

SUSTAINABILITY REPORT |2020


*P*_{ART}*N*_{ER OF A CHANGING WORLD}

SUSTAINABILITY REPORT|2020

Zarattini & Co. Bank SA



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LETTER TO STAKEHOLDERS

Dear readers,

2020 was a difficult year, which will remain indelible in the memory of those who lived through it. It put us in the position of facing numerous challenges that made us rethink the way we work and interact with others.

Our biggest thanks goes to the employees of Zarattini & Co. Bank, who, with great civic sense and individual effort, adapted to the change being imposed and were able to offer our services according to the usual quality standards.

Despite such a particular year, we did not get discouraged. We completed existing projects and were able to put new ones in the pipeline. This, for us, is the meaning of the formula: "Partner of a changing world".

We shall remain briefly on this topic in order to explain, in our first Sustainability Report, who we are and what our nature is. The world is changing, we are witnessing revolutionary innovations in an economic and social context, finance itself is reinventing itself and, whether we feel disoriented or not, it is necessary to take a position on these dynamics: we're either a part of a changing world, and have to change accordingly, but mostly as spectators, or else we make the change, becoming a partner, tightening a propulsive connection with evolution.

We are firmly convinced that the future rests on two major players: sustainability and digitalization. For this reason we are orienting our operations toward the definition of Corporate Social Responsibility (CSR), with the goal of pursuing a path of increased Sustainability. At the same time, we are giving life to the "Futura" project, which, for two years, has seen us engaged in an avant-garde initiative allowing us to offer our clients the safekeeping and trading of digital assets.

The choice to facilitate the adoption of assets related to distributed ledger technology (DLT) is based on the belief that blockchain technology applications can offer many opportunities to create a more sustainable world, especially as regards issues such as transparency in supply chain traceability, fraud, pollution, violation of human rights and other institutional inefficiencies. We are aware of the open debate on the as yet too large energy footprint of some crypto assets, but we are confident of a virtuous development in this regard, as well as regards other innovative technologies. Both sustainability and blockchain technology present many challenges and completely new areas, with several working groups intent on imagining solutions capable of harmonizing the two main major themes of the coming years.

In this document you are reading, that is, our first Sustainability Report, we do not intend to go into depth regarding the financial results of our institution, which you can find in the traditional annual financial report. This report is intended to be a communication tool, both transparent and voluntary, capable of transmitting to our stakeholders the nature of the implemented corporate strategy and the commitments made in the context of Corporate Social Responsibility. We want to tell you about our identity, the values and the awareness through which we have achieved our results.

The data analysis involves three dimensions within which we wish to make a positive impact: Environmental, Social and of Governance.

The first theme focuses on the impact that a company has on the surrounding environment. We will highlight how Zarattini & Co. Bank has been working for some time to implement internal initiatives so as to reduce the consumption of resources, for example by introducing a more intelligent water distribution and purification system for eliminating plastic.

The social dimension addresses the relationship that Zarattini & Co. Bank has with its employees, clients and the community. The emphasis shall be on training, on gender distribution within our company and an important window shall be dedicated to working remotely and how this has been implemented effectively and in record time.

Corporate Governance shall deal with various aspects inherent to the management of the company, including the management structure, risk management, and compliance with current legislation.

An area will be dedicated to clients interested in sustainable services and ESG-branded products.

In the last pages of the document, next steps will be illustrated, which our company wishes to undertake to ensure that this is only the beginning of a path destined to be enriched from year to year.

Finally, as regards the graphs, in addition to some images of our offices, you will find a collection of photographs representing Swiss works or landscapes, which are linked to sustainability. The choice of these images is a tribute to our territory and makes us aware of how much Switzerland is already active in protecting and supporting future generations.

We wish you a good reading of what we call the "Report Zero" of Zarattini & Co. Bank, in the commitment that the sharing of this information becomes an annual event.

Zarattini & Co. Bank
General Management

CHARTER OF INTENT

Zarattini & Co. Bank makes its role as a trusted advisor to its clients its *raison d'être*. In accompanying clients through the various aspects of investment and financial planning, the goal has always been to build a solid and lasting relationship.

Starting from these foundations, it is natural for us to consider how long-term sustainability is an essential aspect both in our business and in investment decisions.

The events and developments of recent years have made us understand how a further effort and greater attention to those issues of sustainability are necessary, which, starting from factors constituting the decision-making process, are now a primary goal of global economic progress and development. An effort from which Zarattini & Co. Bank does not shy away, but rather in which it wants to be a player and participant.

Numerous players, including public opinion, associations and regulators, are active promoters of this transition and are creating the conditions and the context within which the companies shall have to orient themselves.

Thinking of the 2030 Agenda signed by the United Nations in 2015: the goal, made explicit with the statement "Leaving No One Behind", aims to promote the growth of widespread economic value in compliance with environmental, social and governance issues. The commitment of the United Nations is realized with the pursuit of the SDGs (SDGs - Sustainable Development Goals) and Zarattini & Co. Bank publicly aligns itself in favor of these objectives and aims to make its own contribution for achieving them, with respect to dialog and to the interests of its stakeholders.

The Financial World cannot remain deaf to the position taken by the Swiss Bankers Association (SBA) either, which has declared that Switzerland intends to become one of the main points of reference for sustainable finance.

We are thrilled to have received confirmation that our values are in line with issues having global resonance, and we are aware of the fact that every single company can contribute to a more virtuous development. This is why we have invested resources and worked hard to translate our principles into concrete initiatives, integrating sustainability into several levels. The effectiveness of the strategic plan is supervised by the "Sustainability Committee", an advisory body with the task of identifying the most relevant issues and implementing long-term plans aimed at maintaining a sustainable commitment over time.

The Bank rests the foundations of its sustainable strategy on two fundamental pillars: Corporate Social Responsibility and Responsible Investments.

The first, which applies to the entire organizational structure, embraces a wide variety of issues that company management must take into account. These include working conditions, human rights, environmental protection, the prevention of corruption, fair competition, consumer interests, taxation and transparency.

The Charter of Intent represents the first public declaration in favor of Sustainability by Zarattini & Co. Bank.

The second, referring to responsible investments, can be identified with the acronym ESG (Environmental, Social, Governance) and these pursue the typical objectives of financial management, taking into account environmental, social and governance aspects. They express the direct will of investors, accustomed to confronting today's questions and who wish to make financial choices consistent with their personal values.

For our part, we have the responsibility and, above all, the opportunity to accompany our clients toward a choice with more awareness.

To this end, the range of services offered has been expanded by incorporating ESG factors, ensuring that management activities comply with international initiatives.

We believe that transparency is a key point of fundamental importance both for communicating with one's stakeholders as well as for avoiding greenwashing actions. To promote transparent communication, we are committed to making the Sustainability Report public, this being a document capable of reporting on the evolution of work in the field of Corporate Social Responsibility and of Responsible Investments.

We operate with the conviction that cooperation between players in the Financial world can make the transition to a sustainable market faster and more efficient. In this regard, we have made ourselves available to research initiatives undertaken by banking associations, as well as by local and national universities.

We are convinced of the fact that, although it is an ambitious challenge, integrating elements of sustainability into daily business creates not only direct protection for one's own stakeholders, but also a mixture of competitive advantage and responsible economic growth.

METHODOLOGICAL NOTE





In front of the entrance to the 25hours Hotel, a hotel in Zurich, a woman covered in silver, about five meters tall has been in place since October 2014. Her name is Anne-Sophie and she represents the millennials, the current young generation promoting sustainable development.

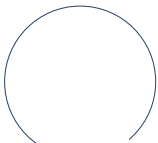
METHODOLOGICAL NOTE

As already mentioned, the document you are reading represents the first Sustainability Report of Zarattini & Co. Bank and aims to communicate, in a transparent manner, who we are, what the sustainable strategies adopted are, as well as their evolution over time. The information below indicates some summary notes that are useful for clarifying the drafting methodology.



REPORTING PERIOD

The Sustainability Report shall be prepared on an annual basis. The reporting of the data in question refers to the period from 1 January to 31 December 2020.



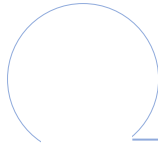
REPORTING PERIMETER

Most of Zarattini & Co. Bank's activities take place at the administrative head office in Lugano.

During 2020, in order to cope with the COVID 19 emergency and so as to ensure greater safety distance for our employees, another office under our ownership was reopened, also based in Lugano.

The information collected in the Sustainability Report refers to the entire organization in Switzerland.

The Zarattini Group is also present in Malta, with its sister company Zarattini International Ltd. For simplicity's sake, the Maltese office was not subject to this study.



REFERENCES TO INTERNATIONAL FRAMEWORKS

Preparing the first Sustainability Report required an intense commitment in terms of data collection and analysis. In coming years, the monitoring of sustainability indicators shall be increasingly systemic, in order to provide information that is increasingly accurate, integrated and consistent with the nature of the business.

With a view to the reliability and recognition of the data, we have prepared this Report on the basis of the "Sustainable Development Goals" (SDG) 1 and the guidelines of the "Global Reporting Initiative" (GRI-Guidelines)², "Core" option.

The corresponding SDG is indicated at the beginning of each chapter. The table of GRI indicators is available at the end of this Report, on p. 88.



EXTERNAL AUDIT

The Report was not subject to external audit. It should be noted that much of the information contained in this document has already been subject to audit by external or internal auditors. Furthermore, as already mentioned, the reporting refers to the most widespread, meticulous and recognized standards in the market.

*For further information please contact info@zarattinibank.ch
This document is available at www.zarattinibank.ch*

¹<https://sdgs.un.org/goals>

²<https://www.globalreporting.org/>

MATERIALITY MATRIX

The village of Bourg-Saint-Pierre in Valais has an installation that is unique in the world: a floating solar park located 1810 meters above sea level, the world's first in an alpine environment. The entire structure covers less than 2% of the lake's surface. Between December and March, the Lac des Toules empties and the solar park settles to the bottom. The solar park does not disturb the fauna and flora of the lake. Since it is an artificial lake that empties in winter, aquatic animals and plants do not have time to develop.





