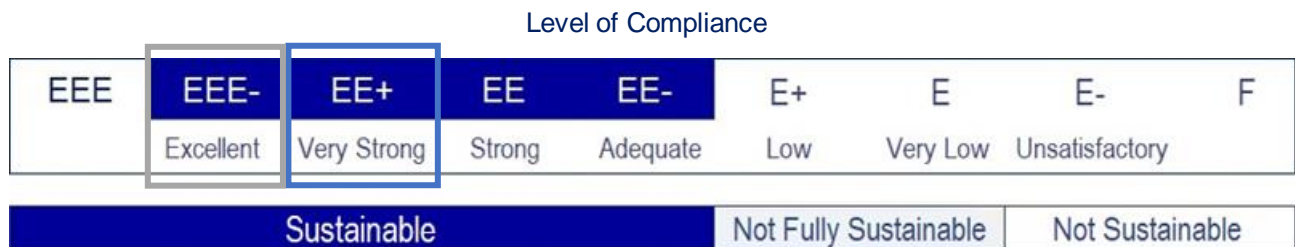


Standard Ethics Rating [corpSER]: **EE+**
 Long Term Expected corpSER [1y to 2y]: **EEE-**

Issuer: FinecoBank S.p.A.
Listing: Borsa di Milano
ISIN: IT0000072170
Market Capitalisation: 6.80 Bln EUR
Sector: Financials
Industry: Banking
Type of rating: Corporate Standard Ethics Rating [SER]
Date: 27 July 2022
Expiry Date: 21 June 2023
Last action: 23 June 2021
Previous SER: EE+
Type of document: Rating Report



Summary

FinecoBank is a multi-channel direct bank offering banking, credit, trading and investment services.

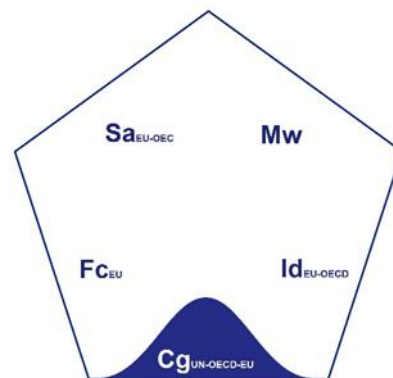
Over the last five years, the Bank has constantly aligned itself with the voluntary ESG (Environmental, Social and Governance) guidelines as proposed by the UN, OECD and EU.

It has acted on: a) its sustainability governance model; b) the definition of corporate policies; c) the quality of the working environment and the care of its stakeholders; d) extra-financial reporting; e) the identification of targets appropriate to its type of business; f) ESG risk management; and g) the qualitative and quantitative composition of its top management bodies (also in terms of independence and above all gender equality).

It has carried out adequate training activities (also on fair competition) and deals with technological innovations, taking into account any related risks.

The short- and long-term outlook is positive.

Snapshot (adj.)



Each side of the diamond represents one of the five “standards” measured by the Standard Ethics Algorithm. The symbolic representation of a normal (Gaussian) distribution provides an intuitive indication of those areas where the Company probably will, or should, take action. See below for further details.

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BACKGROUND, METHODOLOGY, RATING

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

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

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

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

STANDARD ETHICS

Standard Ethics Ltd (SE) is a Self-Regulated Sustainability Rating Agency that issues Non-Financial Solicited² Ratings to companies and sovereign nations. The Standard Ethics® brand has been around since 2004 in the world of “sustainable finance” and ESG (Environmental, Social and Governance) studies.

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

STANDARD ETHICS RATING

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

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

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

- The European Union;

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

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

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

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

² In the absence of supervisory bodies and statutory norms governing ESG rating procedures, Standard Ethics has, from the outset, followed a series of self-imposed statutory and procedural rules when applying credit-rating agency models, using the applicant pay model and abstaining from offering consultancy to investors.

SE may issue an unsolicited rating with the purpose of creating and maintaining national sustainability indices. The ratings of the listed companies included in SE indices are published and updated on the SE website.

- The Organisation for Economic Cooperation and Development (OECD);
- The United Nations (UN).

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

SE ANALYSIS UNIT

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

- MARKET AND DOMINANT POSITIONS (10 analysis points)
- CONTRACTS, FINANCINGS AND PUBLIC AIDS (7 analysis points)
- MARKET DISTORTIONS, FAVOURITISM & CORRUPTION (8 analysis points)
- OWNERSHIP, SHARE CAPITAL AND SHAREHOLDERS (8 analysis points)
- INTERNAL VOLUNTARY RULES ON OWNERSHIP EXERTION (8 analysis points)
- INDEPENDENCE AND CONFLICT OF INTERESTS (12 analysis points)
- MINORITY MEMBERS PROTECTIONS AND DIRECTORS APPOINTMENT (7 analysis points)
- COMMUNICATION, INFORMATION AND TRANSPARENCY (5 analysis points)
- BOARD OF DIRECTORS AND EXECUTIVE GROUP TRANSPARENCY (9 analysis points)
- INTERNAL VOLUNTARY RULES REGARDING MANAGEMENT (10 analysis points)
- INDEPENDENCE AND CONFLICT OF INTERESTS (13 analysis points)
- DISCLOSURE AND TRANSPARENCY (22 analysis points)
- PARTICIPATION AND VOTE IN GENERAL MEETINGS (5 analysis points)
- EMPLOYMENT AND HUMAN RESOURCES SELECTION (11 analysis points)
- HEALTH, SAFETY AT WORK AND SOCIAL DIALOGUE (16 analysis points)
- ADAPTATION TO CHANGES (6 analysis points)
- ENVIRONMENT (17 analysis points)
- CONSUMERS AND QUALITY (9 analysis points)
- SCIENCE AND TECHNOLOGY (4 analysis points)
- LOCAL COMMUNITIES (3 analysis points)
- BUSINESS PARTNERS (9 analysis points)
- HUMAN RIGHTS (6 analysis points)
- EUROPEAN STRATEGIES (2 analysis points)

RESEARCH OFFICE AND RATING COMMITTEE

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

S.E. ALGORITHM OF SUSTAINABILITY ©

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

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

$S_{aEU-OECD}$ = Shareholders’ agreements.

Main areas: Shareholders’ agreements, rights of minority shareholders, access to information (Sources: the EU and OECD, and the main OECD regulators).

Mw = Market weight.

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

$I_{dEU-OECD}$ = Independent directorship.

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

Cg_{UN-OECD-EU} = Corporate Governance and Sustainability.

Main areas: Overall assessment of applicant's ESG strategies and corporate governance (in terms of shareholding structure and sustainability) by weighting the various elements also in relation to the balance of the other variables (Sources: the EU, OECD and UN).

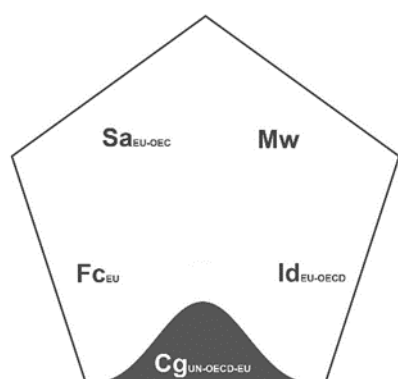
k = Sustainability at Risk (SaR). Statistical projections.

$$\frac{(F_{cEU} + Sa_{EU-OECD} + Id_{EU-OECD} + Mw \cdot f(Sa_{EU-OECD}) \cdot f(Id_{EU-OECD}) + Cg_{UN-OECD-EU} \cdot f(F_{cEU}) \cdot f(Id_{EU-OECD}))}{10} + k$$

ISSUED RATING

Standard Ethics Rating [SER]: **EE+**
 Long Term Expected SER [1y to 2y]: **EEE-**

ALGORITHM – INPUT VALUES (SUMMARY)



The values for each standard are between **0 and 2**.

Assigned and input values are as follows:

- F_{cEU} = 1.9**
- Sa_{EU-OECD} = 1.9**
- Mw = 1.7**
- Id_{EU-OECD} = 1.9**
- Cg_{UN-OECD-EU} = 1.9**

NB: The variable MW may be neutral, when below 1, indicating the presence of a major shareholder restraining the influence of a controlling shareholder. The MW value assigned indicates the type of shareholding and related risks.

