

Sustainability Report /2019



2019 CONSOLIDATED
NON-FINANCIAL STATEMENT

In accordance with the legislative decree 254/2016



index

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LETTER TO STAKEHOLDERS

The first Consolidated Non-Financial Statement of the FinecoBank Group aims at reinforcing our Group's will to build a sustainable future, in line with our long-standing commitment to doing business ethically and respectfully, with increasingly structured integration of financial, environmental and social sustainability objectives in our long-term strategy.

Sustainability is an integral part of the Bank's corporate governance. Indeed, we are well aware of financial institutions' leading role in sustainable development. The global changes we are witnessing inevitably raise questions, including in terms of reassessing risk and the value of assets. This in turn drives us to seek new answers to the needs of clients, investors, employees, financial advisors and future generations, who increasingly want a clear idea of companies' sustainability strategy and management. We therefore believe that it is essential to listen and engage transparently with all our stakeholders, in line with a value that has always been part of Fineco's identity, expanding our reporting obligations to sustainability performance through this Non-Financial Statement.

For us 2019 was a pivotal year, in which we transformed into a public company – which not only entails additional responsibilities but above all presents a huge opportunity. It gives us greater flexibility and freedom to plan and look ahead with enthusiasm, as we work to make our business increasingly sustainable over time, in line with the values of innovation, transparency, accessibility and solidity that have always been our hallmarks. The success of our business model is confirmed by net profit of €288.4 million (+20% compared to 2018) and total net sales of €5.8 billion, with CET1 at 18.12% making FinecoBank one of the strongest banks in Italy and Europe. The growth we achieved in 2019 was made possible by the quality of our people and the focus on developing the skills of our employees and financial advisors, especially young people. In fact, about 60% of our new hires in 2019 were under 30.

In 2019, Fineco focused on what it has always seen as its corporate purpose: to offer its clients quality services and products through a multi-channel approach in the three integrated areas of banking, investing and brokerage – all at a fair price. Fineco offers investment services and products through its network of financial advisors whose aim is to help clients build an efficient asset allocation that meets their life goals. Fineco clients can allocate investments with a risk profile more in line with a long-term horizon, bearing in mind their priorities and needs in terms of pensions and insurance. We make this possible through innovative advisory services, such as Advice or Plus, which enable clients to monitor investments, rebalancing them as necessary, optimising tax and expenses, limiting emotional trading and market-timing errors. We offer an advisory model supported by a professional guide who can listen to customers' ambitions and support them even in making the most complex decisions, together with smart technology to plan a strategy suited to each of their needs.

Our network of financial advisors is an extremely important business channel for the Bank. That is why we are committed to maintaining an approach based on trust and listening to the suggestions and ideas of our advisors, who have direct contact with their local areas and with clients. We offer them targeted training to give them in-depth knowledge not only of the markets and financial instruments, but also of every factor that affects the areas where they work, such as: social dynamics, technological developments, regulatory changes, and micro- and macroeconomic/production trends at national and international level.

Engaging with employees in periodic initiatives for dialogue and listening to their suggestions for improvements goes hand in hand with the commitment to creating working environments based on mutual trust, growth and training. We began on this pathway years ago and it has now culminated with "Top Employer" certification, in recognition of our HR management policies. Some major examples include our extensive training offering with a particular focus on new hires, work-life balance initiatives such as smart working, which now allows the 50%

of the participating company population to use it, and, last but not least, welfare initiatives for employee healthcare and preventive health. Moreover, we also have policies and initiatives to reduce the gender pay gap and monitor women's access to managerial roles. The value of human capital is at the heart of the model adopted by Fineco, which is committed to cultivating relationships, fostering an innovative spirit and helping our people to realise their aspirations – all with a view to attracting and retaining the best talent.

In this transitional year, we have also worked to build the sustainability strategy into our range of products and services, partly with the aim of helping clients through a period of profound transformation in the investment world. That is why we do not think it is enough to include and spotlight ESG funds on our platform, instead believing that it is important to create the conditions that will give our clients effective answers to their needs. To that end, more than half of the funds we offer have an ESG rating. In terms of asset management, we have created specific Lines whose investment process is based on sustainability strategies and Fineco's own portfolio has seen a growth in green and social bonds. Regarding Fineco's Banking and Credit offering, 2019 saw the launch of the Mutui Green (Green Mortgages) which cut the cost of finance for buying a low environmental impact property. Our subsidiary Fineco Asset Management also makes an increasing effort to integrate ESG criteria into investment decisions. In terms of its product offering, it created the FAM MegaTrends multi-thematic fund in July 2019, which enables investment in eight areas identified in line with the major socio-economic, environmental and technological factors that reflect the changing lifestyle of today's world, including demographics, sustainability, urbanisation, technology and innovation.

Over the past year we have also been in the front line to build financial awareness among our clients, which is particularly needed in this low interest rate environment and the lack of certainty now attached to investments once thought to be risk free.

It was also the year in which MiFID 2 came into force and we were honoured to be named as one of the best banks in terms of the clarity, simplicity and transparency of our disclosures by the Italian Association for User and Consumer Rights (ADUC)*.

We are also proud to maintain a Customer Satisfaction rating of 97%. We will continue to invest in developing technologies and new platforms, and in further improving our clients' customer experience and the productivity of our Network, with maximum focus on the key role of specialist advisory services.

In addition, in a business where technological innovation is a major driver in the development of customer relationships, Fineco's focus on vulnerable people through charity projects retains its importance and also involves clients, who have contributed by participating in initiatives through our web platform.

To conclude, our first Non-Financial Statement affirms our intention to continue on our sustainability journey. Through the integration of this aspect in our business areas, this journey will strengthen the bonds of trust with our stakeholders, reflect our commitment to transparency and fairness, and improve the society and the environment in which we live by showing respect for people and offering sustainable products and services.

Alessandro Foti
CEO and General Manager

METHODOLOGICAL NOTE

The FinecoBank Group (hereinafter also “Fineco” or “Group”) encompasses FinecoBank S.p.A. (hereinafter also the “Company” or “Bank”) and Fineco Asset Management DAC (hereinafter also “FAM”). Following the finalization of the exit from the perimeter of Unicredit Group in May 2019, FinecoBank S.p.A. became a public company with diffuse capital. The Shareholders’ Meeting that approves the 2019 Financial Statements will renew its governance.

No longer under the management and coordination of Unicredit, Fineco today operates wholly independently, also in terms of what concerns sustainability. As the Company falls within the scope of the Legislative Decree n. 254 of 30 December 2016 (hereinafter also “Decree 254/2016” or “Decree”), and subsequent amendments or additions to the Directive 2014/95/EU, in pursuing its own sustainability path it begun to report non-financial information as provided for by the Decree.

This document is therefore the Group’s first consolidated Non-Financial Statement (“NFS”), drafted in accordance with Arts. 3 and 4 of the Decree 254/16. The purpose of this document is to portray the Group’s activities, trends, results, and impacts in 2019 with respect to the main sustainability issues (reporting period: 1 January to 31 December 2019).

As Fineco left Unicredit Group on the 10th of May 2019, the data and information concerning the early months of the year, prior to the deconsolidation, has been collected by considering the companies in FinecoBank Group as of 31 December 2019; for this reason, the collection of some data reported in this document entailed the use of management systems belonging to Unicredit Group.

To ensure the utmost transparency to the market and to its stakeholders, the NFS describes the Group’s key policies, management models, and results achieved in 2019 in relation to the topics expressly cited in the Decree 254/16 (environmental, social, related to the personnel, respect of human rights and the fight against active and passive corruption), as well as the main risks associated with these topics and how these are managed.

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

- The exit from Unicredit Group has made it necessary to revise all Group policies, a project that has not been completed at the date of publication of this document (the information on the policies undergoing revision is included in the individual chapters of this NFS). Specifically, with a view of ongoing improvement, FinecoBank Group’s sustainability path provides for the gradual implementation of operational policies and practices in accordance with FinecoBank S.p.A.’s Code of Ethics and the Organisation, Management and Control Model according to the Legislative Decree 231/2001, both of which were revised in 2019.
- Considering the operational and regulatory context in which Fineco operates, the issue of the respect of human rights is considered by the Group within the management of the relations with its employees and suppliers, in line with the principles and values laid down in the Bank’s Code of Ethics and in the “Human Rights Commitment” Policy. With particular reference to the reporting of discrimination in the workplace, FAM is implementing a specific whistleblowing policy, thus any cases of discrimination reported in 2019 refer only to Italy and were received through the whistleblowing channels available to FinecoBank’s employees and financial advisors.
- The information related to Climate Change is considered by Fineco in terms of the management model and risks identified with respect to the material topic “Compliance with environmental laws and

regulations". Given this is the first NFS, it should be noted that, although the Group is committed to integrating its analyses – and therefore its disclosure – for the next reporting cycles on the potential climate change related impacts generated and suffered by Fineco, also in line with the evolving legislation, given its operations and business model, FinecoBank Group has no significant exposure to environmental risks, in particular in connection to Climate Change. The use policy is in fact based on the granting of credit to Retail customers and on the investment in financial instruments of Central Administrations (Government Bonds); exposures to the corporate segment are residual and do not count as granting credit concessions. The uses thus composed protect the Bank both from the risk of causing impacts on the environment through the financing of counterparties with high environmental risk and from the risk of indirectly suffering the effect: the high diversification of the commercial portfolio (both in individual and territorial terms) protects from the possible deterioration of the solvency of customers due to environmental factors, such as atmospheric events or natural disasters.

- Given the nature of its operations and the specific business sector, the Group's activities do not involve significant water consumption nor the production of huge amounts of waste. As these issues are not deemed material, even though mentioned in Art. 3(2) of Decree 254/16, they are not subject to disclosure in the NFS.

FinecoBank Group's 2019 NFS has been prepared in accordance with the "GRI Sustainability Reporting Standards" (2016) published by the Global Reporting Initiative (GRI), following the "in accordance - core" option. In addition, the "Financial Services Sector Disclosures, defined by the GRI in 2013, and the "Guidelines on the application in banks of the GRI Standards (Global Reporting Initiative) on environmental matters" published by ABI Lab in January 2020 were also taken into consideration.

The content of the NFS and the corresponding indicators have been defined according to the principles of materiality, stakeholder inclusiveness, completeness of the data, and the Group's sustainability context. Regarding the quality of the information and indicators reported, the Group has followed the principles of accuracy, balance, clarity, comparability, reliability and timeliness. The materiality analysis, conducted for the first time in 2018 and still considered valid for 2019 (after being validated by the Corporate Governance, Appointments and Sustainability Committee on the 10th of December 2019 and approved by the Board of Directors on the 12th of December 2019), has identified the key issues considered to be material for the Group and its stakeholders, taking into consideration the topics of the Legislative Decree 254/16. The GRI Content Index, which presents the relevant indicators for the activities of FinecoBank Group according to the materiality analysis, is reported in the appendix to this document.

The scope of the economic figures and of the social, environmental, and governance information is the same as the scope of the 2019 consolidated Financial Statements of FinecoBank Group, which includes the companies consolidated on a line-by-line basis: FinecoBank S.p.A. and the Irish subsidiary Fineco Asset Management DAC.

With reference to the scope of the data, note that:

- unless specified otherwise, the environmental information includes the Company's two headquarters in Milan and Reggio Emilia; FAM's headquarter in Ireland; the business continuity sites in Piazza Napoli in Milan; the two data processing centres and the Fineco Centres leased directly by FinecoBank (15% of all Fineco Centers); it does not include the representation office in London;
- the perimeter of the health and safety data refers only to Group employees and not to other non-employee professionals, a category comprised of financial advisors, who provide intellectual services in places beyond the Bank's direct control and towards whom FinecoBank does not have specific health and safety obligations that the Legislative Decree 81/2008, as amended by Legislative Decree 106/2009, demands of employers.

Further limitations in the scope of the data are duly noted in the document.

The data and information in this document, unless otherwise indicated, refer to the financial year 2019; where available, figures referred to the previous year are reported for comparative purposes and to allow trends from year to year to be noted. Due to Fineco's exit from Unicredit Group during the year, figures concerning energy consumption, emissions, and employee's health and safety are only presented for 2019.

Furthermore, for fair disclosure, information related to actions from previous years that are still applicable to the Group's operations are included.

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

The NFS is published once a year.

This Non-Financial Statement was submitted for review and assessment by the Corporate Governance, Appointments and Sustainability Committee on February 6th, 2020 and approved by FinecoBank S.p.A.'s Board of Directors on February 11th, 2020.

This document has undergone a limited assurance engagement (as defined by ISAE 3000 Revised) by Deloitte & Touche S.p.A., which in a separate report has certified the information presented in accordance with Art. 3(10) of Decree 254/16. The review was conducted according to the procedures specified in the Independent Auditors' Report, included in this document.

For further information on Fineco's Non-Financial Statement, please contact sostenibilita@fineco.it.

The NFS is available online at <https://finecobank.com/en/public/corporate/profilo/chi-siamo>, Sustainability section.





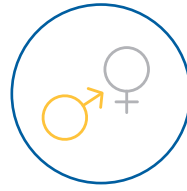
GROUP PROFILE

- 1.1.** HIGHLIGHTS
- 1.2.** WHO WE ARE, BUSINESS MODEL AND STRATEGY
- 1.3.** OUR HISTORY
- 1.4.** GROUP MISSION AND VALUES
- 1.5.** FINANCIAL STABILITY AND ECONOMIC PERFORMANCE
- 1.6.** INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT
- 1.7.** THE GOVERNANCE SYSTEM
- 1.8.** INTEGRITY IN BUSINESS CONDUCT

1.1. HIGHLIGHTS



1,225
Employees



519 706
Women Men



2,541
Financial Advisors



396
Fineco Centers



1,330,709¹
Customers



97%
Satisfied customers



2.2
Paper saved compared
to 2018 (tons)



5.8 bn €
Net sales



268.8 mln €
Adjusted net profit²



18.12%
CET1³

¹ The number of customers refers to the number of natural persons which have a bank account with Fineco, and not to the total number of bank accounts. People with more than one contractual relationship with Fineco were only taken into consideration once. The number is different from that reported in the Consolidated Report on Operations (1,357,833) as the former does not include customers who own products other than bank accounts and the number of customers who hold a technical accounts for which the corresponding ordinary account is closed.

² Net profit adjusted for non-recurring items recognised in 12M19.

³ Common Equity Tier 1 capital ratio.

2019 PRIZES AND AWARDS

ESG
AWARD
2019

Sustainability award for Fineco: at the Milano Finanza ESG Awards, the Bank was recognised as one of the Italian companies with the **highest sustainability index** scores as defined by **Standard Ethics**.

MOST
HONORED
COMPANIES

Alessandro Foti as best CEO in Europe and Fineco among the Most Honored Companies: this survey, conducted in 2018 by Institutional Investor, selected Alessandro Foti for the second year in a row as best banking CEO in Europe (small & mid cap category) and added Fineco to its list of Most Honored Companies.

WOMEN
IN
FINANCE
2019 ITALY AWARDS

Lorena Pellicciari, “CFO of the Year”: FinecoBank Chief Financial Officer Lorena Pellicciari was named “CFO of the Year” by the **“Women in Finance - 2019 Italy Awards”** for her stewardship of the Bank’s financial growth, her intuition and innovation in meeting professional challenges, and her **promotion of diversity** within the organisation.



Fineco certified as a Top Employer Italia: in a review of HR policies, the Bank stood out for its focus on valuing human resources and on skills development, creating a positive and stimulating workplace.



Fineco in first place for Customer Experience and multichannel satisfaction: according to a **KPMG**, study published in Harvard Business Review Italy, Fineco is the **first bank in Italy** for **Customer Experience** and in first place overall for **customer satisfaction** with interactions in at least two channels (digital, telephone, and in-person).



Kantar has analysed Italy’s retail banking industry and selected Fineco as **Best Performer** for **Customer Experience**, with a performance 36% higher than the market average.

Forbes
ITALIA

Forbes Italia awards Fineco Private Banking in the “Wealth Tech” category: the award went to Fineco for its commitment to digital innovation in the service of private bankers and its ability and expertise in supporting its network with the best technologies.

1.2. WHO WE ARE, BUSINESS MODEL AND STRATEGY

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

FinecoBank S.p.A. is a joint-stock company listed on Italian Stock Exchange (MTA segment) organised and managed by Borsa Italiana S.p.A.

Since 1 April 2016 it has been included in the **FTSE Mib** stock index and in the **Stoxx Europe 600** index since 2017. It is the Parent Company of the **FinecoBank Banking Group**, which includes the Irish asset management company, **Fineco Asset Management Designated Activity Company** (hereinafter also Fineco Asset Management DAC or FAM), founded in 2017.

During 2019 there were important changes in the Bank's shareholding structure, which until 10 May 2019 was subject to the management and coordination of UniCredit S.p.A., which held 35.3% of the capital. On 10 May 2019, the parent company UniCredit sold its majority interest in FinecoBank, causing it to exit the Group.

On 11 May 2019, FinecoBank was enrolled in the Bank of Italy's Register of Banking Groups, as Parent Company of the FinecoBank Banking Group.

Lastly, UniCredit's remaining stake in the Bank's capital was sold on 11 July 2019 and, following this event, FinecoBank became an **autonomous and independent public company**.

As of 31 December 2019, Fineco's fully subscribed and paid up share capital totalled more than €200 million and, as a result of changes in the Bank's structure during the year, the share capital of major institutional investors such as **BlackRock** (8.8%), **Capital Research and Management Company** (5.1%), **Invesco** (3.4%) and **FMR** (3.0%) increased.

The subsidiary **Fineco Asset Management DAC** was authorised by the Central Bank of Ireland on 17 May 2018 to operate its asset management business and is fully operational since 2 July 2018. In particular, FAM has made it possible to increase the Bank's competitiveness in the **wealth management** sector, going beyond national borders and adopting a vertically integrated business model, through the internalisation of the creation and management of investment funds, specifically designed to meet customers' needs more promptly. Its establishment in one of Europe's largest asset management markets has made it possible to diversify and improve the Bank's range of asset management products, as well as offering customers a range of UCITS (Undertakings for Collective Investment in Savings), focusing strategy on strategic asset allocation and the selection of the best international asset managers.

On a national level, at 31 December 2019 the FinecoBank Group was operating in **20 Italian regions**, with a network of **396 Fineco Centers** (offices where consultants carry out their activities) distributed throughout Italy.

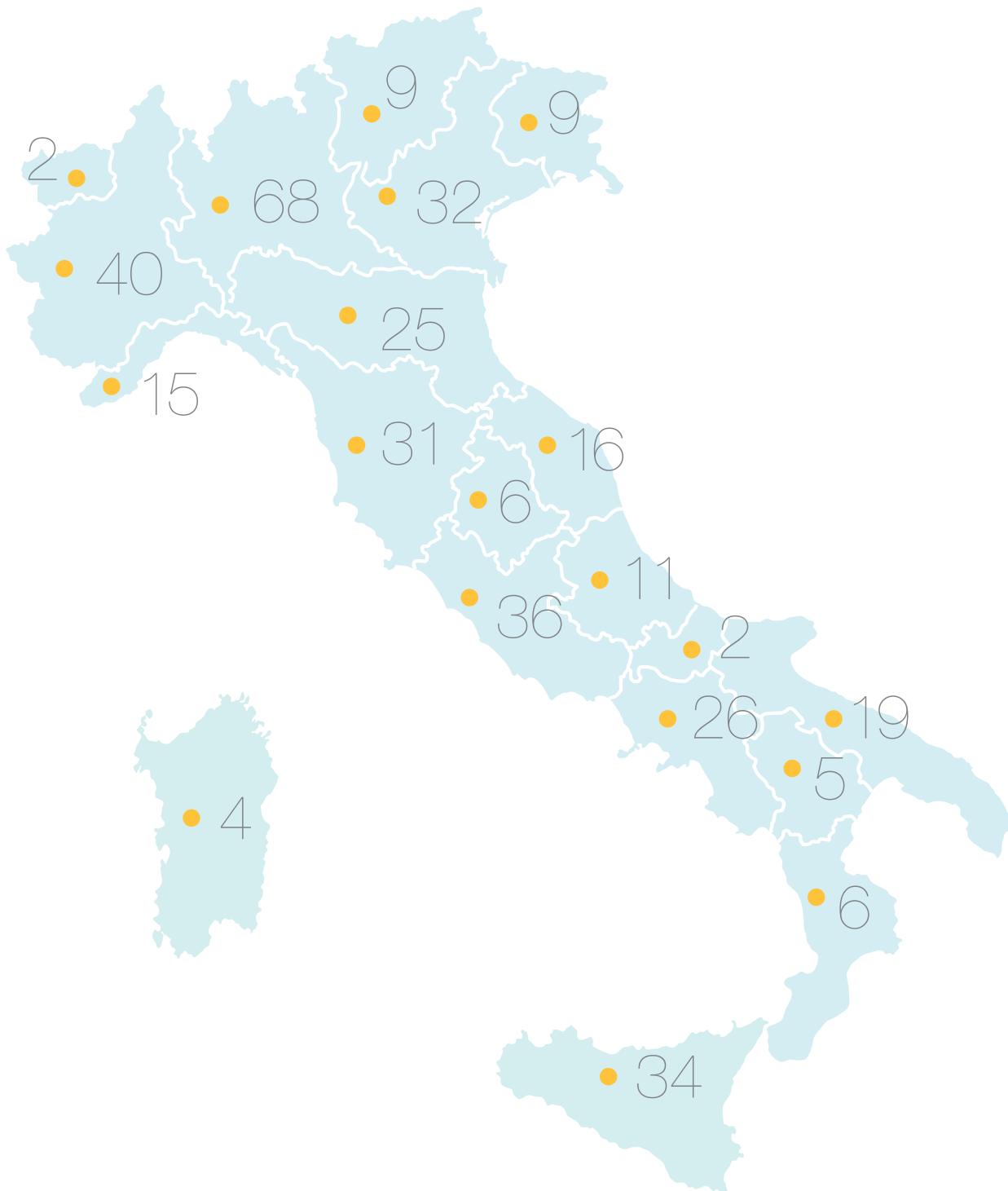


The Registered Office and the Headquarters are located in Italy, respectively in Milan and Reggio Emilia⁴. Outside Italy, the subsidiary Fineco Asset Management DAC is based in Dublin; the Group also has a representative office in London.



⁴Registered office: 20131 Milan - Piazza Durante, 11; Headquarters: 42123 Reggio Emilia - Via Rivoluzione d'Ottobre, 16.

DISTRIBUTION OF FINECO CENTERS



FinecoBank is a direct, multi-channel bank and a leading FinTech bank in Europe, supplying financial products and services through the most advanced information technology. It is the leader in Italy for equity trading. The Bank's transactional platforms and advisory services are developed **in-house using proprietary technologies to make customer experience a more fluid and intuitive experience on all channels.**

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

The business model is structured into **three areas of integrated activities: Banking, Investing and Brokerage**. These three macro-areas are interdependent but the business model is designed to ensure a high level of integration between the different activities. The Bank's services (banking and investment) are delivered in a coordinated and integrated way through its network of financial advisors and on online and mobile channels.

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

BANKING

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

During 2019, activities to expand the Banking and Payment cards products and services offered and optimizing processes in terms of digitization continued, in order to make them more responsive to customer needs.

INVESTING

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

Thanks to a vertically integrated business model, asset management activities carried out by the subsidiary FAM include product placement and distribution services, mutual funds and SICAV sub-funds managed by 70 leading Italian and international investment firms, insurance and pension products, and investment advisory services through a network which, as of 31 December 2019, includes 2,541 financial advisors.

