Local Policy

Policies on the Integration of Sustainability Risks in Advisory Services

Approving Function	Board of Directors FinecoBank	**Date** July 2025
Proposing Function	Direzione Advisory, Third Party & Private Banking Solutions	

FinecoBank S.p.A. – Public

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1 INTRODUCTION AND SCOPE OF THE DOCUMENT

On March 8, 2018, the European Commission defined an action plan (i.e., Action Plan: Financing Sustainable Growth) with the aim of directing finance towards sustainable growth, also through targeted regulatory provisions.

The main objectives declared by the European Commission are as follows:

- direct capital flows towards sustainable investments;
- integrate sustainability into risk management;
- promote transparency and the adoption of long-term vision strategies by companies and institutional investors.

In order to facilitate the achievement of the aforementioned objectives through the integration of sustainability factors - environmental, social and governance - in the investment sphere, the European Commission has outlined a regulatory framework based on three pillars:

- EU Regulation 2020/852 (so-called Taxonomy Regulation) relating to the establishment of a framework that promotes sustainable investments, which establishes the criteria for determining whether an economic activity can be considered eco-sustainable, in order to identify the degree of eco-sustainability of an investment.
- EU Regulation 2019/2088 (so-called Sustainable Finance Disclosure Regulation or SFDR) relating to sustainability information in the financial services sector.
- EU Regulation 2016/1011 (so-called Benchmark Regulation) on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

In particular, within the broader regulatory framework that has been outlined, and which is still being defined, the SFDR and its related Delegated Acts aim to strengthen the protection of end investors and improve the information intended for them on the integration of sustainability risks, on the consideration of negative effects for sustainability, of sustainable investment objectives, or on the promotion of environmental or social characteristics, in advisory processes.

For the purposes of the SFDR, the “sustainability risk” is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential negative impact on the value of an investment. The “Principal Adverse Impacts” or “PAI” represent the so-called “negative externalities” of economic activities, i.e., the negative effects of investment decisions and investment advice from an environmental, social and “good governance” perspective, i.e., concerning personnel, respect for human rights and the fight against active and passive corruption (so-called ESG sustainability factors – Environment, Social, Governance).

With this Regulation, the Commission intends to guide the actors of the financial system to develop and propose financial instruments consistent with sustainable development objectives and investors to favor investment products that take into account the aforementioned factors.

In particular, the SFDR requires intermediaries offering advisory services on investments in financial and insurance products to define policies on the integration of sustainability risks in the provision of such services.

In addition to the above, this policy also refers to the obligations outlined in **Law 220/2021** concerning the prohibition of financing companies producing anti-personnel mines and cluster munitions, which apply to the Bank.

This document provides information on the policies currently defined by FinecoBank, as an intermediary offering investment advisory services, for:

- the integration of sustainability risk in the provision of such services;[1]
- the consideration of the main negative effects, determined by the investments subject to advice, on sustainability factors[2].
- complying with the provisions set out in Law 220/2021 or equivalent measures.

2 SCOPE OF APPLICATION

This Policy, approved by the Board of Directors, applies locally to FinecoBank, understood as a Company of the Group that offers investment advisory services according to an open platform model, based on the presence of Group products and third parties, mainly consisting of managed savings instruments and insurance products and, to a lesser extent, also by administered savings financial instruments. For the area covered, this Local Policy is to be considered related to the Global Policy "Information on sustainability in the financial services sector", from time to time in force, which implements the principles dictated by the SFDR Regulation and the second level legislation connected to it, providing indications on the policies to be adopted for the Group Companies in the roles of Participants in the financial markets and Financial Advisors, for:

- the integration of sustainability risks;
- the consideration of the main negative effects for sustainability in the processes and in the communication of information related to sustainability related to financial products and services;
- complying with the provisions of Law 220/2021 or equivalent regulations.

