been involved from the beginning in the implementation of the measures contained in the relevant Decrees and Memoranda of Understanding. He or she plays a fundamental role in the preparation of internal procedures (e.g. with regard to managing confirmed cases) and in the preliminary evaluations necessary for the adoption of protective mechanisms, as well as in managing so-called “fragile employees” and for getting those previously diagnosed with Covid-19 back to work;

- **Health emergency care service:** a health emergency consultation service has been made available by phone or video call (for both the employee and members of their household) 24 hours a day, 7 days a week;

- **Psychological support service:** a Covid-19 psychological support service, which allows all colleagues to access psychological support designed to improve well-being, quality of life and their ability to adapt to this particular emergency situation, has been launched;

- **Continuous updating of the DUVRI (“Single Document for Evaluation of Risks of Interference”):** the Health and Safety Protocol is constantly updated based on the provisions in force and made available to all colleagues with an obligation to read it through publication on the company Corporate intranet;

- **Home swab service:** a molecular swab booking and delivery service has been introduced for employees and members of their households. Fineco bears the full cost of the service for the employee and 50% of the cost for family members. The service has also been extended to members of the Board of Directors and the Board of Statutory Auditors;

- **Administration of the flu vaccine:** Fineco has been offering its employees and their family members the opportunity to have a flu vaccine in collaboration with the San Raffaele hospital;

Those coming to the Bank in person have been continuously monitored to ensure the correct application of the relevant safety protocols. The safety of employees has notably been ensured by the following means:

- **Installation of dedicated signage:** ad hoc signage displaying all of the information provided for in the Protocol has been installed on the Bank’s premises;

- **Thermoscanner:** a thermoscanner system has been installed at the entrances to the Group’s offices for temperature detection purposes;

- **Work on air-conditioning systems:** air duct cleaning and sanitisation extra measures have been put in place and the latest-generation electrostatic filters with strong antibacterial properties installed. The filters on all fan-coils have been replaced and sanitised. Air purifiers with electrostatic filters and UV-C rays have been installed inside the lifts to sanitise the air inside the lift and the button panel;

- **Management of staggered arrivals/departures:** to allow employees using means of transport to avoid peak times wherever possible;

- **PPE distribution:** employees have been provided with sanitising gel and surgical masks;

- **Environmental sanitisation:** all environments are sanitised daily in accordance with the appropriate protocols;

- **Entrance booking tool:** a useful tool for booking workstations and parking spaces has been made available to all employees to improve the organisation and monitoring of employee entrances.





OUR FINANCIAL ADVISORS

**6.1.** TRAINING OF PERSONAL FINANCIAL ADVISORS

## 6. OUR FINANCIAL ADVISORS

FinecoBank's network of financial advisors, the 3rd-largest<sup>63</sup> in Italy in terms of assets under management, represents a strategic business channel for the Bank, in terms of both acquiring new customers and managing existing ones. As of 31 December 2020, the Bank had **2,606** personal financial advisors (2,160 men and 446 women), **129** of whom joined during 2020 (74 "seniors" and 55 "juniors").

Composition of the Network of Personal Financial Advisors at 31 December

	2020	2019
<b>NUMBER OF PERSONAL FINANCIAL ADVISORS BY GENDER</b>		
Men	2,160	2,103
Women	446	438
<b>Total</b>	<b>2,606</b>	<b>2,541</b>

	Women	Men	Total
<b>NEW HIRES (2020)</b>			
Junior	11	44	<b>55</b>
Senior	9	65	<b>74</b>
<b>Total</b>	<b>20</b>	<b>109</b>	<b>129</b>

The Network strategy is in line with that of the Bank and is based on the Bank's fundamental pillars, namely growth, quality and transparency of the relationship with the customer, innovation and efficiency. Its application is not based on a rigid top-down approach, but is always based on listening to the needs, suggestions and ideas of advisors who are in direct contact with their local areas and are more aware of customer expectations.

<sup>63</sup> Source: Assoreti, September 2020.

With this in mind, the Bank organises opportunities to meet with, listen to and discuss with the network from time to time, notably involving top management structures and Senior Private Banker advisors. In 2020, due to the unique situation caused by the Covid-19 pandemic, meetings with the network intensified, albeit online, and several opportunities to meet and discuss were organised over the course of the year with the aim of gauging impressions and hearing suggestions on how our customers and advisors were dealing with the situation, providing and identifying solutions that could guarantee continuity and full operation and evaluating the initiatives and activities put in place or yet to be implemented.

Specifically, the Group organised the following:

- **1** Area Manager meeting (i.e. those who control the 26 business areas managed by the network of personal financial advisors);
- **7** web calls with Area Managers for sharing and aligning results;
- **9** opportunities for discussing in small groups with Area Managers (restricted AM meetings);
- **26** Manager meetings, i.e. meetings dedicated to each individual territorial area involving the Area Manager and coordinated Group Managers;
- **27** area road shows, i.e. meetings dedicated to the entire territorial area (AM, GMs and all PFAs) and attended by top management;
- **1** convention with the entire Private Banking segment;
- **1** workshop with Area Managers, during which working groups on different topics of particular interest to the network were set up;
- **1** Manager convention, i.e. a plenary meeting dedicated to all the managers in the network;
- **14** days dedicated to recruitment and opportunities to meet, including an element of training, with AMs and GMs, to share methods and strategies and plan activities and objectives.

Furthermore, **24 days** were dedicated to what were known as **“area plenaries”** - meetings during which the Area Manager and a senior figure from head office meet with personal financial advisors to take stock of the results achieved, the objectives to be pursued and upcoming news.

The Network's commitment is based primarily on key aspects of FinecoBank's commercial strategy, namely **growth, quality, efficiency** and **innovation**.



## GROWTH

FinecoBank's business model is based mainly on **organic growth**. In 2020, out of total net sales of €7.98 billion, 94.9% was generated organically and 5.1% through new customers recruited over the course of the year. This was accompanied by an increase in network's productivity, which leveraged a high level of customer satisfaction and the high quality of the offering; indeed, net sales made in 2020 from existing customers amounted to around 52% of total sales, with 61,878 new accounts opened.

The **recruitment of new personal financial advisors** is another important driver of growth and one that aims mainly to improve the quality of the existing Network. The search focuses on qualified professionals who have consolidated experience, both in the commercial networks sector and in traditional banking and Private Banking. The Group aims to attract professionals that make customer relations one of the cornerstones of its business, who want to measure themselves against market standards and push their boundaries and, above all, who share the Group's vision and values.

The Group guarantees a thorough pathway of integration for such profiles with the aim of allowing for the appropriate analysis of the managed portfolio and the resulting fluency of the transfer, as well as flexible and tailored financial support, for the purposes of the needs of individuals concerned. In 2020, 74 new advisors with previous experience joined our Network.

FinecoBank also invests in **young people**, who are selected by means of social channels and partnerships with universities, as well as via traditional channels. They are incorporated in the commercial network with a dedicated project that was further enhanced over the course of 2020, in order to support them as effectively as possible in building their own professional careers through three types of tools: training support from the preparation phase to the qualification exam for the duration of the project, with ad hoc financial support and a period of operational support guaranteed by the presence of a trainer based in the region (55 young people have been integrated into the network since the beginning of the year).



## TRANSPARENCY AND QUALITY

The **quality of the relationship with the customer** comes before everything else. It is important that customers establish a relationship of trust with the advisors, who start by analysing the customer's needs, requirements and expectations and tailor what they do with a view to finding practical solutions that meet the needs of the individuals concerned. This makes it possible to really plan the customer's objectives, bypassing the volatility of the market and the customer's own sensitivities. This being the case, such an approach pursues the primary long-term objective of meeting customer expectations and building a relationship of trust.

The **quality of the services offered** is also important. Thanks to cutting-edge investment solutions, financial advisors are able to offer portfolios that meet customers' needs and ensure constant monitoring of risk over time, while taking both objectives and risk tolerance into account. Fineco places great emphasis on this issue and on constant evolution and innovation where this type of service is concerned, improving existing services and/or introducing new ones. With this in mind, and thanks to Fineco Asset Management activity, the

Group is able to offer its customers innovative services and tools designed to ensure greater risk control, cost containment and an increase in implicit quality.

Furthermore, the **open architecture platform**, one of the most comprehensive on the market, means that the investment solutions the Group is able to create ('Guided Products & Services') allow the advisors to work while minimising conflict of interest and ensuring the best possible solutions to the customer's needs.

The quality of the network is also showing signs of major progress, with per capita assets increasing by 10.1% in 12 months (from €27.8 million to €30.6 million) and a significant increase in the managed component and advisory services. Personal financial advisors with assets exceeding 20 million accounted for 57.9% of the network as of 31 December 2020, with 84% of assets under management, demonstrating a low level of concentration.



## EFFICIENCY AND INNOVATION

One fundamental aspect of supporting growth and quality is the continuous improvement of operational **efficiency** through the study of innovative solutions. A model known as **cyborg-advisory** has been adopted and is continuously being improved, using a consulting platform that is extremely advanced from both a technological perspective and in terms of the investment solutions offered to enable financial advisors to manage an increasing number of customers, even remotely, thus ensuring timely assistance and intervention with new proposals or rebalancing over the course of the relationship with the customer based on different market scenarios and any changing needs.

**Innovation** is, therefore, one aspect on which Fineco focuses and that it uses to allow advisors to devote much more time to managing relationships with customers, analysing and scrutinising their needs and how they can change over time, constantly increasing the quality of the services offered and strengthening the relationship of mutual trust.

In this respect, **X-Net**, the new Cyborg Advisory Platform dedicated to financial advisors, created using the best technology FinecoBank has to offer when it comes to digital retail platforms, has been developed internally and is continuously being developed. This easy-to-access progressive technological platform offers FinecoBank advisors an integrated solution that, unlike pure robot advisory, emphasises the central role of the advisors, together with the vital support of technology.

Furthermore, through the adoption of the digital signature and **Web** and **Mobile Collaboration** service, fully integrated with X-Net, customers have been given the opportunity to easily and securely manage the investment proposals of their personal financial advisor remotely, directly from a mobile or PC. The Web and Mobile Collaboration service allows the advisor to handle paperwork more quickly and electronically with two consequent advantages, the first for the customer, for whom the Bank tries to offer a more comfortable and flexible service, the second in terms of the resources and raw materials that it saves.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

The onset of the pandemic accelerated the use of digital processes by customers and personal financial advisors alike in 2020. The custom of using technological tools over a long period of time has also facilitated the use of digital platforms for an increasing number of activities (customer meetings) that have so far taken place exclusively in person.

## 6.1 TRAINING OF PERSONAL FINANCIAL ADVISORS

Another priority for personal financial advisors in 2020 was to help people achieve their own medium/long-term financial objectives through rigorous and rational planning, including in contexts of high market volatility and for the purposes of mitigating situations with a high emotional impact. On the content side, the training plan agreed with area managers in a pre-Covid-19 period has not undergone significant changes; indeed, a great deal of emphasis has, as always, been placed on training on the Bank's business products and services, with particular attention to all the latest developments.

In 2020, a total of **over 170,000 hours of training** (around 66 hours for each personal financial advisor) were delivered, as opposed to around 184,000 in 2019 (around 72 hours for each personal financial advisor), including the following:

- 109,066 hours of training on mandatory topics;
- 46,173 hours of training on Fineco product-related issues;
- 3,713 hours of highly specialist training on Private PFAs through a dedicated course (topics covered included asset protection, private insurance and real estate advisory);
- dozens of videos, media, web conferences, webinars and dedicated sessions; a rich e-learning platform dedicated to detailed study and the provision of classroom materials;
- highly qualified trainers and leading figures from the financial and academic spheres.

	2020
<b>AVERAGE HOURS OF TRAINING PER CAPITA</b>	
<b>BY GENDER</b>	
Men	65.5
Women	67.6
<b>BY CLASSIFICATION</b>	
Area Manager	79.8
Group Manager	75.8
Personal Financial Advisor	65.0
<b>Total</b>	<b>65.8</b>
<b>TOTAL TRAINING HOURS</b>	
<b>BY TRAINING AREA</b>	
<b>Mandatory</b>	<b>109,066</b>
Compliance	17,361
Product insurance issues	12,031
IVASS/CONSOB maintenance	74,994
New IVASS registrations	4,680
<b>Business and Youth Project</b>	<b>62,515</b>
Products	46,173
Technical	2,338
Behavioural	14,004
<b>Total</b>	<b>171,581</b>

The private segment benefited from ad hoc training on first-class content such as philanthropy, art advisory, asset protection and private insurance.