The main services / products offered are:

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

BROKERAGE

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

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

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

In order to ensure an increasing embedding of environmental, social and governance criteria (ESG) within its strategy, in December 2019 the Corporate Governance, Appointments and Sustainability Committee approved a first set of sustainability goals to be pursued in the years 2020-2023. These goals will be progressively integrated with quantitative targets defined according to the findings identified in the first reporting cycle. The ESG goals were approved by the Board of Directors on 15 January 2020, and include in addition to the definition or review of the main cross functional sustainability policies, following the exit from the Unicredit Group and the progressive identification and integration of the main ESG risks in corporate risk management, the following areas of activity:

HUMAN RESOURCES

Diversity and equal opportunities

Monitoring the attention to the **Gender Pay Gap** issue; focus on issues such as the **promotion of women in managerial roles**, equal **gender representation** and the **monitoring** of how the **return from maternity leave** is managed

Implementation of an **employee training and awareness plan on Diversity & Inclusion** and sustainability

Career development and performance management

Continuation of the Performance management programme, aimed at all employees, following the exit from the Unicredit Group

Evolution of the welfare plan

Implementation of **initiatives related to flexible work** (greater use), creation of **employee areas** (such as break areas), **preventive health and healthcare**

Engagement / Retention

Initiatives for **consultations and turnover monitoring**

RESPONSIBLE FINANCE

Lending

Increased **supply of products with social and environmental value** within the mortgages and loans sector

Funds/ Investments

Introduction of **ESG criteria in products evaluation**. ESG evaluation extended to **100% of new FinecoBank Group funds**

Promotion and design of new funds based on ESG criteria

Green and Social Bonds

Increased **coverage of green and social bonds** in FinecoBank's portfolio

FINANCIAL EDUCATION/COMMUNITY SUPPORT PROJECTS

Financial Education

Promotion of specific **training and awareness-raising courses** on topics such as asset management, which will particularly involve targeted groups, such as young people

Training of Financial advisors

Provision of **specific training activities on ESG issues for Financial advisors** in order to meet the demands of customers more sensitive to these issues and, at the same time, to promote sustainability among less interested customers

Community Support

Allocation of annual investments in **projects that benefit the community**, according to different local needs (e.g.: schools, universities, hospitals and health and cultural associations) and allocation of natural disaster funds (to postpone mortgage and loans payments, and suspend debt collection actions for insolvent customers in the event of disasters or natural disasters)

SUPPLY CHAIN

Suppliers assessment on the basis of ESG criteria, through an initial self-assessment questionnaire⁵

SHAREHOLDERS

Strengthening the **dialogue with socially responsible investors (SRI)** and **Sustainability Rating Agencies**

Participation in external initiatives that support the company's commitment to ESG themes (such as: **Valore D** and **UN Global Compact**)

ENVIRONMENT

Implementation of the **Environmental Declaration**

Energy consumption / emissions: monitoring of internal company consumption with the aim of reducing consumption and emissions

Company fleet: the modernisation of the car fleet with hybrid / electric cars (with the possibility of recharging in the parking lot of company offices)

Sustainable Mobility: refund of employees' annual bike-sharing subscriptions, upon request (both in Milan and Reggio Emilia)

Material/waste management: reduction of plastic consumption by creating digital credit cards by 2020; replacement of plastic bottles by installing water dispensers and providing all employees with water bottles; purchase of recycled or certified paper and provision of separate collection facilities to all offices

⁵The assessment will focus, for example, on compliance with environmental and occupational health and safety regulations, on the presence of a Code of Ethics and on possible certifications (ISO 14001, OHSAS 18001, SA8000, ISO 50001, ISO 37001).

1.3. OUR HISTORY

Simplicity, Innovation and Transparency are the driving forces behind the first 20 years of history.

The **first online retail trading service**

was established in Italy:

it was called **Fineco Online**.

The service became a bank and launched the first interest-bearing deposit account in Italy, which soon developed into a full current account.

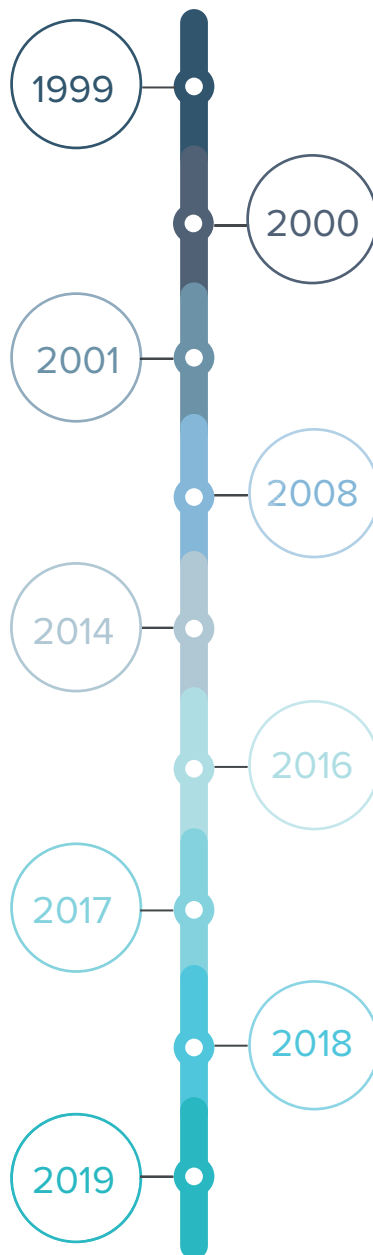
In just 2 years the Bank grew from zero to 250,000 clients, becoming the **No. 1 online trading bank in Europe**.

On 2 July, FinecoBank **was listed on the stock market in the MTA segment**.

FinecoBank is added the **Stoxx Europe 600**, the largest capitalisation index for European stock. On 7 June the Bank landed in the UK: trading, banking and investing with a single multi-currency account.

On May 10th, FinecoBank left the UniCredit Group and **became an autonomous and independent** public company.

On May 11th, FinecoBank was registered as the Parent Bank in the Bank of Italy's Register of Banking Groups.



The Bank starts offering financial advisory services, with its own network of advisors, as well as a network of mortgage brokers.

On 7 July 2008 **the current banking model was born**, from the integration with UniCredit Xelion Banca.

On 1 April FinecoBank stock joined the **FTSE MIB**.

The Bank was included in the Standard Ethics Italian Banks Index[®] and in the Standard Ethics Italian Index (comprising the 40 largest companies listed on FTSE-MIB).

Fineco Asset Management was founded, an Irish company with the task of managing Funds of Funds, in strategic partnership with the best international managers.

1.4. GROUP MISSION AND VALUES

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

Its business model always aims at excellence and is inspired by **principles of transparency and fairness**, in order to generate long-term sustainable value for all stakeholders.

The Group's work is based on passion and on the quality of its people, which is why it is committed every day to **supporting people's well-being** and the **development of the local communities** in which it operates. Continuous interaction with stakeholders at all levels of the organisation is essential to the Bank's decision-making processes, also aimed at creating long-term value.

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



EFFICIENCY

Strong focus on IT & Operations, more flexibility and lower costs.

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



INNOVATION

Anticipate new needs to simplify customers' lives.

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



TRASPARENCY

Fairness and transparency towards all stakeholders.

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

1.4.1. EXTERNAL INITIATIVES AND MEMBERSHIPS

In defining its sustainable growth strategy, the Group based its approach on internationally recognised statements and conventions, standards, principles, guidelines and recommendations, such as:

- **The Universal Declaration of Human Rights;**
- The International Covenant on **Civil and Political Rights;**
- The International Covenant on **Economic, Social and Cultural Rights;**
- The **International Labour Organisation** (ILO) conventions on **fundamental human rights** (Conventions number 29, 87, 98, 100, 105, 111, 138 and 182);
- The United Nations Guiding Principles on Business and Human Rights (**Protect, Respect and Remedy Framework**);
- The **OECD (Organisation for Economic Cooperation and Development)** Guidelines for Multinational Enterprises;
- The Principles of the **UN Global Compact;**
- The **UN Principles for Responsible Investment (UN PRI);**
- The Statement by financial institutions on the environment and sustainable development of the **United Nations Environment Programme Finance Initiative (UNEP FI);**
- The **Women's Empowerment Principles;**
- **Valore D** (a strategic commitment programme to promote diversity and gender inclusion within the organisations).

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

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

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

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

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

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

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

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

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

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

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

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



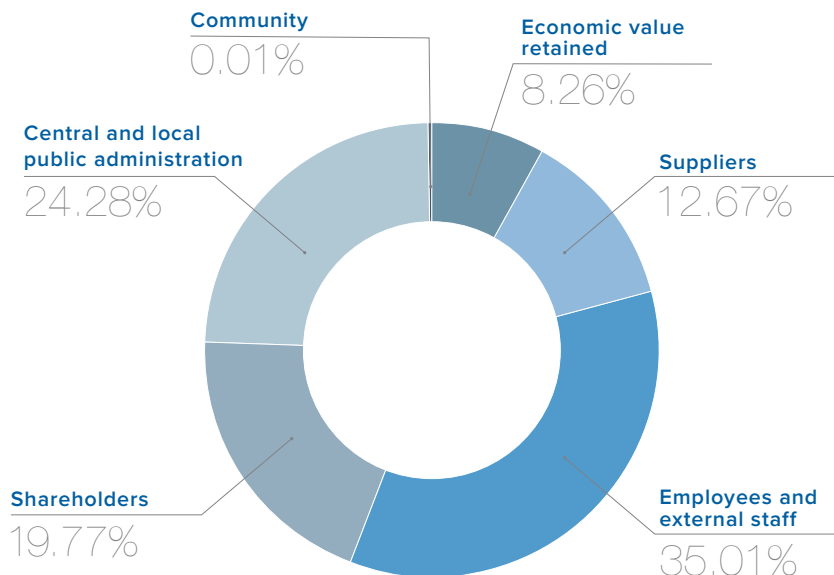
1.5. FINANCIAL STABILITY AND ECONOMIC PERFORMANCE

1.5.1. ECONOMIC VALUE GENERATED AND DISTRIBUTED

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

In this regard, the economic value generated by the Group during 2019, which represents the overall wealth generated by FinecoBank thanks to the production and commercial capacity linked to its business activities, amounted to approximately **€1 billion**, of which approximately **92%** was redistributed to its stakeholders: **human resources, suppliers, shareholders, public administration and the community**⁶.

DISTRIBUTION OF THE ECONOMIC VALUE GENERATED



⁶ To determine the economic value generated and distributed, the Group adopted the "Statement of determination and distribution of added value" defined by ABI (October 2019), prepared from the balances of the items in the consolidated income statement of FinecoBank Group at 31 December 2019, also taking into account the Parent Company's proposed allocation of profit for the year. The income statement has been reclassified in order to highlight the process of value creation and its distribution to the various categories of stakeholders.

(Amounts in € thousand)

	12/31/2019	12/31/2018
10. Interest income and similar revenues	297,908	293,128
20. Interest expenses and similar charges	(16,631)	(14,469)
40. Fee and commission income	627,773	571,514
50. Fee and commission expenses	(63,056)	(40,761)
70. Dividend income and similar revenue	1,695	95
80. Gains (losses) on financial assets and liabilities held for trading	41,429	43,833
90. Fair value adjustments in hedge accounting	(160)	171
100. Gains and losses on disposal or repurchase of:	3,636	1,683
a) financial assets at amortised cost	2,909	17
b) financial assets at fair value through other comprehensive income	727	1,666
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	(1,839)	(1,500)
b) other financial assets mandatorily at fair value	(1,839)	(1,500)
130. Impairment losses/writebacks on:	5,380	(3,520)
a) financial assets at amortised cost	5,378	(3,406)
b) financial assets at fair value through other comprehensive income	2	(114)
230. Other net operating income	105,547	96,378
280. Gains (losses) on disposal of investments	-	(161)
A. TOTAL ECONOMIC VALUE GENERATED	1,001,682	946,391
190. b) other administrative expenses	(126,934)	(129,451)
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	(126,934)	(129,451)
190. a) staff expenses	(350,693)	(343,922)
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND EXTERNAL STAFF	(350,693)	(343,922)
340. Profit (Loss) for the year attributable to minorities	-	-
ECONOMIC VALUE DISTRIBUTED TO MINORITIES	-	-
Net profit attributable to shareholders	(198,052)	(184,501)
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS	(198,052)⁷	(184,501)⁸
190. b) other administrative expenses: indirect taxes and duties (-)	(108,593)	(101,042)
190. b) other administrative expenses: charges for resolution funds and guarantee on deposits (-)	(18,129)	(14,306)
300. Tax expense (income) related to profit or loss from continuing operations: current taxes, adjustment to current taxes of prior years and reduction of current tax for the year	(116,443)	(109,767)
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL ADMINISTRATIONS	(243,165)	(225,115)
190. b) other administrative expenses: donations (-)	(116)	(129)
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT	(116)	(129)
B. TOTAL ECONOMIC VALUE DISTRIBUTED	(918,960)	(883,118)

⁷ The portion allocated to shareholders corresponds to the allocation to dividends of net profit for 2019 that the Board of Directors of the Parent Company will propose to the Shareholders' Meeting.

⁸ The portion allocated to the shareholders corresponds to the allocation to dividends of the net profit for 2018 approved by the Shareholders' Meeting.

200.	Net provisions for risks and charges	(8,996)	(6,672)
	a) provision for credit risk of commitments and financial guarantees given	27	402
	b) other net provisions	(9,023)	(7,074)
210.	Impairment/write-backs on property, plant and equipment	(17,415)	(5,464)
220.	Impairment/write-backs on intangible assets	(5,449)	(4,959)
300.	Tax expenses (income) related to profit or loss from continuing operations: adjustment to current taxes of prior years, adjustment of deferred taxes	21,322	(3,766)
C. TOTAL ECONOMIC VALUE RETAINED		82,722	63,273

1.6. THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

Recent financial crises have shown that financial instability can have a negative impact on the real economy, with potentially serious social consequences. In this context, the financial system is a key instrument for sustainable and long-lasting economic growth. Within the financial system, and especially for small and medium-sized enterprises and households, banks play a central role, reconciling the needs of savers, who need low-risk and liquid assets, with those of investors, who need substantial resources for illiquid and risky projects.

Therefore, by virtue of its social role, the financial sector is subject to stringent prudential supervision legislation aimed at ensuring its stability.

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

The **Risk Management** function is responsible for identifying, quantifying and mitigating the Group's risks, using a series of rules, methodologies, policies and strategies in line with the regulatory requirements established by the Supervisory Authorities, and supporting the Group's strategic planning. Specifically, Fineco has adopted an effective and efficient **Centralized Internal Control System** (ICS), with the aim of ensuring that the company's activities are based on sound and prudent management practices that guarantee capital solidity and ensure compliance with internal and external regulations. This System also provides broad support for strategic choices and control over targets – not only in economic terms but also as regards risk appetite. By ensuring that the Group's activities are carried out in compliance with current legislation and within certain risk limits, the latter promotes stability and transparency, protecting the interests of stakeholders.

In particular, the Internal Control System consists of the set of rules, functions, structures, resources, processes and procedures that aim to ensure the achievement of the following objectives:

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

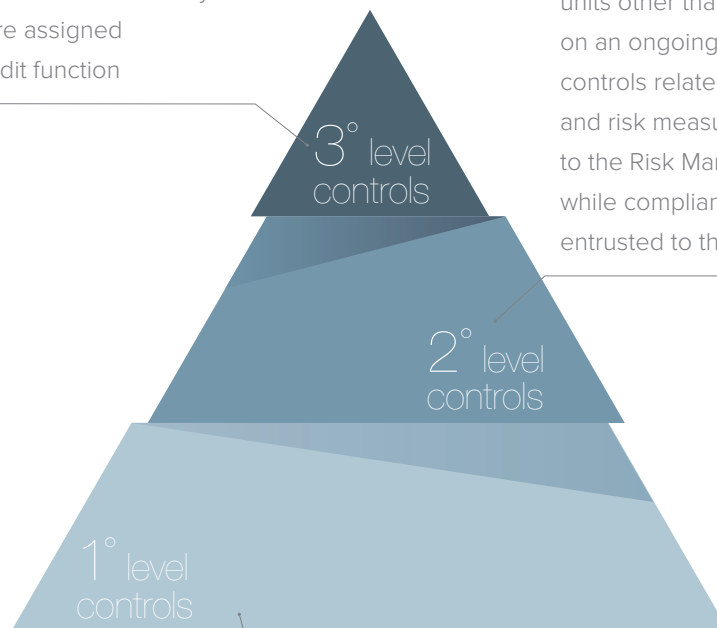
From a methodological point of view, the Group's Internal Control System provides **three types of controls**:

THIRD LEVEL CONTROLS

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

SECOND LEVEL CONTROLS

controls related to daily operations connected with the process to measure quantifiable risks and are carried out by units other than operating-structures, on an ongoing basis. More specifically, controls related to risk management and risk measurement are entrusted to the Risk Management structure, while compliance controls are entrusted to the Compliance unit



FIRST LEVEL CONTROLS

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

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

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

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

Adopted by the Risk Management function, the RAF consists of a set of risk and performance metrics to formalise risk objectives, tolerance thresholds and the operating limits that the Group intends to comply with as part of the pursuit of its strategic guidelines, in order to:

- **ensure an “ex ante” risk-return profile** consistent with long term sustainable growth, as defined by the return forecasts of the strategic plan/budget;
- **ensure that the business develops within the risk tolerance** set by the Board of Directors, also in respect of national and international regulations;
- guide the vision of internal and external stakeholders towards a **risk profile consistent with the strategic plan**;
- specifically assess the risks that the Group intends to assume (or avoid) in a long-term perspective, setting **targets, triggers and limits**, both under normal and stressed operating conditions;
- support **discussions on future strategic options** with regard to the risk profile;
- provide guidance on **risks that are difficult to quantify** (e.g. strategic, reputational, compliance) in order to strategically guide the review of processes and the internal control system.

In order to ensure an effective and pervasive transmission of risk objectives, where possible the Group breaks down the overall risk appetite into operational limits that govern the work of organisational structures, within a structured framework consistent with the policies for the governance and control of individual risks.

Finally, RAF metrics are regularly monitored and reported, at least quarterly: monitoring is carried out by the **Chief Risk Officer** and **Chief Financial Officer** Departments and reported to the Management Committees and the Board of Directors. As such, the Risk Management function supports the Board of Directors in defining a risk appetite proposal for the Group. Incentive schemes for the top management and the network of financial advisors shall be aligned with the RAF in order to guarantee a conservative approach to risk-taking and the maintenance of

adequate risk levels. Eventually, the RAF is also important for **Relevant Transactions**, i.e. all those transactions that can significantly change the Group’s business environment and risk profile. Specifically, all transactions classified as relevant are subject to a prior opinion by the Risk Management function, which carries out a comprehensive risk analysis and verifies their consistency with the RAF.

In addition, for managerial and internal improvement purposes, the Risk Management function collects and classifies loss data from Fineco’s various business areas. Both the loss data and any anomalous values recorded by the indicators are brought to the attention of the Board of Directors through the **Quarterly Report on Group risk exposures**. In accordance with Bank of Italy Circular 285, the Risk Management structure identifies the risks to which the Group is or could be exposed on an annual basis when it defines the Risk Appetite Framework and the internal capital adequacy and liquidity self-assessment processes (ICAAP and ILAAP).

For a full description of the risks and uncertainties the Group has to face in the current market situation, please refer to Part E - Information on risks and related hedging policies in the 2019 Reports and Accounts.

1.6.1. ESG RISKS

Starting from the risk identification analyses already in place, during 2019, the Group undertook a parallel activity that examines the **main ESG risk factors** (environmental, social and governance) related to the main non-financial issues relevant to the Group.

Among the risks with potential ESG implications, operational risks and reputational risks are particularly important, as they could be determined by specific social, environmental and customer relationship risks.

In particular, operational and reputational risks are monitored by the Group through a series of **Key Risk Indicators** (hereinafter also referred to as “KRIs”), developed and maintained by the Risk Management function. The purpose of the KRIs is to provide an overview of the Group’s performance, to assess the effectiveness of the processes and strategies adopted for risk mitigation, safeguarding the interests of customers (for example, KRIs relating to complaints). Currently, the Group has defined **70 Key Risk Indicators**, divided into different areas of control: Payment Cards, Compliance, HR, Legal, Operations Securities, Payment Systems, Complaints, Risk Management, IT Systems, Security, Administration, Audit.

The prevention and management of operational and reputational risks allows, on the one hand, the limitation of losses by reducing business risk and, on the other hand, the maintenance of good relationships with customers. These risks are overseen not only through a series of policies and procedures for the measurement, monitoring and reduction of risk, but also through the assessment of each product by the Product Committee. The attendance of the Chief Risk Officer and the Head of the Risk Management Function in the Product Committee ensures that each current or prospective risk is examined in detail.

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

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

Topic LD 254/2016	Material topics identified by Fineco	Risk Factor and Description	Management approach (control/mitigation)
Social	Socio-economic compliance; Protection of Customer Privacy	Internal fraud: actions carried out with the intent to defraud, misappropriate assets, violate laws or company policies involving at least one Company employee or equivalent. Internal fraud takes on particular social and reputational importance when perpetrated to the detriment of customers	<ul style="list-style-type: none"> - The risk is overseen by the various functions of the Holding Company (Network Services Monitoring, Risk Management, Compliance, Information Security & Fraud Management, etc.) by means of specific monitoring activities - Fraud monitoring in accordance with EU and national legislation, to ensure the protection of information systems from incidents that may affect the rights of the individuals concerned
Social	Protection of Customer Privacy	Risk of lack of privacy and personal data protection	<ul style="list-style-type: none"> - Global Privacy Policy - Establishment of a Data Protection Officer (DPO) to ensure data protection, assess the feasibility and implementation methods of new projects. - Enforcement of the relevant legislation, with the support of the DPO - Technical and organizational security measures to prevent data loss and unlawful use of data
Social	Fairness and transparency in offering products and services; Socio-economic compliance	Compliance risk: non-compliance with obligations to customers (providing products that do not comply with their risk profile) and risk of lack of transparency in marketing communications	<ul style="list-style-type: none"> - Remote and on-site controls carried out by Compliance, Audit, Monitoring and Network Services - Group guidelines for the preparation of marketing and advertising initiatives
Social	Innovation and Customer Experience - Quality and Value	Operational interruption and system failures: vulnerabilities and risks related to the use of information and communication technology can also have significant social consequences. In the event of an interruption of operations, customers may, for example, be unable to access their finances	<ul style="list-style-type: none"> - At level 1, the risk is managed by the ICT & Security Office, which is responsible for adopting and managing policies to guarantee the security of company information and assets, in order to avoid loss/damage of data - At level 2 the activity is monitored by Risk Management through KRIs (Key Risk Indicators)

Topic LD 254/2016	Material topics identified by Fineco	Risk Factor and Description	Management approach (control/mitigation)
Social / Human Rights	Responsible products and investments	Financing of and investment in unethical activities, activities that do not comply with standards and practices relating to Human Rights, working conditions and the environment.	<ul style="list-style-type: none"> - UniCredit Group Governance Guidelines on Reputational Risk, in force since 2019. - The update of FinecoBank's Internal Policy for Monitoring and Control of Operational and Reputational Risks will be carried out in 2020. In this context, a specific section on ESG risk will be included
Social	Responsible products and investments	Market risk related to lack of preparation or delay in understanding changes in customers' preferences for products and investments that are socially and environmentally responsible	<ul style="list-style-type: none"> - Target included in the 2020-2023 Multi-Year Plan which includes training on ESG issues for financial advisors - Evaluation of market risks and definition of objectives for their management as part of the project to implement the Environmental Management System, to be launched in 2020
Social	Socio-economic compliance	Supply Chain: reputational risk from selecting suppliers involved in unlawful actions or affected by social responsibility disputes	<ul style="list-style-type: none"> - Evaluation of the required documentation during the selection process, such as: regulations concerning social security, health and safety at work, any ISO 9001 and ISO 14001 certifications, self-declaration on the exploitation of labour (i.e. Gangmasters and Labour Abuse)
Social	Health and safety at work	Accident risk for financial advisors operating within the Fineco Centers and customers who attend them	<ul style="list-style-type: none"> - Inspections of Fineco Centers to verify that the premises and equipment comply with current health and safety regulations - Training for Fineco Center managers on how to run them in compliance with current health and safety regulations
Personnel	Health and safety at work	Practices that do not comply with occupational health and safety laws or conventions, resulting in losses and harm to reputation	<ul style="list-style-type: none"> - Circular 131/2019 defining the roles and responsibilities of FinecoBank's structures and corporate personnel in applying Legislative Decree 81/2008 - Inspections carried twice a year at head offices and financial shops in accordance with Legislative Decree 81/2008

Topic LD 254/2016	Material topics identified by Fineco	Risk Factor and Description	Management approach (control/mitigation)
Personnel	Human Resources Management (Recruiting, Talent Acquisition, Development, Engagement)	Lack of applications, lack of attractiveness to the talent on the market, turnover with relative loss of key personnel and skills	<ul style="list-style-type: none"> - Organisational unit dedicated to Personnel Management and Development - Processes and global policies issued by the HR function dedicated to personnel management - Partnerships with the main Italian universities and participation in targeted events, presence and dedicated campaigns on the main social networks - Evaluation system consistent with a structured and transparent compensation system - Remuneration policy for executives and below executives - Strategies and employer branding campaigns - Definition of pipeline leadership and succession plans - Corporate Governance, Appointments and Sustainability Committee
Personnel	Human Resources Management (Engagement and Business Climate)	Fall in employee engagement level with consequent impact on performance	<ul style="list-style-type: none"> - Listening initiatives on specific topics - People Survey - Using the company intranet as an information tool
Personnel	Personnel training	Inadequate personnel training initiatives	<ul style="list-style-type: none"> - Existence of a structure for Personnel Management and Professional Training - Skills mapping to analyse gaps to be filled - Traceability of training needs through the performance management tool - Mandatory Training Policy - Training, Learning and Professional Development Policy
Personnel	Diversity and equal opportunities	Lack of effectiveness of programmes and initiatives related to diversity and equal opportunities	<ul style="list-style-type: none"> - Global Gender Equality Policy - Annual gender pay gap analysis - Joint committee on work-life balance, innovation and company welfare - Continuous learning through participation in relevant associations - Corporate Governance, Appointments and Sustainability Committee - Objectives included in the 2020-2023 Multi-Year Plan on this topic

Topic LD 254/2016	Material topics identified by Fineco	Risk Factor and Description	Management approach (control/mitigation)
Personnel	Industrial relations management	<ul style="list-style-type: none"> - Failure to comply with the understandings in the second-level agreements - Failure to comply with level-one legislation: (e.g. provisions of the Workers' Statute concerning the exercise of trade union rights) 	<ul style="list-style-type: none"> - Constitution of the Welfare Commission for corporate welfare issues, in which the parties hold discussions in order to analyse, monitor and gain a deep technical understanding of tools for work-life balance (e.g.: flexible work, additional leave, part-time work), the performance of the company welfare plan and the performance of the main supplementary pension fund - Internal audits carried out in accordance with Circular no. 285 of the Bank of Italy, to ascertain that the Company allows the parties concerned to take advantage of the leave offered for trade-union activities
Personnel/ Human Rights	Non-discrimination	Risk of human rights violations resulting from discriminatory behaviour in the company	<ul style="list-style-type: none"> - Declaration on "Equal Opportunities and Non-Discrimination" - Human Rights Commitment - Integrity Charter and Code of Conduct
Environmental ⁹	Reduction of environmental impact	Natural disasters and public safety: Events caused by natural disasters or similar events. These events, in addition to having an impact in terms of operational losses, may have a social impact if the continuity of the business cannot be guaranteed	<ul style="list-style-type: none"> - Business Continuity Plan. This is a strategic plan to ensure adequate levels of business continuity even in the event of major incidents
Environmental	Reduction of environmental impact	Risk of inadequate monitoring of the use of resources and energy consumption at Group level, with the consequent lack of measurable objectives in this area	<ul style="list-style-type: none"> - Establishment of a Management Committee and a subcommittee on sustainability that sets targets for reducing environmental impact - Objectives included in the 2020-2023 Multi-Year Plan concerning monitoring of energy consumption, modernisation of the company car fleet, sustainable mobility initiatives, reduction of plastic consumption and the purchase of certified paper
Environmental	Compliance with environmental laws and regulations	Risk of lack of adequate tools and methodologies to analyse the impact generated and sustained by the Group in the field of climate change and the evolution of legislation on the subject	<ul style="list-style-type: none"> - Establishment of a Management Committee and a board subcommittee on sustainability - Creation of a Sustainability function with corporate coordination and regulatory monitoring objectives

⁹ Environmental risk assessment will be considered in further detail as part of the project to implement the Environmental Management System, due to be launched in 2020. The risk assessment will cover risks directly related to the company's operations and broader risks, such as risks of non-compliance with legislation and market risks.