3 SUSTAINABILITY RISK

3.1 Methods of attributing sustainability risk to products

Currently, sustainability risk is measured for managed savings products (Mutual investment funds and SICAVs), ETPs (ETF/ETC/ETN) and the underlying of insurance policies (Unit Linked, Multiramo and Separate Management) through the use of a rating assigned by an external provider (hereinafter "ESG

[1] in accordance with article 3 paragraph 2 of the SFDR

[2] in accordance with article 4 paragraph 5 of the SFDR

Rating") based on a methodology validated by the Bank. The ability to assign the ESG Rating to a product depends on the coverage level of the assets that make-up the product itself and the completeness of the relevant information for the assessment of sustainability risk made available by the respective issuers and Asset Managers

The Bank is committed to expanding over time the scope of financial products provided with an ESG rating, continuously identifying and evaluating the services offered by providers on the market, in order to extend the coverage of sustainability risk assessment to the remaining products that can be advised by the Bank. The measurement of the sustainability risk of investment products takes place through the use of an ESG Rating, which is the result of an analysis based on the evaluation of environmental, social and governance factors. The sustainability rating provides investors with an immediate tool to better understand to what extent the economic value of a company could be at risk due to issues related to the environment, the social sphere or corporate governance, as well as making them more aware in investment choices.

3.2 Methods of integrating sustainability risks in the provision of investment or insurance consulting services

Starting from January 1, 2021, the Bank integrates sustainability risk into its consulting services through the detection of the ESG rating. Therefore, it commits to evaluate, select, and preferably insert new tools that have an ESG Rating into its range of managed savings products, compatibly with the availability and coverage of these ratings based on the asset class and type of product under evaluation.

Furthermore, to provide greater transparency to sustainability risk and increase the awareness of clients' investment choices, the Bank will display the ESG Rating in the product sheets of individual tools and in the reports related to consulting services.

In this way, the client will have the opportunity to know the exposure, both of individual tools and of their portfolio as a whole, to sustainability risk.

4 STATEMENT ON THE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

By 'Principal Adverse Impacts' (PAI) resulting from the provision of investment and insurance consulting services, we mean the possible consequences resulting from investment choices made in terms of negative effects related to the environment, social issues and personnel, respect for human rights and issues related to the fight against corruption.

The Bank has developed a shared analysis process that integrates, based on data from Investment Houses as Participants in Financial Markets, collected and provided by third-party providers, the negative effects attributable to companies that, directly or indirectly, are the subject of the investments proposed within the consulting services with particular reference to the PAI related to exposure to controversial weapons (anti-personnel mines, cluster bombs, chemical weapons, biological weapons) as defined in point 14 of table 1 of Annex I of Delegated Regulation 2022/1288.

The Bank, through a structure identified within the Directorate owner of this regulation, carries out a screening on all funds and SICAVs in the catalog and all those instruments that present in the portfolio securities of companies that obtain revenues from controversial weapons are excluded from the platform of products subject to consultation.

5 EXCLUSION POLICY

5.1 Exclusion Criteria

Considering its commitment in the ESG field, the Bank adopts shared criteria of restriction and exclusion within its range of products and services with reference to the mutual funds and SICAVs distributed.

In particular, with reference to the obligations set forth in **Law 220/2021**, aimed at preventing the financing of companies involved in the production of anti-personnel mines, cluster munitions, and submunitions, the Bank, in addition to evaluating funds and SICAVs, also excludes from its advisory scope any ETFs that include in their portfolios companies involved—directly or indirectly—in the production, distribution, or marketing of controversial weapons.

Furthermore, the Bank actively collaborates with partner Insurance Companies with the aim of offering its clients insurance investment products as consistent as possible with the identified criteria.

The applied exclusion categories are:

1. Principles of the United Nations Global Compact (UNGC)[3]
Products that derive more than a certain percentage of their revenues from Entities with severe violations of the ten Principles of the United Nations Global Compact.

2. Controversial Weapons
Products that invest in Entities that produce or derive part of their revenues from controversial weapons (landmines, cluster bombs, chemical weapons, biological weapons).

3. Tobacco
Products that derive more than a certain percentage of their revenues from Entities directly or indirectly involved in the production and distribution of tobacco.

4. Climate Change
Products that derive more than a certain percentage of their revenues from Entities involved in the extraction of thermal coal and/or from public utility companies in the coal, and/or oil and/or Arctic gas (“arctic drilling”) sectors.

These specific themes are subject to analysis and monitoring by the Bank with the aim of minimizing or excluding from the universe of investments subject to advice the products concerned.

[3] https://unglobalcompact.org/what-is-gc/mission/principles

The Bank, through the involvement of top management structures, identified from time to time by the owner of this Policy, also considering the regulatory evolution and the level of data coverage, reserves the right to modify the tolerance thresholds in the analysis concerning the identified themes, as well as to evaluate from time to time whether to include other themes that, based on internal evaluations, are believed to have a high social and/or environmental impact.