Each side of the diamond represents one of the five "standards" measured by the Standard Ethics Algorithm. The symbolic representation of a normal (Gaussian) distribution provides an intuitive indication of those areas where the Company probably will, or should, take action.

The following is a list of other major listed banks³ in the main European markets:

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

³ A complete list of global and Italian banking companies is available at: www.standardethicsrating.eu.

FINECOBANK REPORT

1. MARKET AND DOMINANT POSITIONS

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

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

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

The Bank operates in the **European market** and is mainly focused on the **Italian market**, i.e., an **open** and **free**⁶ context, among the most advanced globally.

Its banking activity is **supervised** and **strictly regulated**.

The regulatory framework is structured on national, EU, and international levels.⁷ These sources pursue common general objectives and/or interests such as ensuring the proper functioning of **free market** principles, respect for **fair competition**, **transparency**, **consumer protection** and **financial stability**.⁸ Guaranteeing these interests and objectives is therefore subject to a very advanced level of intense regulatory activity covering several aspects.

Conditions of access to deposit activities, freedom of establishment of banks in the EU and freedom to provide their services and aspects related to corporate governance⁹ are regulated by the so-called **Capital Requirements Directive** (and subsequent amendments).¹⁰ Rules on prudential requirements are set by **Regulation (EU) 575/2013**,¹¹ that applies to all EU banks and aims at ensuring robustness and resili-

⁴ In 2021, the Bank was the no. 1 Italian intermediary for equities with a 26.08% share of the market. It has held this record since 2004 thanks to an exhaustive offer of shares, futures, mini-futures, CFDs, Forex as well as the most advanced apps to operate in these markets. Source: Corporate website.

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

⁶ As a result of the fundamental freedoms guaranteed within the EU internal market.

⁷ The main sources of Italian law are the Consolidated Banking Act (TUB), the Consolidated Act on Financial Intermediation (TUF) and Law no. 262/2005 for the protection of savings. These instruments have been amended a number of times, in particular to be in line with the EU legislation that regulates many aspects of banking and financial regulations and laws. The principles governing banking in Italy are 'upstream' and recognised by the Constitution, where the freedom of economic initiative (Article 41) may be restricted in order to protect "savings in all its forms" (Article 47). Even before the Constitution, however, Italy consistently enjoyed a well-regulated financial and banking system, at least since the 1926 Banking Law and, in particular, the 1936 one. Between 1944 and 1947 and, subsequently, between the 1960s and 1990s, a number of measures were taken to increase the number and powers of supervisory authorities. Since the 1990s, Italian legislation has become even more incisive thanks to an updated regulatory framework (see the 1991 Regulation and the 1993 Consolidated Banking Act or TUBC).

⁸ Various international organisations carry out intensive regulatory work aimed at developing global and uniform standards to promote financial stability, improve market functioning, foster international cooperation between supervisory authorities, reduce risks and manage systemic crises. In particular "the Financial Stability Board, the Basel Committee on Banking Supervision, the European System of Financial Supervision, and the International Organization of Securities Commissions (IOSCO)" (...) "that act independently at the instigation of the Group of Twenty (G20), the forum for debate on financial and economic issues among the most economically important countries." Source: Bank of Italy.

⁹ Even outside Europe, the topic of governance, which has become relevant in the 90s, has carried even more weight since the 2008 crisis. On the basis of the OECD's 1999 Principles of Corporate Governance, the Basel Committee (BCBS) has approved its 1999 Enhancing Corporate Governance for Banking Organizations, later reworked in 2006 in accordance with the updated version of the same principles that the OECD had renewed in 2004. The context of those guidelines is doubtlessly more broad, suffice to think of BCBS's Principles of Enhancing Corporate Governance published in 2010, or the 2015 Corporate Governance Principles for Banks pushed by the Financial Stability Board (concerning this, we can cite the 2013 Thematic Review of Risk Governance and the 2013 Principles for an Effective Risk Appetite Framework). EBA's 2011 Guidelines on internal organization and on evaluating the suitability of members of higher bodies from 2012, as well as recent developments in European regulations on sustainable finance must be considered.

¹⁰ This is a reference to the amendments, among others, to Directive 2013/36/EU (or CRD IV) made by Directive 2019/878/EU of 20 May 2019 on exempted entities, financial holdings, mixed financial holding companies, remuneration, supervisory measures and powers, and capital conservation measures.

¹¹ The latest amendments include those made by amending Regulation (EU) 2020/873 adopted "in response to the COVID-19 pandemic" and the amending Regulation (EU) 2021/558, which "introduces changes to improve the overall risk-sensitivity of the Union's securitisation

ence in periods of economic stress. The new measures on sustainable finance, including **Regulation (EU) 2019/2088 (SFDR)** and **Regulation (EU) 2020/852 (European Taxonomy)**, are also particularly important.

In Italy, the regulatory system is integrated by ministerial acts and those issued by various authorities,¹² first and foremost the **Bank of Italy**,¹³ which has regulatory and sanctioning powers.

As far as **fair competition** is concerned, the market in which **FinecoBank** operates presents entry barriers based on regulations, size criteria and strategy. In any case, national and European regulatory provisions tend to remove restrictions and obstacles to the free market, and guarantee freedom of choice between different banking and/or financial operators.

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

The Bank does not have a monopoly **in any** of the above three sectors nor is it a party to competition-restricting agreements. Furthermore, Italian, European or other foreign supervisory and antitrust authorities have not reported any problem in this regard.

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

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

2. CONTRACTS, FINANCING AND PUBLIC AID

As highlighted in previous Reports, the Bank did **not** benefit from public funding, special terms or other State aid that could have distorted fair competition or the market.

3. MARKET DISTORTIONS, FAVOURITISM & CORRUPTION

The Bank does not provide public utility services.

As highlighted in the previous Report, the Bank's financial results **do not depend** on the outcome of competitions, orders, or assignments by any national or foreign public administration or selected large customer.

Its main relationships with institutions have to do with supervisory and compliance activities. Therefore, the **risk of corruption** or favouritism is low, monitored and mainly regulated by the internal Organisational Model (and related documents), the Code of Ethics and relevant policies.¹⁴ The internal Organisational Model and the Code of Ethics have been recently updated.¹⁵

framework to make the use of securitisation more economically viable for institutions within a supervisory framework that preserves the Union's financial stability". Source: EurLex.

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

¹³ The Bank of Italy, as the national oversight Authority, is responsible for supervising banks, banking groups, financial intermediaries, electronic money and payment institutions (Article 5, sub. 2, Consolidated Law on Banking - TUB), to ensure stability, efficiency and competitiveness within the financial system as a whole, the healthy and prudent management of intermediaries, as well as compliance with provisions on credit and financing (Article 5, sub. 1, TUB).

¹⁴ The reference is, in particular, to the Global Anti-Corruption Policy updated by the Banks at the beginning of 2022, and its Operating Instructions that set minimum compliance standards on anti-corruption for "*members of Fineco's strategic, control and executive bodies, employees, personal financial advisors and casual collaborators*". In 2021, the following internal policies were also updated: Compliance Culture Global Policy, Integrity Charter and Code of Conduct, Global Policy on Managing Transactions with Possible Conflict of Interest, Global Policy "Anti-Money Laundering and Combating the Financing of Terrorism". Source: 2021 Sustainability Report, pages 70-72.

¹⁵ 2021 Internal Organisation Model and 2022 Code of Ethics.

As far as **whistleblowing** is concerned, the Bank has introduced an ad hoc policy to regulate the in-house system to report unlawful behaviour.¹⁶ Local ad hoc bodies manage reports but, in some specific cases, Finecobank's Internal Audit department can replace them.¹⁷

A specific function as well as specific procedures deal with the prevention and management of risks related to **tax** compliance.¹⁸

4. INTERNAL VOLUNTARY RULES ON OWNERSHIP

FinecoBank is **listed** on the **Italian Stock Exchange** (the Mercato Telematico Azionario system or MTA).¹⁹

At 31 December 2021, FinecoBank's share capital²⁰ amounted to **€201,3 million**, divided into **609,899,770 ordinary shares**, each with a nominal value of €0.33.

