

FINECO

B A N K

QUALITATIVE AND QUANTITATIVE COMPOSITION

OF THE BOARD OF STATUTORY
AUDITORS OF FINECOBANK S.P.A.

Milan, March 11, 2020

FINECO. SIMPLIFYING BANKING.

CONTENTS

1. ASSESSMENT OF THE BOARD OF STATUTORY AUDITORS OF FINECOBANK SPA OF THE QUALITATIVE AND QUANTITATIVE COMPOSITION OF ITS SUPERVISORY BODY.....	4
1.1. The quantitative composition of the supervisory body	5
1.2. The qualitative composition of the supervisory body.....	5
1.2.1. Professionalism requirements	6
1.2.2. Dedication and availability of time	6
1.2.3. Limit to the number of positions	7
1.2.4. Incompatibility, ineligibility, disqualification	8
1.2.5. Statutory independence.....	8
1.2.6. Independence of judgement.....	8
1.2.7. Gender quotas	9
1.2.8. Integrity and correctness requirements	9
2. <i>INDUCTION</i> AND TRAINING	10

INTRODUCTION

This document entitled '*Qualitative and quantitative composition of the Board of Statutory Auditors of FinecoBank SpA*' (the “**Quality-Quantity Profile of the Board of Statutory Auditors**”) seeks to identify the qualitative and quantitative composition deemed optimal for the effective performance of the tasks and responsibilities assigned by law, by the supervisory provisions and the Articles of Association to the Statutory Auditors of FinecoBank SpA (“**FinecoBank**” or the “**Bank**” or the “**Company**”).

Current legislation does not expressly oblige the body with control functions to identify its optimal qualitative-quantitative composition. However, also given the increasingly complex regulations governing the requirements of bank officers, FinecoBank's Board of Statutory Auditors deems it appropriate to define *ex ante* the optimal theoretical profile of its members. This is with a view to identifying the candidates to propose to the next Shareholders' Meeting convened for the renewal of corporate bodies.

The following is a summary of the applicable national and European regulations governing the requirements of corporate officers, including those not yet formally transposed into Italian law and soft law, as it was considered essential that the principles contained therein be reflected in the candidate selection process:

- Art. 148 of Italian Legislative Decree 58/1998 (“**TUF**” or the “**Consolidated Financial Law**”);
- Article 36 of Italian Legislative Decree no. 201 of 6 December 2011, '*Urgent provisions for growth, fairness and the consolidation of public accounts*' (so-called 'Save Italy Decree') converted, with amendments, by Law no. 214 of 22 December 2011 (so-called '*Interlocking Directorship*');
- Ministerial Decree no. 161/1998 '*Regulation containing rules for the identification of the requirements of integrity and professionalism of the corporate representatives of banks and causes of suspension*' (the “**Ministerial Decree 161/1998**”);
- Ministerial Decree no. 162/2000 '*Regulations containing rules for setting the professionalism and integrity requirements of the members of the Board of Statutory Auditors of listed companies to be issued based on Article 148 of Italian Legislative Decree no. 58 of 24 February 1998*' (the “**Ministerial Decree 162/2000**”);
- Part I, Title IV, Chapter 1, Section IV (Composition of corporate bodies) of Bank of Italy Circular No. 285 of 17 December 2013, (the “**Supervisory Provisions for Banks**”);
- the Corporate Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana (Italian Stock Exchange), ABI (Italian Banking Association), ANIA (Italian Association of Insurers), Assogestioni (Italian Association of the Investments Management Industry), Assonime (Association of Italian Joint Stock Companies), and Confindustria (General Confederation of Italian Industry) (the “**Corporate Governance Code**”);

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the “**CRD IV**”) and Regulation (EU) No 575 of the European Parliament and Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”);
- EBA Guidelines on Internal Governance (2017) entered into force on 30 June 2018;
- EBA/ESMA Joint Guidelines for assessing the suitability of members of strategic supervisory and management bodies and key function holders, most recently published on 21 March 2018 and which entered into force on 30 June 2018 (the “**EBA/ESMA Guidelines**”);
- Rules of Conduct for the Board of Statutory Auditors of Listed Companies dated April 2018.

