
QUALITATIVE AND QUANTITATIVE COMPOSITION

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

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INTRODUCTION

This document entitled '*Qualitative and quantitative composition of the Board of Statutory Auditors of FinecoBank SpA*' (the '**Qualitative-Quantitative 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**').

In particular, taking into account the provisions of the new M.D. 169/2020⁽¹⁾ (as defined below), also the Board of Statutory Auditors is required to identify in advance its optimal qualitative and quantitative composition in order to achieve the objectives set out by the said decree, subsequently verifying its compliance with the actual composition resulting from the appointment process of the auditors..

The following is a summary of the applicable national and European regulations governing the requirements of corporate officers, including 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**');
- 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. 169/2020 "*Regulations on suitability requirements and criteria for the roles of corporate officers of banks, financial intermediaries, credit unions ("confidi"), electronic money institutions, payment institutions and depositor guarantee schemes*" ("**M.D. 169/2020**")⁽²⁾;
- 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 on January 31, 2020 by the Corporate Governance Committee and promoted by Italian Stock Exchange (*Borsa Italiana*),

⁽¹⁾ See art. 12, paragraph 1 of M.D. 169/2020.

⁽²⁾ The M.D. 169/2020 applies to appointments made after the date of its entry into force (*i.e.* December 30, 2020). More detailed indications on its application are contained in art. 26 (*Transitory rules and entry into force*). With particular reference to the appointments of auditors, the decree specifies that its provisions do not apply in case of replacement as standing auditor, pursuant to art. 2401 of the Italian Civil Code, of the alternate auditor appointed before the date of entry into force of the Ministerial Decree. The first reappointment following the entry into force of the decree of the statutory auditor succeeded within the terms set out in the previous sentence shall be considered as a new appointment.

Italian Banking Association (*ABI*) , Italian Association of Insurers (*ANIA*), Italian Association of the Investments Management Industry (*Assogestioni*), Association of Italian Joint Stock Companies (*Assonime*), and General Confederation of Italian Industry (*Confindustria*), in force as of January 1, 2021 (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**');
- April 2018 Standards of Conduct for the Board of Statutory Auditors of Listed Companies.

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 Qualitative-Quantitative 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 2017 together with the Board of Directors, has expired. Therefore, at the Shareholders' Meeting of April 28, 2020 Shareholders have been called upon to resolve on the appointment of the new Statutory Auditors.

Please note that the Extraordinary General 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 Board, 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 although at the time there was no explicit obligation for the control body to do so, the Board of Statutory Auditors of FinecoBank considered it appropriate to identify the theoretical profile (including the 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 previous term of office regarding the Board's activities and operating procedures and, specifically, the results of the past self-assessment processes.

On 11 March 2020, the Board of Statutory Auditors thus approved the document "*Qualitative and quantitative composition of the Board of Statutory Auditors of FinecoBank S.p.A.*" (the "**2020 Qualitative-Quantitative Profile**"), which was made available in good time to Shareholders by publication on the Bank's website, so that they could take it into account when selecting candidates for the renewal of the Board of Statutory Auditors. The composition of the Board of Statutory Auditors appointed following the resolution passed by the Shareholders' Meeting was consistent with the 2020 Quality-Quantitative Profile.

Following the appointment of the new Board of Statutory Auditors, on 17 September and 5 October 2020⁽³⁾ respectively, the Chairman of the Board of Statutory Auditors and a Standing Auditor resigned from their respective positions at FinecoBank, thus being replaced in their positions by the two Alternate Auditors appointed by the same Shareholders' Meeting of 28 April 2020. The next Shareholders' Meeting (scheduled for 28 April 2021) will therefore be called upon to integrate the Board of Statutory Auditors by appointing Auditors who meet the suitability requirements set out in the current legislation applicable to banking representatives. In this regard, it is therefore appropriate to update the 2020 Qualitative and Quantitative Profile, in order to reflect the legislative and regulatory changes that have occurred in the meantime with reference to the suitability requirements of banking representatives, which must be taken into account for the appointment of the new members of the Board of Statutory Auditors.

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 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 Auditors formulate the recommendation, addressed to the Shareholders who will present the candidates, to evaluate the necessary requirements for the optimal composition of the Bank's Board of Statutory Auditors, as described by art. 23 of the Articles of Association. More specifically, the Auditors must be suitable for carrying out their office, in compliance with the provisions set out in the legislation in force at

⁽³⁾ The resignations of the two Statutory Auditors were effective from October 1 and October 12, 2020, respectively.

that time and in the Articles of Association and, in particular, they must meet the requirements of professionalism, integrity and independence as well as comply with the criteria of competence and fairness.