MATERIALITY MATRIX

Collaboration with stakeholders and constant communication with them is a vital element for the health of a company. It is important for there to be two-way dialog and involvement, in order to attract reciprocal benefits and collaborations.

We regularly involve our stakeholders, through more or less institutional channels, and the Sustainability Report aims to be an additional vehicle for communication that increases transparency and a sense of belonging.

For a medium-sized company such as Zarattini & Co. Bank, it is a tool drawn up on a voluntary basis, through which it wishes to account for its work and the impact it has on a great number of actors with which the company comes into contact, and towards which it has a responsibility.

The tool most used to identify stakeholders is the Materiality matrix, which summarizes the environmental, social and governance priorities, in line with its own business strategy.

This analysis was carried out by the Sustainability Committee³, taking into account the company's strategic view, the Group's documentation, reference markets, and comparing the analysis with research on international media and standards.

Once the material aspects were identified, a score was assigned which allowed them to be assessed individually.

The prioritized material aspects were then presented and reviewed by General Management, which considered them as a whole, allowing them to be placed in the Matrix.

The Sustainability Committee was established in October 2020

³In October 2020, the Board of Directors of Zarattini & Co. Bank established the Sustainability Committee, composed of three permanent members, one of which is independent, and with the possibility of the additional participation by members both external and internal to the Bank. The Committee, of an advisory nature, has the task of evaluating issues related to Sustainability, to Corporate Social Responsibility and to ESG (Environmental, Social and Governance) products.

Creating the Materiality matrix for the first time has given us the awareness that activities upon which we focus our greatest commitment may differ greatly from the interests of some of our stakeholders.

This matrix represents the starting point; it is the opportunity to identify and implement actions that can lead to meeting our stakeholders on common territory.

We intend to update it on an annual basis, so as to be able to verify the constancy of commitment and the evolution of our work over the years.

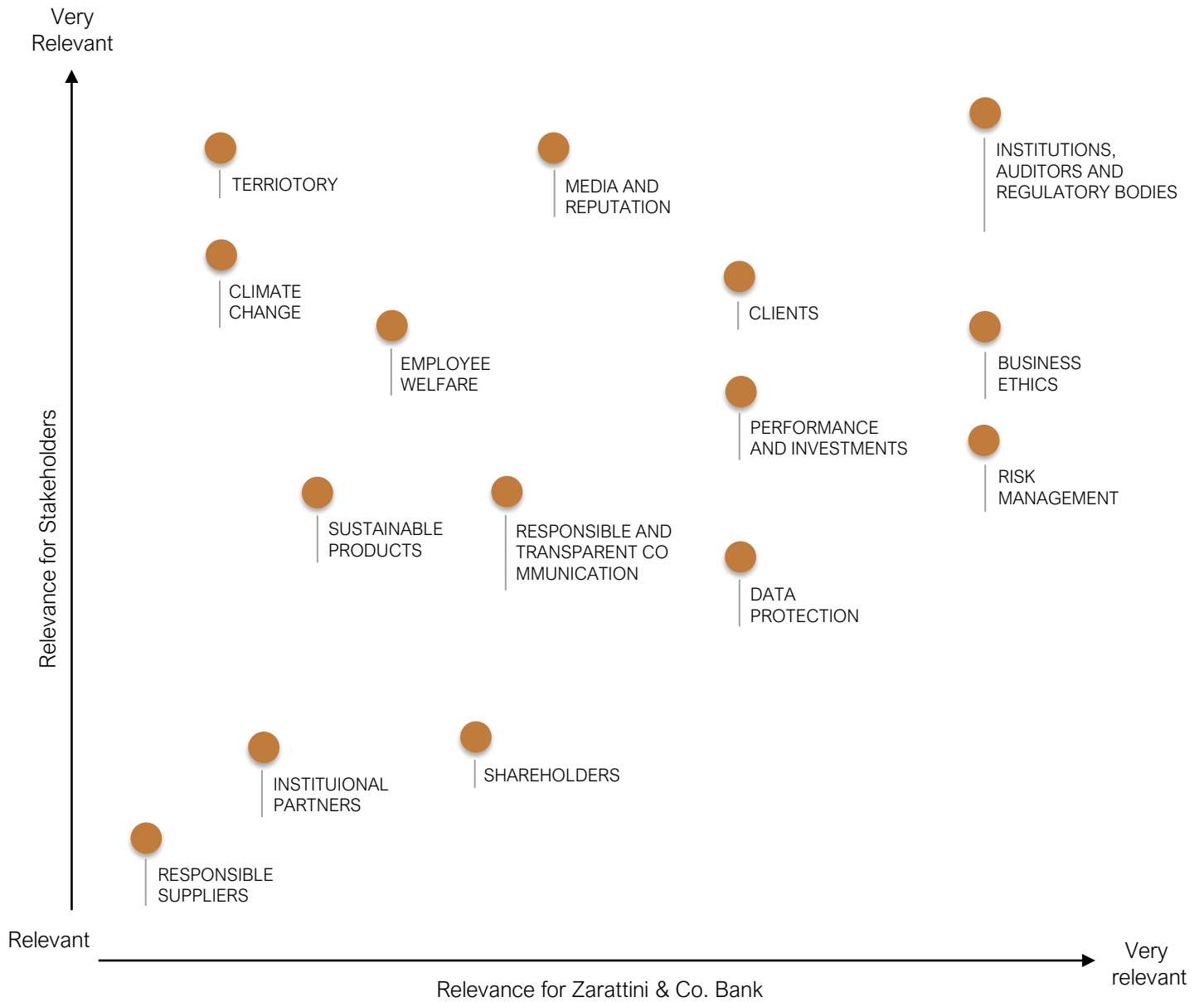


Image 1: Materiality Matrix



Zarattini & Co. Bank, by the artist Felice Varini, included in the architectural work by Gabriel Bertossa
Via Pretorio 1 | Lugano

Installed in the Zarattini & Co. Bank headquarters, in Via Pretorio 1 in Lugano, the work extends along the three floors of the building. The reticular shape of the work is visible only if you position yourself in a specific corner. If you look at it from the right perspective, all the points meet harmoniously.



ABOUT US



Detail of the work. If you look from the wrong angle, the lines appear disconnected.

OUR HISTORY

Thirty-five years of history bear witness to the strategy of a Group that is oriented towards growth, whether it takes place internally or externally.

Zarattini & Co. Bank SA was founded in 1985 upon the initiative of the founder Mario Zarattini, a nuclear physicist by training, but who was interested in the financial sector. His passion and his pioneering orientation gave way to a continuously expanding and evolving process, leading Zarattini & Co. Bank, a private Swiss bank based in Lugano, to attain the innovative and international profile it has today.

The entrepreneurs that Mario Zarattini gathered around him - including Flavio Quaggio, current CEO - have developed a company that has invested in four main areas of business: Private Banking, Asset Management, Fixed Income Desk and Trade Finance.

The Zarattini Group was founded in Italy as a Securities Commissioner and was later transformed into a Stock Brokerage Company (SIM) regulated by the Italian Authority for the Supervision of Financial Markets (Consob).

In 1991 Martin Group Ltd., a hedge fund under British Virgin Islands (BVI) law managed according to market neutral strategies, was launched.

Zarattini & Co. SA, a trust company dedicated to the management of private assets with alternative investment techniques, which are not related to the performance of stock market indices, was founded in Lugano.

Wolf Group Ltd., a hedge fund under British Virgin Islands (BVI) law whose sub-funds are managed by applying different investment strategies, from fixed income arbitrage to systematic trading, from trend following to the value approach, was founded in 1996.

1985

Zarattini Group was established in Italy as a Securities commissioner

1996

Wolf Group Ltd, a hedge fund under British Virgin Islands (BVI) law whose sub-funds are managed by applying different investment strategies, was established

2003

Zarattini & Co. creates Neutral Sicav, an umbrella vehicle under Luxembourg law

The Launch of Martin Group Ltd, a BVI hedge fund

The trust company Zarattini & Co. SA is established in Lugano

The Swiss Federal Banking Commission grants Zarattini & Co. a securities dealer licence

2001

1991

In 2001, the Swiss Federal Banking Commission granted Zarattini & Co. a securities dealer license: from this moment the company began the process of obtaining banking authorization.