Following the issuing of the CONSOB New Intermediary Regulations that came into force in February 2018, particular attention has also been paid to the issues of possessing and maintaining the requirements of the appropriate **knowledge and skills** required of the Network of Financial Advisors (Articles 78-82). A review of development and training requirements continued through a knowledge and skills assessment made available to the entire network of personal financial advisors in order to fulfil these obligations, and any skills gaps were filled with specific online training courses. Furthermore, in order to ensure that the appropriate knowledge and skills are updated and maintained, a 30-hour training course on new and updated topics that is recognised as being valid for Consob, IVASS and EFPA<sup>64</sup> purposes was approved. A particularly strong focus was also placed on compliance with and knowledge of the regulations in force and the products in the portfolio (especially insurance-related) through the provision of specific online courses on regulatory issues (17 courses) and product issues (22 courses).

Finally, the Bank continued to invest in **young personal financial advisors** in 2020, implementing and making even more sustainable the project targeting specifically such individuals, with the training course aimed at the acquisition of the technical and behavioural skills necessary to practice the profession extended to 4 years and support in terms of preparation for the Register of personal financial advisors' exam improved. In 2020, in fact, 32 dedicated training courses, both technical and behavioural, were delivered, amounting to a total of over 4,270 hours' worth of training.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

The health emergency situation related to Covid-19 was a major challenge that prompted an adaptation of teaching methods. From an operational point of view, FinecoBank had in place for years Cisco Webex licenses for the provision of courses in digital mode, which it was then able to accelerate further.

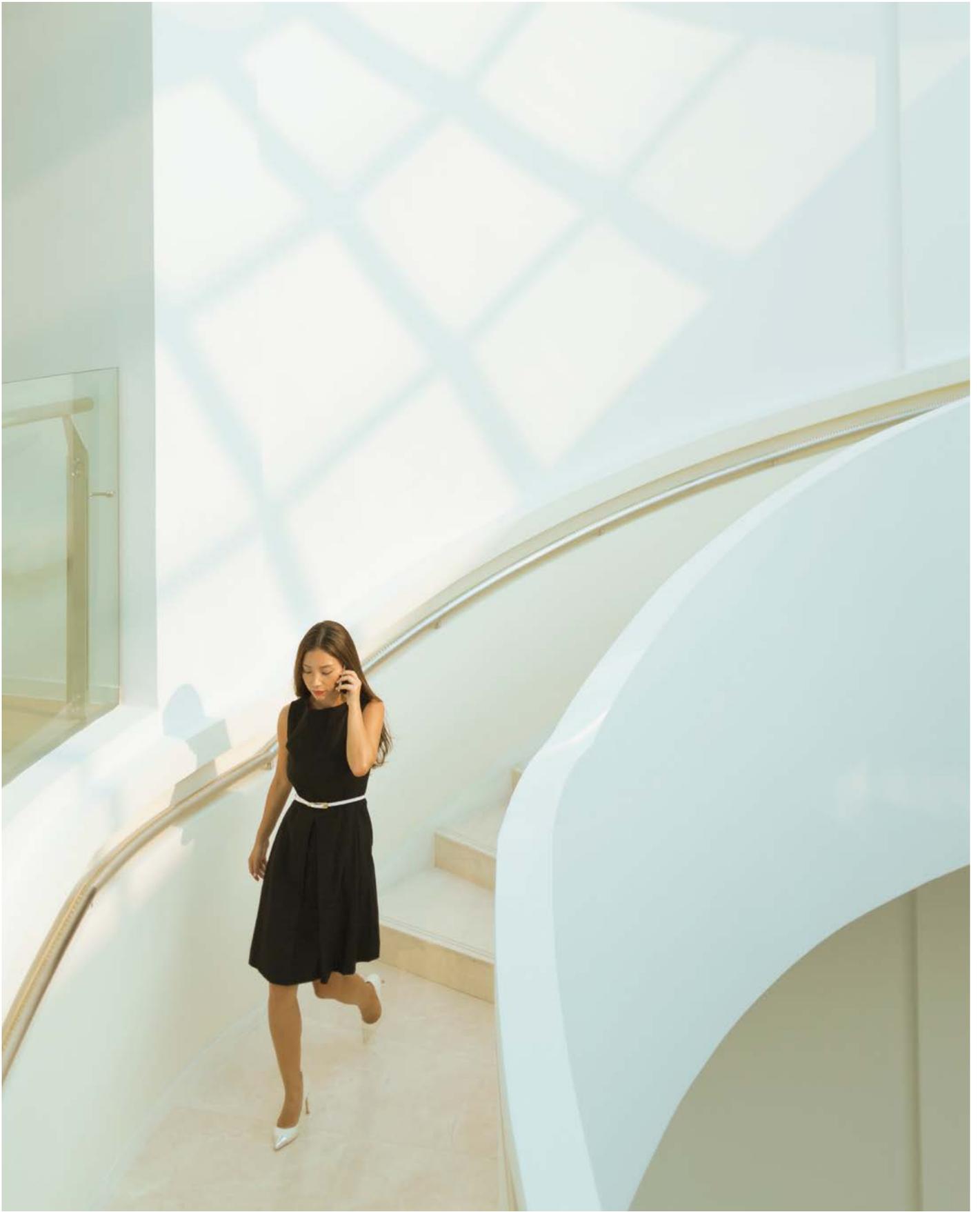
New courses were added in order to better respond to this unique period in history, including the following:

- emergency leadership: how the relationship with leadership has changed in times of pandemic;
- remote public speaking: what changes with digital communication and how to improve it;
- the current process of change and the new opportunities to be seized in a context that is completely outside your own comfort zone.

In line with the Bank's licenses for various customer meeting platforms, training sessions and videos were made available to increase the usability of these new tools among personal financial advisors. The Network was immediately put in a position that enabled it to be there for its customers, albeit digitally, always on time and with the efficiency for which FinecoBank's personal financial advisors are known.

Meetings with third-party companies were encouraged for insights into macroeconomic contexts in light of the new challenges that the pandemic has brought with it. In order to perform a role with such a high social impact as effectively as possible it is essential that the advisor be fully aware of a whole host of factors, all of them contributing to the definition of the scenario within which advisors find themselves working. Such factors include social dynamics, technological developments, regulatory developments and national and international micro and macro economic and production trends that are an integral part of the world in which future generations will live.

<sup>64</sup> European Financial Planning Association.





## OUR CUSTOMERS

- 7.1.** CUSTOMER SATISFACTION AND QUALITY OF SERVICE
- 7.2.** FAIRNESS AND TRANSPARENCY
- 7.3.** PRIVACY AND DATA PROTECTION
- 7.4.** CYBER SECURITY AND FRAUD MANAGEMENT
- 7.5.** FINANCIAL EDUCATION AND INCLUSION
- 7.6.** RESPONSIBLE PRODUCTS AND INVESTMENTS



### Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Guidelines for the preparation of marketing and advertising initiatives (Circular no. 118/2019)
- Global Policy - Privacy

The success of the Group is founded upon the relationship of trust it has established with its customers, with regard to whom Fineco is committed to engaging in its activities and offering services focused on excellence, always adhering to strict standards of professional ethics and taking inspiration from the principles of fairness, transparency and simplicity in all services and communications.

Observing proper conduct when engaging in business activities is of fundamental importance to Fineco, and the company's own **Integrity Charter and Code of Conduct** serve to formalise the obligation of employees and financial advisors to act with due diligence and with the necessary professionalism in every interaction with customers, always considering their needs, expectations and any potential benefits first and foremost. In this regard, the **Code of Ethics** also stipulates that relations with the Bank's customers (regardless of whether public or private) must be founded upon the criteria of honesty, courtesy, transparency, fairness, professionalism and collaboration.



## 7.1. CUSTOMER SATISFACTION AND QUALITY OF SERVICE

For twenty years, Fineco has been committed to making life simpler for its customers, thanks to the unique nature of its business model, which is designed to offer innovative, simple and efficient services.

Increasing digitisation in Italy is changing consumer behaviour and expectations in everyday life. This structural trend increasingly encourages customers to choose their main bank on the basis of the quality of the services and products offered and the overall customer experience, rather than merely in accordance with geographical proximity. For this reason, the **continuous improvement of the customer experience** is crucial for Fineco, and this in turn is founded upon the concept of simplicity, which is a characteristic feature of the Group.

To **simplify the lives of customers**, the FinecoBank offering is based on the One Stop Solution concept: the customer can access banking, brokerage and investment services through a single current account. However, offering a “single solution” is not enough: the Bank’s goal is to **deliver excellence at all times**.

Thanks to our deeply-rooted internal IT culture, Fineco is able to take maximum advantage of the value derived from knowing our customers, who use the Group’s platforms extensively.

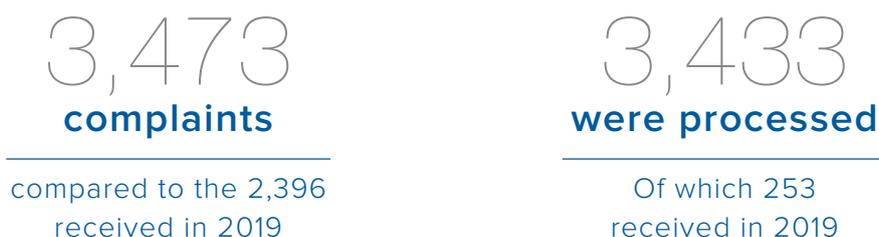
For this reason, the Bank is constantly engaged in the development of products and services that are easy to use, of the highest quality, and which can satisfy all the financial needs of customers.

In 2020, the number of customers remained seemingly stable compared to the previous year and came to **1,341,893** but this year was marked by a move that aimed to improve the Bank’s focus on customer segments that could better appreciate the comprehensive and extreme convenience of the offering as a whole, rather than taking advantage exclusively of its free components. In fact, we have introduced a **fee of €3.95 that can be overwritten** according to certain criteria regarding the use of services that are easy to understand and above all transparent. This move resulted in a change in the composition of the Bank’s customer base towards segments that were more willing to make full use of the Bank’s range of products and services and agree to the introduction of a fee for using the account.

Number of customers by type <sup>65</sup>	2020		2019	
	NUMBER	%	NUMBER	%
Retail	1,258,785	94%	1,258,673	95%
Private	65,502	5%	55,642	4%
Legal persons (such as institutional bodies or associations)	17,606	1%	16,394	1%
<b>Total</b>	<b>1,341,893</b>	<b>100%</b>	<b>1,330,709</b>	<b>100%</b>

<sup>65</sup> The number of customers by type shown in the table refers to natural persons with a Fineco current account, and not to the number of current accounts. Persons with more than one contractual relationship with the bank have only been taken into consideration once (each user has been classified according to one of the relationships that he/she holds with Fineco). The number is different from that listed in the Consolidated report on Operations because it does not include customers who own products other than current accounts and the holders of technical accounts for which the corresponding ordinary account is closed.

**Communication with customers** is based on constant dialogue through the internal **Customer Care** service and the network of personal financial advisors. In order to do this, customers must also have access to appropriate channels for **sharing any feedback and complaints** that they may have, and that help the Bank to gather the information necessary in order to implement the processes of continuous improvement and to refine the products and services that lie at the heart of Fineco's success. FinecoBank manages around **350,000 contacts each month** by **phone, email, chat** and **SMS** with high levels of service, of which around 90% are processed directly during the conversation with the customer. Customer complaints are always analysed, understood and recorded, with great attention placed on this activity in order to improve the service quality provided. In 2020, **3,473** complaints were received (compared to 2,396 in 2019) and **3,433** were processed (of these, 253 were received in 2019)<sup>66</sup>.