Its **ordinary shares** carry the standard rights provided for by Italian legislation in line with **EU** and **OECD** guidelines.²¹

FinecoBank's **main shareholder** is the **market** that holds **81.817%** of its capital.²² The remaining capital²³ is held by **BlackRock Inc.** with a total share of **(9.201%)**, **Capital Research and Management Company** **(5.050%)** and **FMR LLC** **(3.932%)**.

There are no off-shore shareholders.

The following are **not** provided for and/or planned:

- special prerogatives assigned to specific types of shares or bonds;
- securities conferring **special rights** of control;
- **restrictions** to the transfer of securities;
- provisions in the Bank's Articles of Association allowing **multiple volte or increased voting rights**;
- **shareholders' agreements**;
- **Employee Financial Participation** (EFP) in the Bank's capital.

Derivatives on regulated markets with underlying FinecoBank securities are conventional and in line with the risk profiles set by the regulators.²⁴

FinecoBank adopts **equity** incentive plans.²⁵

¹⁶ It is the Whistleblowing Global Policy available in the Bank's website. Complaints can be made by employees, financial advisors or third parties. This procedure aims at guaranteeing the utmost confidentiality for the people involved (whistleblowers and suspects) and preventing discriminatory practices and retaliations after the report. Source: 2021 Sustainability Report, p. 74.

¹⁷ Reports are handled by the Compliance Officer of the company where the alleged unlawful or harmful behaviour has occurred or could occur. If the "Compliance Officer is hierarchically and functionally subordinate to the person to whom the complaint relates or if he or she is held responsible for the violation or has a potential interest in the report that is liable to compromise his or her impartiality and independence of judgement, the Internal Audit department may be contacted directly" as a "reserve function". Source: 2021 Sustainability Report, p. 74; Whistleblowing Global Policy, p. 8 (only available in Italian).

¹⁸ In particular, the Bank "has put in place an effective tax risk control system (Tax Control Framework, TCF) that provides for: (i) a clear attribution of roles and responsibilities to corporate bodies and functions, with adequate skills and experience, (ii) adequate processes for detecting, measuring, managing and controlling tax risks, ensuring compliance with procedures at all levels of the company, and (iii) specific procedures to remedy any shortcomings found and to trigger the necessary corrective measures". Source: 2021 Sustainability Report, pages 75-77.

¹⁹ As outlined in previous reports, in 2016, FinecoBank joined the FTSE MIB and Standard Ethics Italian Index. In 2017, it joined the Stoxx Europe 600.

²⁰ The Bank's share capital has increased since 31 March 2022 in order to launch employees' incentive plans. Source: 2021 Report on Corporate Governance and Ownership Structure, p. 17.

²¹ Fundamentally, these rights are in line with the European regulatory framework. They are: equity rights to profits and share of liquidation; administrative rights to attend and vote at shareholders' meetings; administrative rights to challenge resolutions, consult the financial books, the budgets, the book of resolutions and the shareholders' register; rights to check any report of possible irregularity; disposal rights through pledge of or beneficial interest in shares.

²² These are Free Floating Shares.

²³ These are the figures recorded by Consob on 28 March 2022. Source: Corporate website.

²⁴ There are many derivatives with underlying FinecoBank shares including futures (with various maturities), traditional options (Call, Put), and other structured products.

²⁵ These plans are aimed at a limited number of top managers and employees. The Bank offers "incentives based on financial instruments offering opportunities of share ownership in full compliance with the applicable law as integral part of the approach to overall remuneration." In this context, the Share Ownership Guidelines "set minimum levels for company share ownership for covered Executives, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in FinecoBank shares over time". Source: 2022 Remuneration Policy and Report, p. 26.

5. OWNERSHIP AND CONFLICTS OF INTEREST

There are **no** shareholders who are public authorities or who appear to be involved in the regulation of the market segment in which the Bank is active.²⁶

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

The issue of protection of **minority shareholders** and their **representation** is overseen at statutory level according to the law and the Italian Corporate Governance Code.²⁷

A broad shareholder base, absence of a majority shareholder, and compliance with national regulations offer little room for further voluntary measures on this aspect.²⁸

Internal rules on the composition of the Board of Directors impose requirements such as gender balance, independence and possession of specific skills, including **sustainability** skills.²⁹

7. INTERNAL VOLUNTARY RULES ON DIRECTORS

FinecoBank has adopted the "traditional" **management** and control **system** based on two bodies appointed by the shareholders' meeting: the **Board of Directors**, and the **Board of Auditors**.³⁰

The **Board of Directors** is vested with the broadest powers for ordinary and extraordinary administration.³¹

FinecoBank's Board has **11** members,³² of different nationalities. Its composition **complies with gender equality**.³³ **Independent** Directors represent the **absolute majority**.³⁴ There are **no** cases of **interlocking directorship** within the Group. Directors' CVs are published on the Bank's website. There is no employee representative in the Board.³⁵

²⁶ Some of the major shareholders operate in the banking and/or financial market.

²⁷ The appointment of representatives of minority shareholders to the Board of Directors and the Board of Auditors is ensured by the list voting system that "entails lists of competing candidates". Source: 2021 Sustainability Report, p. 19. "Specifically, (...) *two directors shall be allocated to the list that came second in terms of number of votes, while one director shall be allocated to the list coming third by number of votes provided they obtained at least 2% of the votes cast at the shareholders' meeting.*" Source: 2021 Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A., p.6; this is also laid down in Article 13, paragraph 12 of the Bank's Articles of Association.

²⁸ Currently, there are two members of the Board of Directors representing minority shareholders (Elena Biffi and Marin Gueorguiev), three standing members (Luisa Marina Pasotti, Massimo Gatto and Giacomo Ramenghi) and two alternate members (Lucia Montecamozzo and Alessandro Gaetano) of the Board of Auditors. Source: Company source.

²⁹ Please see: 2021 Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A., p. 9. As far as gender quotas are concerned, the document is in line with the national banking practices and outlines the need to ensure at least minimum gender balance as requested by the law (but still parity) as per article 147-ter, paragraph 1-ter, of the TUF as amended by Law 27 of December 2019, no. 160.

³⁰ The Board of Directors has managerial and strategic functions whereas the Board of Auditors has control functions.

³¹ Except those powers that the Italian legislation exclusively vests in Shareholders' Meetings.

³² On 28 April 2020, the Shareholders' Meeting appointed the following Directors on the basis of lists for the 2020-2022 years: Marco Mangiagalli – Chairman; Francesco Saita – Deputy Chairman; Alessandro Foti – Chief Executive Officer and General Manager; Paola Giannotti De Ponti; Patrizia Albano; Gianmarco Montanari; Maria Alessandra Zunino de Pignier; Andrea Zappia; Giancarla Branda; Elena Biffi and Marin Gueorguiev. Andrea Zappia resigned with effect from 1 March 2021 and was replaced through co-optation (Article 2386 of the Italian Civil Code) by Alessandra Pasini. Source: Corporate website; 2021 Report on Corporate Governance and Ownership Structure, p. 37.

³³ There are 6 female Directors and 5 male Directors. The Bank states that it is "*the first FTSE MIB company with a Board composed by a majority of women.*" Source: FinecoBank Press Release dated 16 March 2021.

³⁴ "*In 2022, the Board carried out the annual verification of satisfaction of independence requirements on March 15, applying the New Corporate Governance Code. The Board of Directors verified the existence of the requirements of independence of the Directors pursuant to the applicable laws and regulations and in particular pursuant to Article 148 of the Consolidated Law on Finance and Article 2 of the Corporate Governance Code to which the Company adheres. All Directors are independent except for the CEO and General Manager, Alessandro Foti.*" Source: 2021 Report on Corporate Governance and Ownership Structure, pages. 51-52.

³⁵ Source: 2021 Report on Corporate Governance and Ownership Structure, p. 19.