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

1.6.2. CYBER SECURITY AND FRAUD MANAGEMENT

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

Given the growing digital complexity of the world, information security continues to be a key driver for the banking industry. Cybercrime, online fraud, identity theft and hacktivism are very hot topics at the moment.

Fineco's objective is to protect customers and business by ensuring data security, in terms of availability, confidentiality and integrity.

Cyber Security & Fraud Management strategies are considered and applied right from the design of the systems. They are seen as key requirements to properly defining the solutions and services Fineco offers, including opportunities presented by evolving regulation, in order to offer customers a secure, innovative and user friendly experience.

The steps taken to improve IT security management help mitigate the Group's exposure to operational and reputational risks. The necessary measures are taken to **minimise the risks** related to the services offered, applying security best practices and ensuring that company strategy and ICT risk are aligned, as well as the uniform application of the rules on information systems. Specifically, the processes and activities for the governance and management of IT security and related risks are organised according to a model that involves the Bank's corporate bodies and the various corporate functions, according to their respective skills and in line with the responsibilities relating to the three types of audits provided for in the Internal Control System. This is to ensure proper interaction between all the functions and bodies when carrying out auditing tasks and avoid overlaps and gaps. FinecoBank therefore dedicates and invests considerable resources in pursuing these objectives. In fact, about **20% of its staff work in the ICT & Security Department**.

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

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

In terms of sourcing, over the years FinecoBank's strategic IT choice has been to internally oversee all technological and security activities that could make a significant contribution to business development.

This approach has allowed it to:

- Offer customised, distinctive products in a new and effective way;
- Maintain a high level of internal knowledge and control over the evolution of technology and services, with a consequent reduction in terms of time needed to solve any issues, treasuring the experience acquired over the past years;
- Maintain intellectual property of developed applications and supporting algorithms;
- Ensure cost competitiveness;
- Ensure fast time-to-market and improved and consistent performance in service delivery.

The increasing complexity of the operating environment and, at the same time, of the information systems supporting the company's operations, has led FinecoBank to implement a structured approach to governance in both the IT and Security & Fraud areas.



Its policies and processes are aligned with the main internationally recognised standards and cover the following areas:



CYBER SECURITY

The set of technical solutions, best practices, intelligence activities and organisational and/or technological measures designed to counter potential attacks, in order to protect company resources and assets from any security threats. The Bank has therefore adopted a formal and exhaustive plan to manage events, incidents and crises, which is structured on several levels (governance, organisation, operation and reporting) and involves different corporate functions, according to their respective roles and responsibilities.



OPERATIONAL SECURITY

The set of technical and infrastructural security systems specifically aimed at protecting company assets, in order to grant an appropriate security posture in different areas, such as: application, network, asset management, device management, patch/change/vulnerability management.



DATA AND IDENTITY MANAGEMENT

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



ANTI-FRAUD SOLUTIONS

The set of technological and organisational measures aimed at preventing and managing potential fraud attempts, to the detriment of the Bank and customers.



SECURITY GOVERNANCE

The set of activities to address the security strategic direction, ensure that security objectives are achieved, regulation's requirements and risk are managed appropriately.

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

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



1.7. THE GOVERNANCE SYSTEM

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

In particular, it has been defined in compliance with current laws and regulations, also bearing in mind the recommendations contained in the Corporate Governance Code for Listed Companies¹⁰ which, in line with the experience of the main international markets, indicates the fundamental standards for good governance, based on transparency, responsibility and a long-term perspective.

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

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

In order to promote an efficient system of information and consultation that allows the Board of Directors to better evaluate certain matters under its jurisdiction, in accordance with the Supervisory Provisions issued by the relevant Supervisory Authorities and the recommendations of the Corporate Governance Code, **three committees** are also established within the Board of Directors with investigative, proposal, advisory and **coordination** functions:

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

In particular, in 2018, the then Appointments Committee was assigned the task of **overseeing sustainability issues** related to the Bank's operations and interaction with all stakeholders. Its name was changed to the Appointments and Sustainability Committee in the same year.

In October 2019, the Committee's responsibilities were further extended by assigning it corporate governance issues, hence its current name of **Corporate Governance, Appointments and Sustainability Committee.**

Specifically, with regard to sustainability issues, the Corporate Governance, Appointments and Sustainability Committee performs the following functions to support the Board of Directors:

- oversees the evolution of the sustainability strategy of the Company and the Group based on the relevant international guidelines and principles;
- contributes to assessing the risks connected with sustainability issues, in particular, those risks that could become significant in the medium to long term (Application Criterion 1.C.1. of the Corporate Governance Code);
- examines and formulates proposals regarding the Group's social and environmental plans, objectives, rules and procedures, monitoring their implementation over time;

¹⁰ FinecoBank has adopted the Corporate Governance Code for Listed Companies since its listing on the stock market. In line with leading international markets, the Code sets out the corporate governance standards and best practices recommended to listed companies by the Corporate Governance Committee, based on transparency, responsibility and a long-term perspective. The standards and practices are to be applied according to the 'comply or explain' principle, which requires the reasons for not complying with one or more recommendations contained in its principles or application criteria to be explained in the Report on Corporate Governance and Ownership Structure.

- monitors the positioning of the Company and the Group within the financial markets in terms of sustainability and its relations with all its stakeholders;
- examines in advance the Group's Consolidated Non-Financial Statement, drawn up pursuant to Legislative Decree no. 254/2016 and complying with the adopted reporting standard, to be submitted to the Board of Directors for approval.

In support of this committee, a **Sustainability Management Committee** has also been set up, consisting of FinecoBank managers, who have the main task of defining a proposal for the Bank's sustainability strategy and the related objectives to be achieved, to be examined by the Corporate Governance, Appointments and Sustainability Committee and potentially approved by the Board of Directors.

The **Sustainability Management Committee** performs the following functions:

- monitors and ensures the implementation of the sustainability strategy and the achievement of its objectives;
- discusses updates and results following the implementation of the strategy;
- supports the relevant structures in identifying and managing risks related to sustainability issues;
- analyses, integrates and plans any proposals made by FinecoBank's Corporate Governance, Appointments and Sustainability Committee with regard to plans, objectives, rules and company procedures on social and environmental issues, defining the timing of their implementation;
- assesses the Company's positioning with respect to its competitors in terms of sustainability;
- supports the functions responsible for the preparation of the Group Consolidated Non-Financial Statement, pursuant to Legislative Decree 254/2016;
- assesses the legislation on sustainability and/or related matters, taking into account national and international guidelines and principles, as well as the laws and regulations in force at the time;
- receives results and updates on the implementation of regulations concerning sustainability and/or related matters from the relevant owner.

Finally, in July 2019, following a resolution by the Board of Directors, the Bank's organisational structure was updated in order to create the Sustainability Office, a technical structure supporting the CFO and the Sustainability Management Committee.

The governance structure of FinecoBank as at 31 December 2019



In addition, following the Company's exit from the UniCredit Group, FinecoBank launched a **review of its corporate governance** in order to bring it in line with the Bank's new shareholding structure. Following this, the Board of Directors approved a number of amendment proposals to the Bank's Articles of Association.

In particular, as well as further consolidating corporate officers' requirements to bring them in line with current legislation and practices, the proposed amendments to the Articles of Association include granting the Board of Directors the authority to submit its own list of candidates for the role of director at the time of the Board's renewal. This amendment is consistent with the provisions of the Corporate Governance Code and is in line with international best practice.

In relation to this, the participation and representation of minority shareholders will also be expanded¹². Furthermore, proposed amendments to the Articles of Association include increasing the Board of Directors' minimum membership from 5 to 9. This is to optimise the Board's minimum composition in light of the Bank reaching a new level of operational complexity and also in view of the wide range of skills required of Board members.

The proposed amendments¹³ to the Articles of Association were submitted for approval to the Extraordinary Shareholders' Meeting of 18 February 2020. For further details, please refer to the Shareholders' Meeting documentation and Notice of Call, available on the Bank's website (www.finecobank.com - Governance/ Shareholders' Meeting). The new provisions of the Articles of Association will be applied when the corporate bodies are next reappointed, with the current term in office due to expire on the date of the Shareholders' Meeting for the approval of the annual financial statements as at 31 December 2019.

Pertaining to this, the selection process for candidates for election to the Board of Directors will be carried out as per the **"Process for selecting candidates for membership of the Board of Directors"**. This document defines the rules for the selection of candidates for membership of the Bank's Board of Directors and was approved by the Board on 5 August 2019¹⁴. This is in line with the criteria outlined in the **"Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A."** document, issued by the Board of Directors with the support of the Corporate Governance, Appointments and Sustainability Committee as part of the renewal process of corporate bodies.

¹¹ In accordance with the Supervisory Regulations for Banks, the Internal Audit function operates independently from other company functions and reports its activities and their results quarterly to the Board of Directors (also via the Risk and Related Parties Committee) and the Board of Statutory Auditors.

¹² Specifically, two directors will be appointed from the list obtaining the second highest number of votes, while one director will be appointed from the list that obtains the third highest number of votes, provided that the candidate has obtained at least 2% of the votes cast at the meeting.

¹³ The amendments are subject to assessment measures in accordance with Articles 56 and 61 of Legislative Decree no. 385 of 1 September 1993 (TUB - Italian Consolidated Law on Banking) issued by the Bank of Italy on 10 December 2019.



¹⁴ This document can be found on the Bank's website at www.finecobank.com, Governance section, as Annex B to the "Regulations of FinecoBank Corporate Bodies".

1.7.1. COMPOSITION OF THE BOARD OF DIRECTORS, COMMITTEES AND SUPERVISORY BODY

As of 31 December 2019, FinecoBank's Board of Directors comprised eight¹⁵ members, including the Chairman and the CEO & General Manager. The current board was appointed at the Shareholders' Meeting of 11 April 2017 and its term of office will end at the Shareholders' Meeting for the approval of the annual financial statements as at 31 December 2019.

The members of the Board of Directors (and of the Board of Statutory Auditors) are appointed by the Shareholders' Meeting according to the list voting system. This voting system entails lists of competing candidates and ensures the appointment of representatives of minority shareholders¹⁶. The composition of the Board in office as of 31 December 2019 is quantitatively and qualitatively consistent with the theoretical profile approved by the Board of Directors in 2017¹⁷, including compliance with the limits on the number of offices held and the time availability required to fulfil the role at FinecoBank. In addition, the Board of Directors meets the requirements of **integrity, experience and independence** (including suitability) set forth in the Articles of Association and regulations as of 31 December 2019.

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

	2019		2018	
	n.	%	n.	%
< 30	0	0%	0	0%
30-50	2	25%	2	22%
> 50	6	75%	7	78%
Total	8	100%	9	100%
 Men	5	62%	5	55%
 Women	3	38%	4	45%
Total	8	100%	9	100%

¹⁵ In accordance with the provisions of the Articles of Association effective as of 31 December 2019, the Board of Directors must be composed of no less than 5 (five) and no more than 13 (thirteen) members. As of 31 December 2018 there were nine members of the Board of Directors; on 10 May 2019, the non-executive director Manuela D'Onofrio resigned her post as director of FinecoBank, following its exit from the UniCredit Group. The Company has started the necessary replacement processes for the post and has co-opted a new director in order to preserve the Board's quorum, in accordance with Article 2386 of the Italian Civil Code. On 15 January 2020, the Board of Directors resolved, in accordance with Article 2386 of the Italian Civil Code, to co-opt Mr Andrea Zappia as new Director of FinecoBank. The co-optation proposal was submitted to the Shareholders' Meeting of 18 February 2020. Mr Andrea Zappia was selected according to the "Process for selecting candidates for membership of the Board of Directors". In particular, the Board of Directors has ascertained that the co-opted director possesses the required integrity, professionalism and independence in accordance with Article 148 of Legislative Decree 58/1998 and with the Corporate Governance Code. Furthermore, the Board has also verified that the director satisfies the Board's qualitative and quantitative profile, including compliance with the limits on the number of offices held and the absence of situations falling within the provision of Article 36 of Legislative Decree 201/2011 (the so-called interlocking ban).

¹⁶ The next renewal of corporate bodies will also see better representation of minority shareholders, in accordance with the new provisions of the Articles of Association submitted by the Extraordinary Shareholders' Meeting of 18 February 2020.

¹⁷ In accordance with the sector's laws and regulations, the Board of Directors of FinecoBank defines its qualitative and quantitative composition as optimal for the effective performance of the tasks and responsibilities entrusted to it by law, by the Supervisory provisions for banks and by the Articles of Association. The Board also articulates the requirements that must be met by directors of FinecoBank, in addition to those already stated by current laws and regulations. Moreover, the Board asserts its own position regarding the maximum number of roles that directors might hold in other companies. Prior to its appointment, the Board informs the shareholders of its most optimal composition, so that the required skills can be taken into account when choosing a candidate. Regarding this, please refer to the documents entitled "Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A.", published on the Company's website. In particular, both the document approved by the Board's resolution of 7 February 2017 and the subsequent updated document for the renewal of the Board of Directors in 2020 can be found on the website.

Composition of the Board of Directors of FincoBank S.p.A

	Independent Directors	Executive Directors	Term in office of the Board (no. of years) ¹⁸	Any other internal offices held
Enrico Cotta Ramusino (Chairman)¹⁹	X (in accordance with the TUF)		19	Remuneration Committee
Francesco Saita (Vice Chairman)²⁰	X		6	Chairman of the Risk and Related Parties Committee and member of the Corporate Governance, Appointments and Sustainability Committee
Alessandro Foti (CEO and General Manager)²¹		X	21	
Patrizia Albano²²	X		3	Member of the Corporate Governance, Appointments and Sustainability Committee
Elena Biffi²³	X		3	Chairman of the Corporate Governance, Appointments and Sustainability Committee and Member of the Remuneration Committee
Maria Chiara Malaguti²⁴	X		3	
Gianmarco Montanari²⁵	X		3	Chairman of the Remuneration Committee, Member of the Risk and Related Parties Committee
Maurizio Santacroce²⁶	X		3	Member of the Risk and Related Parties Committee

¹⁸ The number of years is calculated from the date of first appointment to the Board of Directors until the end of the term of office, which will end at the Shareholders' Meeting for the approval of the Annual Financial Statements as at 31 December 2019.

¹⁹ Other external offices: Fondazione Universitaria Maria Corti (Board Member), University of Pavia (Full Professor).

²⁰ Other external offices: Aessedomus Srl (Board Member), Università Bocconi (Full Professor), Member of the Editorial Board Div. Studi Consob and Member of other scientific committees (FEDUF, Foundation for financial education and savings, and ALFIRM, Italian financial industry risk managers association).

²¹ Other external offices: Borsa Italiana SpA (Board Member), Assoreti (Board Member), Università Bocconi (Board Member).

²² Other external offices: Piaggio&C. SpA (Board Member), Artemide Group SpA and Artemide SpA (Mayor), Artemide Italia Srl (Chairman SC), Prada (Consultant), Studio Albano Baldassarri (Partner).



²³ Other external offices: Arnoldo Mondadori Editore SpA (Board Member), CISP (Board Member) and EM Associates Srl (part-owner). Elena Biffi is also co-founder of CSIP - Certified Sustainability Insurance Partners (non-profit organisation).



²⁴ Other external offices: Università Cattolica (Full Professor), and Studio Gattai, Minoli, Agostinelli, Partners (Of Counsel). Maria Chiara Malaguti is also legal adviser to the World Bank - international organisation for the reduction of poverty and in support of development.



²⁵ Other external offices: Istituto Italiano di Tecnologia (GM), University of Turin (Board Member), Istituti Riuniti Salotto e Fiorito (Board Member).

²⁶ Other external offices: Business School 24 SpA (CEO).



Composition of FinecoBank S.p.A.'s board committees by age group and gender

Corporate Governance, Appointments and Sustainability Committee	2019		2018	
	n.	%	n.	%
< 30	0	0%	0	0%
30-50	0	0%	0	0%
> 50	3	100%	3	100%
Total	3	100%	3	100%
 Men	1	33%	1	33%
 Women	2	67%	2	67%
Total	3	100%	3	100%
Independent Directors	3	100%	3	100%
Executive Directors	0	0%	0	0%

Risk and Related Parties Committee	2019		2018	
	n.	%	n.	%
< 30	0	0%	0	0%
30-50	2	67%	2	67%
> 50	1	33%	1	33%
Total	3	100%	3	100%
 Men	3	100%	3	100%
 Women	0	0%	0	0%
Total	3	100%	3	100%
Independent Directors	3	100%	3	100%
Executive Directors	0	0%	0	0%

Remuneration Committee	2019		2018	
	n.	%	n.	%
< 30	0	0%	0	0%
30-50	1	33%	1	33%
> 50	2	67%	2	67%
Total	3	100%	3	100%
 Men	2	67%	2	67%
 Women	1	33%	1	33%
Total	3	100%	3	100%
Independent Directors	3	100%	3	100%
Executive Directors	0	0%	0	0%

Composition of the Board of Statutory Auditors of FinecoBank S.p.A. by age group and gender

Board of Statutory Auditors	2019		2018	
	n.	%	n.	%
< 30	0	0%	0	0%
30-50	0	0%	1	20%
> 50	5	100%	4	80%
Total	5	100%	5	100%
 Men	2	40%	2	40%
 Women	3	60%	3	60%
Total	5	100%	5	100%

For further information and details on the structure and functioning of the corporate bodies, the governance practices applied, and the activities of the board committees, please refer to the **“Report on the corporate governance and ownership structures”**, as well as to the “Regulation of FinecoBank’s Corporate Bodies.” both available on the website (www.finecobank.com, Governance section).

Policies on the diversity of the governance body

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

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

As described in the reference documents, the **“Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A.”** aims to ensure a balance of profiles and experience, promoting diversity in both specific skills and those pertaining to the banking sector, the distribution of seniority, also in terms of age, in Director roles.

Compliance with gender diversity policies as set forth in the current legislation is also reflected in the Articles of Association: the current composition of the Bank’s Board of Directors reflects the gender balance stated in the regulations for the Board of Directors as of 31 December 2019 (one third of the elected members must belong to the least represented gender)²⁷.

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

²⁷ It should be noted that following the amendments made, inter alia, by law no. 160/2019 (Budget Law) to Article 147-ter, paragraph 1-ter of the Consolidated Finance Act (TUF), at least two fifths of the elected directors of the supervisory body should belong to the least represented gender. This will come into force from the first renewal of the Board following the new regulatory provisions.

1.8. INTEGRITY IN BUSINESS CONDUCT

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

Compliance is essential for the legitimacy and sustainability of the Group's activities. Respect for all applicable laws, regulations and internal procedures, both at local and Group level, enables the Bank to prevent illegal behaviour and contribute to the fight against financial crimes. The Bank is committed to building, implementing and promoting a **common compliance culture** at all levels and it is therefore essential that a close relationship is maintained between the Compliance function and the other business units.

The Group proactively monitors and manages compliance risks by conducting business in accordance with applicable laws, internal procedures, best practice standards and ethical principles. In doing so, the **Compliance** function regularly defines, develops and monitors the implementation of and conformity to the Bank's rules, procedures, methodologies and other compliance standards. The function also manages these processes, thus promoting an integrated compliance culture.

The Group's **Global Policy - Compliance Culture** – approved and adopted in November 2016 and due for update in 2020 – defines the key principles of the compliance culture at Group level, as well as the roles and responsibilities of the internal functions responsible for implementing this policy (e.g. Compliance, Human Capital and Communications). **Compliance Culture - Tone from the Top** initiatives have been implemented since 2018. These initiatives aimed at consolidating the Bank's compliance culture, supported the top management's efforts to interpret and disseminate a culture of respect, prudence and integrity to all those who work for and on behalf of the

organization, and enhanced internal risk mitigation procedures. In 2019, the programme continued, with senior managers focusing on specific compliance issues and communicating directly with employees via email or the company intranet portal. In particular, all employees received regular communications regarding expectations on conduct and behaviour at Fineco; in addition, specific in-depth studies were promoted through communications and videos; topics included: Antitrust, Financial Sanctions, Product Governance, and Customer Protection.

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

The documents focus on the values of **freedom, excellence, respect, transparency, integrity and fairness**; they identify the rules of conduct all employees are expected to abide to and contribute to the development of a corporate culture that reflects Fineco's fundamental values.

1.8.1. FIGHT AGAINST CORRUPTION, CONFLICT OF INTERESTS MANAGEMENT AND ANTI-COMPETITIVE PRACTICES



Policy and regulatory instruments

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

Fineco has a “**zero tolerance**” approach to **corruption**, prohibits “facilitation payments” and does not allow any transfer of goods to public officials without prior approval; political contributions are also banned.

Fineco’s approach to preventing corruption and bribery is defined in the **Global Policy Anti-Bribery and Anti-Corruption**, approved and adopted in 2018, and in the related Operating Instructions, (both in the process of being updated by the end of 2020). These documents set minimum standards for anti-corruption compliance and apply to all members of Fineco’s strategic, control and executive bodies, employees, financial advisors and occasional collaborators.

The Anti-Corruption Policy aims at:

- establishing principles and rules to identify and prevent potential acts of corruption in order to protect the integrity and reputation of the Group;
- providing general information to all concerned on the measures taken to identify, mitigate and manage corruption risks.

Additionally, the Bank’s activities and organisational structures are also subject to anti-corruption checks, as per implementation of the **Organisation and Management Model in accordance with Legislative Decree 231/2001**²⁸, updated in November 2019.

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

The Group has also adopted specific mechanisms to monitor the effectiveness of the adopted anti-corruption and bribery approach: escalation procedures for significant and strategic issues, quarterly information requests from management, analysis and testing of the results of activities relating to managing second-level controls, compliance risk assessment processes carried out for each regulatory area of the Compliance unit, and internal audit inspections.

The last two mechanisms (the compliance risk assessment process and the internal audit inspections) generate risk mitigation actions, which must be completed within the established timeframe, in order to ensure the management of the identified risks.

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

²⁸ It should be noted that FAM, as a subsidiary subject to Irish law, is not required to implement the model referred to in Legislative Decree 231/01.

In 2019, the FinecoBank Group was not involved in any incidents of corruption or legal actions (pending or completed) relating to anti-competitive behaviour or violation of antitrust regulations.

With regards with the management of conflicts of interest, in November 2019 the Board of Directors approved the **FinecoBank Group's Global Policy for the management of transactions with persons in possible conflict of interest**. This policy defines, within the Bank's and the Group's scope of operations, the principles and rules to be observed to manage risks arising from situations of possible conflict of interest due to parties' proximity to the Bank's and its subsidiary's decision-making functions.

Following the implementation in 2016 of the Group's anti-trust regulations, the Bank has adopted an **Anti-trust Compliance Programme**, which will be extended to the whole Group by the end of 2020. The Programme aims at:

- consolidating Antitrust Governance;
- consolidating compliance culture by enhancing the Bank's reputation in the markets;
- more efficiently managing and mitigating anti-trust risks and sanctions.