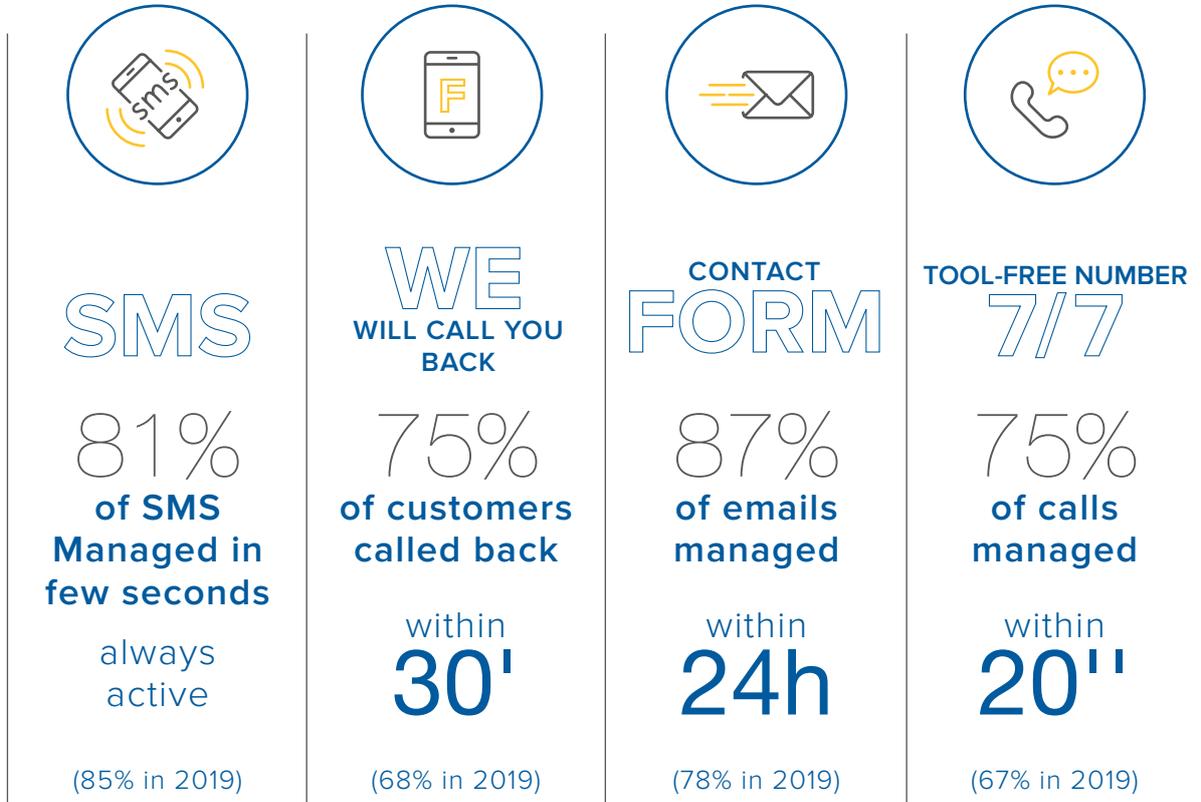
Another extremely important indicator for assessing the overall relationship between the Bank and its customers is the **Customer Satisfaction Index** (TRI\*M new index), which was also impacted by the pricing move, reaching **98 points** in 2020 (down 3 points compared to 2019, when a different detection methodology was, in fact, used; the 2019 figure, originally 97, was therefore amended accordingly based on the new one, giving a rating of 101).

In addition, in order to be able to measure the rate of customer satisfaction during each interaction via the contact channels in a more accurate manner, a **feedback** system regarding **services and products** has been implemented: at the end of each interaction, the customer is asked to provide his/her level of satisfaction with the assistance received, or the reasons for his/her dissatisfaction. These comments are analysed on a daily basis, and are the driving force behind Fineco's ongoing review of its internal processes, to ensure that these are always ready to respond to changing customer needs, with a view to simplifying services and rendering them increasingly accessible. In this regard, only 4% of interactions with customers were recorded as expressing a degree of dissatisfaction in 2020 (of which only 1% directly related to the interaction with CRM staff).

<sup>66</sup>Please note that the deadline for processing the 2020 complaints that have not yet been handled is 2021.

## FINECO CUSTOMER CARE

### Customer satisfaction starts here



**354,107**  
contacts per month

**98** **CUSTOMER**  
points **SATISFACTION**   
(101 points in 2019)

**TRI\*M new index**

### MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

Once again, the Bank has not found itself unprepared for the pandemic emergency, responding with rapid and coherent solutions that have led to the entire workforce operating remotely through the rapid and effective distribution of the necessary facilities.

Under these conditions, it was the responsibility of the people who, even from home, were able to make a difference, supported by the organisation, structure and processes that proved to be easily adaptable to the new reality and that led us to offer customers an experience that was unaffected by the changed conditions. Furthermore, customers have the opportunity to manage their own financial advisor's investment proposals in a simple and secure way remotely, directly from either a mobile or a PC, thus guaranteeing service continuity, thanks to the existing Web and Mobile Collaboration service.

## 7.2. FAIRNESS AND TRANSPARENCY



### Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Guidelines for the preparation of marketing and advertising initiatives (Circular no. 118/2019)
- Global Policy - Privacy

Transparency has always been one of the cornerstones of the relationship of trust that exists between Fineco and its customers, and is a fundamental element of company culture. In addition to the issues addressed in the Group's **Integrity Charter and Code of Conduct**, as well as in the Code of Ethics, the Group has also issued a specific internal circular called **Guidelines for the preparation of marketing and advertising initiatives** (no. 118/2019). This is designed to facilitate the consolidation and dissemination of an internal culture that is founded upon the principles of honesty, fairness and compliance with the relevant regulations, which clearly stipulate that a given behaviour with regard to the customer can be defined as incorrect when it results in any form of alteration in the actions and perception of the consumer with regard to the product/service offered, regardless of the actual damage caused to the latter.

For this reason, Fineco is committed to ensuring all communications are distinguished by the simplicity of the way in which they are written, courtesy of the **direct and immediately comprehensible language** employed. When present, any sources relating to qualitative-quantitative numerical evidence or detailed conditions are always provided within the same information document, and are easily verifiable.

The procedure for creating, approving and publishing the content of communications to customers, including marketing communications, follows a strict process of internal approvals that includes first-level controls, carried out directly by those who produce the content, and subsequent controls by the compliance and legal departments and all of the offices concerned. All communications destined for customers are generated and produced by Fineco's internal staff, without the involvement of external third parties; this provides an additional guarantee of privacy and control over the flow of publication. In 2020 there were no cases of non-compliance with regard to commercial communications.

In this regard, it should be noted that on 20 December 2019, the Bank received notice from the Italian Antitrust Authority AGCM (*Autorità Garante per la Concorrenza e il Mercato*) that it had initiated proceedings to assess the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice that the Bank had previously used to encourage people to open fee-free current accounts. FinecoBank has provided the Authority with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly. At the same time, in order to provide concrete evidence of the emphasis placed on meeting the expectations of its stakeholders (specifically the Supervisory Authorities and customers), it has committed to developing a series of initiatives aimed at further improving the transparency of the new conditions governing account eligibility and granting an extension of the zero-fee period until the end of 2020 for all those who had opened one during the period in which the paperwork had been processed. On 24 December 2020, the Authorities informed the Bank of their acceptance of the commitments submitted (as they are capable of removing potentially critical issues detected at the investigation

stage) and the consequent closure of the proceedings without finding any infringement pursuant to Art. 27, paragraph 7, of the “Consumer Code”. They also ordered that the commitments that Fineco has made, and the implementation of which it must inform the Authorities within 120 days, be published on the homepage of the finecobank.com website for 30 days.

Within Fineco, **transparency** means accessibility to information at all times, along with dedicated, immediate and “all-in-one” assistance. Indeed, thanks to a complex system of data analytics, Fineco is able to profile communications destined to be sent to users with extreme granularity, ensuring that each cluster of contacts only receives information that is relevant or interesting to them.

Marketing materials, such as email communications and website pages, follow predefined layout templates that make it easier for the user to access the information. The responsive structure enables most email communications to be optimised for reading on mobile devices, automatically adapting to different screen resolutions.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

During the year, the Bank joined various initiatives in supporting customers affected by the pandemic and gave specific notice thereof. In particular, the main communications on these initiatives related to the following:

- advance on the CIG temporary unemployment income support payment to customers who requested it;
- suspension of loans and mortgages, advertising this option with messages in the public area of the site;
- Ecobonus and Sismabonus 110%, advertising this option publicly and privately.

Communication plans were developed on the Personal Financial Advisors Network, through e-mails and communications on the X-Net platform, regarding the following:

- initiatives put in place by the Bank to support families in difficulty due to the Covid-19 emergency;
- operations for managing the Bank-Advisor and Advisor-Customer relationship, to support maximum process simplification and digitalisation;
- organisation and management of the closing and reopening phases of the Fineco Center and Personal Studio and the organisation of events with customers and prospects, in full compliance with the regulations in force.

A rich online conference calendar has also been planned and a section dedicated to the performance of markets since the beginning of the pandemic created in X-Net, with the aim of further supporting PFAs in their customer-facing advisory service roles.

## 7.3. PRIVACY AND DATA PROTECTION



### Policy and regulatory instruments

- Global Policy - Privacy

The safeguarding of customer privacy and information is a fundamental consideration in all Fineco's activities, and the Group is dedicated to ensuring that the collection and processing of personal data is carried out in compliance with the legal provisions and regulations in force in this field. For this reason, Fineco uses the **Global Privacy Policy** that implements EU Regulation 2016/679 on the protection of individuals with regard to the processing of personal data, as well as the free movement of such data, and that repeals Directive 95/46/EC (General Data Protection Regulation - "GDPR"); the Code governing the protection of personal data, containing provisions for the adaptation of national law to the GDPR (Legislative Decree 196/2003), and the actions, guidelines and opinions of the Guarantor for the protection of personal data, of the European Committee for Data Protection (Article 29 former working group) and of any other competent authority. The Policy has been reviewed and updated in 2020 and will be published again at the beginning of 2021.

With particular reference to **customer protection**, a number of policies and procedures have been adopted in order to protect customer data and to offset any potential risks, including the disclosure or misuse of personal data. The measures adopted internally by FinecoBank cover all business processes, from the design of products and services to training, incentives and interaction with the customer. They include the following:

- the dissemination within FinecoBank of a **circular regarding the processing of personal data** pursuant to the General Data Protection Regulation (EU) 2016/679 (GDPR) which came into force during 2018; the circular identifies the basic principles and

organisational rules upon which the implementation of the reference regulations on the processing and protection of personal data must be based;

- the establishment of a **regulation on the use of electronic instruments** (e.g. email, the internet, laptops and smartphones) during work, with the aim of defining the principles of conduct regarding the correct use of such tools to which all recipients are required to adhere when executing their professional tasks; this includes rules on security, the protection of personal data, confidentiality and the protection of Bank employees;
- the sharing of specific **guidelines on the data retention period and the rights of data subjects**, which set out the period for which personal data can be retained, taking the categorisation thereof into account, as well as the way in which the rights of data subjects are managed in this regard;
- the completion of a **Data Privacy Impact Assessment (DPIA)**, in order to supervise the assessment of the impact of processing personal data in cases where – particularly in the presence of new technologies and taking into account the nature, subject, context and purpose of the processing – there is a potentially high risk to the rights of the party in question and freedoms of the data subject;
- the identification of the main activities for which the **Data Protection Officer (DPO)** is responsible pursuant to the relevant regulations, with a focus on the management of any data breaches that may constitute a violation of personal data;
- the updating of the **"Data Protection Agreement"** document used for the appointment of Data Controllers, in order to adapt it to the innovations that

have occurred in the external and internal context and to guarantee the protection of data processed by third parties on behalf of the Bank.

These tools are published and made available to all Recipients on the company portal, as well as shared at the time of recruitment (or start of the collaboration) with each employee (or collaborator) who uses the Bank's information systems, with read receipt.

In order to support this, it should be noted that during the course of 2020, Fineco continued to develop and improve the measures required in order to implement the new regulations set out under the GDPR, including adhering 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**.

Over the course of 2020, the Bank ensured that it continued to provide all staff with a **mandatory privacy training plan**, which serves as a general introduction to the topic of personal data protection.

In engaging in these activities, the **Data Protection Office (DPO)** has assumed an increasingly central role, both with regard to the general management of privacy issues and to the launch of new projects that have a direct or indirect impact on the protection of personal data, in order to assess the feasibility of these and the most appropriate means of implementation. The DPO is supported by the **Compliance function** and makes sure that the privacy legislation is adhered to, by overseeing the implementation of any relevant updates and alignments with the regulations, monitoring compliance with the requirements stipulated in the measures provided by the Antitrust Authority, thus ensuring non-compliance risk control.

In this respect, the Bank has implemented a **data breach management procedure** that sends notification to the DPO of any violations detected internally or by external entities (including customers); this retrieves information from the relevant departments and assesses the impact on privacy. When any violation occurs, the tangible measures necessary in order to reduce the risk of similar occurrences in the future are assessed, with the involvement of the Bank's competent structures and

with a constant focus on safeguarding customer data and, more generally, the data of any data subject affected.

Data protection is also carried out through **fraud monitoring** in accordance with European and national legislation, security regulations and best-practice industry standards, in order to ensure that information systems are protected from attacks or incidents that could compromise the rights of data subjects. In the event of a data breach, the Bank, in its capacity as Data Controller, will proceed with assessing this and sending out any communications/notifications necessary pursuant to articles 33 and 34 of the GDPR, in the manner and within the time limits indicated therein.

With regard to the handling of **reports and complaints regarding privacy-related issues**, Fineco has formalised and adopted a number of specific internal procedures designed to ensure that these are given due consideration, and dealt with within the time-frame established by the GDPR. These activities and tools have allowed the reputational and non-compliance risks associated with the processing of personal data to be mitigated, with reference to the lawfulness and precision of the actual processing itself.