The provisions of the Bank's Articles of Association, the provisions of internal regulations and the corporate governance structure adopted by FinecoBank have also been taken into consideration in the preparation of this Quality-Quantity Profile of the Board of Statutory Auditors. In particular, the Board of Statutory Auditors has the functions provided for by art. 24 of the Articles of Association, in accordance with the traditional governance system adopted by the Bank.

1. ASSESSMENT OF THE BOARD OF STATUTORY AUDITORS OF FINECOBANK SPA OF THE QUALITATIVE AND QUANTITATIVE COMPOSITION OF ITS SUPERVISORY BODY

Upon the approval of the financial statements for the year ended 31 December 2019, the term of office of FinecoBank's Board of Statutory Auditors, appointed on 11 April 2017¹ together with the Board of Directors, will expire. Therefore, at the next Shareholders' Meeting shareholders will be called upon to resolve on the appointment of the new Statutory Auditors.

Please note that the Extraordinary Shareholders' Meeting of 18 February 2020 approved a series of proposals to revise the Bank's corporate governance to adapt it to the new shareholding structure resulting from the exit from the UniCredit Group. In particular, in addition to introducing the power for the Board of Directors to submit its own list of candidates for the office of director when renewing the Board², provision was made to strengthen further the requirements of company representatives in line with legislation (including European legislation) and current practice.

Given the above and what was stated in the Introduction, the Board of Statutory Auditors of FinecoBank considers it appropriate to identify the theoretical profile (including the

¹ The Chairman of the Board of Statutory Auditors was co-opted on 4 September 2017 and confirmed by the Shareholders' Meeting on 11 April 2018 and its mandate will expire upon the approval by the next Shareholders' Meeting of the financial statements for the year ended 31 December 2019.

²For further details on the changes introduced to the Articles of Association, please refer to the relevant Directors' Report published on the Company's *website*. www.finecobank.com- “Corporate /Shareholders' Meeting” Section.

professionalism and independence) of the candidates. It is aware that their professionalism must be adequate for the tasks performed by the Statutory Auditors as part of the body, also considering the Company's size and operational complexity.

The preparation of this profile also takes into account the experience gained during the term of office regarding the Board's activities and operating procedures and, specifically, the results of the self-assessment processes.

This document is therefore made available to Shareholders in good time so that they can bear it in mind when selecting candidates.

1.1. The quantitative composition of the supervisory body

Article 23 of the Articles of Association (as amended by the Extraordinary Shareholders' Meeting of 18 February 2020) provides that the Board of Statutory Auditors shall comprise three Statutory Auditors, including the Chairman, and two Alternate Auditors.

1.2. The qualitative composition of the supervisory body

Given the reference framework outlined above, the Statutory Auditors recommend to the Shareholders who will present the lists of candidates, to consider the necessary requirements for the optimal composition of the Bank's Board of Statutory Auditors, as set forth in art. 23 of the Articles of Association. In particular, the Statutory Auditors must be suitable for the performance of their office, pursuant to the legislation in force at the time and the Articles of Association and, particularly, they must meet the requirements of professionalism, integrity and independence as well as comply with the criteria of competence and correctness.

In addition to the above, the Board of Directors wishes to reiterate the importance of:

- ensuring a balanced combination of profiles and experience in the supervisory body for the future as well;
- enhancing the aptitude profiles to ensure that the Statutory Auditors carry out their duties in the best possible way;
- recognising the availability of time and resources as a key factor in the effective performance of the role of Statutory Auditor, taking into account their participation in the same supervisory body as well as in other corporate bodies (including the internal board committees) to which they must participate or may be invited in accordance with internal regulations;
- promoting the already existing diversity requirements, taking into consideration the professional background, gender diversity and the spread of seniority among the Statutory Auditors, and also assessing the value of a wide age range.

1.2.1. Professionalism requirements

Pursuant to current laws and the Articles of Association, at least two of the standing statutory auditors and at least one of the substitute statutory auditors must have been on the national register of auditors for at least three years. They must have practised the statutory auditing of accounts for at least three years.