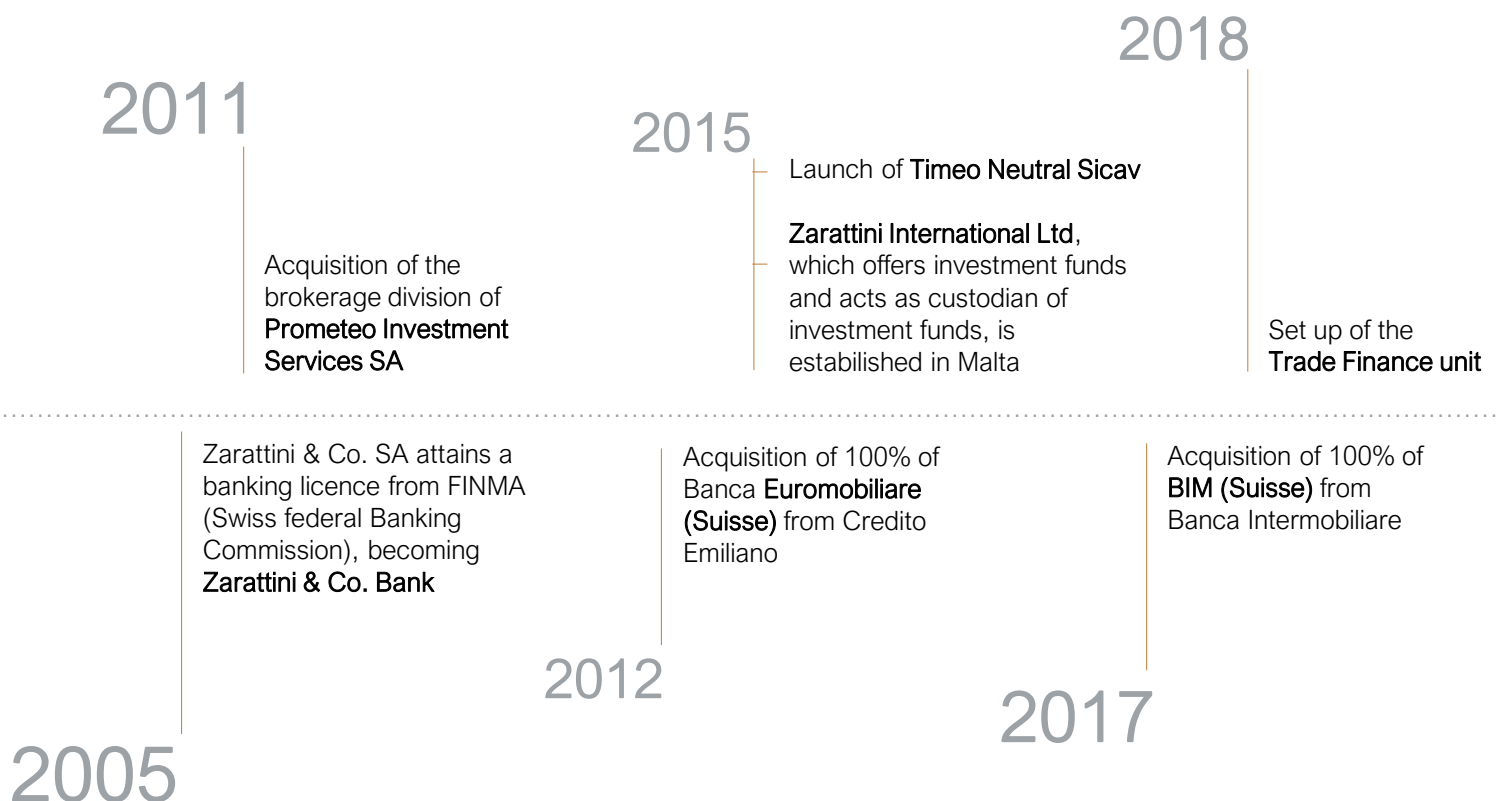
In 2003 Zarattini & Co. created Neutral Sicav, an umbrella vehicle under Luxembourg law that uses alternative investment techniques inspired by the group's philosophy.

In 2005 FINMA (formerly the Swiss Federal Banking Commission) authorized Zarattini & Co. Bank SA to carry out banking activities. In 2011 Zarattini & Co. Bank acquired 100% of Banca Euromobiliare (Suisse) from Credito Emiliano and the trading division of Prometeo Investment Services SA, an investment house specializing in consulting and the brokering of innovative financial products.

In 2015 Neutral Sicav became Timeo Neutral Sicav, offering a wider range of UCITS V fund solutions. Also since 2015, the Group has moreover been present in Malta, with Zarattini International Ltd., sister company of Zarattini & Co. Bank, which offers investment funds and act as custodian of investment funds.

In 2017 Zarattini & Co. Bank acquired 100% of BIM (Suisse) from Banca Intermobiliare.

Over the years, the services offered by the Bank have also increased: initially concentrated on Asset Management and Private Banking, in 2011 the brokerage division of Prometeo Investment Service SA was acquired, which enabled the Bank to supply itself with Fixed Income services. The last Business Unit that has joined the range of offers is that of Trade Finance. Zarattini & Co. Bank decided to enter the sector by bringing together a team that has gained over 30 years of experience in the field.



ORGANIZATIONAL STRUCTURE

Zarattini & Co. Bank SA is an independent Swiss bank with head office in Lugano, regulated by FINMA (Swiss Financial Market Supervisory Authority).

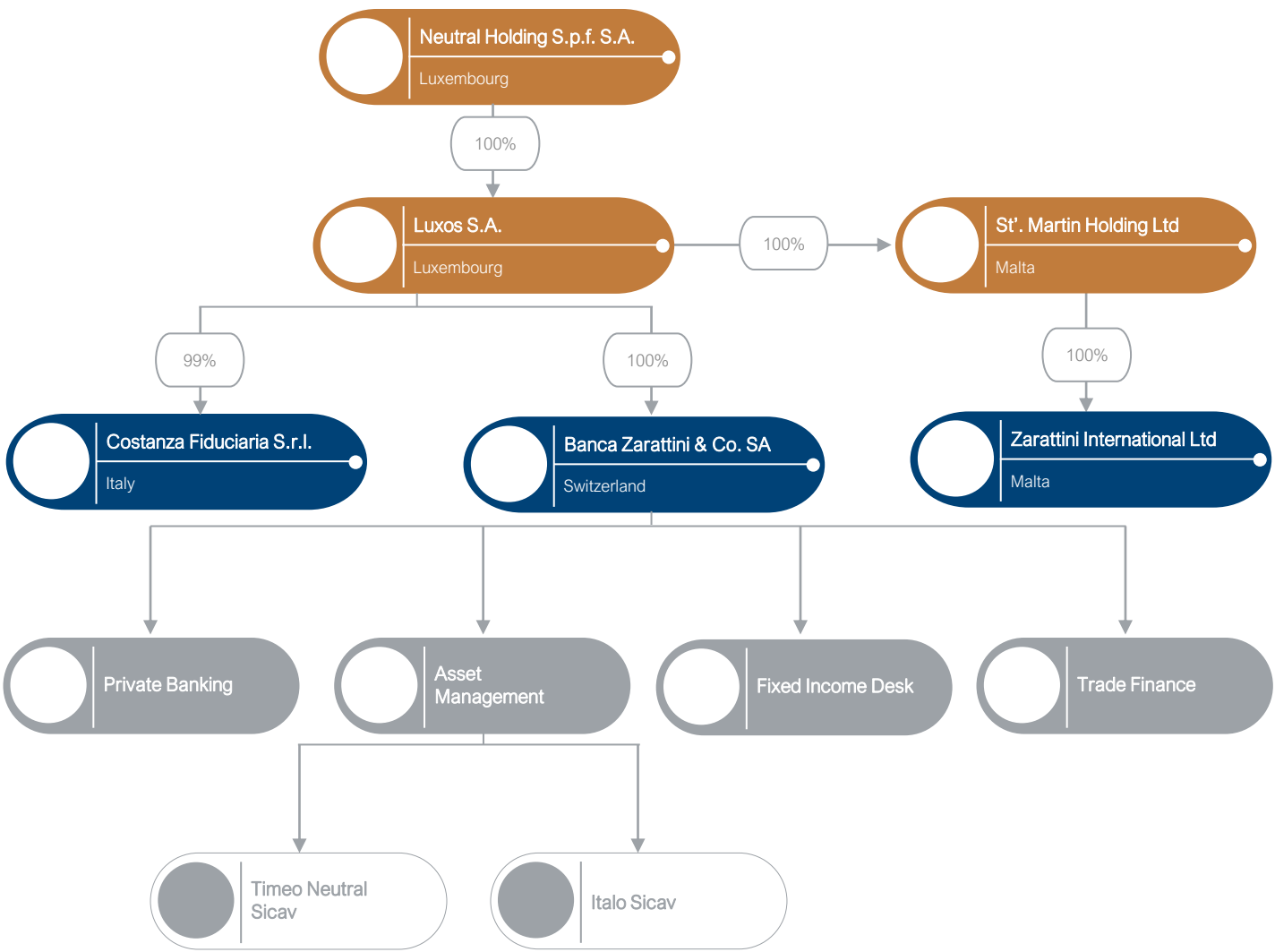


Image 2: Organizational structure

Zarattini International Ltd is an Investment Fund Custody Services Company with head office in Valletta, Malta, regulated and controlled by the MFSA (Malta Financial Services Authority). It acts as a depositary bank and provides investment services for collective investment funds. Zarattini International Ltd assists fund managers in complying with, and taking full advantage of, UCITS and AIFM guidelines. In addition, it offers customized support and solutions for all types of alternative products, from hedge funds, private equity and real estate funds, to loan funds and other non-UCITS investments, including professional investment funds (PIFs).

Costanza Fiduciaria S.r.l. – Società Fiduciaria, authorized by the Ministry of Economic Development (MISE) in Italy, has as its object the administration of assets on behalf of third parties and the exercise of fiduciary activity as contemplated in Law no. 1966 of 23.11.1939 (so-called "static" trust) and is subject to supervision by the Bank of Italy for anti-money laundering aspects. Costanza S.r.l places its professionalism in seeking the optimal solution for the client, interpreting his/her needs and providing advice on the most appropriate tools to be used in the field of succession planning and asset reorganization. The business activity consists in the custody and administration of securities owned by the client which are made, as a trust, in the name of the company. Among its activities:

- Authorized agent for withholding tax activities
- Registration of stocks, bonds and shares;
- Incorporation of companies;
- Execution of all obligations and operations deriving from corporate activity;
- Consultancy and operational resolution for companies in the management of generational change or in Mergers & Acquisitions;
- Inheritance accessory;
- Function of "guarantor" (Escrow account) in situations of conflict between shareholders or in the sale and purchase of movable and immovable property, company shareholdings or company branches.

Timeo Neutral Sicav is a vehicle under Luxembourg law (UCITS V), it offers clients adequate solutions for every investment need. The sectors of the SICAV offer different management methods applied to the different asset classes, so as to achieve important results and adequate risk management. Zarattini & Co. Bank is the Investment Manager of Timeo Neutral Sicav.

Italo Sicav P.I.c. is an alternative investment fund (AIF) under Maltese law, compliant with the Alternative Investment Fund Managers Directive (AIFMD). The fund offers professional investors the opportunity to invest in various diversified portfolios of "Non-performing" and "Performing" credit. In particular, the investment objective is the revaluation of capital achieved mainly by investing, directly or indirectly, in loans or other receivables, whether performing or non-performing, in the Italian credit market. Zarattini & Co. Bank is the Fund's investment advisor.