The data protection management model can be audited by the **Internal Control Functions**. In particular, it is worth mentioning the ex-post controls carried out by the Compliance function in order to verify the effective application of internal rules and the effectiveness of the measures put in place to eliminate or mitigate any non-compliance. For each area monitored, including privacy, there is provision for the identification of the main legal requirements and the respective association with a level of risk defined based on the comparison between the result of an indicator and the default single control limit threshold. The Bank's Internal Audit function carried out a specific privacy audit in 2019, resulting in "Satisfactory" results, and appropriate risk mitigation actions were identified and are currently being implemented by the respective owners. In 2020, there were no further internal audit activities specific to this issue, but second level controls continued according to the framework in use.

Over the course of 2020, the Bank received **3 substantiated complaints** concerning violations of customers' personal data which were proven to be (even if only partially) well-founded, although these did not represent a risk or source of potential harm to customers and their rights and freedoms. With respect to potential leaks, theft or loss of data, following the strengthening of the detection capabilities of the units responsible and in line with the results of the surveys carried out in 2019, **12 events** were detected in 2020, in respect of which the Bank assessed the absence of damage to customers and put in place adequate corrective measures<sup>67</sup>.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

In the context of the pandemic, the need to contain Covid-19 infections has led to the application of specific measures to ensure the safe conduct of professional activities. The implementation of these measures required the involvement of the Data Protection Officer to balance them with the right to privacy of all categories of stakeholders potentially impacted by such measures, starting with the Bank's staff, in compliance with the principle of privacy-by-design.

The Data Protection Officer has, as part of their responsibilities, ensured the correct transposition of the guidelines and indications defined by the Antitrust Authority with reference to the new protection requirements that have emerged during the pandemic, providing assistance and advice.

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<sup>67</sup>As far as FAM is concerned, there were no substantiated complaints regarding privacy violations or events of data theft or loss.

## 7.4. CYBER SECURITY AND FRAUD MANAGEMENT

FinecoBank's distinctive business model is based on an innovative distribution of financial services that combines the efficiency of mobile and online digital channels, able to reach a wide range of customer targets, with the professionalism of a large network of personal financial advisors and a widespread distribution of Fineco Centers throughout the country. The Bank's transactional **platforms** and advisory **services** are developed in-house using state-of-the-art **proprietary technologies** to make customer experience a more fluid and intuitive experience on all channels.

Given the growing digital complexity of the world we live in, information security has become crucial for the banking industry. Cybercrime, online fraud, identity theft and hacktivism are without doubt very hot topics at the moment.

Special attention is paid to the issues of **Cyber Security & Fraud Management** right from the design of the systems. They are seen as key to properly defining the solutions and services offered, including taking advantage of opportunities offered by evolving regulation, in order to offer customers full security while maintaining simplicity of use. The steps taken to improve IT security management help mitigate the Group's exposure to operational and reputational risks. The necessary measures are taken to **minimise the risks** inherent in the services offered, applying best practices in the field of security and ensuring that management vision and ICT risk are aligned, as well as the uniform application of the rules on information systems. Specifically, the processes and activities for the governance and management of IT security and related risks are organised according to a model that involves the Bank's corporate bodies and the various corporate functions, according to their respective skills and in line with the responsibilities relating to the three types of audits provided for in the Internal Control System. This is to ensure proper interaction between all the functions and bodies when carrying out auditing tasks and avoid overlaps and gaps.

Where data is available, Fineco prepares a national comparison (benchmark) with other banks listed on the Stock Exchange or based on sectoral reporting (e.g. CIPA – ABI, Gartner, etc.). The benchmark relates to the composition of expenses and the distribution/composition in terms of staff. Where data is available, it prepares a comparison (benchmark) looking at the development of fraud based on sectoral reporting (e.g. ABI-CertFin, UCAMP-MEF, etc.).

FinecoBank therefore dedicates and invests considerable resources in pursuing these objectives. In fact, about **17% of its staff work in the ICT & Security Department**.

With regard to IT security, within the ICT & Security Office, there is a dedicated **Information Security & Fraud Management** team that is responsible for supporting and managing the adoption of policies and guidelines designed to guarantee the security of company information (confidentiality, authentication, availability, integrity, non-repudiation) and assets, in order to avoid systems being violated and data being lost/damaged.

The team is also responsible for customer transaction fraud management and cyber security incident management, as well as ensuring continuous monitoring of applicable threats and vulnerabilities of different IT resources.

In terms of **sourcing**, over the years FinecoBank's strategic IT choice has been to internally oversee all technological and security activities that could make a significant contribution to business development. This has allowed it to offer customised and distinctive products, maintain internal know-how and a high level of control over the evolution of its technology and services, maintain the intellectual property of the applications developed and the supporting algorithms, and ensure cost competitiveness and rapid time-to-market, as well as achieving better and consistent levels of service provision.

The increasing complexity of the operating environment and, at the same time, of the information systems supporting the company's operations, has led FinecoBank to implement a structured approach to governance in both the IT and Security & Fraud areas. Its policies and processes are aligned with the main internationally recognised standards and cover the following areas:



#### CYBER SECURITY

The set of technical solutions, best practices, intelligence work and organisational and/or technological measures designed to counter potential attacks, in order to protect company resources and business and ensure the protection of assets from threats. The Bank has therefore adopted a formal and exhaustive plan for responding to events, incidents and crises, including in the field of IT Security, which is structured on several levels (governance, organisation, operation and reporting) and involves different staff within the organisation as well as different corporate functions, according to their respective skills.



#### OPERATIONAL SECURITY

The set of technical and infrastructural security systems specifically aimed at protecting company assets, in order to guarantee security in various areas, such as application, network, asset management, device management, patch/change/vulnerability management.



#### DATA AND IDENTITY MANAGEMENT

The set of technological and organisational measures aimed at ensuring adequate protection of company data and controlled access to resources.



#### ANTI-FRAUD SOLUTIONS

The set of technological and organisational measures aimed at preventing and managing potential attempted fraud to the detriment of the bank and the customer.



#### SECURITY GOVERNANCE

The set of activities to bring together methodologies, monitoring and management of compliance with current regulations.

FinecoBank's security strategy takes a multi-level approach, based on a deep knowledge of its customers, behavioural analysis and risk assessment, in order to enhance and make its existing anti-fraud process more effective, while maintaining a high level of practicality and usability.

Over the years, internal development in this area has enabled FinecoBank to achieve some of the best results in the banking sector in Italy, particularly in terms of bank and payment fraud. This has been made possible by a sourcing policy and an internal development approach, which have allowed the Bank to have a very high level of control on fraud, allowing it to adapt quickly to new trends.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

Fineco started to roll-out home-working mode to **100%** of its staff for the entire working week from the earliest stages of the Covid-19 emergency.

In order to achieve this result, the ICT & Security Office had to take several courses of action, including equipping all employees with devices and the necessary accessories, making all of the Bank's applications usable remotely, adapting the infrastructure that allows remote access and enhancing security solutions to mitigate the additional risks presented by the new way of working.

Thanks, also, to the timeliness of the project, FinecoBank did not experience any shortages in the provision of the necessary facilities. Indeed, given the undeniable increase in operational risk due to the opening up of business applications, particular attention has been paid to the countermeasures to be taken to mitigate the increased ICT risks. These include increasing the use of **strong authentication** for users in accordance with the levels of risk associated with individual activities, adapting threat detection systems with specific measures, and reviewing and strengthening the technical architecture that allows remote access.

Specific communications regarding the correct use of company resources in the new working context of remote working have supported internal users in adopting the appropriate behaviours in relation to the new operational context. On the **CyberSecurity** front, the Bank's security systems have detected a sharp increase in "reconnaissance" activities on their systems exposed on the Internet. Such activities are often carried out by cybercriminals in preparation for the potential launch of cyberattacks. These attempts were identified and, in case, managed by the Bank's security systems and internal staff but did not lead to any real security incidents.

## 7.5. EDUCATION AND FINANCIAL INCLUSION

Consistent with the previous year, in 2020 FinecoBank continued the strengthening of activities aimed at increasing financial education, involving both customers and prospects in such initiatives.

The main objective of these has remained to increase awareness and knowledge of the way in which the financial markets function, and of the best and most appropriate use of financial instruments in order to better manage resources.

A host of topics were, in fact, covered by these educational initiatives, from **behavioural finance** to the key rules for **proper financial planning**, with a view to providing those involved with the tools they need to ensure they have clear objectives and time-frames in mind, enabling them to diversify and manage their emotional response in complex market phases, avoiding irrational choices which could compromise investments. The training also covered more methodological topics such **as supplementary pensions, asset management and accumulation plans**.

The main new developments of 2020 included FinecoBank's participation in **Financial Education Month**<sup>68</sup> in October, the creation of training webinars offering varying degrees of insight<sup>69</sup> to help better respond to specific customer targets, the involvement of international specialists who have been able to create a high level of involvement for the first time in FinecoBank's history, and the use of live surveys to maintain high levels of attention during sessions. As part of this initiative, Fineco promoted a webinar entitled "Investing (or not investing) is always a choice: costs, time frames and risks". The virtual meeting was designed to offer an opportunity to expand upon the topic of savings, with particular emphasis on accumulation plans, investment instruments and the related costs and risks, and on key issues such as liquidity, the importance of the investment time frame and behavioural finance.

In line with its role as a market leader in trading, FinecoBank is acutely aware of this responsibility, and for this reason, retail training has continued to focus on issues such as technical and fundamental analysis, risk/return ratio analysis and various trading strategies.

The **trading courses** are divided into basic sessions – where explanations are provided regarding the way in which products and platforms function – and more advanced sessions, where the concepts of technical and fundamental analysis are examined in more depth, including with the support of external professionals. Furthermore, FinecoBank's current catalogue includes a weekly section that is designed to explain the market context and increase the awareness of participants in terms of their investment choices.

<sup>68</sup> Initiative proposed by the Committee for the planning and coordination of financial education activities. This Committee was set up by Decree of the Minister for Economic Affairs and Finance, in agreement with the Minister for Education, University and Research and the Minister for Economic Development, in implementation of Italian Legislative Decree no. 237/2016, converted into Law no. 15/2017, containing "Urgent provisions for the protection of savings in the credit sector" with the aim of promoting and coordinating initiatives that help increase financial, insurance and social security-related knowledge and skills among the population.

<sup>69</sup> Webinars are also available on demand on the institutional website, under Courses & Events – Video Library – "Webinars on demand".

2020 saw around 102,000 participations in Fineco's over 630 initiatives (up 505% compared to 2019) through various channels:

- **22 classroom-based seminars** across the country (7 cities covered over the course of the year): activity suspended as early as February in compliance with government provisions regarding the Covid-19 health emergency;
- **350 webinars**, enabling participants to interact directly with experts via chat;
- **261 bite-size videos** always available on demand.

The seminars and webinars mainly concerned the trading field (250 sessions), followed by operational strategies (80 sessions) and investing (42 sessions). Webinars continue to be accessible through a public **video library** where recordings are available, to allow everyone free access at any time of the day.

Educational initiatives towards customers are organised by means of a collaboration between the **Business Training** and **Private Banking and PFA Network Sales Department**, which has been organising specific events for customers throughout the country for a number of years now.

These events aim to improve and expand customers' knowledge of issues concerning investments and finance, in order to strengthen the **financial culture** among customers and to promote the **basic rules for professional financial planning**. In continuity with previous years, a total of 1,674 events were held in 2020 involving the participation of around 54,000 customers and prospects. These events were held both independently, by Personal Financial Advisors and Network Managers, and with the participation of external speakers/teachers.

Furthermore, there has been a strong commitment to raising awareness of the broader issue of **asset planning** for some years now. For this reason, both in-depth sessions dedicated exclusively to personal financial advisors and events aimed at high-end customers were organised. The aim of both initiatives was to incorporate the actual financial education activity by raising awareness among advisors and customers alike of the need to manage all customer's assets (e.g. real estate, corporate, etc.) in an orderly manner and to identify methods for their effective transmission to future generations. Meetings of this type (of which there were 31 over the course of the year, involving over 3,200 private customers) were held by colleagues from the **Private Banking Advisory** team (and, in some cases, by accredited external professionals), and represented an opportunity to highlight the need for a broad spectrum of advice that extends beyond the traditional boundaries of financial planning.

Those events dedicated to asset advice, precisely because reserved for high-profile customers, in addition to being subject to the same monitoring measures as all other events, also led to a more meticulous follow-up by network colleagues called upon to deal with the themes of the event and the needs of customers on a one-to-one basis.