The Programme is regularly monitored and reviewed in order to ensure its long-term effectiveness. In this regard, Fineco issued the Group **Global Policy - Anti-trust and Unfair Commercial Practices**, updated in January 2020, which includes practical rules of conduct for the proper management of meetings with competitors and surprise inspections by the Antitrust Authorities.

1.8.2. ORGANISATION AND MANAGEMENT MODEL

FinecoBank S.p.A. has adopted an Organisation and Management Model, in accordance with Legislative Decree 231/01 (Model, or Model 231), concerning the administrative liability of entities, companies and associations. The adoption of the Model aims at ensuring that the Bank provides its customers with banking and financial services with respect for the values and principles of integrity, professionalism, diligence, honesty, fairness and responsibility. Although organizations are not legally obliged to implement the Model, it nonetheless performs the important function of preventing offences, including corruption that could give rise to the Bank's administrative liability.

The Model, approved by the Board of Directors and updated in November 2019 is aimed at all corporate bodies' members, all FinecoBank personnel and external parties, such as, for instance: consultants, independent professionals, financial advisors, suppliers and business partners. The adoption of Model 231 pursues the following fundamental objectives:

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

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

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

From an organisational standpoint, the adoption of the Model most certainly plays an important role in increasing the effectiveness and efficiency of the operations carried out by the Bank to implement its strategies, to become more competitive in the domestic and international market, as well as to enhance the work environment.



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

FinecoBank has adopted a Code of Ethics to mitigate operational and reputational risk and promote a widespread culture of internal control.

The Code of Ethics, approved by the BoD and updated in November 2019, is an integral part of the Organisation and Management Model pursuant to Legislative Decree no. 231/2001. It contains a series of principles of ethics and rules intended to ensure that the conduct of all addressees is always guided by criteria of **fairness, collaboration, loyalty, transparency and mutual respect**, as well as to prevent the perpetration of offences or administrative offences set forth in Legislative Decree 231/2001.

In order to ensure compliance with the rules set out in the Code of Ethics, the Bank undertakes to ensure that all addressees of the code (who are also addressees of the Organisation and Management Model) are aware of it and promptly receive the clarifications requested with respect to performing their work duties.

The **Charter of Integrity** and the **Code of Conduct of the FinecoBank Group**, both of which will be updated in 2020, set out the Group's principles of ethics and conduct. In particular, the Code of Conduct lays down the general principles of conduct, with a view to spreading the compliance culture and the Group's commitment to sustainability issues. The Code of Conduct sets out the principles that must be observed by all members of the executive, strategic and control bodies, employees and third parties, in order to ensure **high standards of professional conduct** and **integrity** in carrying out activities performed in-house or on behalf of the FinecoBank Group.

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



1.8.4. PROTECTION OF HUMAN RIGHTS



Policy and regulatory instruments

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

The Group recognises the importance of respect for human rights, as an essential element for proper business conduct.

For this reason, in December 2018, the Corporate Governance, Appointments and Sustainability Committee²⁹ approved a document, to be updated in 2020, which outlines its commitment to human rights, the approach, roles and responsibilities. It also contains the principles, rules, procedures and systems adopted by FinecoBank to ensure compliance with generally accepted international and local standards, with the objective to prevent, manage and, where possible, reduce human rights impacts.

FinecoBank operates in accordance with the Universal Declaration of Human Rights, which states that “every individual and every organ of society, including companies, shall strive by teaching and education to promote respect for human rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance”.

Fineco is aware that through its business operations and activities it may have to deal, directly or indirectly, with different human rights related issues. It is also aware that these issues have an impact on its stakeholders, including employees, customers, financial advisors, suppliers, and the local community. Therefore, this Commitment provides guidance for the Bank’s practices to promote and protect human rights.

²⁹ Then called the Appointments and Sustainability Committee.

1.8.5. WHISTLEBLOWING

Whistleblowing helps to protect the company, its reputation, as well as its employees. Through the **Global Policy - Whistleblowing**, implemented in 2016, to be updated in early 2020, FinecoBank has adopted a system through which employees and financial advisors can report any conduct that violates the law or the Bank's internal rules³⁰. Any employee or financial advisor can use this mechanism if he/she has reason to believe that an illegal act or potentially damaging conduct has occurred or may occur.

In the event that an employee or financial advisor has reason to suspect that unacceptable conduct has occurred or may occur, they can report it to FinecoBank's **Compliance Officer** (i.e. the local anti-corruption manager), as person responsible for the internal reporting systems, who ensures that the procedure is properly conducted.

If the Compliance Officer is hierarchically and functionally subordinate to the person to whom the complaint relates or if he or she is held responsible for the violation or has a potential interest in the report liable to compromise his or her impartiality and independence of judgement, the employee or financial advisor may contact the Internal Audit department directly as a "reserve function", sending the report to the Head of FinecoBank's Internal Audit Department.

This process is designed to guarantee the maximum possible confidentiality with regard to the identity of the whistleblower and the accused person and to prevent any possible retaliation or discriminatory behaviour as a result of the report.

The channels made available to employees and financial advisors by the Bank to report irregularities – including anonymously – are as follows (some available 24 hours a day):

- by telephone, via the **FinecoBank SpeakUp line**, where employees and financial advisors can leave a voice message, also anonymously;
- on the website, via the **FinecoBank SpeakUp service**, where employees and financial advisors can leave a written message, also anonymously;
- using the dedicated **e-mail address**
- by writing to the **dedicated postal address**.

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

Following the issue of Law no. 179/2017, containing provisions for the protection of whistleblowers who report crimes or misconduct of which they become aware in the context of private or public employment, the Bank updated the Organisation Model pursuant to Legislative Decree 231/2001. As regards the Bank's whistleblowing process, the analysis carried out in 2018 confirmed that the internal practices are generally in line with the requirements of the new law.

³⁰ As part of the Global Policy - Whistleblowing, applicable to all Group companies, it is noted that Fineco Asset Management-(FAM) is implementing – in the first months of 2020- a Local Policy which allows employees to report any conduct that violates applicable law or internal regulations.

1.8.6. REGULATORS

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

In this regard, the **Regulatory Affairs team** - for the Bank and for the entire Group - manages **relations with the Resolution Authority and the Supervisory Authority**, both at European level (e.g. the Single Resolution Board of the European Union or the European Central Bank) and at a local level. In particular, it manages relations with the Bank of Italy under which FinecoBank is directly supervised as it is currently included in the list of “Less Significant Institutions”³¹, but classified as “high priority” for 2020.

The relationship with the Regulators is guaranteed through befitting and effective dialogue with the Off-site Supervision Department, which ensures on-going remote checks on the intermediary, management and coordination of the audit processes, as well as managing all activities related to both the Supervisory Review and Evaluation Process, and the Recovery Plan.

In light of this, dealings with the Regulators, which in some cases occurs on a daily basis, may take place in different ways:

- **conference-call**, which may be requested by either party, for further information on specific issues or on specific request by the Authority. In 2019, from when the Regulatory Affairs team was established, there were many calls concerning various areas and structures of the Bank, and mainly

involved: Chief Risk Officer, Risk Management, Chief Financial Officer, Human Resources, Network Control, ICT and security management, Products & Services, Legal and Corporate Affairs;

- **correspondence by e-mail**, as an alternative to, or in addition to, telephone calls, and by certified e-mail for official requests that require registration and certainty of receipt;

- **meetings** at FinecoBank headquarters and meetings at the Authority’s offices (central and regional); in this regard, two institutional meetings were held in September and October 2019, at the Rome offices of the Bank of Italy. The control functions (Internal Audit, CRO, CFO, Compliance) and the Deputy General Manager and CEO/General Manager of the Bank attended these meetings.

Relations with the Authority are therefore based on the principles of **integrity, transparency, fairness, professionalism and cooperation**, and not only in accordance with the procedures laid down by the applicable legislation; FinecoBank tends to adopt a proactive approach, so that it is able to stay up-to-date on all issues that could concern the Regulators for various reasons, with a view to keeping them updated and fully satisfy all supervisory disclosure requirements.

³¹ According to the definition of the European Central Bank, “less significant institutions” means, for the most part, smaller Euro area banks whose assets do not exceed €30 billion.

In this regard, the Regulatory Affairs team has also adopted, in accordance with what is stated above, its own decision-making protocol drawn up in accordance with Legislative Decree 231/2001, in order to identify the at-risk activities, the structures concerned by at-risk activities, along with the control mechanisms and structures responsible for controls. The principles of conduct and control were identified on the basis of the results of this analysis, and are reflected in the current internal regulations.

This approach, aimed at increasing awareness of the risks and the Bank's responsiveness, contributes to ensuring, and maintaining over time, a relationship built on trust and cooperation with the Authority. Fineco believes that constant and preventive dialogue based on complete transparency and cooperation, not only helps the Supervisor in monitoring the risks to which the Bank may be exposed, but also improves over time the credibility of the entity subject to supervision, in the eyes of the Authority.

In addition, FinecoBank was one of the first banks in Italy to be admitted to the so-called **optional regime of the cooperative compliance program of the Italian Revenue Agency**, aimed at establishing a relationship of trust and cooperation between the Italian Revenue

Agency and taxpayers in order to increase the level of certainty on relevant tax issues in fully transparency. This important achievement was reached by meeting subjective and objective requirements, which mainly included the presence of an effective system to identify, measure, manage and control the tax risk, as required by the law and the Italian Revenue Agency's instructions, which are based largely on the OECD's recommendations on the subject.

Having an adequate tax risk management system in place is the subject of continuous dialogue with the Italian Revenue Agency and has led, also in 2019, to sharing actions to ensure the effectiveness of the controls with respect to changes in legislation and internal corporate processes. There have been numerous discussions with the Italian Revenue Agency on significant tax issues. The constant and preventive dialogue with the tax authorities on situations likely to generate tax risks has contributed to strengthening mutual trust between the parties and to reducing uncertainty on some tax issues, thereby minimising the related risk.



1.8.7. SUPPLY CHAIN MANAGEMENT



Policy and regulatory instruments

- Expenditure Regulation

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

The FinecoBank Procurement Office has been in charge of the entire procurement process since January 2020. It ensures that the supply chain management is in line with the criteria of transparency and objectivity and that suppliers are selected on the basis of professional knowledge and skills, meet the minimum quality-price ratio requirements for internal customers, and adopt socially responsible behaviour. Where necessary, it requests mandatory documentation and reviews the completeness and the accuracy of the information received. This ensures better management and quality of the supply base. Moreover, the entire procurement process, at Group level, is governed by the **Expenditure Regulation**, a policy updated after FinecoBank left the Unicredit Group and issued on 5 August 2019.

This Regulation, in particular, will continue to ensure that the supplier selection process is conducted using clear procedures and employing objective, transparent, and non-discriminatory parameters linked to the quality of the products and services offered.

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

The main procurement methods differ based on the type of purchase and the product market (tender, comparing offers, direct negotiations and framework agreements).

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

- **DURC** (Documento Unico di Regolarità Contributiva - single document certifying tax and wage compliance certificate) and **CCIAA** (Chamber of Commerce, Industry, Craft Trades and Agriculture certificate);

- **Regulations concerning social security, accident prevention and insurance** and on occupational health and safety;
- **ISO 9001 and ISO 14001** certificates;
- **Self-declaration concerning the exploitation of workers** (e.g. illegal hiring and labour abuse).

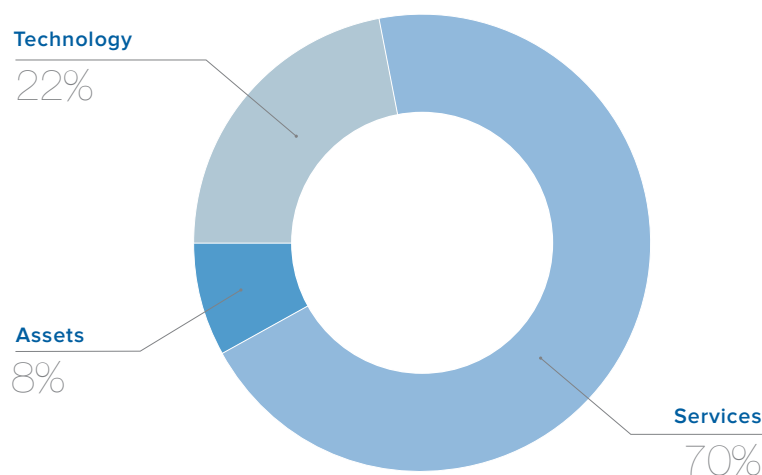
This process makes it possible to monitor any risks related to the procurement process, mainly related to the possible selection of suppliers involved in illegal operations or in disputes regarding social responsibility.

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

During 2019, the Procurement Office managed **€126.2 million** in expenditure, involving a total of **5,091 suppliers**. The main product categories were:

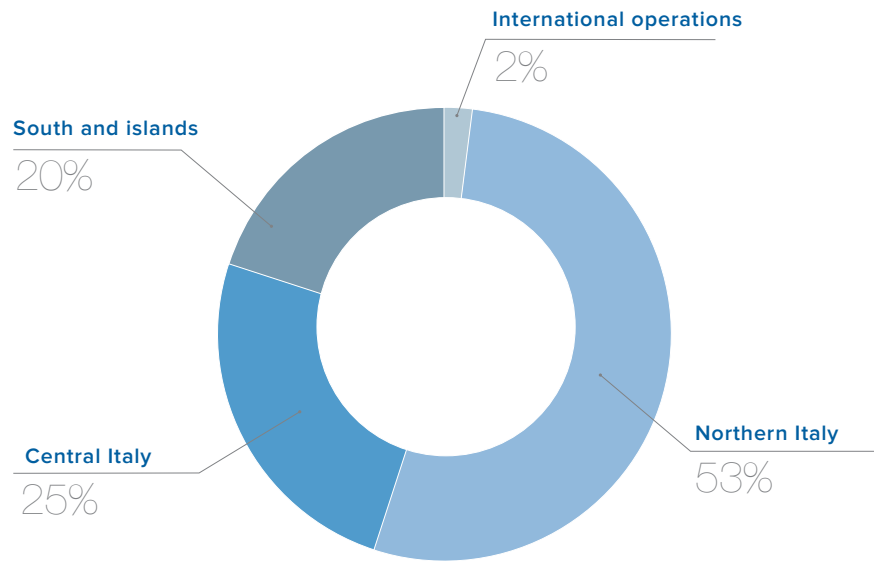
- Information and Communications Technology (ICT);
- Advertising, marketing and representation;
- Company searches and credit recovery;
- Personnel;
- Consultancies and professional services;
- Real estate.

TURNOVER BY TYPE OF SUPPLY



The majority of Fineco's suppliers are based in Italy; only 2% of its suppliers are based in other countries. The use of local suppliers is important for Fineco as it has a positive impact on the local economy.

SUPPLIERS BY GEOGRAPHICAL AREA





2/

GROUP STAKEHOLDERS AND MATERIALITY ANALYSIS

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

2.1. STAKEHOLDER IDENTIFICATION AND ENGAGEMENT

Doing business responsibly means working to create value for all stakeholders, as well as understanding how Fineco's actions can be influenced or influence those who have an interest in its activities: its stakeholders. For this reason, stakeholders play a fundamental role in the Group's growth. Engaging with them and understanding their needs allow the Group to pursue its objectives more responsibly and effectively.

Understanding stakeholders' needs is based most of all on identifying the categories of stakeholders are most affected and have greatest influence on the Group's organisation. The aim is then to engage them in activities that enable Fineco to understand their opinions and expectations, and therefore to strategically direct its activities and objectives.

During 2018, company management identified and mapped the main categories of stakeholders through interviews conducted for the purposes of a materiality analysis. These categories were then reconfirmed for the 2019 Non-Financial Statement (cf. 2.2). The heads of the various corporate functions expressed their view on the level of influence of the various stakeholders on the Group, considering their interests in Fineco's activities, strategies and results. Stakeholders with an above-average rating for both dimensions – significance to Fineco / interest in Fineco – were considered to be material.

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

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



2.2. MATERIAL TOPICS

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

In 2018 Fineco carried out a structured process to define its material topics, with the scientific support of ALTIS, Università Cattolica del Sacro Cuore of Milan. Based on the four principles set out by the GRI Sustainability Reporting Standards for defining the most significant aspects (materiality, inclusion of stakeholders, completeness of data, and context of the Group’s operations), a topic was found to be “material” if it was able to influence the decisions, actions and performance of the organization and its stakeholders.

The result of this analysis therefore became the reference point for all the reporting activities to be carried out in the preparation of this NFS, as well as the starting point to direct the sustainability journey now underway and associated target setting.

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

In 2018, the resulting list of material topics was approved by the Sustainability Management Committee and the Board’s Appointments and Sustainability Committee. In 2019, the list was reviewed and confirmed by the Corporate Governance, Appointments and Sustainability Committee (formerly the Appointments and Sustainability Committee). It was subsequently approved by the Board of Directors on 12 December 2019.



THERE ARE 20 MATERIAL TOPICS³² FOR FINECO, GROUPED INTO 8 MACRO-ASPECTS:

MACRO-ASPECT	ASPECT
TRANSPARENCY	Fairness and transparency in offering products and services
PEOPLE DEVELOPMENT	<ul style="list-style-type: none"> • Human resources management • Industrial relations management • Health and safety at work • Personnel training • Diversity and equal opportunities • Non-discrimination
EFFICIENCY AND STABILITY	Economic performance
CONTROL AND RISK MANAGEMENT SYSTEM	Risk management
ENVIRONMENTAL SUSTAINABILITY	<ul style="list-style-type: none"> • Reduction of environmental impact (raw materials consumption) • Compliance with environmental laws and regulations
FAIRNESS	<ul style="list-style-type: none"> • Anti-corruption • Prevention of anti-competitive behaviour • Socio-economic compliance • Protection of Customer Privacy • Clear approach to the markets
RESPONSIBLE FINANCE	<ul style="list-style-type: none"> • Financial inclusion and education • Responsible products and investments
INNOVATION AND CUSTOMER EXPERIENCE	<ul style="list-style-type: none"> • Innovation • Quality and Value

³² For further details, please refer to page 129 of this document, which has a correlation table of Fineco's material topics, the GRI Standards (used in the preparation of this Statement) and the topics provided for by Legislative Decree 254/20216. In addition to the table showing the internal and external impacts of these material aspects and the type of impact, the table also shows the impact on the Group.



3/

OUR PEOPLE

- 3.1.** PERSONNEL MANAGEMENT
- 3.2.** EQUAL OPPORTUNITIES AND NON-DISCRIMINATION
- 3.3.** PEOPLE ENHANCEMENT AND DEVELOPMENT
- 3.4.** WELFARE AND WORK-LIFE BALANCE
- 3.5.** INDUSTRIAL RELATIONS
- 3.6.** HEALTH AND SAFETY

3.1. PERSONNEL MANAGEMENT



Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Global Policy on employees hiring process

Since its very foundation, Fineco has found itself dealing with an ever-changing competitive environment and has been very much aware that the ability to innovate and the continuous development required to overcome the challenges of the market cannot be dissociated from the development of both human capital and the corresponding professionalism and talent, not to mention the importance of its diverse composition.

With this in mind, Fineco strives on a daily basis to become **'The Place To Be'** for its employees – a workplace where everyone can express their potential and aspirations in the best possible way, contributing to the success and sustainability of the company.

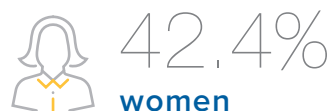
People actually constitute one of the main **Key Success Factors** and Fineco is committed to constantly investing in their development and growth by supporting them and creating an inclusive and sustainable working environment that is conducive to achieving a good work-life balance.

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

are emphasised in the **Integrity Charter and the Code of Conduct**, which will be updated in 2020 and applies to the Group as a whole, in the **Code of Ethics** pursuant to Legislative Decree 231/2001, and in the **Global Policy on employees hiring process**, issued by the Human Resources department in 2016 and also updated by 2020, with the aim of ensuring that all individuals have the professional skills and capabilities required to perform the roles and responsibilities assigned to them and that they are appropriately compensated and encouraged. The policy actually regulates the main processes, including **talent acquisition, determining an appropriate skills model, training and development, people engagement** and **reward & benefits**.

The Group has always aimed for organic growth designed to improve the professionalism of the company, which is why around **85% of vacancies** have been **filled by internal resources**. As of 31 December 2019, the Group had a workforce of **3,766 individuals**, including **1,225 employees** and **2,541 financial advisors**³³.

Fineco has two souls: the first made up of **highly qualified personnel** with specific skills who, in addition to supervisory and staff functions, work in the product, commercial and ICT fields (around 20% of employees worked in the latter field at the end of 2019) and the second of so-called **'Millennials' and members of 'Generation Z'**, who are mainly employed in Customer Care roles, which give young people the opportunity to acquire in-depth knowledge of the bank's products, services and processes.



At the end of the reporting year, FinecoBank Group had **1,225 employees** (+55 on 2018), **42.4% of whom were women**. **98% of FinecoBank Group employees** are employed on **permanent** contracts and the majority of them are **based in Italy (98%)**. The professional category with the highest number of employees is the **professional employees** category (**65%**).



No. of employees by employment contract and gender

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent	694	506	1,200	652	488	1,140
Temporary	12	13	25	15	15	30
Total	706	519	1,225	667	503	1,170

No. of employees by employment contract and region

	2019			2018		
	Perm.	Temp.	Total	Perm.	Temp.	Total
Italy - Milan ³⁴	924	12	936	883	17	900
Italy - Reggio Emilia	252	13	265	244	13	257
Ireland	24	0	24	13	0	13
Total	1,200	25	1,225	1,140	30	1,170

³³ Further information regarding the financial advisors who, although not included in the Group's workforce, are still responsible for a significant portion of Fineco's activity, can be found in Chapter 4 of the present document.

³⁴ Includes the Pero Data Processing Centre.

Employees by employment type and gender

	2019			2018		
	Men	Women	Total	Men	Women	Total
Full time	699	433	1,132	663	418	1,081
Part time	7	86	93	4	85	89
Total	706	519	1,225	667	503	1,170

Employees by employee category and gender

	2019			2018		
	Men	Women	Total	Men	Women	Total
Executives	30	5	35	27	4	31
Managers	285	109	394	260	105	365
Professional employees	391	405	796	380	394	774
Total	706	519	1,225	667	503	1,170

Employees by employee category and age group

	2019			2018		
	<=30	30-50	>50	<=30	30-50	>50
Executives	0	20	15	0	17	14
Managers	3	321	70	4	296	65
Professional employees	201	538	57	192	526	56
Total	204	879	142	196	839	135

Employees by employee category and region

	2019			2018		
	Executives	Managers	Professional employees	Executives	Managers	Professional employees
Italy - Milan ³⁵	27	346	563	24	318	558
Italy - Reggio Emilia	2	40	223	2	41	214
Ireland	6	8	10	5	6	2
Total	35	394	796	31	365	774

³⁵Includes the Pero Data Processing Centre.

The average age of a FinecoBank Group employee

at the end of 2019 was 39 (40 in 2018). FinecoBank's Code of Ethics deals with several factors required to ensure good personnel management, including the **recruitment and hiring process**, which must be carried out objectively based on competence and professionalism and not involve any prejudice or discrimination, in accordance with the principle of equal opportunities.

During the 2019 transition year, Fineco **regulated the hiring process** for all roles, from entry level right through to managerial level, through the Unicredit Group's **Global Policy employees hiring process**, which guarantees a transparent, unambiguous and clearly defined recruitment process. Following its exit from the Unicredit Group, Fineco is working on transposing the fundamental principles of this document into a FinecoBank Group Policy. Moreover, digitalisation has enabled the Group to offer a unique candidate experience. In 2019, in addition to participating in Digital Talent Week, organising a



39 years
Average age of employees

virtual careers day and preparing a series of videos on the issue of recruitment, FinecoBank continued to use **Video-Interview**, which it began trialling in 2018, making it possible to accelerate screening times whilst at the same time reducing travel time and the use of transport.

FinecoBank has also established continuous collaboration partnerships with the best universities in Italy through its participation in **job fairs**. In 2019, for example, the Bank participated in recruitment initiatives promoted by the Universities of Bologna, Ferrara, Milan (Bicocca, Bocconi and Cattolica), Pavia, Rome (Luiss) and Venice.

A total of **141 new employees** were recruited in 2019 - in line with previous year -, of which around **60%** were **under 30 years of age**.



60%
of new hires were under 30

NEW HIRES AND TERMINATIONS BY GENDER, AGE GROUP AND REGION³⁶

New hires and terminations by gender

No. of new hires by gender	2019	2018
Men	85	89
Women	56	51
Total	141	140
No. of terminations by gender	2019	2018
Men	46	51
Women	40	38
Total	86	89
Rate of new hires by gender (%)	2019	2018
Men	12%	13%
Women	11%	10%
Total	12%	12%
Turnover rate by gender (%)	2019	2018
Men	7%	8%
Women	8%	8%
Total	7%	8%

³⁶ The rate of new hires is the ratio between the number of new hires in 2019 and the number of employees at 31 December 2019 (by gender, age group and region). Conversely, the turnover rate is calculated by comparing the number of employees ceased in 2019 and the number of employees at 31 December 2019 (by gender, age group and region). It should be noted that all movements to and from the Unicredit Group during the year were considered as new hires and terminations of FinecoBank Group.