THE ASSOCIATIONS TO WHICH WE ADHERE

Zarattini & Co. Bank SA adheres to various associations, among which:

ASB - Associazione Svizzera dei Banchieri: is the top trade association of the Swiss Financial world. The primary objective is to create optimal framework conditions for banks in Switzerland. It represents the interests of the Financial world towards politicians, authorities and public opinion. It works in favor of adequate margins for maneuver on an entrepreneurial level and open markets, as well as supporting framework conditions capable of offering adequate development prospects to a banking sector that is characterized by innovation and diversity. As a center for the collection of knowledge and skills, it always adopts a forward-looking attitude, defines priority issues and supports the sector in its path of sustainable growth.⁴

AMAS – Asset Management Association: Asset Management Association Switzerland is the representative trade organization of the Swiss wealth management industry. Its goal is to consolidate Switzerland as a leading wealth management center with the highest standards of quality, performance and sustainability. In this context, it helps its members further develop the wealth management industry and to create long-term value for investors. The Asset Management Association is an active member of the European Fund and Asset Management Association (EFAMA) and the International Investment Funds Association (IIFA) which operates worldwide. Founded in Basel in 1992, the Asset Management Association currently has nearly 200 members.⁵

Both the Swiss Bankers Association and the Asset Management Association have taken an official stance in favor of sustainability, with the aim of accompanying the Swiss financial world to establish itself as one of the hubs of reference in the field of sustainable finance.

They support the importance of CSR within company policy and aim at being a reference point for ESG investments.

⁴<https://www.swissbanking.ch/>

⁵<https://www.am-switzerland.ch/>

ABT - Associazione Bancaria Ticinese: the Ticino Banking Association (ABT) was founded in 1920 as a private association of banks with regular banking activities in the Canton of Ticino. The purpose of the association - as the Articles of Association state - "is to safeguard and defend the image of the Ticino Financial world and the interests and rights of its members at a canton level, with the exception of any trade activity".⁶

ICMA - International Capital Market Association: the International Capital Market Association, or ICMA, is a self-regulatory organization and trade association for capital market participants. With head office in Zurich, it has offices in London, Paris and Hong Kong.⁷

LCTA – Lugano Commodity Trading Association: founded in 2010, the Lugano Commodity Trading Association (LCTA) is a non-profit association with head office in Lugano. The Association brings together some of the major operators that revolve around the sphere of Commodity Trading, shipping, insurance and financing in this sector. Member companies are legal entities located and registered in Switzerland with a commercial link with Ticino and neighboring regions.⁸

Cc-Ti – Chamber of Commerce, Industry, Crafts and Services of the Canton of Ticino: the Chamber of Commerce, Industry, Crafts and Services of the Canton of Ticino (Cc-Ti), founded in 1917, has been operating in Ticino for over 100 years. As a core association of the Ticino economy, it works for the entrepreneurial and economic fabric of Ticino, which it represents in its most varied composition. It promotes the activity of industry companies and associations that it represents through concrete initiatives in various areas. It provides information, training and targeted services to members, while at the same time helping them set up on the network. It is also a privileged interlocutor of federal and cantonal authorities, as it acts as a link between the state, the political world and the economic reality of the canton. It protects economic freedom and promotes favorable framework conditions, so that businesses can be established and prosper, thus ensuring a strong and competitive economy for the benefit of the entire society.⁹

⁶<https://www.abti.ch>

⁷<https://www.icmagroup.org>

⁸<https://www.lcta.ch>

⁹<https://www.cc-ti.ch>

GOVERNANCE





THE BODIES OF THE COMPANY

General Assembly

The General Assembly of shareholders, convened annually, constitutes the supreme body of the Company. Its decisions are binding on all shareholders. The powers assigned to it are as follows:

- Approval and amendment of articles of association;
- Appointment and dismissal of directors and of the auditors;
- Approval of the annual report and group account;
- Approval of the annual financial statements, resolution on the use of profit, in particular the determination of the dividend and profit sharing. Furthermore, resolution on the establishment of other reserves in addition to the ordinary one prescribed by law and the establishment of their purpose and use
- Discharge of the directors;
- Resolution on matters reserved to it by law or by the articles of association, or which are submitted to it by the directors.

The Board of Directors

The Board of Directors must meet at least four times a year or whenever circumstances require. It deals with inspecting the work of the General Management and of Internal Auditing. It intervenes upon affairs that are not attributed to other company bodies. Among its inalienable attributions there are:

- The top management of the Company and the power to give necessary instructions;
- The definition of the organization;
- The organization of accounting and financial control, the preparation of the financial plan and budget;
- Appointment and regulation of persons in charge of management and representation;
- High supervision of the persons in charge of management and compliance with the laws;
- Preparation of the management report, proposals for the use of net profits and examination of the audit report, preparation of the General Assembly and execution of its resolutions;
- Notice to the court in case of over-indebtedness;
- To proceed with the authorized increase in share capital;
- The creation and delegation of new branches and agencies;
- The appointment and dismissal of the external auditor and of members to the inspectorate.

General Management

General management is appointed by the Board of Directors. It is the executive body of the company and is responsible for corporate management in compliance with the strategic policy and objectives defined by the BoD. It establishes the company's policy to achieve the objectives set by the BoD and establishes the rules for the management of the business. It is responsible for the implementation of the measures necessary for the identification, assessment, mitigation, management and constant monitoring of the risks to which the company is subjected, in compliance with the risk policy defined by the BoD.

Auditors

The auditor, elected by the General Assembly of shareholders, must be a company recognized by the Swiss Financial Market Supervisory Authority FINMA as auditor for banks and a member of the Swiss Chamber of Trustees and bank accountants. It is responsible for presenting a written report on the financial statements presented to it by the Board of Directors. It will also express its opinion on the distribution of profits.

Internal audit

The Internal Audit carries out the verification, investigation and control activities as regards the adequacy of risk management and of the internal control system, while providing recommendations aimed at improving the effectiveness and efficiency of operations and of the control, risk management and corporate governance processes.

Audit Committee

The members of the Audit Committee are chosen from among the members of the Board of Directors who have banking and bank accounting experience. The main function of the Audit Committee is to establish an independent opinion on the activity of the internal Auditors, the external Auditors, the internal control system, risk management and the quarterly and annual accounts of the Bank. The Audit Committee is the recipient of periodic reports prepared by the external and internal auditing offices, by the internal control system, by the Risk Manager, by the Compliance function and by the directorship of the company.

Compliance Management

The main functions of the Compliance Office are to implement the appropriate procedures and the necessary internal systems in order to ensure compliance with legal regulations, internal regulations and authorizations that govern the Company's business.

The main functions include in particular those of implementing the necessary activity in order to ensure correct compliance with anti-money laundering legislation and internal regulation on the subject, and with foreign legislation to supervise operations and business relationships defined as "sensitive", as well as to manage any complaints and disputes.

Risk Management

Handles the continuous monitoring of the Bank's risks. The main functions of the Risk Manager are to implement the measures necessary for identifying, assessing, managing, mitigating and monitoring risks as part of the predisposition for risk defined by the Board of Directors. The Risk Manager also coordinates and supervises the activities of the Operational Unit Risk Managers responsible for supervising trading operations on their own behalf on the secondary market as well as supervising asset management.

What is meant by «Risk»

Risk is defined as the possibility that the occurrence of a certain event may adversely affect the achievement of the Bank's objectives and that this implies damage in financial and / or image terms. Risk, in other words, must be framed as the danger that the effective outcome of the activity may deviate negatively from the planned or expected result.

Main types of risk

- Strategic risk;
- Credit risk;
- Market risk;
- Liquidity risk;
- Settlement risk;
- Operational risk;
- Legal risk;
- Compliance risk;
- Reputational risk;
- Country risk;
- Specific risks linked to intermediation activities on one's own behalf;
- Risks linked to asset management (on behalf of clients).

CODE OF ETHICS

The current code of conduct and personal ethics has been in force since 2012, and it governs various aspects of the Bank, some of which are already in the realm of Corporate Social Responsibility.

Topics governed by the Code of Ethics

- Ethical conduct and integrity in the conduct of business;
- Respect for, and compliance with, laws, rules and regulations;
- Relationships with clients;
- Respect for banking secrecy and confidentiality;
- Transparency of information and public communications;
- Suitable tools and procedures for the control and management of risk and capital;
- Profitability;
- Internal and external audit procedures;
- Promotion of a healthy work environment free from any discrimination;
- Abstention from gifts or free services;
- Practices for identifying and managing or avoiding conflicts of interest;
- Collaboration in the fight against money laundering, terrorist financing and corruption;
- Abstention from divulging knowledge of confidential facts (insider knowledge);
- Environmental protection.



LEGISLATION

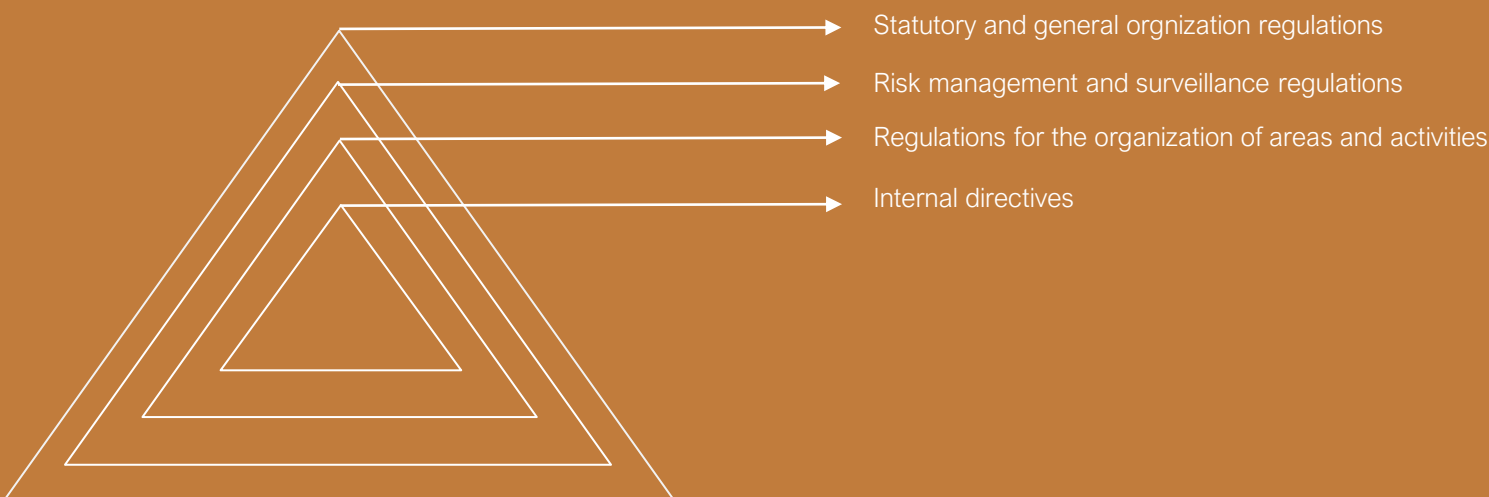
Zarattini & Co. Bank operates in compliance with policies and regulations that are updated periodically. These regulations and guidelines represent the legal and ethical fabric upon which Zarattini & Co. Bank carries out its business.