In addition, within the context of the initiatives designed to **improve accessibility to services**, and in line with its mission to simplify the lives of its customers, the Bank has rolled out a number of solutions to make it easier for people who are blind or visually impaired to use the site and the app. In this regard, the **Fineco app** is structured in a way that makes it compatible with screen reader programs ("Voice Assistant" for the Android version and "Utility Voice Over" for the iOS version), enabling the entire contents of each page to be read; the website is also developed to ensure compatibility with the main screen reader software. This allows menus, text and images to be reproduced by speech synthesis systems, by means of specially integrated codes.

As per user experience, particular attention is dedicated to the design of the information architecture in order to ensure easy navigation of the content, as well as to the correct contrast between the background and the text, using a legible typeface, and to the labelling of the images inserted, so that these can be recognised and correctly interpreted by the speech synthesis software. In addition, components that may reduce the usability of the content are avoided, including animated images, scrollable text and blurred backgrounds.

In order to improve the financial inclusion of population groups in difficulty, Fineco offers the possibility of subscribing to two different types of current account at preferential rates, namely the **Basic Account A** and the **Basic Account B**, both aimed at facilitating access to basic financial services for economically disadvantaged groups. The offering includes not only a predetermined number of free services and transactions, but also free provision of a debit card. In particular, the Basic Account A does not provide for any stamp duty for customers with an ISEE (equivalent economic status indicator) of less than €11,600/year or any current account fee for retirees with a pension of less than or equal to €18,000/year, while the Basic Account B is aimed at retirees with a pension of less than or equal to €18,000/year and offers a limited number of free transactions.

Fineco is also committed to facilitating access to financial services for young people: aware of the role of digital services in fostering their financial inclusion, it offers **young people under the age of 28** a zero-fee current account, including a debit card for withdrawals and online payments for free, paying particular attention to the development of certain products and/or methods of use in line with the needs of young people, such as Fineco PAY and the Fineco APP.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

Covid-19 has not had any kind of impact on activity, which, thanks to the expertise previously acquired through years in the field of digital training, has continued uninterrupted. Following the pandemic, methods of delivering customer events were quickly reorganised and we immediately switched to online events, allowing us to continue to interact with customers, when the lockdown was announced. This has not affected the effectiveness of the events; in fact, despite the particular conditions, attendance at each individual event has increased considerably.

Content has been revised accordingly and various subjects addressed, from scenario analysis to the macroeconomic context, from retirement funds to behavioural finance, to the answers that specific instruments can provide for given needs. On some occasions, FinecoBank hosted influential speakers, including asset managers, economists, strategists, researchers and university professors. Feedback from customers has generally been positive and gratifying.

Of the 1,674 events held in 2020, 1,361 were held online, while of the 31 meetings aimed at high-end customers, 27 were held online.

## 7.6. RESPONSIBLE PRODUCTS AND INVESTMENTS

Fineco's aim is to work on consolidating its strategy for sustainable growth, in the belief that investing responsibly means helping to generate a positive social and environmental impact in the long term, minimising risks without sacrificing opportunities for yield and growth of the business.

The **Advisory, Third Party & Private Banking Solutions** and **Product and Services** functions are responsible for promoting and implementing this strategy within the Group's products.

At 31 December 2020, FinecoBank's asset management offering was characterised by an open architecture with approximately 6,300 funds from around 70 major global investment houses (SICAVs).

ESG EVALUATION OF FUNDS	2020			2019		
	ISIN no.	%	AUM [€ bn]	ISIN no.	%	AUM [€ bn]
<b>Total funds</b>	<b>6,358</b>	<b>100%</b>	<b>30.3</b>	<b>6,238</b>	<b>100%</b>	<b>27.9</b>
<b>ESG-rated funds</b>	3,610	57%	13.7	3,441	55%	11.3
of which with ≥ average rating	2,708	75%	10.9	2,501	73%	8.7
<b>Funds without ESG rating</b>	2,748	43%	16.6	2,797	45%	16.6

With particular reference to the **Investing area**, advisory services are focused on offering solutions that take ESG criteria into account during the creation of model portfolios, through specific quantitative and qualitative analyses and with the support of ESG ratings of the main providers that are widely recognised by the market, such as **Morningstar** and **Sustainalytics**. In the area of wealth management, the **ESG Private Value** Lines have been distributed since March 2019; the investment process for these is founded upon a Best in Class approach, which selects the issuers in a portfolio in accordance with ESG criteria, giving priority to the best issuers and identifying best practices in the various sectors. As at 31 December 2020, the Assets Under Management connected to the ESG Private Value Lines amounted to €208.1 mn, up 128% compared to 2019.

With regard to **supplementary pension schemes**, with effect from 1 October 2020, Covip has approved the regulatory changes to **Core Pension**, an open pension fund managed by Amundi and offered exclusively by Fineco, whose investment policy across all lines has been modified by integrating existing investment processes with exclusion and selection criteria based on sustainability analysis and rating. As at 31 December 2020, the Core Pension **Assets Under Management** totalled €301 mn.

With regard to **Banking and Credit Products**, the process of dematerialising processes and services continued in 2020 with a view to favouring digital and paperless oriented processes in order to promote and encourage environmental sustainability in all its forms. Specifically, the following have been introduced:

- a new process that has allowed Fineco personal financial advisors to open current accounts for their customers entirely independently and directly via the public area of the Bank's website, while simultaneously linking them with an advisor;
- the possibility for Fineco payment card holders to display their card details in the private area of the Bank's website and in the app. This functionality, in addition to being necessary to the correct use of digital functions, contributes to the card "dematerialisation" approach that Fineco intends to continue to pursue in 2021;
- digital signature for customers making Credit Lombard applications submitted by personal financial advisors from the X-Net platform, too, thus also eliminating the need to produce and print paper documents for this type of product;
- a new process to regenerate credentials (activation code and password) via SMS, a process that also eliminates the use of paper communications for this process.

The success of the **Mutuo Green (Green Mortgage)**, which allows customers to finance the purchase of properties in energy class A or B with a mortgage loan on more advantageous terms than the standard price list, was confirmed in 2020. Over the course of the year, 19% of all new purchase mortgage agreements fell into the green mortgage category, amounting to a total of **€66.2 mn**, or roughly 21% of the total amounts disbursed by the Bank in the same year.

Finally, since November 2020, Fineco has been offering its customers the opportunity to transfer tax credits relating to **energy requalification and the reduction of seismic risk in buildings**, provided for by Italian Legislative Decree no. 34 of 19/5/2020 converted, with amendments, into Law no. 77 of 17 July 2020 (**Ecobonus and Sismabonus at 110%**), and those related to other facilities such as the **"facade bonus"** and the **"restructuring bonus"**, by means of an entirely **paperless** option and with the most competitive offer on the market<sup>70</sup>, thus allowing them to obtain immediate liquidity under market-leading conditions, without having to wait for the number of years stated for the deduction and without worrying about the tax capacity limits.

Moreover, with the recent **green bond** transactions and **sustainable bond issuance**, the green finance market represents an increasingly important proportion of the financial market as a whole, particularly in Europe. In this regard, during 2020, Fineco also continued to take this type of financial instrument into consideration in its financing decisions, as an integral component of its sustainability strategy. At 31 December 2020, the Group held an ethical portfolio consisting of green and social bonds amounting to approximately €741.8 mn, or approximately 4.37% of Fineco's total portfolio (excluding UniCredit bonds); in particular, ESG covered bond issues amounted to approximately €64 mn, or 7.7% of the total covered bonds in the portfolio.

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<sup>70</sup> Source: Mediobanca Securities.

The Irish company **Fineco Asset Management (FAM)** is also continuously looking for opportunities to develop its sustainable product and service offering, and to promote a responsible approach to investment. The increasing integration of ESG criteria into investment processes is a priority for FAM.



Two years after its inception, FAM has turned its attentions to the performance fees of the products it distributes, i.e. the costs that weigh on the customer in the event of the manager outperforming the benchmark against which they are measured. Fineco's idea is to apply a special **"No Performance Fees"** sustainability stamp that will henceforth tell customers which funds entail such charges. The goal is to raise awareness among the entire asset management sector of the impact of performance commissions on the sustainability of the business and on the relationship with the end customer.

Over the course of 2020, the Company also became a signatory to the internationally recognised **United Nations Principles for Responsible Investment (UN PRI)**, which allow it to publicly demonstrate its commitment to including environmental, social and governance factors (ESGs) in the decision-making process and investment ownership. FAM is working on drafting a **Sustainable Investment Policy** that will cover responsible and sustainable investment practices of all products. This is expected to be completed in the coming months and, once approved at Board of Directors level, will be published in 2021.

**FAM Sustainable** and **FAM MegaTrends** (which allocates 25% of the assets to sustainable and responsible investments) are among the products and services that FAM offers:

ASSET UNDER MANAGEMENT OF FAM ESG PRODUCTS [€/MN]	2020
<b>FAM Sustainable</b>	151
<b>FAM MegaTrends</b>	329

In particular, **FAM MegaTrends is a multithematic fund** that makes it possible to identify different investment themes in line with the related socio-economic, environmental and technological factors that reflect the changing lifestyle of today's world, including demographics, sustainability, urbanisation, technology and innovation<sup>71</sup>.

For these products, the due diligence and fund analysis procedures take ESG criteria into consideration and FAM aims to integrate these criteria into the due diligence procedures of all future investments, in light of the fact that it considers these to be important factors in achieving a return.

To this end, FAM continues to actively search for fund managers committed to investing responsibly, positively evaluating certain aspects such as the adherence of the investment company in question to the UN PRI, the integration of ESG criteria into the process of assessment and identification of possible investments or the active interaction of the managers with companies, as well as the use of their voting rights to have a positive influence on ESG standards.

<sup>71</sup> Specifically, the multi-thematic fund allows investments to be made in eight areas: climate change, demographic ageing, water, smart cities, drones, fintech, electric and driverless vehicles and oncology.

Furthermore, **FAM's Investment Committee** has the power to prohibit an investment if it does not meet specific ESG requirements, and the Investment team follows a specific list of sanctions to combat the financing of terrorism<sup>72</sup>.

The assets subject to screening are those covered by the analyses performed by Morningstar<sup>73</sup>, specifically:

- positive screening identifies funds that explicitly refer to sustainability-related activities, impacts or strategies in their prospectuses or offer documents as sustainable investments;
- negative screening excludes funds that invest in specific sectors that are viewed as controversial from the perspective of environmental and social sustainability.

The investment team is also working on assessing and assigning a sustainability score for each of the underlying portfolios and funds. This involves working with different independent data providers to assess FAM funds, with the aim of establishing a portfolio-specific ESG profile. This process will identify areas of strength and weakness and implement the necessary changes to improve the responsible investment profile and ESG rating.

As part of this initiative, the investment team has identified the **FAM Core Series Target Allocation** portfolio range as an area of potential improvement. The total assets in this range of funds amount to around €500 mn.

<b>ASSETS SUBJECT TO POSITIVE AND NEGATIVE ENVIRONMENTAL AND SOCIAL SCREENING</b>	<b>2020</b>	<b>2019</b>
<b>% of assets subject to positive environmental and/or social screening</b>	10.8%	7.1%
<b>% of assets subject to negative environmental and/or social screening</b>	15.9%	5.0%
<b>% of assets subject to combined positive and negative environmental and/or social screening</b>	6.3%	3.4%

<sup>72</sup> FATF, UN, OFAC and EU.

<sup>73</sup> The data included in the table only refers to Fineco Asset Management (FAM). It should be noted that 1.6% and 5.9% of assets are not subject to positive and negative screening respectively, in light of the fact that they do not meet the criteria analysed by Morningstar.







## ENVIRONMENT AND LOCAL COMMUNITY

- 8.1.** REDUCING ENVIRONMENTAL IMPACT AND COMPLIANCE
- 8.2.** LOCAL COMMUNITY AND CHARITY PROJECTS

## 8.1. REDUCING ENVIRONMENTAL IMPACT AND COMPLIANCE



### Policy and regulatory instruments

- Code of Ethics pursuant to Legislative Decree 231/2001
- Global Policy - FinecoBank Group Environmental Policy

The very nature of Fineco's business model is geared towards minimising direct environmental impact, focusing mainly on the responsible use of resources, increasingly favouring the dematerialisation processes inherent in the business, and compliance with all environmental regulations and self-regulatory codes.

In 2020, the Board of Directors approved the FinecoBank Group's **Environmental Policy**, that is the document formalising Fineco's general intentions and orientation with respect to its environmental performance, including compliance with all relevant environmental regulatory obligations and its commitment to continuously improving its environmental performance. Furthermore, the **Code of Ethics** explicitly states the Bank's commitment to carefully evaluate the environmental consequences of every choice it makes in its work, both in relation to the consumption of resources and the generation of emissions and waste directly linked to that work, and to activities and behaviours that it does not directly control, carried out by third parties such as customers and suppliers.