Furthermore, the Board of Statutory Auditors 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 internal board committees) in which they must take part or may be invited in accordance with internal regulations;
- promoting the already existing diversity requirements, taking into account the professional experience, the 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 meet the professionalism requirements set out in art. 9 of M.D. 169/2020 and art. 1 of Ministerial Decree 162/2000. Specific professionalism requirements are required with regard to the Chairman of the Board of Statutory Auditors.

In addition to the professionalism requirements, the Auditors must also meet the competence criteria set out in art. 10 of M.D. 169/2020.

Without prejudice to the above professionalism requirements and competence criteria, the Board of Statutory Auditors also recommends that the Shareholders' appointment proposals should include a sufficient number of candidates with adequate experience in regulation, risk and control 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 and M.D. 169/2020⁽⁴⁾, 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 previous three years 2017-19 term of office 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 notes its total participation in the meetings of the Risk and Related Parties Committee (about 18 meetings with an average duration of 3 hours over the previous three-year period), as well as the participation of the Chairman and/or another Standing Auditor in the meetings of the Remuneration Committee (about 11 meetings with an average duration of 1.12 hours over the previous three-year period) and in the meetings of the former Corporate Governance, Appointments and Sustainability Committee (about 11 meetings with an average duration of 2 hours over the previous three-year period).

Moreover, we should also consider the relevant time required to analyse the documentation sent before each Board meeting (of the Board of Statutory Auditors and further corporate bodies), as well as the commitment required for participation in induction sessions, organised by the Bank for the members of the Board of Directors and in which one or more Auditors have always taken part, 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.

⁽⁴⁾ The requirement for availability of time (already referred to in the EBA/ESMA Guidelines) is now expressly provided for in art. 16 of Ministerial Decree 169/2020.

In accordance with art. 17 of M.D. 169/2020⁽⁵⁾, members of the Board of Directors may not hold a total number of positions in banks or other commercial companies⁽⁶⁾ that exceeds one of the following alternative combinations:

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

it should also be noted that the following positions are considered as a single directorship: (a) executive or non-executive directorships held within the same group; (b) executive or non-executive directorships held in banks belonging to the same institutional protection system; and (c) executive or non-executive directorships held within companies, not belonging to the group, in which the entity holds a qualified equity interest as defined by Regulation (EU) no. 575/2013, art.4(1), point 36.

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* TUF 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

⁽⁵⁾ The provisions of M.D. 169/2020 reflect what is already contained in art. 91 of the CRD IV Directive as also referred to in art. 23, paragraph 2, of the Articles of Association.

⁽⁶⁾ The term "commercial company" refers to a company with registered office in Italy, established in accordance with one of the forms provided for in Book V of the Civil Code, Title V, Chapters III, IV, V, VI and VII, and Title VI, whose purpose is to carry out one of the activities envisaged by Article 2195, paragraph 1, of the Civil Code, or a company with registered office in a foreign country and qualifying as a commercial company pursuant to the provisions of the relevant legislation of the country in which it has its registered office or general management.

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 civil 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, i.e., they must meet the independence requirements set forth in the Corporate Governance Code for members of the Board of Directors.

The Auditors must also meet the independence requirements set out in art. 148 TUF, in addition to the requirements set out in art. 14 of M.D. 169/2020.

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.

Specifically, the Board of Statutory Auditors believes that to fully preserve the independence of judgement of the members of the Company's supervisory body, candidates must provide the Company with any information concerning the situations of potential conflict of interest referred to in art. 15, paragraph 2, of M.D. 169/2020.

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.

In this regard, it should be noted that with resolution no. 21359 of 13 May 2020, art. 144-*undecies*.1 of the Issuers' Regulation was amended, whose paragraph 3, in its current wording, provides that *"if the application of the gender distribution criterion does not result in a whole number of members of the management or control bodies belonging to the less represented gender, this number shall be rounded up to the nearest whole number, except for corporate bodies made up of three members, for which the rounding shall be rounded down to the nearest whole"*.

The Board reiterates the need for candidates submitted by the Shareholders 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 fairness requirements

Given the importance of good repute, the Board of Statutory Auditors recommends that candidates for the appointment of the Bank's Statutory Auditor, in addition to fulfilling the requirements of good repute set forth in M.D. 169/2020 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.

Without affecting the integrity requirements, any lack of which will in itself result in forfeiture of office, the Board of Statutory Auditors recommends that the candidates must fulfil specific integrity criteria in terms of their personal and professional conduct, in line with art. 4 of M.D. 169/2020. In particular, all the factors pertaining to reputation and integrity must be borne in mind, including but not limited to: criminal proceedings, criminal convictions, administrative penalties for violation of corporate, banking, financial, insurance, anti-money laundering laws, or regulations on markets and payment instruments, disqualification or precautionary measures ordered by the banking, financial and insurance regulators.

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, in line with what the Company has done.

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