The Board of Directors has duly created the **Risk and Related Party Committee**,³⁶ the **Remuneration Committee**,³⁷ the **Appointments Committee**³⁸ and the **Corporate Governance & Environmental and Social Sustainability Committee**.³⁹

The **Sustainability Management Committee** assists the latter Committee and is chaired by the Bank's Chief Financial Officer (CFO).⁴⁰ In 2021, the Bank's CFO was appointed by the Board of Directors as **Management Representative** under **EMAS Regulation** no. 1221/2009/EC.⁴¹

Directors have to comply both with **voluntary regulations** and the regulations outlined in FinecoBank's **Code of Ethics**, the main instrument containing **Internal Voluntary Rules** (*Internal Voluntary Rules, IVR*), that has been recently updated.⁴²

The Group's **Integrity Charter** and **Code of Conduct**, both updated in 2021, also apply to them.⁴³

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

8. DIRECTORS, CONFLICT OF INTERESTS AND RELATED COMMITTEES

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

There are **no** Directors who are members of national and local government bodies, jurisdiction bodies or licence-granting bodies or bodies exercising control over the markets. There are no cases of cross-directorship.

There are **no** shareholders' agreements involving Directors and Managers.

As outlined in the previous Report, the question of **gifts** is dealt with by the **Integrity Charter** that sets out the terms and conditions whereby offering or receiving goods –

³⁶ Members (all of them Board members as well): Francesco Saita (Chairman); Elena Biffi; Paola Giannotti De Ponti; Marin Gueorguiev; and Maria Alessandra Zunino de Pignier. Source: Corporate website.

³⁷ Members (all of them Board members as well): Gianmarco Montanari (Chairman); Giancarla Branda; and Paola Giannotti De Ponti. Source: Corporate website.

³⁸ Members (all of the Board members as well): Elena Biffi (Chairwoman); Patrizia Albano; and Gianmarco Montanari. Source: Corporate website.

³⁹ Members (all of them Board members as well): Maria Alessandra Zunino de Pignier (Chairwoman); Patrizia Albano; and Francesco Saita. Source: Corporate website. This Committee was "established in 2020 with exclusive responsibility for sustainability matters (...)". It also has, among others, the task of (...) "providing opinions and support to the Board of Directors in defining FinecoBank's Corporate governance system, the Group's corporate structure and models and guidelines on governance (...)". Sources: 2021 Sustainability Report, p. 18; 2021 Report on Corporate Governance and Ownership Structure, pages 58-60; 2020 Corporate Bodies Regulation, page 23).

⁴⁰ A 'technical structure' called Sustainability Office, reporting directly to the CFO, supports and coordinates the Group's activities in this area. The Committee works at executive level whereas the office monitors related regulations and legislation, progress on sustainability initiatives and strategy, and is in charge of the yearly non-financial reporting. Source: 2021 Sustainability Report, page 18.

⁴¹ In this capacity, he performs the following tasks: "ensuring that the environmental management system is established, implemented and maintained in accordance with the requirements of this International Standard; reporting to senior management on the performance of the environmental management system at the end of the review, including recommendations for improvement. The Management Representative uses the aforementioned Sustainability structure to perform operational activities". Source: Company source.

⁴² In the second quarter of 2022. Source: Company source.

⁴³ Published in a single document, the two instruments have the following functions: the Integrity Charter is an asset for the entire Group in that it defines its founding values; the Code of Conduct sets the basic principles to underpin the behaviour of those who work for the Bank. Source: 2021 Gruppo FinecoBank's Integrity Charter and Code of Conduct, p. 4 (only available in Italian). See also the dedicated section in the Non-Financial Statement on the relationship between the Integrity Charter, the Code of Conduct, the Code of Ethics and the Organisational Model. Source: 2021 Sustainability Report, pages 69-70.

⁴⁴ The Body supervising the Organisational Model: "has been conferred independent control and initiative powers as well as independent spending powers; it regularly reports to the Risk and Related Party Committee on the functioning of the Model; and submits a yearly written report to the Board of Directors. (...)". Source: Organisational and Management Model of FinecoBank S.p.A. as per Legislative Decree no. 231/01, p. 17. On 9 June 2020, the Board of Directors passed a resolution appointing the following new members of the Supervisory Body: Marianna Li Calzi (Chairwoman), Salvatore Messina and Patrizia Verdesca (in charge of the Bank's Internal Audit). Source: Company source.

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

⁴⁶ FinecoBank subscribed to them with a Board resolution dated 15 December 2020. The Corporate Bodies Regulations of FinecoBank S.p.A. was subsequently amended to be in line with the new Code. The updated version was published on the website in May 2022.

⁴⁷ In particular, the Bank has adopted a Global Policy for the Management of Transactions with Persons in Potential Conflict of Interest. This policy was updated in December 2021 and published in the corporate website. Source: 2021 Sustainability Report, p. 72.

as long as it is not money – is not an undue influence in the context of business relationships.⁴⁸

The **remuneration** policy⁴⁹ is in line with the guidelines of the Supervisory Authority and its definition and approval involve control bodies.⁵⁰

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

Executives with strategic responsibilities receive fixed and variable remuneration linked to the achievement of individual performance objectives of a quantitative and sustainability-related nature, implementing the Group's environmental, social and governance (**ESG**) strategy.⁵¹

The **Gender Pay Gap** is being monitored and measures to neutralise it are in place.⁵²

9. DISCLOSURE, TRANSPARENCY AND STAKEHOLDERS

The Bank prepares and publishes a Non-Financial Statement in accordance with the **GRI Sustainability Reporting Standards** published by the Global Reporting Initiative (GRI).⁵³ There is a special section with information on the so-called European Taxonomy.⁵⁴

In June 2022, FinecoBank published its first "**Reporting and Self-Assessment**" document in relation to its commitments as a signatory (since 2020) to the **Principles for Responsible Banking (PRB)**.⁵⁵

The risk control and management system - that is applied to all the Group's companies - is characterised by the usual first, second and third level controls. It also includes the identification of both critical issues and **ESG risk** mitigation measures, which are constantly being monitored and expanded and will continue in 2021.⁵⁶

In 2021 and in line with the European regulatory framework,⁵⁷ the Bank defined and published its **Policies on the Integration of Sustainability Risks into Investment Advice Services**.⁵⁸

⁴⁸ The Integrity Charter states that in the context of a business relationship, everyone working on behalf of FinecoBank may only offer or receive gifts, entertainment, hospitality if they are of reasonable and proportionate value. These circumstances do not represent undue influence in current or future business relationships. Offering, promising or giving (both directly or indirectly) complimentary items, entertainment, hospitality or any other benefit to foreign or national public sector officials unless approved by the Compliance function in line with local is not allowed. Cash gifts or equivalent are not allowed".

⁴⁹ Published every year on the corporate website.

⁵⁰ Source: 2021 Remuneration Policy and Report, pages 18-21.

⁵¹ Source: 2021 Remuneration Policy and Report, pages 6- 7 and pages 21-22.

⁵² Source: 2021 Remuneration Policy and Report, pages 22-23.

⁵³ It should also be noted that the financial year that just ended saw the start of a "process (...) that will lead to a complete update of the list of material topics to be used for the 2022 Non-Financial Statement, also via the update of the stakeholder map." Source: 2021 Sustainability Report, p. 56.

⁵⁴ Source: 2021 Sustainability Report, pages 64 and subsequent.

⁵⁵ Published on the corporate website, this model describes the commitments undertaken by the Bank and how they are implemented and realized, providing a summary self-assessment on the achievement of related objectives. Sources: Corporate source; Principles for Responsible Banking Reporting and Self-Assessment, pages 2 and subsequent.

⁵⁶ In this regard, there are many novelties. Please note that (see also the source for further details): "the CRO Department, as part of the 2021 Risk Inventory, prepared a special focus on ESG risks and reputational risks (...). The assessment of ESG risks, in line with the priorities highlighted by the regulators, focused on climate and environmental risks (...) the risk categories impacted by ESG factors were credit risk (mortgage loans and strategic investments mainly with sovereign counterparties) which, albeit marginally, could be negatively affected by physical and transition events, and business risk which could be impacted, in the long term, by changes in customer preferences as part of the transition towards a low carbon economy (...) As part of the monitoring of country risk, a number of indicators (Worldwide Governance Indicators) have been introduced, developed by a group of researchers in collaboration with the World Bank, aimed at summarising the effectiveness of policies implemented by government authorities in different countries. To accompany these indicators, a specific environmental risk indicator, ND-Gain, has been introduced, which was developed by a group of re- searchers at the US University of Notre Dame". Source: 2021 Sustainability Report pages 22 and subsequent.