Auditors who are not on the Register of Auditors must have at least three years' experience:

- a) as a certified public accountant or lawyer, primarily in the banking, insurance and financial sectors;
- b) of tenured university teaching in subjects covering - in the legal field - banking, commercial, tax and financial market law and - in the economic/financial field - banking technology, business economics, accounting, securities market economics, financial and international market economics, and corporate finance;
- c) performing managerial duties in public bodies or public administrations, in the credit, financial and insurance sector or in the provision of investment services or in collective asset management, both as defined by the TUF.

Without prejudice to the above professionalism requirements, the Board of Statutory Auditors also recommends that the Shareholders' appointment proposals should include a sufficient number of candidates from each list with adequate experience in regulatory, monitoring and risks in banking and financial sector companies. The purpose of this is to contribute effectively to the performance of the supervisory functions assigned to the banks' supervisory bodies under the applicable statutory and regulatory provisions.

1.2.2. Dedication and availability of time

In light of the Supervisory Provisions, the availability of time and resources to devote to the performance of the position, due to its nature and quality, is an essential requirement that the Statutory Auditors candidates must ensure.

Regarding the Company's specific situation, please note – for information purposes – that in each financial year of the three years 2017-19 about 26 meetings of the Board of Statutory Auditors were held on average per year, lasting an average of about 2 hours, along with about 14 meetings of the Board of Directors, lasting an average of about 2.5 hours.

The Board of Statutory Auditors reminds its participation in the meetings of the Risks and Related Parties Committee (approximately 18 meetings lasting an average of about 3 hours for the three years 2017-19), as well as the participation of the Chairman and/or other Statutory

Auditor in the meetings of Remuneration Committee (approximately 11 meetings lasting an average of about 1.12 hours for the three years 2017-19) and in the meetings of the Corporate Governance, Appointments and Sustainability Committee (approximately 11 meetings lasting an average of about 2 hours for the three years 2017-19).

In this regard, we should also consider the relevant time required to analyse the documentation sent before each Board meeting (regarding the Board of Statutory Auditors itself and other company bodies), as well as the commitment required for participation in induction sessions, organised by the Bank with regard to the Board of Directors in which one or more Statutory Auditors have always participated, in external training events as well as the commitment required for the ongoing and necessary professional development.

In light of the above and taking into consideration the growth of the Bank in the near future, the outgoing Board of Statutory Auditors has estimated the minimum time commitment required to the members of the Board, which is approximately equal to 60/70 days for the Chairman and 50/60 for the Statutory Auditor.

In relation to the above, the Board of Statutory Auditors recommends that candidates accept the position if they believe that they can devote the necessary time to it, taking into account their other work or professional activities, as well as to the performance of positions held in other companies.

1.2.3. Limit to the number of positions

The Statutory Auditors must also comply with the regulatory and statutory provisions governing the assumption of positions in companies other than the Bank.

Pursuant to Article 91 of the CRD IV Directive as also referred to in Article 23, paragraph 2, of the Articles of Association, the members of the Board of Statutory Auditors may simultaneously hold, (in any type of company, except for organisations whose objectives are not primarily commercial):

- one executive position and two non-executive positions, including the position in FinecoBank;
- four non-executive positions, including the position in FinecoBank,

with the clarification, among other things, that they are considered as a single assignment: (a) the positions held within the same group; (b) positions held in companies in which the institution holds a qualifying holding, including non-financial institutions⁽³⁾.

⁽³⁾ See Article 4 of Regulation (EU) No 575/2013.

The members of the Board of Statutory Auditors must also respect the limits on the number of positions held as prescribed by art. 148-*bis* of Consolidated Financial Law and the relevant implementing regulations for members of the supervisory body of listed companies.

1.2.4. Incompatibility, ineligibility, disqualification

In recalling the content of the various causes of incompatibility, ineligibility and disqualification that may affect the candidacy and/or the assumption/retention of office – such as, for example, those referred to in Articles 2399 of the Italian Civil Code, Article 187-*quater* of the TUF and Article 17 of Italian Legislative Decree no. 39/2010 – shareholders are advised to pay particular attention to the so-called ban on interlocking concerning any crossover of positions in the credit and financial markets.