In addition to the approval of the Environmental Policy, 2020 also saw the launch of the process of designing and implementing the **Environmental Management System (EMS)** in accordance with the requirements of the EMAS regulation 1221/2009/EC. As part of this process, the initial **Environmental Analysis**, a tool that makes it possible to map the needs and expectations of stakeholders in relation to the environment, identifying the respective risks for FinecoBank and using the company's activities as the basis for developing a classification of the risks generated and suffered by the organisation associated with the most significant environmental aspects, was nearing completion at the end of the year. Specifically, the analysis will focus 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 disbursement processes and the development of green financial instruments) and procurement policies. This process will guide the **definition of the objectives and the focus of the interventions needed to structure the Environmental Management System**. The main elements of the Environmental Management System thus defined, including the environmental performance of the last two years, will ultimately be confirmed in the **Environmental Declaration**, which is set to be published in 2021.

As far as **environmental compliance** is concerned, in 2020, as in 2019, no sanctions were imposed for non-compliance with environmental regulations and laws, nor were any complaints received.

## DEMATERIALISATION AND RESPONSIBLE USE OF RESOURCES

Historically, the FinecoBank Group has concentrated its efforts to minimise its environmental impact mainly on **dematerialisation** processes, through innovations such as **remote digital signatures** and **electronic signatures**, which significantly reduce paper flows and related emissions. The aim is to make processes more sustainable by reducing material consumption: the use of paper can in fact be limited through the use of technology.

Requests to sign up for certain services such as, for example, debit cards, personal loans or new credit facilities using remote digital signatures have reached utilisation rates well above traditional methods, freeing the customer from the need to print and send paper forms to the Bank.

More in general, the creation and delivery of new services for customers takes place through a process shared among all the project structures involved, which are aimed at **creating highly automated processes**, end-to-end services and digital document flows, to eliminate the need for printing by customers, Personal Financial Advisors and the back office structures involved, effectively reducing the consumption of raw materials, in line with the savings and dematerialisation policy implemented by Fineco.

The health emergency that marked 2020 and that will continue in 2021 has accelerated the push towards a context characterised by increasing **sustainability** and triggered an irreversible **digitalisation** process on an international scale, creating opportunities to rethink economic activities and production models. Fineco was born digital, and it is thanks to the use of the technology intrinsic to the Bank's DNA that it has been possible to support customers in as timely a manner as possible while at the same time drastically reducing its paper consumption.

In fact, the Group **reduced** its paper consumption **by around 20 tons** in 2020, with consumption levels amounting to some **7.3 tons of paper, 100%** of which was **FSC (Forest Stewardship Council) certified** and **97%** of which bore the Europe-wide stamp of environmental excellence **EU Ecolabel**.



RAW MATERIALS PURCHASED (PAPER) <sup>74</sup>	2020		2019	
	Kg	%	Kg	%
<b>Total office paper used</b>	<b>7,320</b>	<b>100%</b>	<b>27,802</b>	<b>100%</b>
of which FSC-certified paper	7,320	100%	27,802	100%
of which EU Ecolabel-certified paper	7,125	97%		

<sup>74</sup> Paper consumption includes the two offices of the Parent Company in Milan and Reggio Emilia, the business continuity site in Piazza Napoli in Milan and the Irish office of FAM; it excludes instead all Fineco Centers, the 2 data centers and the representative office in London, for which this type of data is not available for 2019 and 2020.

With the aim of combining the emphasis placed on the well-being of the company's employees with its commitment to environmental sustainability, in the last months of 2019, tests began that will lead to the **progressive and complete replacement of water bottle dispensers** with dispensers directly connected to the water network, in order to **reduce the use of plastic**. The pilot project involved about 200 employees who were provided with water bottles in order to test the two different models of dispensers, which will provide still and sparkling filtered water, chilled and at room temperature. By the end of 2020, this project was being reviewed for the following year due to the Covid-19 pandemic.

## MOBILITY MANAGEMENT, ENERGY CONSUMPTION AND CO<sub>2</sub> EMISSIONS

As part of FinecoBank's commitment to minimising its environmental impact, the Group has introduced measures for monitoring energy consumption and CO<sub>2</sub> emissions since 2019. At the operational level, FinecoBank monitors its energy consumption for the Milan, Reggio Emilia and Dublin offices, the Data Processing Centres (DPCs), the Business Continuity site and those Fineco Centers for which the utilities are registered directly to the Bank.

Over the course of 2020, the Bank began to take steps to plan and manage activities aimed at reducing its environmental impact, the first of which was to appoint 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**, and steps have been taken to proceed with the tender for the selection of a **single national supplier** for the provision of methane gas and electricity, whereby sustainability factors, including any certifications, will also be taken into account.

Another initiative aimed at reducing the energy consumption of company offices and Fineco Centers has been the **renovation** of certain buildings, including an activity of "**relamping**" using LED lighting and the installation of other **energy efficiency devices**. A special device has been installed on a power line of the server cooling system at the Milan office with the expectation of reducing consumption on this line by 5.4%. The equipment is also connected to a remote monitoring dashboard, integrated into a wider monitoring platform for monitoring the trend of the values detected.

Last but not least, inverters have been installed to regulate the speed at which the fans on all of the air treatment units at the Milan office operate, with an estimated electrical saving of 20%, and the monitoring of the transformer room at the same location continued where the main utilities were concerned with the aim of verifying any voltage peaks and analysing consumption and energy absorption anomalies.

For the 2020 report, as part of the **drafting of the Environmental Declaration**, pursuant to voluntary EMAS regulation no. 1221/2009/EC, the scope of energy consumption data has been extended to all of the Bank's operational sites in Italy, including also Fineco Centers for which the utilities are not registered to Fineco, which were excluded in the previous Sustainability Report. Furthermore, the methods used to classify internal and external energy consumption on the basis of the operational control of utilities have been revisited, resulting in the restatement of the data published in the 2019 NFS relating to energy consumption and greenhouse gas emissions. Please refer to the 2019 Sustainability Report for previously published data.

The following is an overview of the site categories included in the respective scopes of the 2020 and 2019 Non-Financial Statements, including the classification of the corresponding energy consumption and emissions.

TYPE OF SITE	No. at 31.12.2020	No. at 31.12.2019	NFS scope 2020	NFS scope 2019	2020	
					Energy consumption classification	Emission classification
<b>Company office</b>	<b>3</b>	<b>3</b>				
<b>Milan</b> P.zza Durante	1	1	Included	Included	Internal to FinecoBank	- Scope 1 for fuels - Scope 2 for electricity
<b>Reggio Emilia</b> <sup>75</sup> Via Rivoluzione d'Ottobre	1	1	Included	Included	External to FinecoBank	- Scope 3
<b>Dublin</b> <sup>76</sup> Fineco Asset Management	1	1	Included	Included	External to FinecoBank	- Scope 3
<b>Service sites</b>	<b>3</b>	<b>3</b>				
Business Continuity Centre	1	1	Included	Included	Internal to FinecoBank	- Scope 1 for fuels - Scope 2 for electricity
Data Processing Centres <sup>77</sup>	2	2	Included	Included	External to FinecoBank	- Scope 3
<b>Fineco Center</b>	<b>410</b>	<b>396</b>				
Leased directly by FinecoBank	122	118				
<b>Electrical utilities</b>						
Registered to FinecoBank	64	60	Included	Included	Internal to FinecoBank	- Scope 2
Not registered to FinecoBank	58	58	Included	Excluded	External to FinecoBank	- Scope 3
<b>Methane gas utilities (only Fineco Centers with methane boilers)</b>						
Registered to FinecoBank	6	7	Included	Included	Internal to FinecoBank	- Scope 1
Not registered to FinecoBank	20	11	Included	Excluded	External to FinecoBank	- Scope 3
<b>District heating utilities (only Fineco Centers with district heating)</b>						
Registered to FinecoBank	1	1	Included	Included	Internal to FinecoBank	- Scope 2
Not registered to FinecoBank	-	-	-	-	-	-
Leased by PFAs <sup>78</sup>	288	278	Included	Excluded	External to FinecoBank	- Scope 3

<sup>75</sup> The building is owned by UniCredit and the corresponding utilities are registered to UniCredit.

<sup>76</sup> FAM's offices occupy part of one floor inside a building that is shared with other companies and utilities are shared based on the occupied commercial space.

<sup>77</sup> The management of the two data processing centres is outsourced to third-party companies that operate in buildings and with utilities over which Fineco has no operational control.

<sup>78</sup> FinecoBank does not own the utilities at any Fineco Center leased by PFAs.

To ensure that the figures and information can be compared, the environmental figures have been presented based on both reporting scopes in this document where relevant.

With regard to **mobility** management, FinecoBank continues to promote innovative solutions for remote meetings using technology. In fact, all the Bank's employees are equipped with video communication tools and have access to video-conference 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.

FinecoBank Group's total **energy consumption** in 2020 was approximately **53.6 TJ**, of which approximately **81% was due to indirect consumption**, i.e. purchasing electricity and heat. As regards electricity consumption, it should be noted that in 2020 the Group purchased about **55%<sup>79</sup> of its electricity from renewable sources**.

<b>ENERGY CONSUMPTION WITHIN<sup>80</sup> ORGANISATION, BY SOURCE [GJ]</b>	<b>2020</b>	<b>2019</b>
<b>Total</b>	<b>21,734</b>	<b>24,090</b>
<b>Total direct energy consumption</b>	<b>7,106</b>	<b>6,768</b>
<b>Heating</b>	<b>6,190</b>	<b>5,373</b>
Natural gas	6,190	5,373
<b>Car fleet<sup>81</sup></b>	<b>916</b>	<b>1,395</b>
Gasoline	120	93
Diesel	796	1,302
<b>Total indirect energy consumption</b>	<b>14,628</b>	<b>17,322</b>
<b>Electric power</b>	<b>14,558</b>	<b>17,136</b>
From non-renewable sources	472	508
From renewable sources	14,086	16,628
<b>District heating</b>	<b>70</b>	<b>187</b>
From non-renewable sources	70	187
From renewable sources	-	-

<sup>79</sup> The percentage of electricity from renewable sources in 2020 is significantly lower than in 2019 due to the extension of the reporting perimeter of energy consumption to all Fineco Centres in Italy. The 2020 figure calculated on a like-for-like basis for the 2019 Non-Financial Statement would be 80%, in line with the 2019 value.

<sup>80</sup> Internal energy consumption includes the consumption of the parent company's Milan office, the business continuity site in Piazza Napoli in Milan, the company car fleet and the Fineco Centers for which the utilities are registered to FinecoBank; it does not include the contact office in London.

Standards GRI (Global Reporting Initiative) in materia ambientale – versione dicembre 2020, e che i consumi della flotta auto non comprendono i Fineco Center.

<sup>81</sup> It should be noted that, as indicated in the ABI Lab Guidelines on the application of GRI (Global Reporting Initiative) environmental standards in banks, December 2020 version, 70% of overall consumption was for company cars under continuous mixed-use leasing, and that the consumption of the car fleet does not include Fineco Centers.

ENERGY CONSUMPTION OUTSIDE <sup>82</sup> THE ORGANISATION, BY SOURCE [GJ]	FULL SCOPE		NFS SCOPE 2019	
	2020	2020	2019	
<b>Total</b>	<b>31,818</b>	<b>16,480</b>	<b>17,723</b>	
<b>Total direct energy consumption</b>	<b>2,818</b>	<b>299</b>	<b>256</b>	
<b>Heating</b>	<b>2,818</b>	<b>299</b>	<b>256</b>	
Natural gas	2,818	299	256	
<b>Total indirect energy consumption</b>	<b>29,000</b>	<b>16,180</b>	<b>17,467</b>	
<b>Electric power</b>	<b>26,686</b>	<b>13,866</b>	<b>14,627</b>	
From non-renewable sources	18,126	5,306	5,536	
From renewable sources	8,561	8,561	9,091	
<b>District heating</b>	<b>2,314</b>	<b>2,314</b>	<b>2,840</b>	
From non-renewable sources	2,314	2,314	2,840	
From renewable sources	-	-		

In order to objectively monitor and identify the trend in the Group's environmental performance, **direct (Scope 1) and indirect (Scope 2) energy-related greenhouse gas emissions**, i.e. respectively CO<sub>2</sub>e emissions directly caused by the Group's activities (deriving from the consumption of fuel used for heating and from the motor vehicle fleet), indirect CO<sub>2</sub>e emissions deriving from the consumption of electricity and heat purchased, and **other indirect emissions (Scope 3)** related to paper consumption and the activities of Fineco Centers of which Fineco has no direct control over environmental performance as the corresponding utilities are not registered to Fineco, were calculated.