New hires and terminations by age group

No. of new hires by age group	2019	2018
<=30	84	95
30-50	53	44
>50	4	1
Total	141	140

No. of terminations by age group	2019	2018
<=30	23	38
30-50	49	35
>50	14	16
Total	86	89

Rate of new hires by age group (%)	2019	2018
<=30	41%	48%
30-50	6%	5%
>50	3%	1%
Total	12%	12%

Turnover rate by age group (%)	2019	2018
<=30	11%	19%
30-50	6%	4%
>50	10%	12%
Total	7%	8%

New hires and terminations by gender and region

No. of new hires by region	2019			2018		
	Men	Women	Total	Men	Women	Total
Italy - Milan	70	39	109	76	40	116
Italy - Reggio Emilia	6	10	16	4	7	11
Ireland	9	7	16	9	4	13
Total	85	56	141	89	51	140

No. of terminations by region	2019			2018		
	Men	Women	Total	Men	Women	Total
Italy - Milan	43	30	73	47	30	77
Italy - Reggio Emilia	1	7	8	4	8	12
Ireland	2	3	5	0	0	0
Total	46	40	86	51	38	89

Rate of new hires by region (%)	2019	2018
Italy - Milan	12%	13%
Italy - Reggio Emilia	6%	4%
Ireland	67%	100%
Total	12%	12%

Turnover rate by region (%)	2019	2018
Italy - Milan	8%	9%
Italy - Reggio Emilia	3%	5%
Ireland	21%	0%
Total	7%	8%

With regard to the main entry point for new employees joining FinecoBank - **Customer Care** (hereafter referred to as 'CRM') - at the end of a period (of approximately 2 years) of **on-the-job training**, new employees have the opportunity to further specialise in Customer Care or to embark upon a horizontal growth process at FinecoBank through intensive **job rotation**. This allowed some **40 individuals** to take the opportunity to get to know and work in other areas of the Bank in 2019.

At the end of 2019, **16%** of the total workforce (192 individuals) was employed in **Customer Care** - a figure that was in line with the previous year.



Beginning their career paths within Customer Care enables the young people in question to absorb the corporate culture, which is based on **innovation, spirit of entrepreneurship and customer focus**, from the moment they join the company and allows it, in turn, to honour the commitment to passing on and reinforcing strong skills in terms of precision and timeliness. Fineco establishes contact with 'digital natives' through the channels of communication that they use most frequently, namely **social media** and **job fairs**.

With regard to social media, the **#FinecoPeople** social branding initiatives (content published on LinkedIn and dedicated to specific targets) were enhanced over the course of 2019 with the launch on social media of a

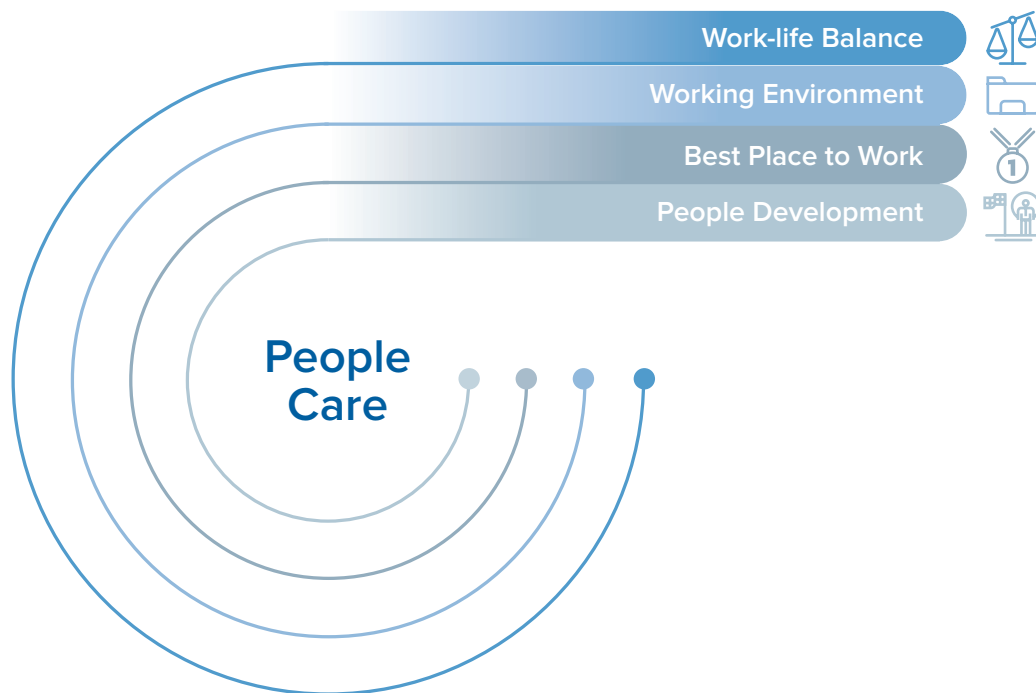
video aimed specifically at recruiting young people to join the company's CRM and ICT teams.

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

FinecoBank invests on a daily basis in developing a **sustainable environment based on trust and a sense of belonging**.

Which is why it has been gauging, through a biennial survey that it has been running for a number of years now (the **People Survey**), what motivates employees and how engaged they are and, based on the information they provide, defining and implementing specific action plans on which it focuses in the following two years in line with the Bank's development strategy. The latest figure for the **Engagement Index**, which measures the level of employee engagement within the company using the People Survey, was **81%**.

People Care, Working Environment, Work-Life Balance, Best Place To Work and **People Development** are the fields on which Fineco is focusing as a result of the findings of various feedback initiatives involving all employees.



Work on these issues continued in 2019, with the following initiatives proving to be particularly relevant:

- **An hour with the CEO:** the Chief Executive Officer visited all of the Bank's offices to meet and chat to employees and informally discuss Fineco's strategy and upcoming challenges;
- **Induction:** onboarding, which involves setting aside half a day in which newly hired employees attend information/training sessions with Deputy General Managers, Human Resources and union representatives;
- **Induction 1 year later:** onboarding initiative that takes place a year after the employee has joined the company;
- **Focus group** in which colleagues are involved in discussions on issues relevant to the implementation of products and services.



As proof of its commitment, in 2019 FinecoBank obtained the **Top Employer 2019** certification awarded to companies that offer excellent working conditions and give employees the opportunity to grow both professionally and personally.

3.2. EQUAL OPPORTUNITIES AND NON-DISCRIMINATION



Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Global Gender Equality Policy
- Human Rights Commitment
- Joint Declaration on Equal Opportunities and Non-Discrimination

The Group operates in accordance with the Universal Declaration of Human Rights and is committed to respecting diversity and promoting equal opportunities, based on the belief that “[...] all forms of discrimination must be eliminated and replaced with appreciation of the individual’s skills and capabilities”, as set out in the Human Rights Commitment.

The Group is therefore committed to promoting an inclusive culture in which no form of discrimination is tolerated and in which people’s talents, skills, experience and differing perspectives can be fully expressed with a view to promoting greater innovation, collaboration and flexibility.

As also stated in the Code of Ethics, diversity of gender, thought, experience and skills represents a form of value that enhances Fineco’s professionalism, not to mention a source of strength in an ever-changing competitive environment, and one that should be valued as a source of new ideas.

A **Global Policy on Gender Equality** was adopted in 2013 and will be updated by June 2020, outlining principles and guidelines for ensuring a level playing field on which all employees, regardless of gender, can achieve their full potential.

The document also aims at identifying principles and guidelines for a Human Resources management system that helps create a gender-balanced leadership pipeline in which men and women are equally represented and the contributions of both genders equally valued in decision-making processes at all levels of the organisation. By 31 December 2019, approximately **42.4% of Fineco employees** were **women**.

Fineco has always stressed the importance of **gender pay equality** on all levels and, as has been the case in previous years, in 2019 the **Gender Pay Gap KPI**, identified using a specific Human Resources methodology, has been included in the scorecards assessment of the Group's Chief Executive Officer and all Staff Identified by the Bank with regard to the short-term incentive system. Analyses performed in 2019 showed that there was no significant gender pay gap within Fineco.

Ratio of basic salary of women to men, by employee category³⁷

Ratio of basic salary of women to men (%)	2019	2018
Executives	89%	84%
Managers	95%	95%
Professional employees	100%	99%

Ratio of total remuneration of women to men, by employee category³⁸

Ratio of total remuneration of women to men (%)	2019	2018
Executives	73%	75%
Managers	95%	95%
Professional employees	99%	99%

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

³⁷ The basic salary is understood as the Gross Annual Salary (GAS).

³⁸ Total remuneration is understood as the GAS combined with any additional amounts paid, such as bonuses, benefits, overtime and daily rates.

Also in 2019, **Chief Financial Officer** Lorena Pelliciarì was named **CFO of the Year** by **Women in Finance**. The initiative, promoted by the British Embassy in Italy, was created to celebrate female talent, recognising the ability of women to hold leadership positions in the financial sector and rewarding companies that supported women's talents. The CFO also spoke at the **Women in Finance** event, organised by CFA Society Italy and held at the Senate in November 2019, with the aim of supporting the financial and investment sector in its transition to a responsible and inclusive future.

The Group is constantly committed to promoting gender balance, bridging generation gaps and supporting people belonging to protected categories, which, as of 31 December 2019, stood at **48** (+ 8 on 2018), including **3 managers and 45 professional employees**.

A **Diversity Manager** has been appointed within the Bank, providing a point of reference for activities and initiatives relating to the issue of diversity and reinforcing the commitment to developing a culture of inclusion and viewing diversity as a source of strength and competitiveness for the Bank.

In the framework of initiatives aimed at protecting diversity and equal opportunities, the Group sponsored and participated in the **Global Inclusion – Generazione senza frontiere** event held in Bologna on 11 September 2019 with the aim of promoting the contribution of inclusion policies within companies as a competitive lever for organisational development.

Fineco also took part in a **Diversity Day** held at Milan's Bocconi University in 2019 as part of an initiative designed to promote diversity management and the employment of people with disabilities and those belonging to protected categories. This event was attended by more than 400 people and was organised in partnership with private companies, universities, public institutions, the media and various communities. Also in 2019, Fineco signed the **ABI Women in Bank: Enhancing Gender Diversity Charter**, which breaks

down the commitment to enhancing, promoting and strengthening diversity, including gender diversity, at every level of the organisation.

Moreover, the company's collaboration with **Jobmetoo**, an online recruitment company that helps bring together companies and applicants belonging to protected categories, continued in 2019. In

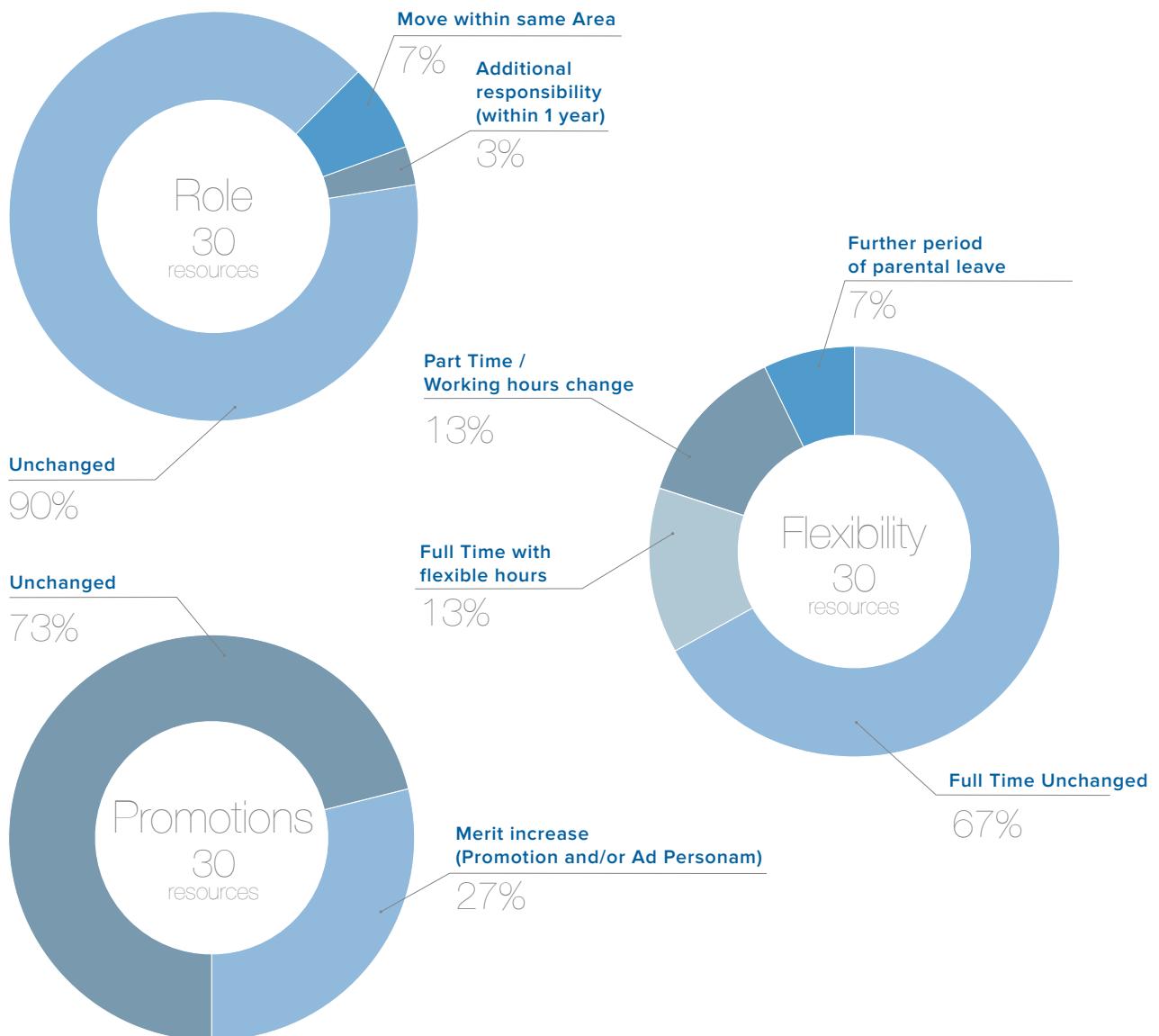
addition to posting advertisements, Jobmetoo gives users the opportunity to participate in workshops dedicated to issues such as the management and development of employees with disabilities.

Fineco is also committed to the management and continuous **monitoring of employees returning from maternity and paternity leave** with a view to ensuring that they enjoy equal conditions and gender treatment. With this in mind, and in line with the previous year, an analysis was performed in 2019 looking at three different issues, namely **Role**, **Flexibility** and **Promotion**, and focusing in particular on investigating whether employees returning from parental leave covered the same role, whether Fineco responded appropriately to requests for flexibility following the leave and whether absent employees were still offered promotions.

In this respect, the analysis revealed the following regarding the total of **30 individuals who returned from parental leave** in 2019:

- **Role:** 90% of the 30 individuals returned to the same role they held prior to the period of absence, 7% changed positions but remained within the same field of responsibility and 3% were given a new position of responsibility within 1 year of their return;
- **Flexibility:** 67% of the 30 individuals returned full-time without the need for any kind of flexibility, whilst 13% requested a part-time role or a more flexible change to their working hours, 13% requested a degree of flexibility on their return and 7% requested an additional period of leave; all requests were granted;
- **Promotions:** 8 individuals (approximately 27%) received a promotion or pay rise during their maternity leave.





The FinecoBank Group is committed to **respecting civil principles and freedoms, such as fundamental human rights**, as stated in the **Human Rights Commitment**. With this in mind, the Group does not tolerate any form of discrimination based on age, race, nationality, citizenship, political opinions, religion, marital status, gender, sexual orientation, sexual identity, disability, personal characteristics and experiences or any other aspect that might distinguish an individual over the course of his or her life, such as personal or corporate culture, the type of employment contract they have, their professional role or their hierarchical position within the organisation. It is vital, therefore, that respect for and attention to other people and their needs become an integral part of the actions of all employees when it comes to their relationships within the company. For this reason, those bound by the **Integrity Charter and Code of Conduct** are encouraged to promote an environment based on equal opportunities and to treat others with dignity and respect and under no circumstances discriminate or tolerate any sort of discrimination or harassment. Finally, it should be noted that the Unicredit Group's **Joint Declaration on Equal Opportunities and Non-Discrimination** remained in force over the course of 2019 and will be updated and adapted to the FinecoBank Group over the course of 2020. This Declaration aims at establishing a set of common guidelines and a shared understanding of the concepts of 'diversity', 'equal opportunities' and 'non-discrimination' in order to guide the corporate culture. In this respect, no incidents of discrimination in the workplace were brought to the attention of the Group in 2019³⁹.

³⁹ This figure was recorded through the whistle-blowing channels available to employees and financial advisors within the Italian perimeter.

3.3. PEOPLE ENHANCEMENT AND DEVELOPMENT

3.3.1. EMPLOYEE TRAINING



Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Training, Learning and Professional Development
- Internal memo on 'Managing employee mandatory training'

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

Enhancing and improving professionalism in line with the changes and continuous evolution of the competitive environment are, in fact, fundamental requirements for facing the challenges of the market and prerequisites for the Group's long-term growth. With this in mind, Fineco is committed to encouraging the growth and development of its employees, placing great emphasis on **continuous training**.

In 2019, the **training platform (MyCampus)** has helped to make the training offering increasingly accessible to all employees and also to more extensively enable individuals to find the course or training path that best meets their respective professional needs. The training offering has expanded with a growing number of e-learning modules on various topics and can also be accessed remotely.

In 2019 Fineco provided **30,748 hours of training** involving all employees, equating to an average of **25 hours of training** per employee.



25

Average hours of training per employee

The training provided is constantly evolving and adapting to the challenges the Group faces on a daily basis. One of Fineco's main objectives over recent years has been to strengthen its **risk and compliance culture** in order to make Fineco's operations increasingly sustainable and robust.

For this reason, also in 2019, the Bank placed particular emphasis on providing **mandatory training** for all employees, who attended courses either remotely, notably using the Group's training platform (MyLearning), or face-to-face in a classroom situation.

The main topics covered were anti-money laundering, anti-corruption, anti-trust law, operational risks, privacy and data security, and conflicts of interest. The results were monitored to ensure that all employees learned about the subject matter, thereby protecting the Bank against operational, legal and reputational risks.

Furthermore, numerous training sessions were organised on technical skills, in collaboration with external suppliers, strategic partners and universities, to improve business development and enhance employee specialisation.

Within the **Customer Care** division, where the average age is the lowest in the Bank, a total of 9,618 hours of technical training was provided for new employees. Moreover, in order to maintain a high quality of service and customer care, behavioural training courses focusing on communication are held on a continuous basis.

During 2019, In support of resource development, FinecoBank continued the **Leadership Training Program** (previously trialled in 2017), targeting all managers, team leaders and those dealing with resource management for the first time. This course comprises a combination of classroom-based sessions, coaching and field training. The aim is to improve the managerial skills of middle management, helping it to manage its role efficiently and coherently, and create a shared corporate culture, greater awareness of the role and a common language, which is useful when it comes to encouraging collaboration between different teams. As of 31 December 2019, around **60 people** were involved in the project. The course included individual interviews, classroom-based training and coaching sessions to support the achievement of the objectives outlined in the professional development plan.

Furthermore, thanks to its collaboration with **Valore D**, Fineco participated in **the following training courses specifically designed to promote female talent** within the company in 2019:

- The **Young Talent**, programme, designed to encourage young women's aptitudes for lifelong learning and entrepreneurial spirit in business;
- The **Middle Management**, programme, designed to accelerate the careers of female middle managers towards roles of greater responsibility;
- The **Senior Manager**, programme, aimed at both female and male employees and supporting senior managers in making the cultural transition towards a more inclusive environment. Participants developed a new leadership model with the ability to draw out the talent within their teams and cascading down through other levels of the organisation as a whole.

Furthermore, as far as language training is concerned, all employees continued to **learn English** through access to an e-learning platform offering over 5,000 pieces of 'Business English' content and virtual classrooms. In this respect, FinecoBank offers both classroom and telephone language training courses, depending on the individual's professional needs..

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



Average hours of training, by gender and employee category⁴⁰

Average hours of training by employee	2019	2018
	25.1	28.2
Average hours of training by gender	2019	2018
Men	24.1	27.7
Women	26.4	28.8
Average hours of training by employee category	2019	2018
Executives	18.9	31.3
Managers	54.7	24.7
Professional employees	10.7	29.7

Hours of training by training field

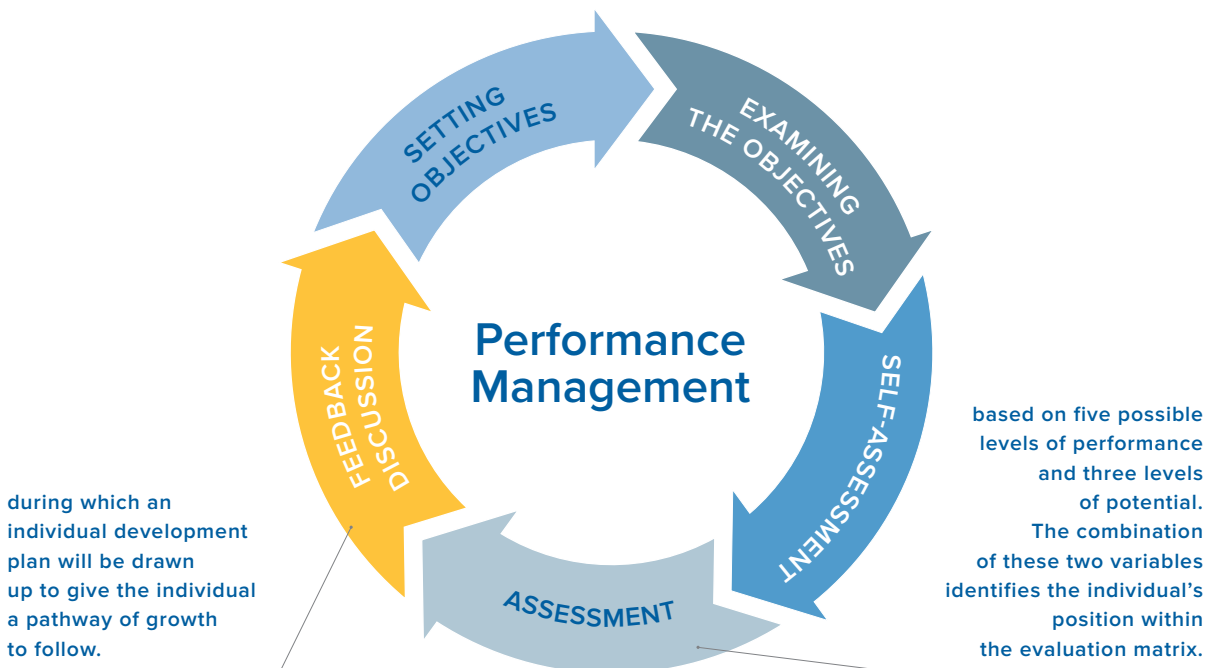
Hours of training	2019	2018
Technical	11,677	14,183
Linguistic	8,712	9,918
Mandatory	8,422	8,414
Behavioural	1,937	429

⁴⁰ The average hours of professional employees' training in 2019 were lower than in 2018 as the number of new hires in the CRM area were lower compared to the previous year. In addition to the majority of new recruits under 30 years of age and in the professional employees category, this field actually records the highest number of technical training hours, especially in the first three months after hiring, thanks to a structured classroom-based training course and on-the-job training. The decrease in new hires in 2019 is due to a higher quality selection process that resulted in a lower number of failures during the trial period (with only 2 in 2019 as opposed to 14 in 2018). The average number of training hours for executives, on the other hand, has increased (from 24.7 in 2018 to 54.7 in 2019) since managerial and leadership training for middle management and coordinators has been significantly improved.

3.3.2. SKILLS ASSESSMENT AND DEVELOPMENT

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

The main tool used, **Performance Management**, which will be adapted to the FinecoBank Group in 2020 following its exit from the Unicredit Group, reflects the need for the assessment to be objective and to identify the actions required in order to achieve the desired results. This assessment process consists of several stages:



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

Executives and Talents are assessed as part of the **Executive Development Plan** and the **Talent Management Review** respectively, both of which assess the individual based on five levels of performance (from unfulfilled to "exceeds expectations") and three levels of potential (from potential already achieved to highest potential). The combination of the two variables is then used to identify the individual's position within a matrix.

The **annual review** provides an opportunity to **plan, identify and manage career and succession plans** in line with the performance and expectations of those concerned and identify activities to support leadership development. Learning and development initiatives are designed to meet employees' needs in terms of professional growth.

Fineco aims not only at boosting skills but also at promoting talent and a sense of belonging for the purposes of encouraging constructive professional development that focuses on achieving long-term results through the consistent implementation of assessment and development measures and the correct management of selection and training processes. By 2018, 91% of employees had undergone an annual performance evaluation using the Performance Management⁴¹ tool.