⁵⁷ This refers to the regulatory instruments included in the Action Plan: Financing Sustainable Growth launched by the European Commission in March 2018 [COM(2018) 97 final].

⁵⁸ The document, issued on 10 March 2021, is available on the corporate website. In particular, it states that "(...) Since 1 January 2021, the Bank has been integrating sustainability risks in its consulting services through the ESG rating. The Bank is therefore committed to evaluating, selecting and including in its asset management products preferably new products with an ESG rating depending on the

The **New Product Process - Global Policy** was also updated in line with the strategy of progressively integrating ESG factors into the Bank's activities.⁵⁹

As far as traditional corporate **reporting** is concerned, the Bank uses its own website and communication tools in line with the sector's good practices.⁶⁰ In terms of media and investor relations, FinecoBank is independent and constantly updating these relations.⁶¹

The **Comply or Explain** principle is generally adopted.⁶²

10. PARTICIPATION AND VOTE IN GENERAL MEETINGS

The issue of dialogue with shareholders and the financial community is dealt with in the Code of Ethics and set out in a dedicated **Policy** approved in December 2021.⁶³

As far as participation in shareholders' meetings is concerned, special conditions are offered at statutory level, in line with industry's best practices.⁶⁴

11. EMPLOYMENT AND HUMAN RESOURCES SELECTION

At 31 December 2021, FinecoBank's **employees** amounted to 1,305 (as against 1,262 for the previous year).⁶⁵

The process of selecting, hiring and managing human resources is guided by criteria of objectivity, equal opportunities and the prohibition of any discrimination.⁶⁶ These principles, laid down in the Code of Ethics, are specified in procedures and policies.⁶⁷ Staff selection is performed by reviewing CVs and through interviews. The organisational framework appears well structured⁶⁸ and makes use of digital technology.⁶⁹

availability and coverage of these ratings in relation to the asset class and type of product being considered". Source: Policies on the Integration of Sustainability Risks into Investment Advice Services of FinecoBank S.p.A., p. 3.

⁵⁹ The policy "(...) governs the assessment of the risks associated with new products and substantial changes to existing products, and it has been integrated with the assessment of sustainability risks and requires any environmental sustainability, social and/or governance objectives". Source: 2021 Sustainability Report, p. 65.

⁶⁰ As well as the Financial Statements, the main documents published on the website are: Report on Corporate Governance and Ownership Structure; Articles of Association; Internal Regulations; Minutes of Board meetings with amendments to the Articles of Associations; Directors' and Auditors' CVs; Regulations for General Meetings; Minutes of General Meetings with related reports; main procedures. Obviously, information that can affect share price is disseminated according to the modalities defined by the TUF and Consob Regulation no. 11971. The website contains a section on sustainability that was updated at the beginning of 2021 and includes reports on ESG as well as the ESG strategy within the Bank's 2020-2023 Multi-Year Plan. The strategy outlines specific targets and sets quarterly monitoring by the Management Committee and the Corporate Governance & Environmental and Social Sustainability Committee.

⁶¹ Please refer to the Non-Financial Statement for details of the various events that took place in this context in 2021. In this document it is worth highlighting that there were 10 ESG interactions in 2021 in addition to the ad hoc requests received throughout the year. In this regard, it should be mentioned that in June 2021 FinecoBank participated in the Italian Sustainability Week organised by the Italian Stock Exchange. Source: 2021 Sustainability Report, p. 15.

⁶² Formally mentioned by the 2020 Non-Financial Statement, compliance can currently be inferred from the adoption of the Italian Stock Exchange's Corporate Governance Code (governance side), and non-financial and standard reports (for reporting).

⁶³ This is the Policy for the Management of Dialogue with the Financial Community that defines the set of rules, responsibilities and processes aimed at conducting and managing the Dialogue, in line with the recommendations of the Corporate Governance Code, the Assonime Principles, the engagement policies adopted by institutional investors and asset managers, and international best practices on the subject. Source: Policy for the Management of Dialogue with the Financial Community, p. 6 (only available in Italian).

⁶⁴ In particular, Article 8 of the Bank's Articles of Association lays down that "holders of voting rights may participate in the Shareholders' Meetings using telecommunication means and exercise their voting rights using electronic means (...)." They can also participate via a proxy representative and by means of an "electronic document" in compliance with applicable regulations and in accordance with the provisions of the notice of call. Source: Articles of Association, pages 8-9.

⁶⁵ Of these, "42% were women, 99% were employed on permanent contracts and the majority were based in Italy (97%)". Source: 2021 Sustainability Report, p. 83.

⁶⁶ In particular, the Bank adopts "criteria of objectivity, competence and professionalism, applying the principle of equal opportunity without favouritism, with the aim of securing the best people in the labour market and complying with the relevant legislation". Source: Code of Ethics, p. 14.

⁶⁷ For the more general profiles, this is a reference to the HR Policy Framework - Global Policy, first adopted in 2016. As far as gender equality and inclusion are concerned, it is worth highlighting the Global Policy on Gender Equality and the Combating Harassment, Sexually Inappropriate Behaviour and Bullying Global Policy. The latter policy is available on the corporate website. Source: 2020 Sustainability Report, pages 82 & 91.

⁶⁸ The HR Policy Framework - Global Policy regulates processes related to "human resource management, people engagement, skill modelling, training and development, talent acquisition, compensation and benefits". Source: 2021 Sustainability Report, p. 82.

⁶⁹ Source: 2021 Sustainability Report, p. 85.

Gender equality, promotion of diversity and inclusion are part of the strategic commitments made by the Bank.⁷⁰ The issue of equal pay (**Gender Pay Gap**) is being monitored.⁷¹ The Bank has launched initiatives to fill the generational gaps and support **disabled** people. It employs a **Diversity Manager**.⁷²

Training and refresher courses are regularly provided.⁷³ The training offer is broad and includes professionalisation courses on selected and on demand topics.⁷⁴

12. HEALTH AND SAFETY AT WORK AND SOCIAL DIALOGUE

The Bank has adopted an ad hoc management system on **Health and Safety** at work in line with national legislation that is already very advanced.⁷⁵

The Code of Ethics deals with the various aspects related to **work-life balance**.⁷⁶

The work-life balance issue is managed through dedicated governance tools⁷⁷ and policies. It is regularly monitored through yearly surveys.⁷⁸

The Bank's **welfare** system supplements the national social security system, includes employees' families and contains provisions for retirement.⁷⁹

⁷⁰ As outlined in previous Reports, in 2019 Finecobank subscribed to the ABI Charter *Donne in Banca: valorizzare la diversità di genere* (Women in Banking: Promoting Gender Diversity). It also joined 'Valore D' and has used this network's methodology for the Inclusion Impact Index to map its diversity and inclusion policies in an integrated fashion and to measure their impact. Continuous monitoring of resources returning from maternity and paternity leave to ensure equal treatment has been adopted. According to a survey carried out by the Bank in 2021, out of 22 people on leave "100% returned to the same role as before the period of absence, also in the case of senior roles; (...) 68% returned to full-time work without requesting any kind of flexibility, while 32% requested part-time work or more flexible working hours; (every request was accepted); (...) 33% received a promotion or salary increase or a bonus during the period of maternity leave". Source: 2021 Sustainability Report, p. 92.

⁷¹ In particular, "the Gender Pay Gap and Gender Balance KPI was included in the specific objective "Stakeholder value" relating to ESG factors within the performance evaluation reports for the CEO and General Manager and all the Bank's Identified Staff with regard to the short-term incentive system." Furthermore, starting this financial year, "objectives related to Gender Balance and Gender Pay Gap are monitored as operational risks for the Bank". Source: 2021 Sustainability Report pages 91-92; Company source.