The policies, the subject of periodic training by the Board of Directors and General Management, as well as by the compliance team, risk management and other targeted departments, are shared internally with all employees.

The internal regulatory framework forms a pyramidal structure, where at the top we find the statutory regulations, followed by the regulations on risk management and surveillance, then by those concerning the organization of areas and activities, finally we find the internal regulations and directives.

For the first three areas of regulations, reference is made to the Board of Directors, while the General Management covers the last.

Internal regulatory framework



Main areas covered

Statutory and general organization regulations

- Articles of association
- Organization regulations
- Group Regulations
- Code of ethics and of conduct
- Investment policies

Risk management and surveillance regulations

- Risk regulation
- Internal control regulation
- Credit regulation
- Country risk directive
- Anti-money laundering directive
- Business Continuity Management
- Compliance regulation
- Internal Audit regulation
- Audit Committee Regulation
- Cross Border Directive

Regulations for the organization of areas and activities

- Finance regulation
- Fixed Income Desk regulation
- Trade Finance Regulation
- Personnel regulation
- Directive on banking transactions allowed for personnel
- Regulation for Executive expenses

Internal directives

Operating Manuals

Service orders

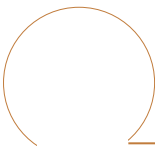
Company policies

Description of processes

OUR MAIN ACTIVITIES

Zarattini & Co. Bank investe in quattro aree principali di business: Private Banking, Asset Management, Fixed Income Desk e Trade Finance. La le sue *business unit* operano secondo i principi di: affidabilità, efficienza, flessibilità, innovazione, know-how, trasparenza, indipendenza, competenza, professionalità.

PRO



PRIVATE BANKING

The Private Banking team is actively undergoing training in order to provide accurate advice on ESG investments.

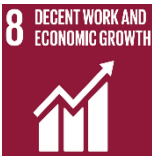
Zarattini & Co. Bank is founded upon the belief that it is the people and the relationships created that make the difference in a bank. The relationship is the nerve center around which the activity of private banking revolves. The medium-sized structure and proximity to the client allow us to offer tailor-made services for asset management.

The Private Banking team defines the objectives, risk appetite and investment time horizon together with the client and recommends solutions suited to specific needs and expectations, also based on the bank's Asset Management information.

Moreover, a stable shareholder base, experience, and attention to risk are additional attractive elements.

Principles

- Confidentiality: the direct relationship between client and banker ensures respect for privacy and shared and efficient management.
- Reliability: each client is informed accurately and transparently as to the composition and performance of his/her portfolio and on the levels of risk, and is constantly updated on assessments and performance.
- Expertise: we propose ad hoc solutions for the global management of assets by comparing ourselves daily with the Asset Management of the Bank.



Services

- Asset management mandate: the client delegates investment decisions to our professionals, who shall guide him/her in choosing a strategy based on his/her objectives and propensity for risk.
- Advisory service: for clients who want to manage their assets directly, we offer an advisory service, providing all the information necessary to invest with awareness.
- IAM (Independent Asset Manager) Desk: the IAM Desk assists the consultant with the onboarding procedure of asset managers. In addition, it offers administrative and operational assistance to IAMs in their management activities.
- DLT (Distributed Ledger Technology) Desk: the most recent service introduced by the Private Banking team is dedicated to clients with an interest in blockchain and ICO matters. Switzerland is known to be a particularly encouraging environment for ICOs and blockchain startups. Zarattini & Co. Bank, in the belief that the digital world represents one of the greatest opportunities for the future, has developed a deep expertise for its activities serving clients with a Blockchain / DLT connection, it has developed extensive knowledge of digital assets since 2017 and it ranks among the first Swiss banks active in this area.
- Other services: Securities Custody, Lombard Credit, E-banking, Execution mandates

We are convinced that blockchain technology applications can also offer many opportunities for creating a more sustainable world, especially with issues such as transparency in supply chain traceability, fraud, pollution, human rights violations and other institutional inefficiencies.

THE «FUTURA» PROJECT

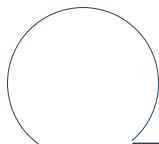
Zarattini & Co. Bank intends to further expand its activities to clients with a connection to blockchain / DLT. To this end, the Bank has developed a strategy (the "Crypto Strategy"), with help from external consultants, to extend the service portfolio, leveraging the Bank's existing experience in managing these clients.

The Crypto strategy is built around the provision of four value propositions:

- Facilitating the entry into cryptofinance for professional and institutional investors;
- Provide crypto-friendly private banking to clients interested in crypto;
- Provide "turnkey" solutions for ICOs and Security Token Offerings ("STOs") of crypto start-ups and SMEs;
- Provide reliable safe custody for digital assets.

Zarattini & Co. Bank formalized the authorization request to FINMA in September 2020.

In the meantime, a contract has been signed with a company for the forensic part of compliance activities and we are finalizing the tests for the integration of the services offered by the external provider with our core banking system.



ASSET MANAGEMENT

Asset Management, in addition to training and certifying the team, is offering ESG-branded solutions, through two active management strategies and two UCITS V Sicav funds.

Asset Management offers private and institutional investors a customized management service for the protection of capital and the search for a stable and lasting return.

Zarattini & Co. Bank is convinced that capital protection and its increase over time are objectives to be pursued every day and considers management a daily activity to be carried out with care and competence.

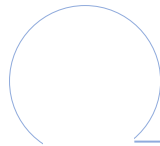
Based on the client's investment objective, a management strategy is developed that adheres to the risk profile. The Zarattini & Co. Bank philosophy aims to protect capital and produce absolute returns regardless of market conditions. Different types of management are offered, from the most linear to those tailored to the largest assets.

Principles

- Responsibility: every investment decision is supported by rigorous analysis and evaluations.
- Know-How: the management team has a lot of experience in market analysis and investment strategies.
- Transparency: efficient management also means possessing the ability to make the entire investment process visible and clear.

Services

- Advisory service: Asset Management collaborates with the Private Banking team, which provides it with ad hoc advisory services and updated information on the market and investment products.
- Asset Management Mandates: The Asset Management team offers a professional and personalized management service. The investment committee draws up an asset allocation suited to the client's risk profile and investment objectives. The individual managers then take care of selecting the individual investments (securities or funds) to be used in the asset allocation.
- Timeo Neutral Sicav: Luxembourg fund (UCITS V) managed by Zarattini & Co. Bank, which offers clients solutions suitable for every investment need.



FIXED INCOME DESK

Zarattini & Co. Bank is an internationally recognized player in the bond sector. Institutional and professional clients have privileged access to fixed income markets through a competitive order execution service.

The Fixed Income Desk team has consolidated important relationships around the globe, operating successfully in a rapidly evolving market. Zarattini & Co. Bank is partnered with over 400 counterparties, including asset managers, investment funds, banks and insurance companies, distributed all over the world.

A wide range of bonds are traded in various currencies, including plain vanilla, structured products, financial and corporate issues, senior bonds, subordinated bonds, high yield and convertible instruments.

The traded fixed income portfolio covers various currencies and includes credit derivatives and structured notes.

Principles

- Independence: Zarattini & Co. Bank guarantees independence and quality of service as members of ICMA (International Capital Market Association) and FINMA (Swiss Financial Market Supervisory Authority) authorized operators.
- Experience: activity in this field started in 2001 and is distinguished by the broad coverage of all segments of the new issues market.
- Professionalism: partners are assisted with the professionalism of a multilingual European team with solid technical skills.

Products

- | | |
|--------------------------------|----------------------------|
| ▪ Investment Grade Corporate | ▪ ABS - Vanilla and Exotic |
| ▪ Senior and Sub Financial | ▪ CDOs and CLOs |
| ▪ Emerging Markets | ▪ Fixed Income Structure |
| ▪ High Yield | ▪ Equity Structure |
| ▪ Distressed | ▪ Synthetic Structure |
| ▪ Government and Supranational | ▪ Preferred Shares |
| ▪ Convertible | |



TRADE FINANCE

Switzerland plays a key role in commodity trading worldwide. This trend is growing and commodity trading companies are increasingly looking for banking partners able to offer specific skills and specialist solutions in order to better support their business operations. Zarattini & Co. Bank is able to offer high quality standard services and to provide concrete and bespoke answers.

Zarattini & Co. Bank, with its specialized Trade Finance services, aims to support its clients in the financing of transactions related to the international trade of raw materials and with particular reference to the trading of metals (ferrous and non-ferrous).

Trade Finance professionals offer a highly specialized and personalized consultancy service with ad hoc solutions and offers designed to meet the needs of clients and of international commodity trading companies based in Switzerland.