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

⁴¹As a result of the changes that occurred over the course of the year, employee performance evaluations for 2019 will be carried out in the first few months of 2020, meaning that the corresponding data will be reported in the next reporting cycle.

3.3.3. REMUNERATION POLICIES



Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- 2019 Compensation Policy FinecoBank⁴²
- Termination Payments Policy

The principles outlined in FinecoBank's Compensation Policy serve as a reference when it comes to outlining the Bank's remuneration programmes. Fineco's approach to remuneration is consistent with the applicable local regulations and best market practices and ensures that it is linked to performance, the market context, business strategies and the long-term interests of shareholders. In terms of appropriate remuneration, Fineco aims at ensuring that its employees receive competitive and effective salaries based on transparency and internal equity, which is why the principles of effective and sustainable performance and conduct are key elements of the Compensation Policy.

The principles of the Compensation Policy reflect the most recent provisions in terms of remuneration and incentive policies and practices, the aim being to establish, year after year and in the interests of all stakeholders, remuneration systems that are increasingly in line with the company's long-term strategies and objectives and linked to the company's results. The **Compensation Policy**, drawn up by the Remuneration Committee, is submitted annually to the Bank's Board of Directors, and subsequently to the Shareholders' Meeting, for approval.

The principles and criteria governing remuneration and incentives for non-executive members of the Board of Directors, the Supervisory Board (who do not have an employment relationship with the Company) and members of the Board of Statutory Auditors, are governed by the Compensation Policy, of which only the fixed component applies, determined on the basis of the importance of the role and commitment required to carry out the tasks assigned and are not linked to Fineco's financial results. None of them are, in fact, in receipt of any incentive plans based on stock options or indeed on any other financial instruments, for that matter.

With regard to employees, Fineco is committed to ensuring equal treatment in terms of remuneration and benefits, regardless of age, race, culture, gender, disability, sexual orientation, religion, political affiliation or marital status. The approach to total remuneration is a balanced package of **fixed and variable, monetary and non-monetary components**, each designed to provide adequate incentive and enhance the level of commitment on the part of the individual.

On the other hand, with regard to **Identified Staff**, which includes the Chief Executive Officer and General Manager and Executives with strategic responsibilities, within the managerial framework established in accordance with the relevant legal and regulatory provisions, the Board of Directors, at the proposal of the Remuneration Committee, establishes the pay structure for top management positions and breaks it down in terms of fixed and variable elements.

This balance between variable and fixed components takes into account the **company's strategic objectives, risk management** policies and other factors that characterise the company's operations.

⁴² The 2019 Compensation Policy and the Termination Payments Policy published on the company's website (www.finecobank.com, Governance section) apply only to FinecoBank. FAM has adapted its Compensation Policy and Termination Payments Policy in accordance with the applicable local regulations.

The salaries of the Chief Executive Officer, General Manager and Executives with strategic responsibilities in particular, along with those of other Identified Staff, is balanced, in line with regulatory requirements, in terms of Fineco's overall profitability, weighted based on risk and cost of capital, as well as a series of specific sustainability objectives, based on asset and liquidity indicators.

The **variable remuneration** of those that fall into the Identified Staff group establishes a direct link between remuneration and performance in the short, medium and long terms, weighted based on risk, and is based on both **annual Performance Incentive Schemes** (Short-Term Incentives) and **Long Term Incentive Plans** (Long-Term Incentives).

Short-term incentive plans are designed to promote and motivate strategic resources and to ensure full compliance with the latest national and international regulations and best market practices. Short-term variable remuneration is linked to the achievement of specific individual objectives that are approved in advance by the Board of Directors, at the proposal of the Remuneration Committee, having informed the Board of Statutory Auditors.

Individual objective reports in particular, in 2019, included one objective regarding the **Gender Pay Gap** and a specific one regarding the **Tone from the Top** initiative relating to integrity of conduct and the dissemination of the compliance culture within the organisation.

A deferral (maximum 60% of the incentive) in cash and in shares is also planned. All instalments are subject to the application of malus and/or claw-back conditions, as legally enforceable. The extent and duration of the deferral are in line with the provisions outlined by the Supervisory Authorities and are consistent with the characteristics of the Bank's business and risk profiles.

Long-term incentive plans, on the other hand, aim at strengthening the link between variable remuneration and the company's long-term results and to further align the interests of the management with those of shareholders. As a general rule, **there is no granting of discretionary pension benefits** that, if provided for in local practice and/or, exceptionally, in individual agreements, would be paid in a manner consistent with the relevant specific legal and regulatory provisions.

The provisions of the Compensation Policy also apply to members of the **FinecoBank Network of Financial Advisors** (belonging to the Identified Staff group), in line with their specific remuneration requirements. This being the case, it should be noted that the salaries of Financial Advisors are entirely variable, typically due to the existence of a self-employment contract.

With regard to determining individual bonuses for Below Executives, i.e. those not belonging to the Identified Staff category, a series of criteria such as sustainability, i.e. the payment of bonuses in line with overall results and the Company's risk-weighted profitability and consistent with the creation of long-term value for stakeholders, have been highlighted, including appropriate proportions of variable and fixed components, with particular focus on supervisory functions and the consistency between the awarding of the bonus, the assessment completed as part of the Performance Management process and the verification of behaviours such as, for example, how much compulsory training the individual has completed and whether any disciplinary action has been taken against them.

For further details on remuneration and incentive policies and compensation in the event of early termination of employment please refer to the 2019 Compensation Policy and the Termination Payments Policy, both of which can be found in the Governance section of the FinecoBank website.

3.4. WELFARE AND WORK-LIFE BALANCE

FinecoBank wants to support the well-being of its employees and their families, which is why its Welfare System is continuously evolving and improving.

In keeping with FinecoBank's Remuneration Policy, benefits are generally aligned by applying a series of common criteria for each employee category (taking into account the classification and the tasks performed), whilst the nature of the benefits is established based on the Bank's practices. Benefits that complement national **social security**, healthcare and **work-life balance** support systems with the aim of ensuring the well-being of employees and their families throughout their working lives and even after retirement, for example, are included. **Special access conditions for various banking products** and other FinecoBank services may also be granted with the aim of providing employees with support throughout the various stages of their lives.

A Joint Commission for reconciling working hours with home life, innovation and welfare was established in 2019 (cf. paragraph 3.5); all employees notably have access to various services that can be grouped into the following 4 categories:



HEALTH

including, for example, supplementary healthcare, insurance cover and prevention campaigns. The new Health Plan for all employees was introduced through the Fineco One Care portal in 2019 and consists of a basic and a supplementary option.

The basic option, which can also be extended to family members, including those who are not dependent for tax purposes, includes a number of important new features, such as an increase in the cap for all options relating to dental coverage, annual prevention campaigns, the introduction of the new 'Maternity package' guarantee for appointments, tests and assessments for the entire duration of the pregnancy, the introduction of a reimbursement of psychotherapy costs and the removal of caps on 33 specific procedures concerning hospitalisation and surgery, without affecting the cost to the employee.



SAVINGS

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



FAMILY

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



WORKLIFE BALANCE

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

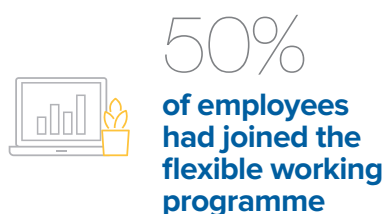


Also in 2019, a great deal of work went into developing the **Welfare Plan**, not only in terms of enriching the services offered but also with regard to the following:

- The **revision of the FinecoWelfare portal** with a view to improving the end-user's web experience. The portal contains all of the information grouped by area of interest and directions for using your welfare account, as well as all of the conventions to which employees have access;
- A **communications campaign dedicated to the Welfare Plan**, in conjunction with the provider, was executed at Milan and Reggio Emilia headquarters information points from which employees could request further information on services available.

Flexible working was further extended in 2019 with the aim of supporting employees' work-life balance and offering them greater flexibility in terms of time management (with the possibility of working from home one day a week).

As of 31 December 2019, around **50% of the company's population had joined** the programme, which had a **positive impact on levels of engagement and performance**. A number of organisational structures have, in particular, worked on modifying certain internal processes in order to allow them to be replicated remotely



and adopt flexible working practices (as is the case with Financial Operations Department). Others have launched the pilot phase and are testing the feasibility (as is the case with CRM). This is a profound change that, as of 2018, has been brought about within the corporate culture, which favours a trust-based model of human resources management. Furthermore, the adoption of a flexible

working model has also led to the simplification of procedures and the reengineering of processes contributing to the digitalisation and dematerialisation of paper trails.

The **MaggiorTempo** initiative, introduced in 2018 and designed to streamline some of the most **common daily tasks for employees**, from parcel collection to laundry, shoe repairs, tailoring, and postal and administrative tasks, has continued in 2019. An additional tool for reconciling work with home life. MaggiorTempo's services are managed by a **social cooperative** whose mission is to help socially disadvantaged people integrate into the workplace.

Last but not least, the renovation of the workspaces at the Milan office continued in 2019, helping to achieve the Group's aim of **creating a better workplace** for its people. Whilst redevelopment work at the Reggio Emilia office in particular has already been completed, renovation is now under way at the Milan office and is expected to be completed in the first half of 2020. In 2019, however, new spaces for offices, meeting rooms and training rooms were created with a more modern layout that will be extended during the works to all of the Bank's spaces.

3.5. INDUSTRIAL RELATIONS



Policy and regulatory instruments

- Human Rights Commitment

The Group is committed to safeguarding the right of employees to freedom of association and collective bargaining in full compliance with the rules established by the national legislation in force, a commitment that is also set out in the company's policies and the Human Rights Commitment.

The relationships that FinecoBank maintains with trade unions are always inspired by respect and loyalty and based on a proper dialectic, without any discrimination or difference in treatment, with the aim of establishing a **system of trade union relations** aimed at ensuring **collaboration, dialogue** and **mutual trust**. With this in mind, all FinecoBank employees are covered by **collective bargaining agreements**⁴³.

Furthermore, based on the belief that dialogue between social partners can help improve the entire company structure, trade union dialogue is developed through continuous efforts on the part of the company. Following the deconsolidation, it was considered vital to undertake a process of close collaboration in order to address issues of importance to the company's entire population.

In this regard, a Joint Commission for work-life balance, innovation and corporate welfare has been set up

in order to identify a platform for discussion between social partners and the technical analysis of corporate welfare initiatives, which include, for example, supplementary welfare, assistance and services designed to support families, and measures to encourage a good work-life balance.

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

In the framework of the Commission's efforts, both the Company and the trade union intend to continue to enhance the company welfare system in order to improve personal welfare, introducing measures and solutions that promote a better corporate climate. The Joint Commission is governed by a specific Regulation that identifies company and trade union members, meeting procedures and tools for monitoring the objectives and measures in force.

⁴³ The figure stated refers to the Group's Italian perimeter (which accounts for 98% of employees), the employment relationships of which, where Professional Employees, Middle Managers and Executives are concerned, are regulated by the respective National Collective Agreement (NCA) for the credit sector. This NCA specifies, among other things, the minimum number of weeks' notice that must be given to employees and their representatives before any significant changes that could have a significant effect on them can be made (the number stated in the NCA for the credit sector is 6.5 weeks). As far as FAM is concerned, there are no agreements resulting from collective bargaining.

3.6. HEALTH AND SAFETY



Policy and regulatory instruments

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

Health and safety in the workplace are fundamental rights for all workers and Fineco is notably committed to always complying with current legislation and ensuring the good health and safety of its people.

Fineco's Human Rights Commitment covers this issue, expressing its commitment to complying with regulations, appropriate risk assessment and the consequent definition and planning of prevention and protection measures with a view to minimising such risks. The Code of Ethics, on the other hand, lists the obligations that all those bound by it are required to comply with in order to ensure safe, healthy and dignified working conditions and healthy working environments, in accordance with the applicable regulations and available technology. Furthermore, FinecoBank S.p.A.'s internal memo no. 131 of 2019 outlines the roles and duties of FinecoBank's various structures and corporate figures with regard to activities relating to the application of and compliance with Legislative Decree 81/2008 on the protection of health and safety in the workplace.

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

As provided for by Legislative Decree 81/2008, the two Employee Safety Representatives, appointed from among the trade union representatives, participate in specific activities such as safety meetings, inspections

and the drafting of documents. All Group employees operating in Italy are represented by the Employee Safety Representatives⁴⁴.

The main risks in the field of health and safety in the workplace, along with the corresponding management and mitigation measures, are identified and outlined, based on the provisions of Legislative Decree 81/2008, by means of **specific periodic checks** performed twice a year in the presence of the 81/2008 representative, representing the Employer, the PPSM and the Competent Doctor or Coordinator, following which minutes are produced and countersigned by all those present. In 2019, such risks were deemed to be medium-low.

In addition to the constant monitoring of current legislation, Fineco has set itself the objective of performing a number of additional activities, beginning in 2019, aimed at improving the monitoring of the health and safety conditions of its people. In 2019, for example, a project aimed at monitoring **work-related stress** was launched, to be carried out with the support of an external company as of 2020. With regard to the work-related stress evaluation, employees and their representatives will notably be involved in the gathering of data that will then be used to produce findings that represent the company's situation.

With regard to the Financial Consultancy branches, or Fineco Centers, the FinecoBank's Board of Directors has decided to carry out specific inspections to verify that both the premises and the equipment used there comply with the health and safety regulations in force, together with appropriate training for Fineco Center Managers on how to maintain and run the Center, in compliance with regulation 81/2008.

During the reporting period the Group reported **10 injuries**, 2 of which took place in the workplace (involving 1 man and 1 woman) and 8 whilst commuting (2 men and 6 women), all occurring in Italy. **No fatalities** occurred and **no cases of occupational disease were recorded**⁴⁵.

The **absentee rate** among employees was **2.6%** (2.1% for men and 3.4% for women).

Accident indices and absentee rate⁴⁶

Accident indices (2019)	Men	Women	Total
Frequency rate⁴⁷	0.54	1.72	1.04
Italy	0.55	1.74	1.06
Ireland	0.00	0.00	0.00
Severity index⁴⁸	2.64	9.25	5.46
Italy	2.71	9.36	5.56
Ireland	0.00	0.00	0.00

Absentee Rate (2019) ⁴⁹	Men	Women	Total
Total	2.1%	3.4%	2.6%
Italy	2.1%	3.4%	2.7%
Ireland	0.5%	4.8%	1.6%

⁴⁴ Fineco Asset Management has no health and safety committees. There is, however, a First Aid Officer and a Fire Warden. Furthermore, the building in which FAM's offices are located has a Health and Safety Coordinator.

⁴⁵ As a result, the occupational disease rate for the company's entire population was also zero.

⁴⁶ The scope of the data relating to health and safety in the workplace covers employees of the Group only and not any other professionals not employed by the group - a category that primarily includes financial advisors. 2018 data are not available for comparative purposes.

⁴⁷ Represents the frequency of accidents in relation to the total number of hours worked by Group employees in 2019.

This data is obtained from the number of injuries divided by the total number of hours worked, multiplied by 200,000.

⁴⁸ Represents the severity of accidents in relation to the total number of workable hours of the Group's employees in 2019. This data is obtained from the number of days lost due to accidents, divided by the total number of workable hours, multiplied by 200,000.

⁴⁹ The percentages are obtained by comparing the total number of days' absence (due to accident or illness) with the total number of workable days of the Group's employees in 2019.





OUR FINANCIAL ADVISORS

4.1. TRAINING OF FINANCIAL ADVISORS

FinecoBank's network of financial advisors, the 4th⁵⁰ largest in Italy in terms of size and assets under management, represents a strategic business channel for the Bank, in terms of both acquiring new customers and managing existing ones. As of 31 December 2019, the Bank had **2,541** financial advisors (2,103 men and 438 women), **116** of whom joined during 2019 (58 'seniors' and 58 'juniors').

Composition of the Financial Advisors Network as of 31 December 2019:

Women	Men		Total
438	2,103		2,541

New hires (2019)	Women	Men	Total
Junior	16	42	58
Senior	9	49	58
Total	25	91	116

The Network strategy is in line with that of the Bank and is based on three fundamental pillars, namely growth, transparency and the quality of the relationship with the customer, and innovation and efficiency. It is implemented not by means of a rigid top-down approach but rather based on listening to the needs, suggestions and ideas of the consultants concerned, who work directly in the field and are more familiar with customers' expectations.

With this in mind, the Bank organizes opportunities to meet with, listen to and discuss with the network from time to time, notably involving top management structures and Senior Private Banker consultants. In 2019, two Senior Private Banker meetings and a workshop were held with Area Managers, that is those responsible for monitoring the 26 commercial areas managed by the Financial Advisors Network, during which real working groups were set up to focus on various topics of particular interest to the network, as well as other opportunities to share thoughts and experiences, such as small group meetings with Area Managers, agreements with the entire Private Banking segment and ad hoc meetings in the areas with the aim of discuss existing and potential initiatives and activities with local management structures. These moments of engagement have given rise to ideas for creating and revising products and processes with a view to boosting decisiveness and efficiency and achieving increasingly ambitious results.

⁵⁰ Source: Assoreti, September 2019.

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



GROWTH

FinecoBank's business model is based mainly on **organic growth**. In 2019, out of net sales of €5.1 billion, 94% was generated organically and 6% through new clients recruited over the course of the year. This strategy is economically sustainable in the long term, including in terms of cost, putting the Bank in the perfect position to face increasing pressure on margins. It is also accompanied by increased network productivity, leveraging a high level of customers satisfaction and the high quality of the offering, with net revenue from existing clients in 2019 amounting to approximately 30% of total revenue, supported by the opening of 83,634 new accounts.

The **recruitment of new financial advisors** is another important driver of growth and one that aims primarily at improving the quality of the existing Network. The Group is committed to seeking professionals with extensive experience, be it in the commercial network sector or in traditional banking and Private Banking.

The Group aims at attracting professionals that make customer relations one of the cornerstones of its business, who want to measure themselves against market standards and push their boundaries and, above all, who share the Group's vision and values.

The Group guarantees a thorough pathway of integration for such profiles with the aim of allowing for the appropriate analysis of the managed portfolio and the resulting fluency of the transfer, as well as flexible and tailored financial support, for the purposes of the needs of individuals concerned.

FinecoBank also invests in **young people**, including them in its commercial network with a selection plan based on a combination of social channels, **partnerships with universities** and traditional channels. The Bank provides three types of tools designed to support them as effectively as possible in building their own professional careers, namely training support from the preparation phase for the qualification examination until two years after they have joined the network, ad hoc financial support for 24 months and operational support courtesy of a trainer based in the region (58 young people have been integrated into the network since the start of the year).

The Bank is very much aware of the need to instigate a process of generational change and has launched a review of its 'youth project' with the aim of strengthening the economic support provided and extending the period of support, thus attracting more young people by supporting them during the start-up period. The new project will be launched in January 2020.



TRANSPARENCY AND QUALITY

The **quality of the relationship with customers** comes above everything else. It is important that clients establish a relationship of trust with the consultants, who start by analysing the customer's needs, requirements and expectations and tailor what they do with a view to finding practical solutions that meet the needs of the individuals concerned. This makes it possible to really plan the customer's objectives, bypassing the volatility of the market and the customer's own sensitivities.

This being the case, such an approach not only aims at maximizing sales but also pursues the long-term objective of meeting customers' expectations and building a relationship of trust.

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

With this in mind, and thanks to Fineco Asset Management activities, the Group is able to offer its clients innovative services and tools designed to ensure greater risk control, cost containment and an increase in implicit quality.

Furthermore, the **open architecture** platform, one of the most comprehensive on the market, means that the investment solutions that the Group is able to create ('Guided Products & Services') allow the consultant to work without any conflict of interest, thus ensuring the best possible solutions to the customer's needs.

The quality of the network is also showing signs of major progress, with per capita assets increasing by 19.7% in 12 months (from €23.2 million to €27.8 million) and a significant increase in the managed component and advisory services. Financial advisors with assets exceeding 20 million accounted for 53.8% of the network as of 31 December 2019, with 81.6% of assets under management.



EFFICIENCY AND INNOVATION

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

Innovation is, therefore, one aspect on which Fineco bases its experience and that it uses to allow consultants to devote much more time to managing relationships with clients, analysing and scrutinising their needs and how they can change over time, constantly improving the quality of the services offered and strengthening the relationship of mutual trust.

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

Furthermore, clients now have the opportunity to manage their financial advisor's investment proposals in a simple and secure way remotely, directly from either a mobile or a PC, thanks to the use of digital signatures and a **Web** and **Mobile Collaboration** service that is fully integrated with X-Net. The Web and Mobile Collaboration service allows the advisor to handle paperwork more quickly and electronically with two consequent advantages, the first for the client, for whom the Bank tries to offer a more comfortable and flexible service, the second in terms of the resources and raw materials that it saves.

4.1. TRAINING OF FINANCIAL ADVISORS

The central role that financial consulting plays in FinecoBank's business model is also fully reflected in the depth of the training plans produced for the consultants themselves.

The desire to offer clients a superior level of service and the awareness of the complexity and sensitivity of the consultant's role has encouraged the Bank to develop an extensive and varied course catalogue over the years and one that is able to take into account all aspects relating to consultancy activities.

As far as FinecoBank is concerned, the financial advisor is the **facilitator who has the ability to help people achieve their medium/long-term financial goals** through careful and rational planning. Protecting family savings and making them profitable through sustainable, tailored investments that are always in keeping with the specific risk profile of the individual in question is the goal that financial advisors are pursuing on a daily basis.

From this perspective, a thorough knowledge of the markets and financial instruments is certainly vital, although not sufficient. In order to perform a role with such a high social impact as effectively as possible it is essential that the advisor be fully aware of a whole host of factors, all of them contributing to the definition of the scenario within which a consultant finds themselves working. Such factors include **social dynamics, technological developments, regulatory developments and national and international micro and macroeconomic and production trends** that are already reshaping the world in which future generations will live.

Moreover, there is the need to develop and reinforce relational skills and the capacity for empathy over time.

The training plans developed to support FinecoBank's financial advisors through this process of continuous updating and honing of their skills include **multidisciplinary courses**, all of which are delivered by internal or external specialists and designed to improve both hard and soft skills, both of which are vital.

A total of 184,000 hours of training were provided in 2019 (approximately **72 hours per financial advisor**) as opposed to approximately 160,000 hours in 2018 (approximately 61 hours per financial advisor), broken down as follows:

 72
hours of training per financial advisor provided

- **117,221** hours of training in mandatory fields;
- **59,273** hours of training in business-related fields;
- **1,605** hours of training private sector training;
- **6,398** hours of training for new financial advisors;
- dozens of videos, media, web conferences, webinars and dedicated sessions; a rich e-learning platform dedicated to detailed study and the provision of classroom materials;
- **highly qualified trainers** and leading figures from the financial and academic spheres;
- **training courses structured** on an ad hoc basis to meet specific needs, designed periodically in conjunction with the management team and differentiated by field based on the actual needs of the network.

High-added-value activities designed with the specific needs of the Private segment in mind have also been developed. The specific training course aims primarily to further develop the skills acquired in terms of **asset protection, private insurance and real estate advisory**.

Following the issuing of the New Intermediaries Regulation that came into force in February 2018, particular attention has also been paid to the issues of possessing and maintaining the requirements of the appropriate knowledge and skills required of the Network of Financial Advisors (Articles 78-82). A review of development and training requirements has been carried out through a knowledge and skills assessment made available to the entire Fineco Network in order to fulfil these obligations and any skills gaps filled with specific online training courses. Furthermore, in order to ensure that the appropriate knowledge and skills are updated and maintained, a 30-hour training course that is recognized as being valid for Consob, Ivass and EFPA purposes has been identified.

Finally, the Bank has continued to invest in **young financial advisors** with a two-year training programme designed to teach the sorts of technical and behavioural skills that are useful and indeed necessary for those practicing in this profession. In 2019, in fact, 39 dedicated training courses, both technical and behavioural, were delivered, amounting to a total of over 84 days' worth of training.







OUR CUSTOMERS

- 5.1.** CUSTOMER SATISFACTION AND QUALITY OF SERVICE
(CUSTOMER EXPERIENCE)
- 5.2.** FAIRNESS AND TRANSPARENCY
- 5.3.** PRIVACY AND DATA PROTECTION
- 5.4.** EDUCATION AND FINANCIAL INCLUSION
- 5.5.** RESPONSIBLE PRODUCTS AND INVESTMENTS



Policy and regulatory instruments

- Group Integrity Charter and Code of Conduct
- Code of Ethics pursuant to Legislative Decree 231/2001
- Marketing and advertising initiatives guidelines (internal memo no. 118/2019)
- Global Policy - Privacy

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

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

5.1. CUSTOMER SATISFACTION AND QUALITY OF SERVICE (CUSTOMER EXPERIENCE)

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

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

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

Thanks to its internal IT culture, Fineco is able to take full advantage of the value derived from knowing customers, who use the Group’s platforms extensively.

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

In 2019, the number of customers stood at **1,330,709**, an increase of **6%** compared to last year. Indeed, customers continue to reward Fineco’s transparent approach, high quality and comprehensive range of financial services as represented through the **“one-stop solution”** concept.