⁷² As far as initiatives to support labour inclusion of people with disabilities are concerned, the Bank took part in two digital events (the Digital Diversity Day and the Inclusion Day). As in previous years, the partnership with Jobmetoo, an online recruiting platform, continued. It is worth highlighting that staff "belonging to protected categories (...) at 31 December 2021, came to a total of 55 of which 5 were middle managers and 50 were professional employees." Source: 2021 Sustainability Report, p. 92.

⁷³ In 2021, during the pandemic emergency, training activities were performed remotely on a dedicated online platform or on external platforms for a total of about 40,000 hours (more than 31 hours per employee). Source: 2021 Sustainability Report, p. 96.

⁷⁴ As an example, in 2021, the training offer was expanded "to include courses devoted to the subject of Sustainability (...) covering the three dimensions of economic, environmental and social sustainability, as well as the application of sustainable choices within the Bank. A special focus was also dedicated to the Environmental Management System, implemented by Fineco in accordance with the EMAS Regulation, through two days of training for the functions directly involved in the activities related to the System." Other training initiatives concerned the acquisition of technical-specialist skills (e.g. the 'Executive Program in Compliance' in collaboration with the Catholic University of Milan); behavioural issues; diversity and inclusion issues; the acquisition of language skills through "the new Voxy language training platform (...) based on artificial intelligence and learning programmes tailored according to their initial knowledge level and interests." and the introduction of Legal English courses. There are also on-the-job training initiatives and job rotation pathways. Source: 2021 Sustainability Report, p. 95.

⁷⁵ The Health and Safety management system for all employees is "coordinated and managed by the Prevention and Protection Service, consisting of an external Prevention and Protection Service Manager (hereafter referred to as PPSM), an external competent physician (responsible for coordinating two other physicians, one in Milan and one in Reggio Emilia), an internal safety officer (in accordance with Legislative Decree 81/08) and two employee safety representatives (hereafter referred to as ESRs)." Employees can also report potential and current workplace hazards through a special channel. FinecoBank regularly assesses the psychological and physical condition of its employees and working areas. The additional measures put in place by the Bank to deal with the Sars-Cov-2 health emergency were adopted during the year just ended. Examples include a dedicated 24/7 healthcare service and the provision of antigen tests and vaccines for employees and family members. Please refer to the 2021 Non-Financial Statement for the remaining provisions and the measures taken to adapt work premises. Source: 2021 Sustainability Report, pages 105-106 and 108.

⁷⁶ Source: Code of Ethics, p. 13.

⁷⁷ It is noted that the Equal Commission for Work-Life Balance, Innovation and Welfare convened 5 times in the course of 2021 in order to develop and improve the services and initiatives relating to 4 thematic macro-areas: savings (...); family (...); work-life balance (...); health (...). Source: Sustainability report 2021, p. 102.

⁷⁸ "(...) the monitoring of objective data regarding workloads and work patterns continued in 2021, as detailed in the Related Work Stress Assessment carried out in 2020." continued in 2021. Source: 2021 Sustainability Report, p. 106.

⁷⁹ Source: 2021 Sustainability Report, p. 102. It is worth highlighting that "the corporate welfare system was enriched in July 2021 with the introduction of Ticket Compliments vouchers expendable in different product areas; they further expand the possibility of spending the Welfare Account via the digital platform. This initiative was confirmed for 2022 as well. In February 2022, the new platform dedicated to the Welfare Plan was introduced, replacing the previous platform. At the same time, in view also of the possibility of spending in 2022 any residual Welfare Account balances relating to the 2020/2021 period, the new 'digital information corners' were organised to enable every colleague to discover the services offered by the new platform. In March 2022, the new Innovation Plan was signed. It runs for the 2022/2023 two-year period and provides for leave aimed at protecting and supporting parenthood and, more generally, at reconciling work with life. Examples are: paid leave for key life events (marriage, child graduation, first home purchase, etc.), paid leave to care for children with specific learning disorders, leave to care for disabled family member, quarantine leave and leave when teaching in presence is suspended. In December 2021, the Supplementary Health Care Plans for the 2022-2024 three-year period were renewed with the introduction of some important new features such as increased ceilings (cancer treatment, dental treatment, prevention and maternity package) and new guarantees (physiotherapy treatment also for severe disabilities). Insurance coverage was also renewed for 2022 under the

Dialogue with Social Partners is constant.⁸⁰

A recent example is the innovative **Agile Work Agreement** concluded by the Bank with trade union representatives, which goes beyond the national norm.⁸¹

13. ADAPTATION TO CHANGES

Given FinecoBank's organisational structure and business sector, the significance of the issue in question - although central in the EU and OECD - is limited.

The absence of specific commitments and/or extraordinary initiatives in this area does not have a negative impact.

14. ENVIRONMENT

The Bank's commitment to environmental protection is enshrined in its Code of Ethics⁸² and pursued through **specific policies**⁸³ and the **2021-2024 Environmental Programme**.⁸⁴

Thanks to the Group's commitment to 'Net Zero Emissions', the targets for internal and financed emissions to 2050 and their intermediate targets have been officially adopted.⁸⁵

Implementation of the Bank's Environmental Management System in accordance with **EMAS** requirements (Regulation No. 1221/2009/EC) was recently completed.⁸⁶

The Bank's strategy to minimise its environmental impact includes activities to monitor energy consumption and emissions, as well as planning and management actions,

same conditions: Life, Occupational and Non-occupational Accidents, Incapacity for Work and Permanent Disability due to Illness. The Psychological Support Service was also renewed for the same duration. The Psychological Support Service was also renewed for the same duration." Source: Company source.

⁸⁰ In 2017, a Group trade union agreement was reached. Following this agreement, a bilateral Committee was set up to monitor the implementation of the Group business plan and the technological and digital innovation programmes. Source: Company source. Please note that "All the employees of FinecoBank S.p.A. are covered by collective bargaining agreements." Source: 2021 Sustainability Report, p. 103.

⁸¹ Signed in March 2021, this innovative Agreement "regulates agile work in all its main aspects, adapting the provisions of the Collective Agreement as best as possible to the company's needs and balancing agile work days and days of work in presence. The new 'hybrid' model makes it possible to work remotely (on a trial basis) for approximately two to three days per week, up to a maximum of 12 days per month, which is extended to 15 days for shift workers and those who work on Saturdays, Sundays and holidays. Mothers will also be able to work in agile mode for the two months preceding the start of their compulsory maternity leave. A further strong innovative element is the distribution of meal vouchers and overtime benefits during 'agile' working days." Source: Company source. Still on the subject of agile work, the initiatives already taken with reference to the emergency measures related to the Sars-Cov-2 pandemic are worth mentioning. Please refer to the relevant section of the 2021 Non-Financial Statement. Source: 2021 Sustainability Report, p. 103.

⁸² Source: Code of Ethics, p. 16-17.

⁸³ This is the Environmental Policy - FinecoBank Group, approved in December 2020. This policy "applies to all the activities carried out by FinecoBank Group, in Italy and abroad, and is structured through the definition of a series of General principles - which express the organization's guidelines and orientations - and of Main areas of intervention, which constitute the framework for establishing specific environmental objectives and targets, in the pursuit of continuous improvement of the (...) environmental performance" of the Group. Source: Environmental Policy - FinecoBank Group, p. 3 More recently (October 2021), the Reducing Energy Consumption Global Policy was approved. This policy outlines the "guidelines on the reduction of energy consumption at buildings occupied and/or managed by Group Companies, to the extent respectively feasible, in order to promote virtuous personal behaviour and/or practices by all Group Companies." Source: 2021 Sustainability Report, p. 136.

⁸⁴ Approved in June 2021 by the Board of Directors as part of the EMAS Environmental Management System implementation process, the Programme defines "the environmental objectives, operational actions, the company units responsible for their achievement, the resources allocated, the timeframe and, where possible, the quantitative targets." Source: 2021 Sustainability Report, p. 34.

⁸⁵ This information was acquired while revising this report in August 2022. Company source.