Principles

- Specialization: we offer a highly specialized level of consultancy with banking proposals and solutions designed for the specific needs of clients.
- Expertise: we have specific skills for services related to international commodity trading, with a particular focus on metal trading.
- Support: we are a financial partner that is capable of supporting commodity trading companies and of assisting them in the financing of commercial transactions and in managing industry risks.

Financial banking instruments

- Specialized commercial financing
- Commercial and financial guarantees
- Stand-by L/Cs
- Structured and unstructured import / export documentary credits
- Import / export Documentary collections

CLIENT SEGMENTATION

Based on the recent Federal Law on Financial Services (FinSA)¹⁰, which entered into force on January 1, 2020, and which has the main purpose of strengthening investor protection and providing comprehensive information in order to facilitate the comparison of financial services offered in the Financial world, Zarattini & Co. Bank has decided to classify its clients as follows:

Private Clients: Clients who are not Professional Clients are considered Private Clients

The following are considered **Professional Clients**:

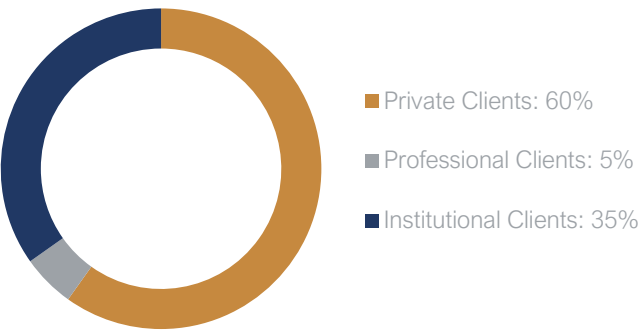
- a. financial intermediaries under the Banking Act of 8 November 1934 (BA), the Law of 15 June 2018 on Financial Institutions (FinIA – Financial Institutions Act) and the CISA (Collective Investment Schemes Act);
- b. insurance companies according to the ISA (Insurance Supervision Act);
- c. foreign clients subject to prudential supervision such as the persons referred to in paragraphs a and b;
- d. central banks;
- e. public law entities with a professional treasury;
- f. pension institutions and institutions dedicated to occupational pension schemes with a professional treasury;
- g. companies with professional treasury;
- h. large enterprises
- i. private investment structures with a professional treasury created for wealthy Private Clients.

Professional Clients referred to in section 3 paragraphs a – d as well as national and supranational public legal entities with a professional treasury are considered **Institutional Clients**.

¹⁰<https://www.fedlex.admin.ch/eli/cc/2019/758/it>

Percentage distribution of clients based on Assets Under Management (AUM)

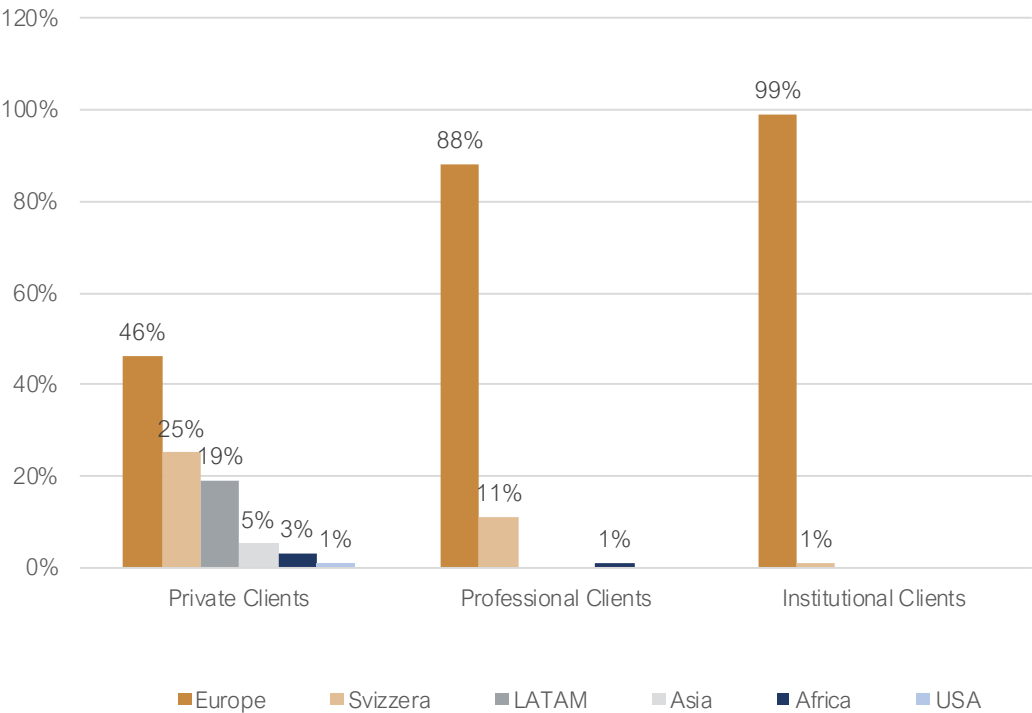
Based on FinSA, a majority of Zarattini & Co. Bank's clients are classified as Private Clients.



Grafph 1 : percentage distribution of clients.
The percentage is calculated based on the overall AUM amount.

Geographical distribution by type of client

Private Clients have a more heterogeneous geographical distribution, with a dominant share in Europe; while Professional Clients and Institutional Clients are concentrated almost exclusively in Europe and Switzerland.



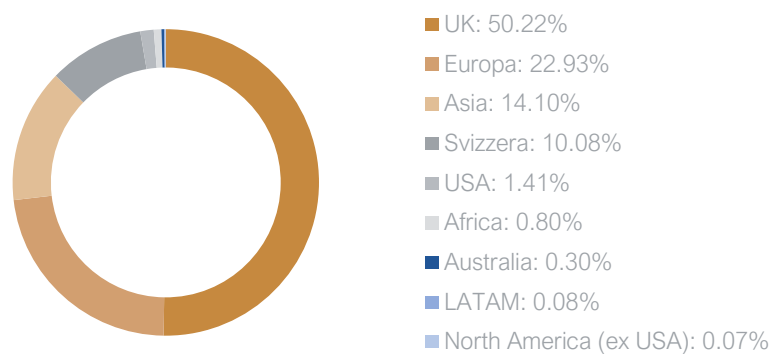
Grafph 2 : geographical distribution by type of client.
The percentage is calculated based on the AUM amount of each type of client

The counterparties of the Fixed Income Desk

Not properly defined as Clients, the counterparties with whom the Fixed Income Desk Business Unit interfaces deserve a separate discussion.

The Fixed Income Desk team has consolidated important international relationships and is a partner of over 500 counterparties including asset managers, investment funds, banks and insurance companies, distributed all over the world.

The result is a global geographic distribution.



Graph 3: percentage distribution of the Fixed Income Desk counterparties. The percentage is calculated based on the overall data of the volume of transactions.

OUR ESG PRODUCTS



Aletsch Glacier. This region covers 82,400 hectares, which are exceptional for their charm and for the wealth of information relating to the formation of mountains and glaciers as well as the ongoing climate changes. We point out that this was the first site in the Alps included in the UNESCO World Heritage Site, in 2001, thanks to the uniqueness of the landscape and its extraordinary beauty.

The quality of life in Switzerland is often associated with its lakes, its mountains and the pure air you breathe there. This varied landscape not only determines its postcard image but also shapes the entire country and its identity. The Federal Council and the Swiss people have taken a number of concrete steps in recent years to protect this precious natural heritage and the landscape.

The banking sector makes its contribution, to a large extent, through ESG products, a vehicle for assets toward more sustainable investments.



ESG FUND SELECTION

The "ESG Fund Selection" and the "ESG Investment Policy" were prepared by the Asset Management team, reviewed by the Sustainability Committee and approved by General Management and the Board of Directors.

The Asset Management team is working to inform its clients and to offer products that comply with ESG (Environmental, Social, Governance) principles. We are operating on two fronts: the management strategies and the funds of the Timeo Neutral-owned Sicav.

Remaining in the field of management, a moderate management strategy was activated in 2020, while in 2021 it will be the turn of a securities strategy.

As regards investment funds, a preliminary balanced type fund was already converted in 2020, to then focus in 2021 on a fund linked to inflation.

In this chapter we shall illustrate the "ESG Fund Selection" of management strategies, while in the following chapter we shall go into detail on the "ESG Investment Policy" of investment funds.

Both documents were prepared by the Asset Management team, reviewed by the Sustainability Committee and approved by General Management and the Board of Directors.

The Selection of Third Party Funds for ESG Strategies

The management of ESG strategies in funds follows the same procedure as the standard strategies, with the addition of evaluating the sustainability approach with regards to the managers who are selected.

1. The first step is the strategic asset allocation which defines the long-term objectives and the target allocation in the various asset classes through a benchmark.
2. This allocation is reviewed on a monthly basis and modified according to the indications of the Investment Committee, which can increase or reduce exposure to the individual asset class.
3. Finally, the manager selects the funds with which to implement the asset allocation. This selection is made using both quantitative (performance results, risk, generated alpha, etc.) and qualitative criteria (due diligence on the management company, strategy suited to the identified scenario, etc.)

In the case of ESG strategies, the selection phase takes into consideration mainly funds that pay explicit attention to the issue of sustainability, in particular through ESG factors, to which two further dimensions of analysis are added.





Zarattini & Co. Bank, Meeting Room
Via Pretorio 1 | Lugano

QUANTITATIVE ANALYSIS

Evaluation of financial performance and of the risk - return

QUALITATIVE ANALYSIS

Analysis of the Management Company and of the product

Management Company

Investment Fund

Scoring

KPI

ANALYSIS OF THE
MODEL
PORTFOLIO

Image 3: The Selection of Third Party Funds for ESG strategies

The qualitative and quantitative analysis criteria will be periodically updated based on the Zarattini & Co. Bank strategy, as well as with respect to changes in market criteria.

Quantitative analysis: an evaluation is made of the financial performance of the fund and its main risk-return metrics by comparing it with its reference peer, composed of funds that carry out a similar strategy; the peer includes (at the moment, for the most part) funds that do not follow an ESG approach but that have enough history and characteristics to be included in the target group.