Number of customers by type ⁵¹	2019	%	2018	%
Retail	1,258,673	94.6%	1,190,886	95.2%
Private	55,642	4.2%	46,032	3.7%
Legal persons (such as institutional bodies or associations)	16,394	1.2%	14,348	1.1%
Total	1,330,709	100%	1,251,266	100%

In 2019, the activities of the bank have developed in accordance with three very clear business strategies:

- To offer customers solutions that guarantee a secure relationship with the Bank
- To provide a better customer experience for private clients;
- To take advantage of the opportunities provided by MIFIDII, in order to offer the growing number of professional operators in the brokerage field a series of services and tools dedicated specifically to them.

⁵¹ The number of customers by type shown in the table refers to natural persons which have a bank account with Fineco, and not to the total number of bank accounts. People with more than one contractual relationship with Fineco were only taken into consideration once. The number is different from that reported in the Consolidated Report on Operations (1,357,833) as the former does not include customers who own products other than bank accounts and the number of customers who hold technical accounts for which the corresponding ordinary account is closed.

Communication with clients is based on constant dialogue through the internal **Customer Care** service and the network of financial advisors: it is essential to listen to customers and provide them with support when making decisions, in order to inspire confidence in Fineco's competence. In order to do this, customers must also have access to appropriate channels for **sharing any feedback and complaints** that they may have, and that help the Bank to gather the information necessary in order to implement the processes of continuous improvement and to refine the products and services that lie at the heart of Fineco's success. FinecoBank handles more than **320,000 contacts every month**, via **telephone, email, chat** and **SMS**, maintaining high service levels. Approximately 90% of issues raised during contacts are resolved directly in conversation with the customer. Customer complaints are always analysed, managed and recorded. A lot of attention is devoted to these, in order to improve the quality of the services offered. In 2019, **2,396** complaints were received (compared to 3,308 in 2018) and **2,329** were processed (of these, 186 were received in 2018)⁵².

2,396
complaints

compared to the 3,308
received in 2018

2,329
were processed

Of which 186 received
in 2018

In the first half of 2019, the application of the European PSD2 (Payment Services Directive 2) regulation - which was rolled out with a view to introducing an innovative new approach to payment management and relations with the banking world, particularly with regard to accessibility and security - ushered in a number of significant changes in the world of financial services, leading to a significant evolution in the customer experience in terms of securely accessing online payment and banking services: **Strong Customer Authentication (SCA)**.

FinecoBank has interpreted this regulation by introducing the **Mobile Code** service, which combines adherence to all the security features required by the recent legislation with a meticulous quest to provide a fluid customer experience, leading to a large proportion of customers adopting the tool that FinecoBank has rolled out alongside the classic **SMS PIN** or "**one time password**". Introduced at the beginning of June 2019, this service currently has almost 600,000 users who authorise an average of 40,000 operations each day by means of the code associated with the Fineco app on their smartphone.

The rapid adoption of this service by such a large number of active customers has had a decisive effect on the volume of people contacting the Customer Care structures; indeed, during the last quarter of the year, an average of **350,000 contacts per month** were recorded, causing a slight drop in Customer Care performance, as shown below.

⁵² Please note that the deadline for processing the 2019 complaints that have not been handled yet is 2020.

FINECO CUSTOMER CARE

Customer satisfaction starts here



SMS

85%
of SMS
Managed in
few seconds

always
active

(87% in 2018)



WE WILL CALL YOU BACK

68%
of customers
called back

within
30'

(89% in 2018)



CONTACT FORM

78%
of emails
managed

within
24h

(76% in 2018)



TOOL-FREE NUMBER 7/7

67%
of calls
managed

within
20''

(83% in 2018)

320,000

contacts per month

97% SATISFIED CUSTOMERS

(96% in 2018)⁵³



Another extremely important indicator for evaluating the overall relationship between the Bank and its customers is the **Customer Satisfaction Index**, which is at **97%** for the year 2019 (+1 percentage point higher than in 2018).

In addition, in order to be able to measure the rate of customer satisfaction during each interaction via the contact channels in a more accurate manner, a feedback system regarding services and products has been implemented: at the end of each interaction, the customer is asked to provide his/her level of satisfaction with the assistance received, or the reasons for his/her dissatisfaction.

⁵³Data source: KANTAR TNS

These comments are analysed on a daily basis, and are the driving force behind Fineco's ongoing review of its internal processes, to ensure to be always ready to respond to changing customer needs, with a view to simplifying services and rendering them increasingly accessible.

In this regard, in 2019, around 3% of interactions resulted in an expression of a degree of dissatisfaction by the customer.

With reference to the awards for customer experience, Kantar analysed the Retail Banking sector in Italy, ranking Fineco as **Best Performer for customer experience**, with a **score 36% higher than the market average**.



5.2. FAIRNESS AND TRANSPARENCY

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

For this reason, Fineco is committed to ensuring that communications are distinguished by the simplicity of exposure, thanks to **direct and immediately comprehensible language** used. When present, any sources relating to qualitative-quantitative numerical evidence or detailed conditions are always provided within the same information document, and are easily verifiable.

The process of creating, approving and publishing customer communications, including those designed for marketing purposes, adheres to a strict internal approval process which involves various structures of the Bank.

Both first-level controls, carried out directly by the individuals responsible for producing the content, and subsequent controls by the Compliance and Legal units and all the offices involved (such as, for example, product development, security, investment services, etc.) are applied. All communications addressed to customers are produced by Fineco's internal staff, without the involvement of external third parties; this provides an additional guarantee of privacy and control over the flow of publication. In 2019 there were no cases of non-compliance with regard to commercial communications.

In this regard, it should be noted that on 20 December 2019, the Bank received a communication from the Guarantor for Competition and the Market Authority (A.G.C.M.) to initiate a procedure aimed at assessing the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice followed in the past by the Bank to promote the opening of the current account. FinecoBank provided the Authority with all the information requested for the purposes of the assessment within the prescribed deadlines, illustrating the reasons why it believes it has operated correctly. However, it cannot exclude the possibility that the aforementioned procedure may be concluded in an unfavourable sense, with the application of a sanction, should the Authority consider that the Bank has violated the Consumer Code. For further details, please refer to FinecoBank Group's 2019 Reports and Accounts (Part B- Consolidated Balance Sheet - Liabilities, Section 10 - Provisions for risks and charges).

According to Fineco, transparency means accessibility to information at all times, along with dedicated, immediate and "all-in-one" assistance. Indeed, thanks to a complex system of **data analytics**, Fineco is able to profile communications to users with extreme granularity, ensuring that each cluster of contacts only receives information that is relevant or interesting to it. The **navigation pathway** within the reserved area of the website follows a similar approach, through the delivery of advertising messages that are divided by type of user.

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

5.3. PRIVACY AND DATA PROTECTION

The safeguarding of customer privacy and information is a fundamental aspect concerning all of Fineco's activities, and the Group is dedicated to ensuring that the collection and processing of personal data is carried out in compliance with the legal provisions and regulations in force in this field. For this reason, Fineco uses the **Global Privacy Policy**, to be updated at Group level in 2020, which implements Directive 95/46/EC, ensuring compliance with data protection rules.

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

- The dissemination within FinecoBank of a **circular regarding the processing of personal data pursuant to the General Data Protection Regulation (EU) 2016/679** (also referred to as the GDPR) which came into force during 2018; the circular identifies the basic principles and organisational rules to implement the relevant regulations on the processing and protection of personal data;
- The establishment of a **regulation on the use of electronic devices and instruments** (e.g. email, the internet, laptops and smartphones) during work, with the aim of defining the principles of conduct regarding the correct use of the such tools to which all recipients are required to adhere when executing their professional tasks; this includes rules on security, the protection of personal data, confidentiality and the protection of Bank employees;
- The sharing of specific guidelines on the **data retention period and the rights of interested parties**, which set out the period for which personal data can be retained, taking the categorisation thereof into account, as well as the way in which the rights of

interested parties are managed in this regard;

- A **Data Privacy Impact Assessment (DPIA)**, in order to supervise the assessment of the impact of the processing of personal data in cases where - particularly in the presence of new technologies and taking into account the nature, subject, context and purpose of the processing - there is a potentially high risk to the rights and freedom of the interested parties;
- The launch of a process of identification of the main activities the **Data Protection Officer (DPO)** is responsible of, pursuant to the relevant regulations, with a focus on the management of any data breaches that may constitute a violation of personal data.

These instruments, which have been subject to a process of auditing in line with the European GDPR Regulation and approved by the competent internal bodies, are published and made available to all recipients on the company portal, as well as being shared at the time of recruitment (or at the start of any form of partnership) with each employee (or collaborator) using the Bank's information systems, with acknowledgement.

In order to support this, it should be noted that during 2019, Fineco continued to develop and improve the measures required in order to implement the new regulations set out under the GDPR, including data protection by design and by default, **data protection impact assessment (DPIA)**, the **implementation of the data processing activity register** and the **strengthening of security measures**. This has enabled the Bank to uphold its unwavering commitment to safeguarding the privacy and security of the personal data of its customers and employees, ensuring a high level of protection against theft and loss. Indeed, Fineco considers the protection of IT resources to be of paramount importance, a milestone that enables existing value to be preserved and further value to be created in the future, both in terms of competitiveness and growth.

To this end too, during the course of 2019, the Bank ensured that it continued to provide all staff with a

mandatory privacy training plan, which serves as a general introduction to the topic of personal data protection.

In engaging in these activities, the **Data Protection Office (DPO)** has assumed an increasingly central role, both with regard to the general management of privacy issues and to the launch of new projects that have a direct or indirect impact on the protection of personal data, in order to assess the feasibility of these and the most appropriate means of implementation.

The DPO is supported by the Compliance unit, making sure that the privacy legislation is adhered to and overseeing the implementation of any relevant updates and alignments with the regulations. The office also monitors compliance with the points stipulated in the measures provided by the Antitrust Authority, thus ensuring non-compliance risk control.

In light of this, a well-structured set of technical and organisational IT security measures has been established in order to prevent the loss of data, as well as the illicit or incorrect use thereof, in line with Fineco's constant commitment to investing in the evolution of its processes and technological security measures.

Indeed, the Bank has implemented a data breach management procedure that sends notification to the DPO of any violations detected internally or by external entities (including customers); this retrieves information from the relevant departments and assesses the impact on privacy. Within this context, when any violation occurs, the tangible measures necessary in order to reduce the risk of similar occurrences in the future are assessed, with the involvement of the Bank's competent structures and with a constant focus on safeguarding customer data and, more generally, the data of any data subject affected.

Data protection is also carried out through fraud monitoring in accordance with European and national legislation, security regulations and best-practice industry standards, in order to ensure that information systems are protected from attacks or incidents that could compromise the rights of data subjects. In the event of a data breach, the Bank, as Data Controller,

will proceed with assessing this and sending out any communications/notifications necessary pursuant to articles 33 and 34 of the GDPR, in the manner and within the time limits indicated therein.

With regard to the handling of reports and complaints regarding privacy-related issues, Fineco has formalised and adopted a number of specific internal procedures designed to ensure that these are given due consideration, and dealt with within the time-frame established by the GDPR. The results of these activities, as well as the management of reports and complaints, constitute essential information in order to assess the situation with regard to the internal controls on privacy matters.

These activities and tools have allowed the reputational and non-compliance risks associated with the processing of personal data to be mitigated, with reference to the lawfulness and precision of the actual processing itself. As such, during 2019, the Bank received **3 substantiated complaints** concerning violations of the personal data of customers which were proven to be (even if only partially) well-founded, although these did not represent a risk or source of potential harm to customers and their rights and freedoms.

In addition, a further report was received in 2019 connected to an improvement in the Bank's internal procedures regarding data confidentiality; these procedures was subsequently revised as a result.

In terms of potential data leaks, theft or loss, **3 events** were detected in 2019 (none in 2018); the Bank assessed the absence of damage to customers and took appropriate corrective measures regarding these⁵⁴.

⁵⁴As far as FAM is concerned, there were no substantiated complaints regarding privacy violations or events of data theft or loss.

5.4. EDUCATION AND FINANCIAL INCLUSION

In 2019, FinecoBank further reinforced activities designed to promote and increase financial education, involving both customers and members of the communities in which it operates in these initiatives.

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

A host of topics are covered by these educational initiatives, from **behavioural finance** to the key rules for **proper financial planning**, aiming at providing those involved with the tools they need to ensure they have clear objectives and time-frames in mind, enabling them to diversify and manage their emotional response in complex market phases, avoiding irrational choices which could compromise investments and favouring solid methodological approaches.

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

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

In 2019, approximately **17,000 people took part** in Fineco courses (-5% compared to 2018), through various channels:

- **135 classroom-based seminars** across the country: 23 Italian cities covered during the year;
- **142 webinars**, enabling participants to interact directly with experts via chat;
- **282 short videos** that are always available, and which examine specific themes in just a few minutes.

The decrease in equity investments is a result of the lower uncertainty and volatility of the market seen in 2019, which translate into a decrease in the perceived need for customers to take part in training courses.

Furthermore, a **public video library** has been created, where the recordings of the **webinar** are made available to all, enabling these to be freely accessed at any time of day.

In addition to all the activities managed by the Business Training and HR function for the youth project, the Network PFA & Private Banking Department organises specific events for customers throughout the country.

These events, which are managed both independently by the network and in collaboration with external speakers/instructors, have a precise goal: to increase/deepen customer knowledge on issues linked to investments and finance, in order to strengthen the **financial culture** of customers and to spread an awareness of the **key rules for professional financial planning**. A total of **1,319** events were held in 2019, with the participation of **56,034 customers and prospects**.

In addition, for some years now, the Bank has been committed to raising awareness among financial advisors and private customers on the wider issue of wealth planning. These events combine activities dedicated to all aspects of financial education, highlighting the need to evaluate all of the assets (including real estate, corporate assets etc.) owned by customers and identify methods for managing these effectively and passing wealth on to future generations. Customer meetings of this type (which constituted 91 out of 1,319 events held, with over 3,500 private customers involved) were held by colleagues from the Private Banking Advisory team (and, in some cases, by accredited external professionals), and represented an opportunity to highlight the need for a broad spectrum of advice that extends beyond the traditional boundaries of financial planning.

In addition, within the context of its initiatives designed to **improve accessibility to services**, and in line with its mission to simplify the lives of its customers, Fineco has rolled out a number of solutions to make it easier for blind or visually impaired people to use the website and the app.

In this regard, the Fineco app is structured in a way that makes it compatible with screen reader programmes (“Voice Assistant” for the Android version and “Voice Over Utility” for the iOS version), enabling the entire contents of each of the pages to be read; the website is also developed to ensure compatibility with the main screen reader software. This allows menus, text and images to be reproduced by speech synthesis systems, by means of specially integrated codes (reference tags).

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

5.5. RESPONSIBLE PRODUCTS AND INVESTMENTS

The Group adopts a sustainable growth strategy inspired by the principles and the voluntary guidelines provided by the leading international organisations, in accordance with the 17 sustainable development goals (SDGs) of the United Nations 2030 Agenda.

Fineco aims at working on consolidating this strategy, in the belief that investing responsibly means helping to generate a positive social and environmental impact in the long term, minimising risks without foregoing opportunities for yield and growth of the business.

The **Product and Services** function is responsible for promoting and implementing this strategy within the Group's products, and is divided into the following operating units:

- **Investing Platform:** in charge of establishing new investing platforms or updating and developing existing ones.
- **Banking and Credit Products:** responsible for identifying new products and services in the banking and credit field in accordance with the actual needs of customers and the evolution of the reference market;
- **Business Training:** dedicated to meeting the training needs of the Network with regard to the various products and services, and organises training campaigns to promote financial education for retail customers and prospects (see section 5.4);
- **Global Brokerage:** coordinates and oversees the design and development of trading products and services to be launched on the domestic and international markets, in accordance with the requirements of customers and the evolution of the reference market;
- **Business Intelligence:** analyses the data that supports the commercial strategies implemented,


monitors the performance of the various products and services and ensures that analyses and models used in preparation for internalisation activities are created and updated.

At 31 December 2019, FinecoBank's asset management offering was characterised by an open architecture with approximately **6,200⁵⁵** funds from over 70 major global investment houses (SICAVs). In regard to this, the following is of note:

- **55% of the funds** offered have an **ESG rating** (50% in 2018), and the assets invested in these funds amount to 11.3 billion euros (+ 45% compared to 2018);
- **40% of the funds** offered have a **Morningstar rating** of **"High", "Above Average" or "Average"** (34% in 2018), with assets of 8.7 billion euros (+5.3% compared to 2018).

With particular reference to the **Investing** area, advisory services are focused on offering solutions that take ESG criteria into account during the creation of model portfolios, through specific quantitative and qualitative analyses and with the

40%
Of the funds have an ESG rating Equal to "High", "Above Average" and "Average"



⁵⁵ Of which more than 5,900 were negotiable at 31 December 2019 (this figure is reported in the 2019 Consolidated Report on Operations).

support of ESG ratings of the main providers that are widely recognised by the market, such as **Morningstar** and **Sustainalytics**.

Specifically, in defining the entirety of investment assets available through Advice services, FinecoBank has decided to only take investment funds with an ESG Risk Rating of at least 75% into consideration.

In the area of Segregated Accounts, the **ESG Private Value** Lines were created in March 2019; the sustainable investment process for these is founded upon a **Best in Class approach**, which selects the issuers in a portfolio in accordance with ESG criteria, giving priority to the best issuers and identifying best practices in the various sectors. In particular, this process involves the analysis of Sustainability Reports, as well as periodic meetings with management representatives from the individual companies in which investments are made. Once this analysis has been completed, the share is assigned an **internal rating**, using a statistical model that is compared with that created by the main rating agencies. As at 31 December 2019, the **Assets Under Management** connected to the ESG Private Value Lines totalled **91.4 million euros**.


€ 91.4 mln
**Asset Under Management
 of the ESG Private Value Lines**

With regard to the **supplementary pension schemes**, which are increasingly important today giving the social and economic changes that characterise the company, FinecoBank has set itself the goal of integrating ESG criteria into the **Core Pension Fund** investment line management strategy (made available by financial advisors to retail customers) by 2020. As at 31 December 2019, the Core Pension **Assets Under Management** totalled **182 million euros**.

With regard to **Banking and Credit Products**, 2019 was the year that saw the launch of the first green credit initiatives by FinecoBank. In July 2019, the Bank rolled out the **green mortgage** line in order to provide concrete support to its customers in making sustainable choices, facilitating the purchase of

properties with a high energy performance index. By taking advantage of the green mortgage offer, customers can finance the purchase of energy class A or B properties with a mortgage loan for a maximum amount of 1,000,000 euros or up to 80% of the value of the property at very advantageous conditions, with a reduction of 0.10% compared to the standard price listed for similar products.

The launch of this product was approved by the Product Committee in June 2019, and at 31 December, **20%** of the total number of mortgage loans purchased **belonged to the green mortgage category**, for a total of **16 million euros**, equal to approximately **22% of the total amount disbursed by the Bank**.

22%

**Of the total amount
 disbursed belongs to the
 Green Mortgage category
 (from July 2019)**

This serves to confirm Fineco's desire to begin developing commercial strategies that take the principles of sustainability into account, and encourage choices designed to reduce environmental impact. As at 31 December 2019, all processes relating to the actual disbursement of mortgages, from the initial application to the signing of the final documentation, were digital and paperless, in order to promote and encourage environmental sustainability in all its forms. This aspect will also be at the core of the design of future products, in line with the very nature of Fineco's business.

Moreover, with the recent green bond transactions and sustainable bond issuance, the green finance market represents an increasingly important proportion of the financial market as a whole, particularly in Europe.

In this regard, during 2019, Fineco also began to take this type of financial instrument into consideration in its financing decisions, as an integral component of its sustainability strategy.

At 31 December 2019, the Group held an **sustainable portfolio** consisting of **green and social bonds** amounting to approximately **135.6 million euros**, or approximately **0.9%** of Fineco's total portfolio (excluding Unicredit bonds); in particular, ESG covered bond issues totalled approximately **63.9 million euros**, or **10.2%** of the total **covered bonds in the portfolio**.

In order to bear testament to its commitment to responsible investments, Fineco has set itself the goal of increasing the coverage of green and social bonds within its portfolio, setting specific targets from the year 2020 onwards.

The Irish company **Fineco Asset Management (FAM)** is also continuously looking for opportunities to develop its sustainable product and service offering, and to promote a responsible approach to investment. The increasing integration of ESG criteria into investment processes represents a priority for FAM; indeed, over the course of 2020, the goal of the company is to develop a **Responsible Investment Policy** and assess whether to subscribe to the **United Nations Principles for Responsible Investment (UN PRI)**.

Among the products and services offered by FAM, of particular note are **FAM Sustainable** and **FAM MegaTrends** (which allocates 25% of its assets to sustainable or responsible investments); the company is currently conducting marketing campaigns for the foregoing, which include the distribution of information brochures, in order to raise investor awareness of this issue. Specifically, **FAM MegaTrends** is a **multi-thematic fund** which enables numerous different investment themes to be identified in line with the relevant socio-economic, environmental and technological factors that reflect the changing lifestyle of today's world, including demographics, sustainability, urbanisation, technology and innovation⁵⁶.

For these products, the due diligence and fund analysis procedures take ESG criteria into consideration, and in this regard, FAM aims to integrate these criteria into the due diligence procedures of **all future investments**, in light of the fact that it considers these to be important factors in achieving a return, also measured in terms of risk-adjusted performance returns.

For this purpose, FAM is continuing its active search for fund managers that are dedicated to investing in a responsible manner, performing a positive assessment of certain aspects such as: the adherence of the investment company in question to the UN Principles for Responsible Investment, the integration of ESG criteria into the process of assessment and identification of possible investments or the active interaction of the managers with companies, as well as the use of their voting rights to have a positive influence on ESG standards.

ESG criteria have varying degrees of incisiveness on the investment process; specifically, a number sustainability strategies require a certain threshold to be exceeded in order for the decision to invest to be approved, and similarly, any shortcomings may result in a recommendation not to invest (in the case of new funds) or to sell (in the case of existing funds).

Furthermore, FAM's Investment Committee has the power to prohibit an investment if it does not meet specific ESG requirements, and the Investment team follows a specific list of sanctions to combat the financing of terrorism⁵⁷.

⁵⁶ Specifically, the multi-thematic fund allows investments to be made in eight areas: climate change, demographic ageing, water, smart cities, drones, fintech, electric and driverless vehicles and oncology.

⁵⁷ FATF, UN, OFAC and EU

In this regard, the following table shows the percentage of assets subject to positive and negative screening in accordance with environmental and/or social criteria.

Asset subject to positive and negative environmental and social screening	2019	2018
% of assets subject to positive environmental and/or social screening	7.1%	5.2%
% of assets subject to negative environmental and/or social screening	5.0%	5.0%
% of assets subject to combined positive and negative environmental and/or social screening	3.4%	2.7%

The assets subject to screening are those covered by the analyses performed by Morningstar⁵⁸, specifically:

- **positive screening** identifies funds that explicitly refer to sustainability-related activities, impacts or strategies in their prospectuses or offer documents as sustainable investments, and is used for:

- **ESG Funds**, which incorporate ESG criteria into the investment process or into engagement activities;
- **Impact Funds**, fall under the Impact Investing strategy, or in other words, belong to the category of investments in companies and organisations that seek to generate a **measurable social and environmental impact** whilst producing an economic return for investors in specific areas, such as gender diversity and development within the community.
- **“Sectoral environmental funds”** or in other words, non-diversified funds that invest in environmentally-oriented sectors such as renewable energy or water.

- **negative screening** is also performed using data provided by Morningstar, and excludes funds that invest in specific sectors that are viewed as controversial from the perspective of environmental and social sustainability.

During the course of 2019, a further initiative was launched, which consists of a process of evaluation and the attribution of a score, which then provides the ESG positioning of Fineco Asset Management. To this end, a partnership has been launched with several independent providers to evaluate FAM’s funds, in line with the aim of establishing a specific ESG profile for each portfolio. Once this is completed, it will enable areas of strength or weakness to be identified, and allow the necessary changes to be implemented in order to improve the responsible investment profile and ESG rating.

⁵⁸ The data included in the table only refers to Fineco Asset Management (FAM). It should be noted that 19.6% and 22.3% of assets are not subject to positive and negative screening respectively, in light of the fact that they do not meet the criteria analysed by Morningstar.



The logo consists of a large, hollow outline of the number '6' followed by a solid, dark blue diagonal slash. Below this graphic, the word 'SHAREHOLDERS' is written in a dark blue, sans-serif, all-caps font.