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1), BY SOURCE <sup>83</sup> [t CO <sub>2</sub> e]	2020	2019
<b>Total</b>	<b>426</b>	<b>416</b>
<b>Heating</b>	<b>358</b>	<b>312</b>
Natural gas	358	312
<b>Car fleet</b>	<b>68</b>	<b>104</b>
Gasoline	9	7
Diesel	59	97

<sup>82</sup> Energy consumption outside the organisation includes the consumption of the parent company's Reggio Emilia office, FAM's Irish office, the two data processing centres and the Fineco Centers for which the utilities are registered to FinecoBank; it does not include the contact office in London.

<sup>83</sup> The energy conversion factors and emission factors used are those indicated in the ABI Lab guidelines on the application of the Global Reporting Initiative's (GRI) environmental standards in banks, December 2020 version.

INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2), BY SOURCE <sup>84</sup> [t CO <sub>2</sub> e]		2020	2019
<b>Location-based approach</b>		<b>1,224</b>	<b>1,561</b>
Electric power		1,219	1,549
District heating		6	11
<b>Market-based approach</b>		<b>90</b>	<b>107</b>
Electric power		84	95
District heating		6	11

OTHER INDIRECT GHG EMISSIONS (SCOPE 3), BY SOURCE <sup>85</sup> [t CO <sub>2</sub> e]	FULL SCOPE		NFS SCOPE 2019	
	2020	2020	2019	2019
<b>Total</b>	<b>2,546</b>	<b>1,339</b>	<b>1,565</b>	
<b>Heating</b>	<b>146</b>	-	-	
Natural gas	146	-	-	
<b>Electric power</b>	<b>2,209</b>	<b>1,148</b>	<b>1,311</b>	
From non-renewable sources	1,500	439	496	
From renewable sources	708	708	815	
<b>District heating</b>	<b>192</b>	<b>192</b>	<b>254</b>	
From non-renewable sources	192	192	254	
From renewable sources	-	-	-	
<b>Paper consumption</b>	<b>3</b>	<b>3</b>	<b>11</b>	
Office paper <sup>86</sup>	3	3	11	

<sup>84</sup> The energy conversion factors and emission factors used are those indicated in the ABI Lab guidelines on the application of the Global Reporting Initiative's (GRI) environmental standards in banks, December 2020 version. In particular, the reporting standard used (GRI Sustainability Reporting Standards) provides for two different approaches to calculating Scope 2 emissions, namely "Location-based" and "market-based". The "Location-based" approach involves the use of average emission factors related to the specific national energy mix of electricity production (emission coefficient used equal to 2979 gCO<sub>2</sub>e/kWh, as per the ABI 2020 guidelines). The "Market-based" approach involves the separation of electricity and thermal energy purchased from renewable sources with certificates of guarantees of origin, as well as the use – as an emission factor – of the national "residual mix", which for Italy totalled 466 gCO<sub>2</sub>/kWh and for Ireland is 495 gCO<sub>2</sub>/kWh (Source: European Residual Mixes 2020, AIB).

<sup>85</sup> The energy conversion factors and emission factors used are those indicated in the ABI Lab guidelines on the application of the Global Reporting Initiative's (GRI) environmental standards in banks, December 2020 version, and CEPI Statistics 2019 for office paper consumption.

<sup>86</sup> Paper consumption includes the two offices of the parent company in Milan and Reggio Emilia, the business continuity site in Piazza Napoli in Milan and FAM's Irish office. It excludes all Fineco Centers, the 2 DPCs and the contact office in London, for which this type of data is not available for 2019 and 2020.

## MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

Since the beginning of the pandemic, Fineco has provided all employees present with the necessary Personal Protective Equipment (PPE), notably including a professional thermoscanner operated by specialist personnel, along with thermometers at each access turnstile to detect body temperature and the presence of a face mask.

From a facilities perspective, the following measures have been introduced:

For the Milan office:

- More frequent cleaning and sanitisation of all primary air ducts, fan coils and air treatment units than stated in the corresponding contracts;
- Installation of electrostatic filters on all air treatment units, this being the most appropriate system for combating any forms of bacteria that may enter from the outside air;
- Use of external air only for all air treatment units;
- Monitoring of air both prior to and following the introduction of the above measures;
- Installation of air purification devices in lifts.

For the Reggio Emilia office:

- Use of external air only for air treatment units, even if advanced with ambient CO<sub>2</sub> operation;
- Installation of air purification devices in lifts.

## 8.2. LOCAL COMMUNITY AND CHARITY PROJECTS

Since its foundation, FinecoBank has been committed to supporting effective charitable projects in various areas of intervention, including social and health care, training, education, culture and art, scientific research and environmental protection.

Besides the generous donations it makes throughout the year, the most important charitable event is the **Christmas Charity Campaign “Christmas with Fineco”**, promoted every year on the Fineco website. In addition to the donation by the Bank to organisations for selected projects every year, the campaign also allows for customers and non-customers to make donations.

The contributions made by Fineco to non-profit associations and bodies in 2020 amounted to around **€313,000**. €100,000 were notably donated to two of the leading Italian hospitals to help deal with the ongoing health emergency, €100,000 to support Fondo Ambiente Italiano (FAI) and €80,000 to the four projects selected as part of the Christmas solidarity campaign, to which contributions from customers amounting to **€453,000** were added. Some €33,000 were donated to other associations operating across the country, namely Vidas, AIL, Cesvi, L'Aliante, Eracle, Theodora, Croce Rosa Celeste, Anvol and CAF.

The projects must be promoted by non-profit entities (NGOs, foundations, associations, religious bodies, universities, public institutions) whose work is done on a broad scale throughout Italy.

The projects supported by Fineco are developed in Italy.

The process involves careful selection by the Identity & Communications unit and an assessment by the Compliance and Tax Affairs unit and by the associations themselves, through the request and review of the following documents:

- a presentation of the organisation/body;
- a presentation of the initiative for which the funding is requested, including: the organisation's social aims and areas of intervention (including geographical); the needs (individual or collective) to be met by the work and projects and the types of beneficiaries;
- updated articles of association/financial report;
- certification attesting the validity of the signature powers of the Chair/Legal Representative (e.g. copies of minute books, updated certifications, self-certifications);
- copy of the identity document of the Chair/Legal Representative;
- any other document useful or necessary to better inform the process.

A questionnaire is also submitted to the organisations in order to avoid taking on initiatives that would benefit entities involved in acts of corruption.

As part of its Christmas Charity Campaign, in 2020 Fineco focused on four projects:

**BANCO ALIMENTARE (FOOD BANK) NGO - The “*Alimentiamo speranze*” (“Let’s Feed Hope”)** project aims to reduce food waste by providing a food collection and redistribution service to those most in need. From an environmental perspective, the recovery of food that is still perfectly edible prevents it from becoming waste, saving energy and reducing CO<sub>2</sub> emissions into the atmosphere, in addition to recycling the packaging, meaning that the project also helps protect the environment.

**I SEMPRE VIVI NGO – A “*Cooperativa lavoro - ‘La luce di Carlotta’* (“Carlotta’s light”)** cooperative project aimed at helping psychologically vulnerable people to not give up and to lead a happier life. How so? The Cooperative will work in many different areas, including bar services and the artisanal production of ice cream and other foodstuffs, but above all by providing a job station for computer-related activities. A well-established model that responds to the needs of people with a history of mental distress.

**MISSION BAMBINI Foundation - The “*Guardiamo al futuro*” (“Looking to the future”)** project is aimed at providing children who have had difficulty in continuing their education during the pandemic with access to all the tools they need to continue their education, including computers, tablets and Internet connections. An inclusive school leaves no-one behind and supports those who struggle the most.

**I TETRAGONAUTI NGO – The “*Viaggiando Insieme*” (“Journeying Together”)** project: this project is aimed at using targeted training courses to promote the growth of young people with social and economic difficulties, NEETs (Neither in Employment or in Education or Training), street children, children in the juvenile criminal system, and children at risk of dropping out of school or with dysfunctional families under supervision by social services. Courses are also provided to create more favourable conditions for entering the working world.

## ENVIRONMENTAL SUSTAINABILITY AND CULTURAL INITIATIVES

Fineco was the Main Sponsor of all **Fondo Ambiente Italiano (FAI)** initiatives in 2020, starting with the “*Giornate del FAI all’Aperto*” (FAI outdoor days), a commitment that the bank has upheld since 2017, with a pathway to supporting the Fund as a Corporate Golden Donor, a qualification that rewards the most active companies in the cultural sector – as well as continuing to sponsor the FAI’s “*Eventi nei Beni*” (heritage events) – a calendar of events held at unique locations and dedicated to rediscovering Italy’s artistic and cultural heritage. The “*Giornate FAI d’autunno*” (FAI autumn days) were the final and most important component of this support.

Since February, Fineco has established a new collaboration with the Fondazione Giangiacomo Feltrinelli with the aim of promoting “*Cinque lezioni di complessità*” (“Five Lessons in Complexity”) – a series of meetings with Argentine philosopher and psychoanalyst **Miguel Benasayag**. These five events focused on rediscovering the value of simplicity as the opposite of oversimplification and complexity, the potential of human singularity, and on the appeal of diversity and the richness of relationships with others and with the world.

In November 2020, the Bank took part in the Milan City Council’s project “***Cura e adotta il verde pubblico***” (Look after and adopt public green areas), initiating a partnership for the redevelopment of urban green areas in the city, in the area between Corso Como, Corso Garibaldi and Largo La Foppa.

The aim of the sponsorship project, which will last around three years, is to contribute to the conservation and improvement of existing green areas, by selecting various types of plants, including ornamental grasses and ancient olive trees, known for their beauty, adaptability and resistance to the most diverse environments and climatic conditions, with a total of **516 new plantings**.

TYPE OF COMMUNITY CONTRIBUTION (€)	2020	2019
<b>By Fineco</b>	<b>679,000</b>	<b>177,500</b>
Charitable donations	313,000	116,500
Sponsorship <sup>87</sup>	366,000	61,000
<b>By customers through Fineco</b>	<b>2,153,000</b>	<b>123,700</b>
Funds raised and donated	2,153,000	123,700
<b>Total</b>	<b>2,832,000</b>	<b>301,200</b>

### MANAGEMENT OF THE IMPACTS OF THE COVID-19 PANDEMIC

In March, a fundraising campaign was launched on the Fineco institutional website in support of two of Italy’s most important and hardest-hit healthcare institutions, namely ASST Fatebenefratelli Sacco in Milan and the Lazzaro Spallanzani Institute for Infectious Diseases in Rome. In addition to Fineco’s direct donation, amounting to a total of €100,000, customers responded very generously to the appeal, raising some €1.7 million.

<sup>87</sup> The amount shown includes VAT at 22%. Total sponsorship net of VAT therefore stood at €300,000.

## BOUNDARY OF IMPACTS RELATING TO MATERIAL TOPICS

Material topics	Where the impacts occur	Involvement of the Group
<b>TRANSPARENCY</b>		
Fairness and transparency in the sale of products and services and reporting of ESG risks	FinecoBank Group	Generated by the Group
<b>PEOPLE DEVELOPMENT</b>		
Human resources management policies	FinecoBank Group	Generated by the Group
Management of welfare and industrial relations	FinecoBank Group	Generated by the Group
Protection of health and safety at work	FinecoBank Group, excl. Fineco Centers for which FinecoBank does not have any specific health and safety obligations	To which the Group contributes
Training of human resources	FinecoBank Group	Generated by the Group
Protection of diversity, equal opportunity and inclusion	FinecoBank Group	To which the Group contributes
Non-discrimination policies	FinecoBank Group	To which the Group contributes
<b>EFFICIENCY AND SOLIDITY</b>		
Economic performance and capital strength	FinecoBank Group	Generated by the Group
<b>CONTROL AND RISK MANAGEMENT SYSTEM</b>		
Risk management (financial and ESG risks)	FinecoBank Group	Generated by the Group
<b>ENVIRONMENTAL SUSTAINABILITY</b>		
Reducing environmental impacts	FinecoBank Group, including Fineco Centers	Generated by the Group and directly connected through a business relationship

Material topics	Where the impacts occur	Involvement of the Group
<b>FAIRNESS</b>		
Fighting corruption	FinecoBank Group	To which the Group contributes
Prevention of anti-competitive behaviour	FinecoBank Group	To which the Group contributes
Socio-economic, environmental and tax compliance	FinecoBank Group	Generated by the Group
Protection of privacy	FinecoBank Group	Generated by the Group
Clear approach to the markets	FinecoBank Group	Generated by the Group
<b>RESPONSIBLE FINANCE</b>		
Financial inclusion and education	FinecoBank Group	Generated by the Group
Responsible products and investments	FinecoBank Group	Generated by the Group
<b>INFORMATION SECURITY AND CYBER SECURITY</b>		
Identification and management of ICT security risks	FinecoBank Group	Generated by the Group
<b>INNOVATION AND CUSTOMER EXPERIENCE</b>		
Innovation and digitisation to improve service quality	FinecoBank Group	Generated by the Group

## GRI CONTENT INDEX, UN GLOBAL COMPACT AND PRINCIPLES FOR RESPONSIBLE BANKING

It should be noted that additional principles such as UN Global Compact and UN Principles for Responsible Banking, of which the Group is a Signatory, have been integrated within the following Index for purposes other than complying with the requirements of Legislative Decree 254/2016. Such principles are not subject to limited assurance engagement activities by Deloitte & Touche S.p.A..