The comparison of the quantitative variables has the goal of evaluating the performance of the fund regardless of its ESG approach in order to privilege only those ESG funds that demonstrate a risk-return that places them at the top of the ranking of the reference funds and not those that worsen the risk-return profile of a strategy based on sustainability choices.

Qualitative analysis: an analysis is made of the product and the Management company that offers it. This analysis aims to avoid possible greenwashing and to identify companies that invest sufficient resources in an effective sustainable approach.

The analysis elements that are taken into consideration are the following:

Management company:

1. ESG only: determine if the company is dedicated only to sustainable investments or also has traditional investments;
2. ESG philosophy: what is the manager's vision of the sustainability issue and on which concepts does he/she base his/her analysis;
3. CSR Asset manager: manager's CSR policy, other than the selection of investments;
4. Associations signatures: which associations and entities in favor of sustainability is it associated with;
5. ESG Approach: what type of approach does it have, if integration, impact, best in class, exclusion etc.;
6. Engagement: approach and methodology of activism and engagement with the companies in which it is invested.

Investment fund:

7. ESG Team structure: structure and experience of the management team from the point of view of sustainability;
8. Reporting: detail and materiality of reporting on the subject of sustainability;
9. Exclusion list: exclusion criteria utilized;
10. ESG outliers: any investments that do not appear to be part of the sustainability policy;
11. Third party ESG score: third party ESG score (MSCI, Morningstar or other);
12. ESG score vs Benchmark: sustainability KPIs (carbon footprint, ESG scoring, etc.) that are better (or worse) compared to the reference benchmark.

A descriptive comment is given to these elements of analysis and a value is expressed (scoring) (1-3), which in turn will contribute to defining an average scoring of the fund.

Each fund is also then evaluated on the basis of KPIs that indicate its adherence to a sustainable portfolio ideal. The average of these KPIs defines when the portfolio under management adheres to this ideal.

KPI (Key Performance Indicators):

The management of ESG strategies in funds follows the same procedure as the standard fund strategy, with the addition of evaluating the approach to sustainability in relation to the managers who are selected.

13. *Overall score: weighted average of the scoring of the securities in the portfolio;*
14. *Exclusion: consistency and impact of the exclusions;*
15. *Integration: level of integration of ESG factors in the investment process;*
16. *Engagement: importance of activism in management;*
17. *Thematic/impact: if the strategy has a strong theme or impact on sustainability;*
18. *CSR: integrity of the manager's CSR policy;*
19. *Dedication: level of attention and importance given to the issue of sustainability in general;*
20. *ESG as a risk: approach to ESG factors as sustainability risk management;*
21. *ESG as an opportunity: approach to ESG factors as a positive investment opportunity;*
22. *Reporting: level of ESG information present in periodic reporting.*

The result is a graph that gives a picture, at a glance, of the portfolio's adherence to the ideal of a portfolio created for sustainability.

Considering that standard ESG strategies are offered to a general public, there is a chance that it will not be possible to reach the maximum of KPIs because it would provide an excessive focus to the detriment of diversification of investments. In the case of customization, however, this system allows for an increase in adherence once any tradeoff between adherence and optimal portfolio from a management point of view has been clarified to the client.

The reporting level of the funds is not sophisticated enough, at the moment, to also have a more complete picture of the total impact of the portfolio at the level of each single ESG factor. We will equip ourselves with tools in the future for reporting of this kind.



Graph 4: ESG Model Portfolio

TNS ESG INVESTMENT POLICY

We believe that our TNS – Timeo Neutral Sicav funds offering must also feature our ESG investment process, whose key words must be sustainability and responsibility.

Among the different approaches to ESG investments, each with its strengths and weaknesses, we have chosen the ESG Integration method, also proposed by the Principles for Responsible Investments (PRI)¹¹, as the main reference method. This does not exclude other methodologies (such as Exclusion and Engagement), which we consider ancillary.

On the other hand, we exclude sustainability approaches where financial returns are secondary to the impact or to other forms of non-financial returns, as it is contrary to our fiduciary mandate. However, we firmly believe that pursuing a long-term financial return can and should be aligned with the broader sustainability goals.

We believe that an investment process based on fundamental analysis with the integration of ESG factors can both satisfy the demand of sustainability-oriented investors and offer additional added value thanks to long-term risk reduction. This method of analysis adds or incorporates ESG considerations to fundamental analysis. ESG criteria become additional considerations in the analysis of investments and can lead to decreasing or excluding investments because they are considered risky or inadequate from the point of view of sustainability.

We are aware that there is no single sustainability indicator that is always valid, and, as in the case of traditional fundamental analysis, the use of indicators that are too simple often leads to false results. Additionally, ESG factors include values that are not only intangible or difficult to measure and interpret, but may also depend on subjective judgments and assessments. Therefore, it is necessary to combine quantitative analysis (with the use of objective data when available) with a qualitative analysis that uses metrics that are as consistent as possible.

General Criteria

We use two different approaches, depending on whether we are analyzing government bonds or corporate bonds, since incentives and regulatory frameworks can be different.

Government issuers: in general, we will only invest in eligible government bonds according to our ESG criteria. Countries that are considered eligible must have sufficient respect for human rights, a democratic form of government and must be active in the international community. In general, developed countries belonging to the OECD meet these criteria. In any circumstance, even for developed or OECD countries, if the requirements were not met,

¹¹<https://www.unpri.org/>



an evaluation would be made on the individual case, with the resulting possibility of an exclusion or reduction of exposure. In the case of emerging countries, if deemed appropriate to invest (i.e. in the case of an adequate risk-return profile), compliance with these criteria will be evaluated on a case by case basis.

Stocks and corporate bonds: with any type of security or exposure we start from the analysis of the company. As with fundamental analysis, ESG analysis picks the relevant factors that have a material effect on the life of the company. Not all ESG factors are equally important. Some have always been part of fundamental analysis and can be considered true "value drivers". In the ESG analysis these factors are made more explicit. Some examples are: corporate governance, transparency, attention to resource scarcity, environmental sustainability, corporate social responsibility policies and respect for stakeholders.

We believe that governance criteria should generally carry relatively more weight than other criteria. Furthermore, as with the analysis of economic fundamentals, the present moment is also important in the analysis of ESG investments, but the future is even more important: therefore, in addition to the current situation, the improvement trend shown in the past, as well as how the commitment can continue in the future, are taken into consideration. Belonging to a sector is not considered, in and of itself, negative or positive, but it is taken into consideration, so as to assess the importance of the various specific ESG factors.

A stock or bond or any security will only become part of the portfolio if it meets both of the fundamental analyses as well as the ESG criteria.

Analysis Method

As mentioned, we use both qualitative and quantitative analyses in our ESG evaluation. ESG indicators provided by external providers will be used in the quantitative analysis, where available. These indicators make it possible to define the behavior of a company based on ESG factors through the main performance indicators that are typical of that sector. In general, only companies that show positive values or positive trends on these indicators can be part of the portfolio. For these evaluations, we also rely on third-party research and rankings, if the analysis principles used are aligned with ours.

In the event that third-party indicators are not directly available, we go more in depth, into a more accurate analysis. We look for quantitative data, such as data on emissions or consumption of raw materials. Therefore, we extend the fundamental analysis, which is already being performed security by security, also to the available ESG data. Transparency of companies in the field of sustainability is constantly increasing and many companies join organizations that promote it. This makes it easier to get the data needed.

If it is not possible to find the results of analyses by specialists or satisfactory quantitative data (or if the data is not reliable), we use an analysis model that can maintain a consistent assessment. This model takes into consideration all the main ESG items, extrapolating them from financial statements, sustainability reports and other corporate communications, assigning each one a vote and weighing them in order to obtain a single value, which leads to the classification of the companies in which to invest. Some of the topics considered are not quantifiable, and therefore it is necessary, according to common practice, to attribute a qualitative rather than a quantitative score.

The model shall be improved upon over time with new factors, with an increase in available data or with a change in the weights considered. Currently the model is based on the following criteria:



Zarattini & Co. Bank, Entrance
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E

Environment

Climate change
Natural resources
Pollution
Environmental opportunities

S

Social

Human Capital
Products
Social Opportunities

G

Governance

Corporate governance
Corporate Values

Environment

- Climate change
 - Carbon emissions
 - Energy efficiency
 - Vulnerability to climate change
- Natural resources
 - Water
 - Animals
 - Procurement of raw materials
 - Plants
 - Land use
- Pollution
 - Toxic emissions
 - Waste
- Environmental opportunities
 - Renewable energy
 - Green Building
 - Clean Tech

Social

- Human capital
 - Labor management
 - Equality
 - Health & Safety
 - Control of the supply chain
- Products
 - Product safety
 - Data privacy and security
 - Responsible investment
- Social opportunities
 - Access to communications
 - Access to finances
 - Nutrition
 - Health

Governance

- Corporate Governance
 - Board of Directors
 - Property
 - Transparency and accounting data
- Corporate Values
 - Business ethics
 - Anti-competitive practices
 - Corruption
 - Financial system instability

Exclusion (negative screening)

Even though our choice of an integrated approach is not based on an a priori exclusion, we believe it is appropriate to specify that some sectors shall not be invested in under any circumstances.

The following sectors are excluded because they are inherently unsustainable.

- Adult entertainment;
- Animal testing;
- Controversial weapons;
- Furs and special leathers;
- Gambling;
- Military contracts;
- Use of palm oil (if done in an unsustainable manner);
- Small arms.

Investments in companies belonging to the following sectors are not excluded but are subject to debate. They are considered controversial investments, but the impact of the business, the company's approach to transition or the share of revenue from these activities can be topics of discussion and lead to the approval of the investment.

- Alcohol;
- Tobacco;
- Thermal Coal (revenues below 30% and commitment to improve);
- GMOs;
- Nuclear;
- Pesticides.

TIMEO NEUTRAL SICAV funds that adhere to ESG policy

Timeo Neutral Sicav Conservative Wolf

The Timeo Neutral Sicav Conservative Wolf fund is a balanced fund with a reference asset allocation of 65% bonds and 35% equities.