6/
SHAREHOLDERS

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

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

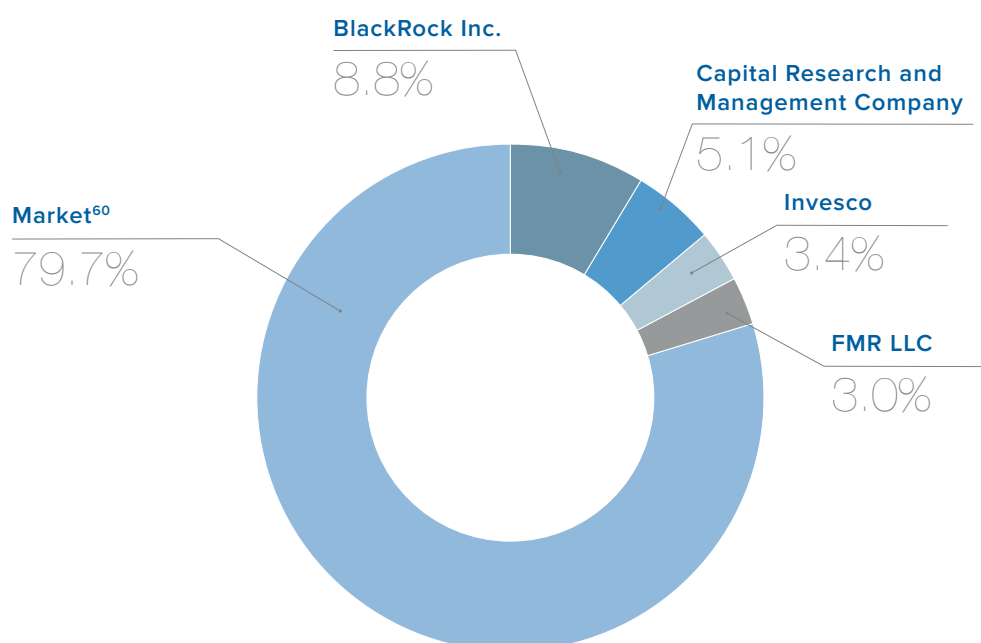
2019 was characterised by a **particularly intense dialogue with the financial community**, especially in the second half of the year, following the exit from the UniCredit Group. This dialogue took the form of:

- **23 days** of participation in **international conferences** (+8 compared to 2018);
- **14 days** of **roadshows** around the world (+4 compared to 2018);
- Individual **one-to-one meetings / group meetings / conference calls**.

During the year, there were **636 interactions with institutional investors** (+61% compared to 2018), with twice as many investors contacted as in 2015, the first year after the listing in July 2014. The Bank also held four official conference calls to present quarterly financial results to the market.

Fineco's fully subscribed and paid-in share capital amounts to €200,941,488, divided into 608,913,600 ordinary shares with a nominal value of €0.33 each.

Fineco's shareholders' structure⁵⁹ in 2019 breaks down as follows:



⁵⁹ Source: Ownership Consob, significant holdings - 12th December 2019.

⁶⁰ This refers to the share of capital held by shareholders without significant shareholdings, i.e. less than 3%.

During the year 2019, UniCredit S.p.A. sold its entire interest in Fineco: in two separate transactions in May and July, during which a total of **215.1 million** shares, representing **35.3%** of the Bank's capital, were placed on the market, leading to an increase in the investments held by **BlackRock** (from 6.9% in 2018 to 8.8% in 2019), **Capital Research and Management Company, Invesco** and **FMR**, which reached or exceeded the 3% threshold in 2019, reaching **5.1%**, **3.4%** and **3.0%** respectively.

In 2019, Fineco also continued its dialogue with socially responsible investors (**SRI**s) and **sustainability rating agencies**, participating for the third time in **Italian Sustainability Day, for example**, organised by **Borsa Italiana** to support the dialogue between listed companies and financial stakeholders, where issues relating to ESG metrics were discussed in depth at dedicated meetings. In fact, one of Fineco's main objectives is constant improvement of communication with the market and disclosure of non-financial information.

In 2019, **Standard Ethics**, an independent agency that assigns sustainability ratings on demand, **once again gave Fineco the Standard Ethics Rating "EE", a "strong investment grade"** awarded to sustainable companies with a low reputational risk profile and strong long-term growth prospects. The Standard Ethics Rating is an assessment of sustainability and governance based on the principles and guidelines of the United Nations, the Organisation for Economic Cooperation and Development (OECD) and the European Union. FinecoBank is also **included in the Standard Ethics Italian Banks Index and the Standard Ethics Italian Index** (the members of the Index are the 40 largest Italian companies listed on the Italian Stock Exchange FTSE-MIB), as well as some of the top environmental, social and governance performance indices and benchmarks.

Standard Ethics Rating



In addition, in 2019, MSCI published for the first time the ESG ratings for the first 2,800 companies in the **MSCI ACWI Investable Markets** Index, an index that measures organisations' investment opportunities. FinecoBank was assigned an **"A" rating** (an improvement on its previous "BBB"), on a scale from "CCC" to "AAA".

MSCI Rating



Finally, the **engagement of institutional shareholders and proxy advisors continued** in 2019, in order to provide information and support analysis of proposals from the shareholders' meeting and, in particular, FinecoBank's remuneration policies.







ENVIRONMENT AND LOCAL COMMUNITY

- 7.1.** REDUCING ENVIRONMENTAL IMPACT AND COMPLIANCE
- 7.2.** LOCAL COMMUNITY AND CHARITY PROJECTS

7.1. REDUCING ENVIRONMENTAL IMPACT AND COMPLIANCE



Policy and regulatory instruments

- Code of Ethics pursuant to Legislative Decree 231/2001

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

Despite its lack of a specific overall environmental compliance policy the Group is committed to minimizing its impact on the environment.

The Code of Ethics explicitly states the Bank's commitment to carefully evaluate the environmental consequences of every choice it makes in its work, both in relation to the consumption of resources and the generation of emissions and waste directly linked to its work, and to activities and behaviours that it does not directly control, carried out by third parties such as customers and suppliers.

As far as environmental compliance is concerned, in 2019 as in 2018, no sanctions were imposed for non-compliance with environmental regulations and laws, nor were any complaints received.

During the year 2020, FinecoBank will start a process of defining and implementing an **Environmental Management System** (EMS) in compliance with the requirements of EMAS Regulation no. 1221/2009/EC. This process will include, among other things, an **initial Environmental Analysis** that will allow a careful assessment of the current method of managing environmental issues implemented by the company, with the aim of identifying any deviations from the requirements of EMAS and the relevant environmental legislation, the definition of an **Environmental Policy**, specific **training** relating to the EMS and the drafting of the **Environmental Declaration**.

Specifically, the initial analysis will focus on both **direct environmental aspects**, such as energy and resources consumption and waste management, and indirect aspects, i.e. the integration of environmental criteria into policies, company business choices (such as credit supply processes and the development of green financial instruments) and procurement policies. The results of these analyses will make it possible to carry out a specific **assessment of the environmental risks** both directly related to the company's operations and, in broader terms, to possible non-compliance with legislation or market risks due to the inability to anticipate or meet new customer needs. The initial analysis and risk assessment will guide the **definition of the objectives and the**

focus of the interventions needed to structure the Environmental Management System. The definition of a specific **Environmental Policy**, on the other hand, will define FinecoBank's commitment and orientation and the general principles that will steer its business choices.

7.1.1. DEMATERIALISATION AND RESPONSIBLE USE OF RESOURCES

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

In 2018, in particular, new ways of **digitally signing contracts and provisions** were released. These functions are available to customers operating both directly through the Bank's website and through the network of financial advisors. As at 31 December 2018, **more than 70% of account opening applications** sent through financial advisors were signed by the customer using **digital signatures**, in what has become a completely digital process.

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

More in general, the creation and delivery of new services for customers takes place through a process shared among all the project structures involved, which are aimed at **creating highly automated processes**, end-to-end services and digital document flows, to eliminate the need for printing by customers, financial advisors and the back office structures involved, effectively reducing the consumption of raw materials, in line with the savings and dematerialisation policy implemented by Fineco. In terms of paper consumption, the Group consumed around **27.8 tons of paper** in 2019, **100%** of which is **FSC** (Forest Stewardship Council) **certified**.



Finally, in 2019, the Group worked on the implementation of further projects, including digital signatures for insurance contracts, digital registered letters and the transformation of internal documents printed on paper into digital documents. The amount of paper saved thanks to the use of digital signatures to sign contracts, the new digitisation process at some offices (in particular Reggio Emilia) and the replacement of local printers with multifunction ones located on the different floors of the offices amounted to approximately **2.2 tons** in 2019.



Raw materials purchased (paper) ⁶¹	u.m.	2019	2018
Total office paper used	Kg	27,802	29,967
of which recycled paper	Kg	514	231
of which recycled paper	%	2%	1%
of which FSC-certified paper	Kg	27,802	29,967
of which FSC-certified paper	%	100%	100%

In addition, in 2019, the Group tried to combine a focus on employee welfare within the company with a commitment to environmental sustainability. In this regard, in the last few months of 2019 tests were begun that will lead to the **progressive and complete replacement of water bottle dispensers** with dispensers connected directly to the water mains, in order to **reduce the use of plastic**.

The pilot project involved about 200 employees who were provided with water bottles in order to test the two different models of dispensers, which will provide still and sparkling filtered water, chilled and at room temperature. Once the pilot phase has been completed and the final model selected, at the beginning of 2020, the dispensers will be progressively installed in all available spaces at the Milan and Reggio Emilia offices, to drastically reduce the use of plastic.

7.1.2. MOBILITY MANAGEMENT, ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

As part of FinecoBank commitment to minimizing its environmental impact, starting from 2019, the Group is introducing a precise monitoring activity of energy consumption and greenhouse gas emissions.

At operational level, FinecoBank monitors its energy consumption for the Milan, Reggio Emilia and Dublin offices, the Data Processing Centres (DPCs) and the Fineco Centers leased directly from FinecoBank. Until the transition year 2019, monitoring of energy consumption was entrusted to the parent company UniCredit, and for this reason Fineco was mainly concerned with verifying that there were no abnormal consumption situations at its sites, thus pursuing the objective of maintaining standard energy consumption, constantly checking energy levels and carrying out regular energy diagnoses.

In 2020, as part of the project to **draw up the Environmental Declaration**, the data and information necessary for reporting – such as energy consumption, water consumption and waste management – will be identified and processed, taking into account compliance with EMAS requirements.

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

⁶¹ Paper consumption includes the two headquarters of the Parent Company in Milan and Reggio Emilia, the business continuity site in Piazza Napoli in Milan and FAM's headquarters in Ireland. It excludes all Fineco Centers, the 2 DPCs and the representative office in London, for which this type of data is not available for 2018 and 2019.

FinecoBank Group's total **energy consumption** in 2019 was approximately **42 TJ**, of which approximately **83% was due to indirect consumption**, i.e. purchasing electricity and heat. As regards electricity consumption, it should be noted that in 2019 the Group got about **81% of its electricity from renewable sources**.

Direct and indirect energy consumption within the organisation, by source ⁶²	u.m.	2019
Total	GJ	41,813
Total direct energy consumption	GJ	7,023
Heating	GJ	5,628
Natural gas	Smc (GJ)	164,191 (5,628)
From car fleet (continuous leasing)	GJ	1,395
Gasoline	Litres (GJ)	2,947 (93)
Diesel	Litres (GJ)	36,218 (1,302)
Total indirect energy consumption	GJ	34,789
Electric power	GJ	31,763
From non-renewable sources	MWh (GJ)	1,679 (6,043)
From renewable sources	MWh (GJ)	7,144 (25,719)
Thermal energy (district heating)	GJ	3,027
From non-renewable sources	MWh (GJ)	841 (3,027)
From renewable sources	MWh (GJ)	-

⁶² Energy consumption includes the two headquarters of the Parent Company in Milan and Reggio Emilia, FAM's headquarters in Ireland, the business continuity site in Piazza Napoli in Milan, the two DPCs, the company car fleet and the Fineco Centers leased directly from FinecoBank (60 out of 396). They exclude the representative office in London. The data for 2018 is not available for comparative purposes. It should also be noted that, as indicated in the 2020 ABI Guidelines (Guidelines on the application in banks of the GRI Standards - Global Reporting Initiative - on environmental matters, ABI), 70% of total consumption was for company cars under continuous mixed-use leasing, and that the consumption of the car fleet does not include Fineco Centres.

In order to objectively monitor and identify the Group's environmental performance, **direct (Scope 1)** and **indirect (Scope 2)** greenhouse gas emissions were calculated, which mean respectively CO₂e emissions directly caused by the Group's activities (deriving from the consumption of fuel used for heating and from the motor vehicle fleet) and indirect CO₂e emissions deriving from the consumption of electricity and heat purchased.

Direct emissions (Scope 1) of greenhouse gases from the organisation, by source ⁶³	u.m.	2019
Total	tCO₂e	430
Heating	tCO₂e	327
Natural gas	tCO ₂ e	327
From car fleet (continuous leasing)	tCO₂e	104
Gasoline	tCO ₂ e	7
Diesel	tCO ₂ e	97

Indirect greenhouse gas emissions (Scope 2) from the organisation, by source ⁶⁴	u.m.	2019
Location-based approach	tCO₂e	
Electricity purchased	tCO ₂ e	2,846
Thermal energy purchased (district heating)	tCO ₂ e	184
Market-based approach	tCO₂e	
Electricity purchased	tCO ₂ e	824
Thermal energy purchased (district heating)	tCO ₂ e	173

⁶³ Direct greenhouse gas emissions (Scope 1) include the two headquarters of the Parent Company in Milan and Reggio Emilia, FAM's headquarters in Ireland, the business continuity site in Piazza Napoli in Milan, the two DPCs, the company car fleet and the Fineco Centres leased directly from FinecoBank (60 out of 396). They exclude the representative office in London. The data for 2018 is not available for comparative purposes. The energy conversion factors and emission factors used are those indicated in the ABI's 2020 guidelines on the application in banks of the Global Reporting Initiative's (GRI) on environmental matters.

⁶⁴ Indirect greenhouse gas emissions (Scope 2) include the two headquarters of the Parent Company in Milan and Reggio Emilia, FAM headquarters in Ireland, the business continuity site in Piazza Napoli in Milan, the two DPCs, the company car fleet and the Fineco Centers leased directly from FinecoBank (60 out of 396). They exclude the representative office in London. The data for 2018 is not available for comparative purposes. The energy conversion factors and emission factors used are those indicated in the ABI's 2020 guidelines on the application in banks of the Global Reporting Initiative's (GRI) on environmental matters. In particular, the reporting standard used (GRI Sustainability Reporting Standards 2016) provides for two different approaches to calculating Scope 2 emissions: "Location-based" and "Market-based". The "Location-based" approach involves the use of average emission factors related to the specific national energy mix of electricity production (emission coefficient used for Italy equal to 321.3 g CO₂/kWh, with transformation into CO₂ equivalent according to the procedure reported in the ABI 2020 Guidelines). The "Market-based" approach involves the separation of electricity and thermal energy purchased from renewable sources with certificates of guarantees of origin, as well as the use – as an emission factor – of the national "residual mix", which for Italy is 487 g CO₂e/kWh and for Ireland is 640 gCO₂e/kWh (Source: European Residual Mixes 2019, AIB).

7.2. LOCAL COMMUNITY AND CHARITY PROJECTS

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

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

In 2019, Fineco’s contributions to non-profit associations and bodies amounted to approximately **€116,500**, of which €80,000 was allocated to the three projects selected as part of the Christmas charity campaign and about €36,500 to other associations⁶⁵. The three projects also received **contributions from clients** in 2019, amounting to approximately **€123,700**.

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

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

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

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

⁶⁵Associazione Italiana contro le Leucemie-Linfomi e Mieloma (AIL), Associazione Volontari del Sangue (AVIS), La Ronda della carità, Volontari Italiani Domiciliari per l’Assistenza ai Sofferenti (VIDAS), Condividere Onlus, Paola Gonzato-Rete Sarcoma Onlus, Limb Power, Theodora Onlus, CAF Onlus and Associazione Nazionale Volontari Lotta contro i Tumori.

As part of its Christmas Charity Campaign, in 2019 Fineco focused on three projects:

FONDAZIONE ARCHÈ – “La Corte di Quarto” project: Arché is building 14 housing units in the Quarto Oggiaro district, on the outskirts of Milan, for single mothers and their children and vulnerable families who, in order to achieve full independence, need a home where they can feel safe and grow up in peace, with education that strengthens them. The residence is for temporary living and has professional teachers and a network of volunteers. At this stage, in order to allow the shelter project to start soon, it is important to purchase the furniture for the housing units, including kitchens, tables with four chairs, wardrobes, sofa beds, desks and bathroom fittings <http://www.arche.it>

I TETRAGONAUTI – “Le Vie del Mare” project: “Le Vie del Mare 2020/22” is a service equivalent to an experimental educational community that helps poor children, young offenders and disabled people. The project is defined by an idea of permanent service, based on the concepts of sharing, closeness, empathy and innovation. Through the educational and formative experience of travelling by sea, the individual is supported with empathy and education, gaining new skills and abilities. The service, which lasts about eight months, consists of a phase of selection and learning, a navigation period of about three months, to be lived always on the boat with one possibility of returning home, the final return home phase and finally a month of assessment and evaluation. <http://itetragonauti.it/>

COMETA – “Aiutami a crescere” project: Cometa provides support and education to all boys and girls, and their families, living in extreme hardship and vulnerability. Here everyone is seen as an individual and each has a personalised path of education to let them discover their talents. Through the Oliver Twist School, teams of teachers engage on a daily basis with children in the area to let them get back into schooling through handcraft activities (woodwork, textiles and catering).

In the end, in line with the purpose of creating value in the long term and in order to contribute to the protection of the common cultural heritage, FinecoBank also continued in 2019 the collaboration with **FAI - Italian Environment Fund** to develop the “2019 FAI Heritage Events” calendar project which proposed a series of initiatives with the aim of preserving the Italian historical and artistic heritage, while contributing to the socio-economic development of the territory. These initiatives concerned issues related to art, nature, families and were inspired by the principles of education, protection and sociability.

FinecoBank participated at some dates of the “FAI Events” with a dedicated presence aiming at creating special meeting opportunities and value relationships by focusing on the human factor, a distinctive character of the Bank’s success.

MATERIAL ASPECTS, GRI STANDARDS AND LEGISLATIVE DECREE 254/2016 TOPICS

Macro aspect	Material aspect	GRI Standard (2016) and G4 Financial Services (FS) Sector Disclosure (2013)	Legislative Decree 254/16 Themes
Transparency	Fairness and transparency in offering products and services	Marketing and labeling	Social
People development	Human resources management	Employment	Personnel Respect for human rights
	Industrial relations management	Labour and Industrial Relations	
	Health and safety at work	Occupational Health and Safety	
	Personnel training	Training and education	
	Diversity and equal opportunities	Diversity and equal opportunity	
	Non-discrimination	Non-discrimination	
Efficiency and stability	Economic performance	Economic performance	Social
Control and risk management system	Risk management	Anti-corruption Environmental compliance Socio-economic compliance	Fighting active and passive corruption Environmental
Environmental sustainability	Reduction of environmental impact (raw materials consumption)	Materials	Environmental
	Compliance with environmental laws and regulations	Environmental compliance Energy Emissions	Environmental
Fairness	Anti-corruption	Anti-corruption	Fighting active and passive corruption
	Prevention of anti-competitive behaviour	Anti-competitive behaviour	Fighting active and passive corruption
	Socio-economic compliance	Socio-economic compliance	Social
	Protection of Customer Privacy	Customer privacy	Social
	Clear approach to the markets	-	-
Responsible finance	Financial inclusion and education	FS14 FS16	-
	Responsible products and investments	FS7 FS8	-
Innovation and customer experience	Innovation	-	Social
	Quality and Value	-	Social

TABLE OF INTERNAL AND EXTERNAL IMPACTS

Material aspect	Perimeter of the aspect		Type of impact
Categories	Internal	External	
Transparency			
Fairness and transparency in offering products and services	FinecoBank	Shareholders, customers, regulators	Caused by the Group and directly related to its activities
People development			
Human resources management	FinecoBank employees	Financial advisors	Caused by the Group
Industrial relations management	FinecoBank employees	Financial advisors	Caused by the Group
Health and safety at work	FinecoBank employees	Financial advisors	Caused by the Group
Personnel training	FinecoBank employees	Financial advisors	Caused by the Group
Diversity and equal opportunities	FinecoBank employees	Financial advisors	Caused by the Group
Non-discrimination	FinecoBank employees	Financial advisors	Caused by the Group
Efficiency and stability			
Economic performance	FinecoBank	Shareholders, customers, regulators	Caused by the Group
Control and risk management system			
Risk management	FinecoBank	Shareholders, customers, regulators	Caused by the Group
Environmental sustainability			
Reduction of environmental impact (raw materials consumption)	FinecoBank	Shareholders	Caused by the Group
Compliance with environmental laws and regulations	FinecoBank	Shareholders, regulators	Caused by the Group

Material aspect	Perimeter of the aspect		Type of impact
Categories	Internal	External	
Fairness			
Anti-corruption	FinecoBank	Shareholders, regulators	Caused by the Group
Prevention of anti-competitive behaviour	FinecoBank	Shareholders, regulators	Caused by the Group
Socio-economic compliance	FinecoBank	Shareholders, regulators	Caused by the Group
Protection of Customer Privacy	FinecoBank	Shareholders, customers, regulators	Caused by the Group
Clear approach to the markets	FinecoBank	Shareholders, regulators, supervision	Caused by the Group
Responsible finance			
Financial inclusion and education	FinecoBank	Shareholders, customers, financial advisors	Caused by the Group and directly related to its activities
Responsible products and investments	FinecoBank	Shareholders, customers, financial advisors	Caused by the Group and directly related to its activities
Innovazione e customer experience			
Innovation	FinecoBank	Shareholders, customers	Caused by the Group and directly related to its activities
Quality and Value	FinecoBank	Shareholders, customers, regulators	Caused by the Group and directly related to its activities

GRI CONTENT INDEX

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102-49	Changes in reporting	6-8	This document represents the first Non Financial Statement of the FinecoBank Group.
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GRI 201: Economic performance (2016)

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103-3	Evaluation of the management approach	24-26	
201-1	Direct economic value generated and distributed	24-26	

GRI 205: Anti-corruption (2016)

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	49-50	
103-3	Evaluation of the management approach	49-50	
205-3	Confirmed incidents of corruption and actions taken	50	No incidents of corruption were recorded in 2019

GRI 206: Anti-competitive behaviour (2016)

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	49-50	
103-3	Evaluation of the management approach	49-50	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	50	No legal actions were filed in 2019 for anti-competitive behaviour, anti-trust or monopoly practices

GRI 300: ENVIRONMENTAL SERIES

GRI 301: Materials (2016)

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	123-124	

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GRI 400: SOCIAL SERIES			
GRI 401: Employment (2016)			
103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	71-73	
103-3	Evaluation of the management approach	71-73	
401-1	New employee hires and employee turnover	71-73	

GRI Standard	Disclosure	Page/Link	Notes/Information/Omissions
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GRI 402: Labour and Industrial Relations (2016)

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	88	
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402-1	Minimum notice period for operational changes	88	

GRI 403: Occupational Health and Safety (2016)

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	89-90	
103-3	Evaluation of the management approach	89-90	
403-1 (2016)	Workers representation in formal joint management–worker health and safety committees	90	
403-2 (2016)	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	90	

GRI 404: Training and education (2016)

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	79-81	
103-3	Evaluation of the management approach	79-81	
404-1	Average hours of training per year per employee	81	

GRI 405: Diversity and equal opportunity (2016)

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	43; 47; 68-71; 75-78	
103-3	Evaluation of the management approach	43; 47; 68-71; 75-78	
405-1	Diversity of governance bodies and employees	43; 68-71	
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103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	75-78	
103-3	Evaluation of the management approach	75-78	
406-1	Incidents of discrimination and corrective actions taken	78	
GRI 417: Marketing and Labeling (2016)			
103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	107	
103-3	Evaluation of the management approach	107	
417-3	Incidents of non-compliance concerning marketing communications	107	No incidents of non-compliance concerning marketing communications were recorded in 2019
GRI 418: Customer privacy (2016)			
103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	108-109	
103-3	Evaluation of the management approach	108-109	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	109	In 2019, 4 substantiated complaints concerning breaches of violations of customer privacy and 3 complaints of losses of customer data were recorded
GRI 419: Socio-economic Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	48-51	
103-3	Evaluation of the management approach	48-51	
419-1	Non-compliance with social and economic laws and regulations	137	No non-compliance with social and economic laws and regulations was recorded in 2019

GRI Standard	Disclosure	Page/Link	Notes/Information/Omissions
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FINANCIAL SERVICES SECTOR DISCLOSURES

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103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
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Material topic: Clear approach to the markets

103-1	Explanation of the material topic and its Boundary	64-65; 129-131	
103-2	The management approach and its components	107	
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INDEPENDENT AUDITORS' REPORT



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

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of FinecoBank Group (hereinafter "Group") as of December 31, 2019 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on February 11, 2020 (hereinafter "NFS").

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

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

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

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

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

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

Auditor's Independence and quality control

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

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

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Auditor's responsibility

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

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

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements as of December 31, 2019 of the Group.
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

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

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

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



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

- a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
- b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of FinecoBank Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative.

Other matters

The data for the year ended December 31, 2018 presented for comparative purposes in the NFS have not been subject to a limited or to a reasonable assurance engagement.

DELOITTE & TOUCHE S.p.A.

Signed by

Paolo Gibello Ribatto

Partner

Milan, Italy

April 6, 2020

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



B A N K

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