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
<b>GRI 101: FOUNDATION (2016)</b>					
<b>GRI 102: GENERAL DISCLOSURES (2016)</b>					
<b>Organisational profile</b>					
102-1	Name of the organisation			16	
102-2	Activities, brands, products, and services		3. Encouraging sustainable practices	18-19; 110-111	
102-3	Location of headquarters			16	
102-4	Location of operations			16-17	
102-5	Ownership and legal form			16; 20-21	
102-6	Markets served		3. Encouraging sustainable practices	16-17; 117	
102-7	Scale of the organisation			12; 16-17; 19-20; 63; 83	
102-8	Information on employees and other workers			83-84; 108	
102-9	Supply chain	<b>Human rights</b> 1. Supporting and respecting the protection of internationally proclaimed human rights 2. Making sure that we are not, albeit indirectly, complicit in human rights abuses  <b>Work</b> 4. The elimination of all forms of forced and compulsory labour 5. The effective abolition of child labour		52-53	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
102-10	Significant changes to the organisation and its supply chain			52-53	
102-11	Precautionary principle or approach			39-49	
102-12	External initiatives			15	
102-13	Membership of associations			31-32	
<b>Strategy</b>					
102-14	Statement from senior decision-maker			4-5	
102-15	Key impacts, risks, and opportunities		1. Aligning your business strategy with your company's needs and goals 2. Managing your impact and identifying the corresponding objectives	43-49; 59	
<b>Ethics and integrity</b>					
102-16	Values, principles, standards, and norms of behaviour			18	
102-17	Mechanisms for advice and concerns about ethics			74-75	
<b>Governance</b>					
102-18	Governance structure			33-35	
102-20	Executive-level responsibility for economic, environmental, and social topics		5. Effective governance and responsible banking culture	35	
102-26	Role of highest governance body in setting purpose, values, and strategy		5. Effective governance and responsible banking culture	35	
102-32	Highest governance body's role in sustainability reporting			6; 8	
102-35	Remuneration policies			97-98	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
<b>Stakeholder engagement</b>					
102-40	List of stakeholder groups		4. Working with stakeholders to achieve the company's goals	57	
102-41	Collective bargaining agreements			101	
102-42	Identifying and selecting stakeholders			56	
102-43	Approach to stakeholder engagement			56-58; 87; 109; 118-119	
102-44	Key topics and concerns raised			59	
<b>Reporting practice</b>					
102-45	Entities included in the consolidated financial statements		6. Transparency and accountability with respect to positive and negative impacts and contributing to the company's goals	7; 16	
102-46	Defining report content and topic Boundaries			58	
102-47	List of material topics			59	
102-48	Restatements of information			8; 25; 63-64; 90; 104	
102-49	Changes in reporting			7-8; 140-141	
102-50	Reporting period			6	
102-51	Date of most recent report				April 2020
102-52	Reporting cycle				Annual
102-53	Contact point for questions regarding the report			8	
102-54	Claims of reporting in accordance with the GRI Standards			7	
102-55	GRI Content Index			151-163	
102-56	External assurance			8; 164-166	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
<b>MATERIAL TOPICS</b>					
<b>Economic performance and capital strength</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			62; 65	
103-3	Evaluation of the management approach			62; 65	
<b>GRI 201: Economic performance (2016)</b>					
201-1	Direct economic value generated and distributed			63-64	
<b>Fighting corruption</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary	<b>Fighting corruption</b> 10. Working against corruption in all its forms, including extortion and bribery	5. Effective governance and responsible banking culture	58-59; 149-150	
103-2	The management approach and its components			68-72	
103-3	Evaluation of the management approach			71-72; 74-75	
<b>GRI 205: Anti-corruption (2016)</b>					
205-3	Confirmed incidents of corruption and actions taken				No incidents of corruption were recorded in 2020
<b>Prevention of anti-competitive behaviour</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary		5. Effective governance and responsible banking culture	58-59; 149-150	
103-2	The management approach and its components			71-72	
103-3	Evaluation of the management approach			71-72; 74-75	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
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**GRI 206: Anti-competitive behaviour (2016)**

206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices				No legal actions were filed in 2020 for anti-competitive behaviour, anti-trust or monopoly practices
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**Socio-economic, environmental and tax compliance**
**GRI 103 Management Approach (2016)**

103-1	Explanation of the material topic and its boundary	<b>Human rights</b> 1. Supporting and respecting the protection of internationally proclaimed human rights		58-59; 149-150	
103-2	The management approach and its components	2. Making sure that we are not, albeit indirectly, complicit in human rights abuses	5. Effective governance and responsible banking culture	68-70; 76-78; 138; 145	
103-3	Evaluation of the management approach	<b>Work</b> 4. The elimination of all forms of forced and compulsory labour 5. The effective abolition of child labour		68-70; 76-78; 138; 145	

**GRI 207: Tax (2019)**

207-1	Approach to tax			76-77	
207-2	Tax governance, control and risk management			77-78	
207-3	Stakeholder engagement and management of concerns related to tax			78	
207-4	Country-by-country reporting			79	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
<b>GRI 307: Environmental compliance (2016)</b>					
307-1	Non-compliance with environmental laws and regulations			139	
<b>GRI 419: Socio-economic compliance (2016)</b>					
419-1	Non-compliance with laws and regulations in the social and economic area				No non-compliance with social and economic laws and regulations was recorded in 2020
<b>Reducing environmental impacts</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary	<b>Environment</b> 7. Supporting a precautionary approach to environmental challenges 8. Undertaking initiatives to promote greater environmental responsibility 9. Encouraging the development and dissemination of environmentally friendly technologies		58-59; 149-150	
103-2	The management approach and its components			138-142; 145	
103-3	Evaluation of the management approach			138-142; 145	
<b>GRI 301: Materials (2016)</b>					
301-1	Materials used by weight or volume			139	
<b>GRI 302: Energy (2016)</b>					
302-1	Energy consumption within the organisation			142	
302-2	Energy consumption outside the organisation			143	
<b>GRI 305: Emissions (2016)</b>					
305-1	Direct (Scope 1) GHG emissions			143	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
305-2	Energy indirect (Scope 2) GHG emissions			144	
305-3	Other indirect (Scope 3) GHG emissions			144	
<b>Human resources management policies</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			82-83; 85; 87-88	
103-3	Evaluation of the management approach			82-83; 85; 87-88	
<b>GRI 401: Employment (2016)</b>					
401-1	New employee hires and employee turnover			24; 86	
<b>Management of welfare and industrial relations</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary	<b>Work</b> 3. Upholding freedom of association and effectively recognising the right to collective bargaining		58-59; 149-150	
103-2	The management approach and its components			99-101	
103-3	Evaluation of the management approach			99-101	
<b>GRI 402: Labour and Industrial Relations (2016)</b>					
402-1	Minimum notice periods regarding operational changes			101	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions	
<b>Protection of health and safety at work</b>						
<b>GRI 103 Management Approach (2016)</b>						
103-1	Explanation of the material topic and its boundary	<b>Human rights</b> 1. Supporting and respecting the protection of internationally proclaimed human rights 2. Making sure that we are not, albeit indirectly, complicit in human rights abuses		58-59; 149-150		
103-2	The management approach and its components			102-105		
103-3	Evaluation of the management approach			102-105		
<b>GRI 403: Occupational Health and Safety (2018)</b>						
403-1	Occupational health and safety management system				102-103	
403-2	Hazard identification, risk assessment and incident investigation				103	
403-3	Occupational health services				103; 105	
403-4	Worker participation, consultation, and communication on occupational health and safety				103	
403-5	Worker training on occupational health and safety				92	
403-6	Promotion of worker health				99-100	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			7; 103		
403-9	Work-related injuries			104		

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
<b>Training of human resources</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			92-94	
103-3	Evaluation of the management approach			92-94	
<b>GRI 404: Training and education (2016)</b>					
404-1	Average hours of training per year per employee			94	
<b>Protection of diversity, equal opportunity and inclusion</b>					
<b>GRI 103 Management Approach (2016)</b>					
103-1	Explanation of the material topic and its boundary	<b>Human rights</b> 1. Supporting and respecting the protection of internationally proclaimed human rights 2. Making sure that we are not, albeit indirectly, complicit in human rights abuses		58-59; 149-150	
103-2	The management approach and its components			38; 89-91	
103-3	Evaluation of the management approach			38; 89-91	
<b>GRI 405: Diversity and equal opportunity (2016)</b>					
405-1	Diversity of governance bodies and employees			23; 36-37; 83-84; 90	
405-2	Ratio of basic salary and remuneration of women to men			90	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
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### Non-discrimination policies

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary	<b>Human rights</b> 1. Supporting and respecting the protection of internationally proclaimed human rights 2. Making sure that we are not, albeit indirectly, complicit in human rights abuses  <b>Work</b> 6. Elimination of discrimination in respect of employment and professional role		58-59; 149-150	
103-2	The management approach and its components			38; 89-91	
103-3	Evaluation of the management approach			38; 89-91	

#### GRI 406: Non-discrimination (2016)

406-1	Incidents of discrimination and corrective actions taken			89	
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### Fairness and transparency in the sale of products and services and reporting of ESG risks

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components		3. Encouraging sustainable practices	120-121	
103-3	Evaluation of the management approach			120-121	

#### GRI 417: Marketing and Labelling (2016)

417-3	Incidents of non-compliance concerning marketing communications				No incidents of non-compliance concerning marketing communications were recorded in 2020
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GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
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### Protection of privacy

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			122-124	
103-3	Evaluation of the management approach			122-124	

#### GRI 418: Customer privacy (2016)

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data			124	In 2020, 3 substantiated complaints concerning breaches of violations of customer privacy and 12 complaints of losses of customer data were recorded
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### Responsible products and investments

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components		3. Encouraging sustainable practices	131-134	
103-3	Evaluation of the management approach			131-134	

#### GRI-G4 Financial Services Sector Disclosures

G4 - FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line			129-130	
G4 – FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line			25; 132	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
G4 – FS11	Percentage of assets subject to positive and negative environmental or social screening			134	

### Financial inclusion and education

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary		3. Encouraging sustainable practices	58-59; 149-150	
103-2	The management approach and its components			128-130	
103-3	Evaluation of the management approach			128-130	

#### GRI-G4 Financial Services Sector Disclosures

G4 - FS14	Initiatives to improve access to financial services for disadvantaged people			129-130	
G4 - FS16	Initiatives to improve financial literacy			26; 128-129	

### Innovation and digitisation to improve service quality

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			117; 119; 132	
103-3	Evaluation of the management approach			117; 119; 132	

### Identification and management of ICT security risks

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			125-127	
103-3	Evaluation of the management approach			125-127	

GRI Standard	Disclosure	UN Global Compact	Principles for Responsible Banking	Page/ Link	Notes/ Omissions
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### Clear approach to the markets

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			120-121	
103-3	Evaluation of the management approach			120-121	

### Risk management (financial and ESG risks)

#### GRI 103 Management Approach (2016)

103-1	Explanation of the material topic and its boundary			58-59; 149-150	
103-2	The management approach and its components			39-49	
103-3	Evaluation of the management approach			39-49	

# INDEPENDENT AUDITORS' REPORT



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## INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018

To the Board of Directors of  
FinecoBank Banca Fineco S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of FinecoBank Group (hereinafter "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on February 9, 2021 (hereinafter "NFS").

### Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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### Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements as of December 31, 2020 of the Group;
4. understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.



Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of FinecoBank Banca Fineco S.p.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company and subsidiary level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for FinecoBank Banca Fineco S.p.A., which we selected based on its activities and the contribution to the performance indicators at the consolidated level, we carried out remote meetings, during which we have met its management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the FinecoBank Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Alessandro Grazioli**  
Partner

Milan, Italy  
March 31, 2021

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



B A N K

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This Non Financial Statement has been prepared by the Sustainability Function  
– CFO Department of FinecoBank S.p.A.

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