More specifically, pursuant to Article 36 of Italian Legislative Decree no. 201 of 6 December 2011 converted with amendments by Law no. 214 of 22 December 2011, containing provisions on “*personal cross-holdings in credit and financial markets*” and the prescribed ban on “*holders of positions in management, supervisory and control bodies and top management officials of companies or groups of companies operating in the credit, insurance and financial markets to take on or exercise similar positions in competing companies or groups of companies*”, the Statutory Auditors recommend that shareholders submit candidates whose compatibility with the aforementioned provision has already been verified.

Please note that the regulations on incompatibilities for public servants and holders of public offices pursuant to Italian Legislative Decree no. 165/2001, as subsequently amended and supplemented, must be respected.

1.2.5. Statutory independence

In addition to the independence requirements set forth in the current regulations, the Statutory Auditors must also meet the independence requirements set forth in Article 13, paragraph 3, of the Articles of Association (as amended by the Extraordinary Shareholders' Meeting of 18 February 2020), *i.e.*, they must meet the independence requirements set forth in the Corporate Governance Code for members of the Board of Directors.

1.2.6. Independence of judgement

All Statutory Auditors must be able to reach well-founded, objective and independent decisions and judgements (*i.e.* act with independence of judgement). To this end, any conflicts of interest may be relevant.

Without prejudice to the cases of incompatibility envisaged by current legislation, the Board of Statutory Auditors also believes that to fully preserve the independence of judgement of the members of the Company's supervisory body, candidates should not hold – or assume – elected or governmental positions at national and/or local level or on promotion committees or managing bodies of political organisations. Also, they should not find themselves in personal and financial situations that could create conflicts of interest and even potentially hinder their independence of judgement.

1.2.7. Gender quotas

Article 148, paragraph 1-bis, TUF, as last amended by Law no. 160 of 27 December 2019, requires compliance with a gender composition criterion for the administrative body under which at least two-fifths of the elected members must belong to the less represented gender.

To this end, please note that CONSOB submitted to the market for consultation a proposed notice designed to clarify how the new rules on gender quotas should be applied. Following this consultation, CONSOB clarified that for bodies with three members where the reservation of “at least two fifths” is, therefore, arithmetically inapplicable, companies must follow the rule of rounding down to the lower unit instead of rounding up to the upper unit provided for by Article 144-*undecies.1*, paragraph 3, of the Issuers' Regulations.

The Board reiterates the need for each list submitted by the Shareholders to be composed of candidates belonging to the less represented gender, to ensure that the gender balance is respected at least to the minimum extent required by current legislation and the regulations.

1.2.8. Integrity and correctness requirements

Given the importance of integrity, the Board of Statutory Auditors recommends that candidates for the appointment of the Bank's Statutory Auditor, in addition to fulfilling the requirements of integrity set forth in Ministerial Decree 161/1998 and Ministerial Decree 162/2000:

- do not find themselves - and have not previously found themselves - in situations which, concerning the economic activities and financial conditions of the candidates themselves (or of the companies controlled, significantly owned or directed by them), are or have been potentially capable of affecting their reputation or have entailed significant losses for the Bank;
- have not behaved in a manner which, while not constituting a crime, does not appear compatible with the position of Statutory Auditor of a Bank or may have serious reputational consequences for the Bank.

2. *INDUCTION AND TRAINING*

Lastly, following the Bank of Italy's recommendations that Banks adopt suitable training plans to provide members of the Corporate Bodies with adequate technical skills, the Board of Statutory Auditors recommends that future Statutory Auditors will benefit from an appropriate Induction path, similar to that carried out in the past.

Please note that, for each year of its three-year term of office, the Company has offered a series of continuous training initiatives, including those relating to regulatory frameworks, as well as issues of corporate relevance and strategic importance.

[finecobank.com](https://www.finecobank.com)