⁸⁶ It should be noted that "in May 2021 the Board of Directors approved FinecoBank's first Environmental Statement, which will be published on the company website after having obtained the EMAS Registration." Source: 2021 Sustainability Report, p. 133. With regard to the issuance of the certification in question, FinecoBank reports that in June 2022, the Bank passed the first EMS verification in compliance with EMAS requirements as conducted by the third-party certification body. This body found the absence of non-compliance. Formal EMAS recognition is being finalised by the competent national authorities. Source: Company source.

also using specific professionals such as the Group's **Energy Manager**⁸⁷ and **Mobility Manager**.⁸⁸

In 2021, FinecoBank drew up its **Home-Work Travel Plan**, which includes various measures to encourage **sustainable mobility**.⁸⁹

15. CONSUMERS AND QUALITY

This issue is dealt with by various internal documents starting from the Code of Ethics⁹⁰ with its references to general criteria of fairness, courtesy, transparency, professionalism and cooperation.⁹¹

In order to implement these principles, the Bank has recently updated an **internal circular**.⁹²

Measures to strengthen privacy and cybersecurity control systems also continued to be taken in 2021 on the basis of current legislation.⁹³

FinecoBank mainly communicates with consumers via the web and proprietary platforms through which it offers services, information, updates and data. The dialogue is supported by a dedicated **internal Customer Care** service and a network of financial advisors.⁹⁴

There are educational initiatives aimed at increasing consumer awareness of financial and market risk management and transaction security.⁹⁵

⁸⁷ The Energy Manager is "tasked with analysing, monitoring and optimising the use of energy in all the buildings, in order to achieve economic, energy and environmental benefits". During the year that has just ended, "the Energy Manager (...) conducted specific analyses, in collaboration with a specialist energy management consulting firm, aimed at designing energy efficiency measures. The main initiatives aimed at reducing the energy consumption of the company's offices and financial shops carried out in 2021 include the renovation to improve the energy efficiency of the common areas of the Milan headquarters (...). A single national supplier was also selected for the supply of natural gas and electricity, whose contract will start from January 2022. The supplier was chosen on the basis of the company's certifications and the Guarantees of Origin envisaged by Directive 2009/28/EC, which certify the usage of renewable sources produced in Emilia Romagna and Lombardy, regions where the Bank's main offices are located." Source: 2021 Sustainability Report, pages 32 and 136.

⁸⁸ The purpose of this appointment, that took place in 2021 "pursuant to Article 229, paragraph 4, of Decree-Law No. 34 of 19 May 2020 (so-called "Relaunch Decree") is to develop "sustainable mobility tools to reduce the environmental impact of vehicle traffic in the urban and metropolitan areas where Fineco operates." It should be noted that the "With the support of the Sustainability Office, the Mobility Manager reports on the work carried out to the "Corporate Governance and Environmental and Social Sustainability" board committee and the Sustainability Management Committee." Source: 2021 Sustainability Report, pages 32 and 138.

⁸⁹ One of the first measure undertaken under the Plan was the creation, in 2022, of a company portal on sustainable mobility accessible by all employees from the company intranet. For example, through the portal, annual season tickets for public transport at reduced rates can be purchased and paid in 12 monthly instalments directly charged to employees' pay slips. In addition, employees can consult local and national mobility news, search for the fastest and most environmentally efficient home-to-work route, and find mobility service management applications. These initiatives are in addition to those already made available to employees, such as the #BikeToFineco which allows all employees to request and obtain reimbursement for 'BikeMi' or 'RideMovi' subscriptions. Finally, on the subject of sustainable mobility, the policy on the allocation of mixed-use cars has been revised, with a car list consisting only of hybrid/electric cars. Sources: Company; 2021 Sustainability Report, pages 103 and 137.

⁹⁰ It is also addressed in the Integrity Charter and Code of Conduct. The Bank's focus is on compliance with procedures, proper communication of risks and costs, handling of conflicts of interests, gifts, proper data management or other critical aspects such as circumvention practices or unlawful behaviour.

⁹¹ Source: Code of Ethics, p. 6.

⁹² This is a reference to the "circular called Guidelines for the preparation of marketing and advertising initiatives (no. 48/2021). 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, and clearly stipulate that a certain behaviour towards 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." Source: 2021 Sustainability Report, p. 115.

⁹³ Compliance with the GDPR continued in 2021 as the Bank developed and improved the necessary measures to ensure, in particular, compliance with "the principles of data protection by design and by default, a data protection impact assessment, the fine-tuning of the data processing activity register and the strengthening of security measures." Mandatory training on privacy was given to all employees. As outlined in previous Reports, FinecoBank has adopted a specific policy to comply with Regulation (EU) 2016/679 (GDPR): the Global Privacy Policy that was updated during 2020. The Bank has also adopted a formal Security Plan to respond to incidents. The Plan has sections on governance, organisation, operations and reporting. Source: 2021 Sustainability Report, pages 117-118.

⁹⁴ Source: 2021 Sustainability Report, pages 113-114.

⁹⁵ Source: 2021 Sustainability Report, pages 147-148.

16. SCIENCE AND TECHNOLOGY The importance of technology is central and growing for the Bank's various activities, in its relations with its customers⁹⁶ and employees,⁹⁷ but also with a view to reducing its environmental impact.⁹⁸

There are **no** specific policies on **Artificial Intelligence (A.I.)**.⁹⁹

17. LOCAL COMMUNITIES As highlighted in the previous Report, FinecoBank works closely with local communities as it offers financial education activities¹⁰⁰ and supports health, welfare¹⁰¹, environmental¹⁰² and cultural¹⁰³ initiatives.

The Bank has also forged solid partnerships with local and national institutions and organisations.¹⁰⁴

18. BUSINESS PARTNERS This issue is addressed in the Code of Ethics and the internal Organisational Model, according to the principles of transparency and non-discrimination, avoiding conflicts of interest.¹⁰⁵

Supplier evaluation and assessment are also carried out on the basis of **ESG factors** and linked to the respect of **human rights** guaranteed, in particular by the International Labour Organisation (**ILO**).¹⁰⁶

⁹⁶ See previous paragraph of this Report.

⁹⁷ The reference is to the previously mentioned digitalisation processes in the areas of human resources selection and training provision, just to mention a few examples. Furthermore, the Bank is continuing to update its HR Next web platform enabling employees to update their personal details, enter monthly attendance/absences, manage their business trips and reimbursement of expenses and consult their payslips and *Certificazioni Uniche* (a certificate showing income from work as employee or self-employed, from a pension, or from other sources). The Bank continues to work on the release of HR Next mobile app, scheduled for the end of 2022. The app will enable all employees to use most functions of this platform while on the move. As of January 2022, Expense Report flows are kept in digital format and, therefore, comply with current provisions of law. This has made it possible to eliminate the paper-based management of expense reports, allowing a completely full digital management entrusted to a certified record keeper, already in use at the Bank. Source: Company source.

⁹⁸ In addition to the above, the main dematerialisation initiatives include remote digital signature and graphometric signature; the overall approach is to automate processes. Source: 2021 Sustainability Report, p. 134.

⁹⁹ The topic is an integral part of the European Digital Single Market. Given the need to address ethical and legal issues regarding the use of artificial intelligence in decision-making processes, in June 2018, the European Commission launched COM (2018) 237 Artificial Intelligence for Europe. In June 2019, the EU set up a working group (High Level Expert Group on Artificial Intelligence - AI HLEG) to provide further recommendations. It should be noted that the topic is currently under consideration by the European legislator: see the Proposal for a regulation of the European Parliament and of the Council laying down harmonised rules on artificial intelligence (Artificial Intelligence Act) and amending certain Union legislative acts, COM(2021) 206 final of 21 April 2021.

¹⁰⁰ Source: 2021 Sustainability Report, pages 147-148.

¹⁰¹ The following are examples of initiatives supported by the Bank in 2021 and at the beginning of 2022: four projects selected as part of the Christmas solidarity campaign, to which contributions from customers were added. Support was also given to other associations operating across the country, namely: Vidas, ALL, Cesvi, L'Aliante, Eraclé, Theodora, Croce Rosa Celeste, Anvol and CAF. FinecoBank chose to support with a donation of €200,000 the Soletterre Onlus Foundation which provides protection, therapeutic continuity, support and shelter to children cancer patients in Ukraine. The Bank has pledged to double every donation made by its customers, thus reaching a total contribution of more than €1 million. FinecoBank also supports Aibi, Associazione Amici dei Bambini (Friends of Children Association), which offers protection, care and support to orphaned children and families affected by war, facilitating the evacuation to safe places of minors in orphanages and foster homes. The Bank has pledged to double every donation made by its customers, through the matching grant mechanism, up to a maximum of €200,000. Source: 2021 Sustainability Report pages 144-146 and 149; Corporate website.

¹⁰² In 2021 too, the Bank was the main sponsor of all the initiatives launched by the Fondo Ambiente Italiano (FAI). It also took part in *Cura e adotta il verde pubblico* (Look after and Adopt Public Green Areas), a 3-year project launched by Milan City Council whose aim is "to contribute to the conservation and improvement of existing green areas, by selecting various types of plants (...) with a total of 516 new plantings". FinecoBank has also launched the LifeGate PlasticLess® project aimed at protecting the health of the sea by collecting floating waste, including plastics and microplastics, in the waters of ports and nautical clubs. In 2021 FinecoBank supported 'TEDxMilano' for the first time. In November, the third Fineco-supported event was held, entitled 'Countdown' and focused on the global climate emergency. Finally, with regard to local support, a new three-year project was launched to redevelop the NOLO district area where the Bank's offices are located. This initiative "is part of the *"Tunnel Boulevard"*, a wide-ranging regeneration initiative aimed at transforming and redefining the entire route along the Via Pontano tunnel (linking Via Padova and Viale Monza) with participatory social design, public art and urban art, involving a total of five railway tunnels, starting from this one." Source: 2021 Sustainability Report, p. 145.

¹⁰³ It is worth highlighting a new partnership with the Giangiacomo Feltrinelli Foundation to promote a series of meetings with Miguel Benasayg, an Argentinian philosopher and psychoanalyst, entitled *Cinque lezioni di complessità* (Five Lessons in Complexity). Source: 2021 Sustainability Report, p. 145.

¹⁰⁴ These include: ABI (Italian Banking Association), ASSIOM FOREX, ASSOGESTIONI (Italian Association of Asset Managers), ASSORETI, ASSOSIM (Italian Association of Financial Intermediaries), the Italian Association of Private Banking, CBI (Italian Association of Interbank Corporate Banking), the Italian Financial Banking Arbitrator, the Italian Interbank Deposit Protection Fund, the Italian National Compensation Fund, UPA (Italian Advertisers Association). Source: 2021 Sustainability Report, pages 47-48.

¹⁰⁵ Source: Code of Ethics, p. 9. The provisions of "the Expenditure Regulation, which was being updated at the end of 2021" should also be noted. Source: 2021 Sustainability Report, p. 50.

¹⁰⁶ Compliance with these criteria is checked through a self-assessment entry-level questionnaire. In particular, the evaluation is based on compliance with regulations on the environment and health and safety at work, adoption of a Code of Ethics and certifications (ISO

19. HUMAN RIGHTS

Protection of human rights and personal dignity is addressed in the Code of Ethics. However, it is more specifically addressed in the document entitled *Impegno in materia di Diritti Umani* (Human Rights Commitment)¹⁰⁷ that explicitly refers to the **Universal Declaration of Human Rights**, many other Conventions as well as the international Guiding Principles on Business and Human Rights.¹⁰⁸ It also provides for integration on the basis of the recommendations of the **UN Global Compact**.¹⁰⁹

There is a mechanism for monitoring and reporting potential violations.¹¹⁰

20. EUROPEAN AND INTERNATIONAL STRATEGIES

Following **FinecoBank's** example in 2020, in March 2022 the Irish subsidiary **Fineco Asset Management** subscribed to the 10 principles of the **UN Global Compact**.¹¹¹ In 2021, the Bank also joined the **Early Adopter Programme** for the reporting of Communication on Progress through the new Global Compact platform.¹¹²

European strategies seem to be adequately adopted by the Bank. They aim at achieving growth that is: a) smart, thanks to more effective investments in education, research and innovation; b) sustainable, by promoting an economy based on low CO2 emissions; and c) inclusive, i.e., focused on creating jobs and reducing poverty. The strategies focus on the following objectives: employment, innovation, education, poverty reduction and climate change/energy.

The introduction of **ESG Finance** activities can be included in this area.¹¹³

21. CONCLUSIONS (SUMMARY)

FinecoBank is a multi-channel direct bank offering banking, credit, trading and investment services.

Over the last five years, the Bank has constantly aligned itself with the voluntary ESG (Environmental, Social and Governance) guidelines as proposed by the UN, OECD and EU.

It has acted on: a) its sustainability governance model; b) the definition of corporate policies; c) the quality of the working environment and the care of its stakeholders; d) extra-financial reporting; e) the identification of targets appropriate to its type of business; f) ESG risk management; and g) the qualitative and quantitative composition of its top management bodies (also in terms of independence and above all gender equality).

It has carried out adequate training activities (also on fair competition) and deals with technological innovations, taking into account any related risks.

14001, ISO 45001, SA8000, ISO 50001, ISO 37001). The responsibility "for checking that the questionnaires have been correctly completed by the suppliers" lies with the Contract Managers. Finally, it should be noted that, on the subject of the fundamental rights of the individual, the reference is, in particular, to "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". The Bank also asks for a "self-declaration concerning the exploitation of workers, i.e., Illegal Recruitment and Labour Abuse." Source: 2021 Sustainability Report, pages 50-51.

¹⁰⁷ This Commitment, approved in 2020, applies to all Group's companies with a view to "guarantee compliance with national and international regulations and standards, defining an inclusive approach that allows impacts to be managed and minimises potential violation risks, always keeping stakeholder dialogue open and taking into account their legitimate expectations". The provisions of the Commitment are integrated into the various internal policies pertaining to the Bank's various areas of activity and its relations with stakeholders, through explicit references. Source: Human Rights Commitment, p. 3 and subsequent.

¹⁰⁸ For a detailed list of the numerous international sources referred to, please refer to the section entitled 'Basic Principles' of this document. Source: Human Rights Commitment, p. 4-5.

¹⁰⁹ Subscribed by FinecoBank in 2020, as already stated in the previous Report.

¹¹⁰ In particular, the aforementioned Whistleblowing Global Policy applies. Reports can also be made "through the appropriate complaint channels". Source: Human Rights Commitment, p. 11.

¹¹¹ Source: Corporate site of Fineco AM.

¹¹² Therefore, "further information on how the Bank applies the 10 Principles will be available on the Global Compact website following the publication of this document". Source: 2021 Sustainability Report, p. 44.

¹¹³ The objectives of Fineco's 2020-2023 strategy are: a) expanding the offer of social and environmental products in the mortgage area; b) introducing ESG criteria in product evaluation; c) designing and promoting new funds based on ESG criteria; d) increasing the share of Green and Social Bonds within the Bank's portfolio. Source: 2021 Sustainability Report, p. 34. The Bank has also subscribed to the United Nations Principles for Responsible Banking (UN PRB). As for the Irish subsidiary Fineco Asset Management (FAM), it too is active in researching and developing sustainable products and services in its offering. In 2020, this company subscribed to the UN principles of Responsible Investment (UN PRI) and in 2021 it adopted a Responsible Investment Policy (available on line), updated at the beginning of 2022. Source: 2021 Sustainability Report, page 44.

The short- and long-term outlook is positive.

* * *

SOURCES

(Where there are no dates, the most recent versions prevail)

The documents that have been consulted were published by the Client before the delivery of the guidelines.

The main sources are: Internal Code of Conduct, Financial Statements, ESG Reporting; Report on Corporate Governance and Company Ownership; Articles of Association; Bylaw Italian Legislative Decree 231/2001; Internal Regulations; Minutes of the Meetings of the Board of Directors with amendments to the Articles of Association; Regulations of the Shareholders' Meetings; Minutes of Shareholders' Meetings, Notices of Meetings and related explanatory reports; Various procedures including "related party transactions" and "Internal Dealing"; Documents on remuneration, qualitative and quantitative composition of top management bodies and sustainability strategies (at Group level too). Data and information given during meetings with internal functions were also used.

Other sources

Moreover, documents supplied by national and international regulatory bodies, the national stock exchange and independent sites.

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