The fund invests primarily in developed markets, with at least 70% of investments in companies deemed sustainable according to our ESG (environmental, social, governance) criteria. The remaining 30% of the assets can be dedicated to investment opportunities where data and analysis are not yet sufficient for a complete ESG assessment. We aim to achieve a fully ESG compliant portfolio.

Timeo Neutral Sicav Inflation Linked Bonds

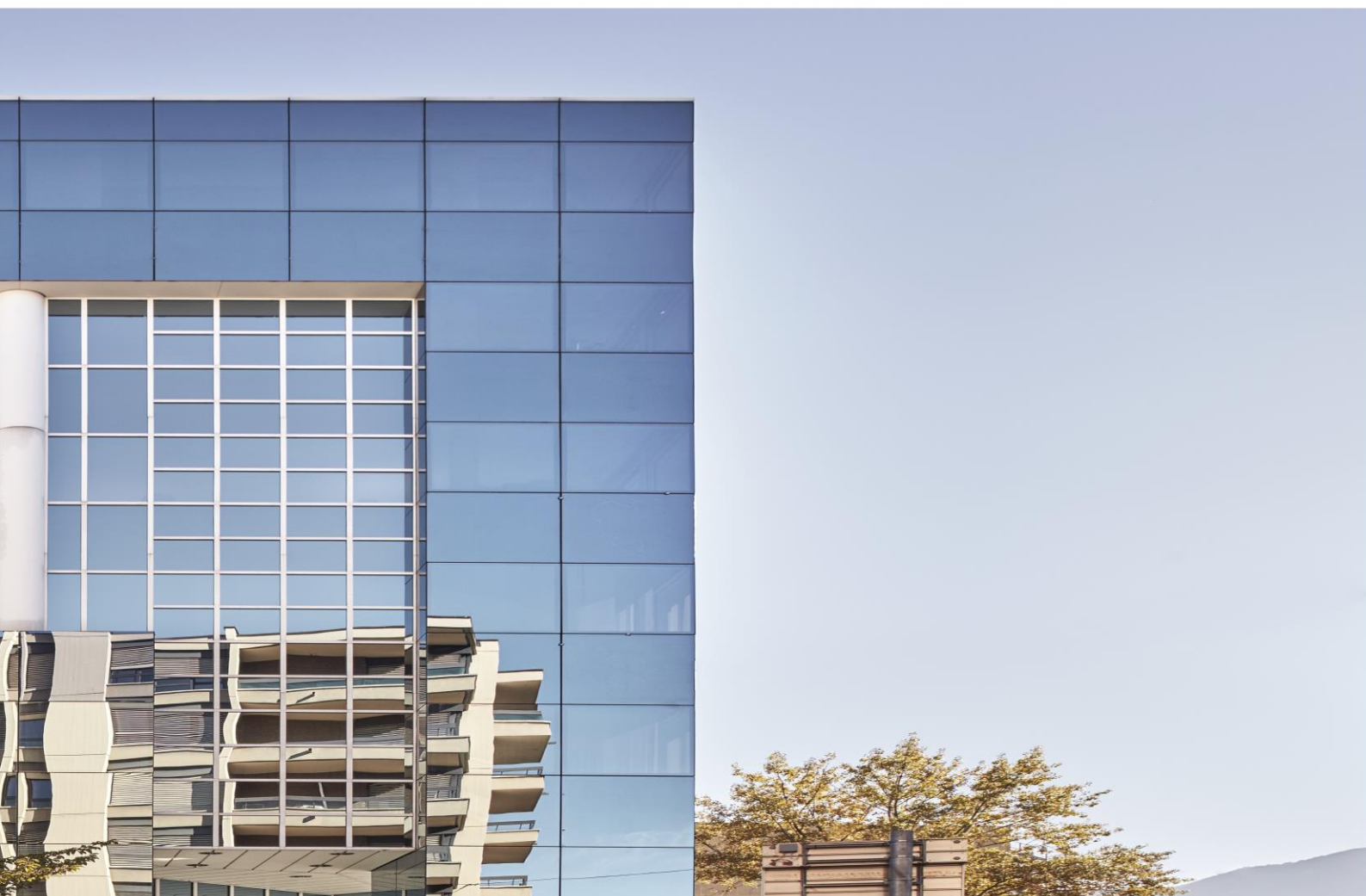
The Timeo Neutral Sicav Inflation Linked Bonds fund is a government bond fund with a focus on inflation linked bonds issued by the main developed countries.

The fund invests mainly in the debt of the G7 countries. The remainder can be invested in companies or in another country, however at least 80% of investments should follow the guidelines of this ESG policy. Based on these guidelines, we consider OECD government bonds, even more so the G7 countries, sustainable investments. However, we will carry out ad hoc evaluations if national policies are considered potentially compromising to the sustainability profile.





Zarattini & Co. Bank, Facade
Via Balestra 17 | Lugano



HUMAN CAPITAL



Two works by the French graffiti artist Saype. Growing up on the border between Switzerland and France and moving to Switzerland almost ten years ago as a nurse, Saype is now a celebrated artist, considered a pioneer in the field of grass painting. His gigantic frescoes are painted directly on the ground with biodegradable paints. Being very sensitive to humanitarian qualities, his works are a tribute to solidarity. Through their creation he aims to have «an impact on people, not on nature».

Left: «Beyond Walls», Valentin Flauraud, Geneva. The intertwined hands represent a strong symbol of mutual support.

Right: "World In Progress", UN, Geneva. Two children draw the ideal world.



THE HUMAN CAPITAL

People are the nerve center of all the business activity of Zarattini & Co. Bank, and trying to grasp their needs and ambitions is one of the fundamental aspects upon which our management is based; this creates the necessary conditions for everyone to best express their own potential. The implementation of the Materiality matrix itself has identified employees as one of the Group's key stakeholders, recognizing them as a resource of crucial importance for the search for an optimal CSR strategy.

The Bank's Code of Ethics expresses the value foundations of our company, and these include workplace safety and Diversity Management.

Safety

As stated, one of the objectives of our Institute is to promote a healthy work environment, capable of putting the physical and emotional health of employees at its center. It has never been as necessary to make this concept empirical as during the year of the pandemic: within two weeks of the outset of infections, we were able to implement Working remotely, providing professional tools to employees, allowing them all to protect their physical safety and to cultivate a sense of emotional protection.

Zarattini & Co. Bank places significant attention on health. For this reason, two people per floor are periodically selected, on a voluntary basis, for a total of six, to be authorized for the BLS AED (Basic life support and use of the automatic external defibrillator) course.

The course allows one to acquire the basic notions and the ability to recognize and help the person suffering from cardiovascular arrest, in order to support vital functions until help arrives. It also allows one to learn how to use an automatic external defibrillator, an important aid in resuscitation.

The course is offered as per the recommendations of the Swiss Resuscitation Council (SRC), according to the 2015 guidelines of the International Liaison Committee on Resuscitation (ILCOR).¹⁰

At the end of this training, a two-year qualification is issued. At the expiration of the period, new employees are selected, so as to spread the expertise to the maximum number of people possible.

¹⁰ <https://www.croceverde.ch>

Heterogeneity is precious: some teams, by the nature of work itself, have a strong international component.

II Diversity Management

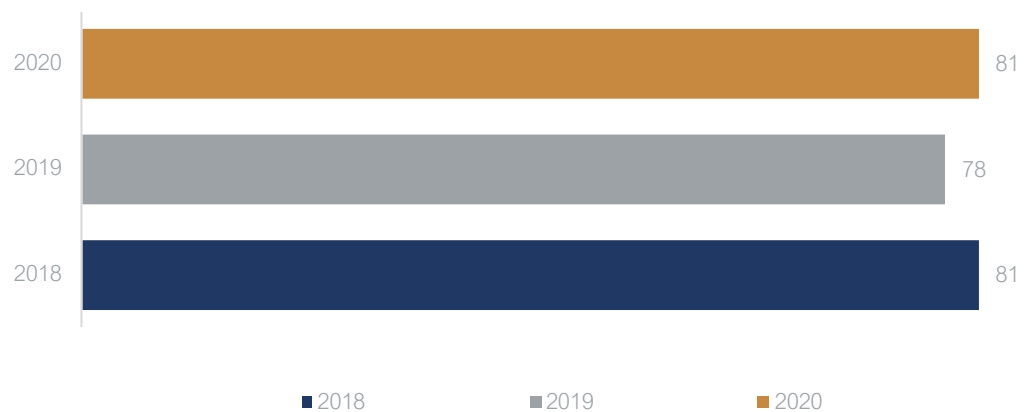
"Diversity management", or the appreciation of individual diversity, finds expression in the phrase of the Code of Ethics according to which "the work environment must be free from any harassment or discrimination related to age, ethnicity, sex or religion".



Composition of personnel

The overall population of the company in 2020 is 81 employees and is stable compared to previous years, with a slight decrease in 2019.

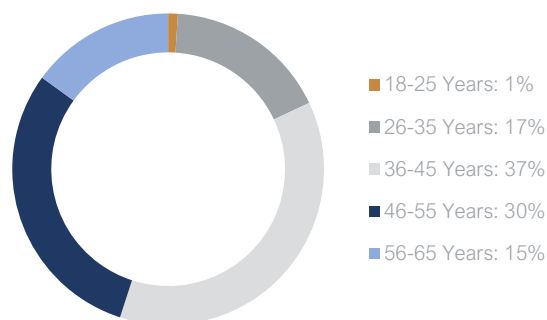
In 2020, seven people were hired, of which six with a fixed contract and one with a fixed-term contract, to then be converted into a fixed contract in 2021. The people hired were in preparation for strengthening some units or for creating new professional profiles with specific skills, capable of responding to new internal development needs^{12,13}.



Graph 5: : total population of Banca Zarattini over the last three years.

Distribution by age group

The distribution by age group is mostly concentrated between 36 and 45 years.



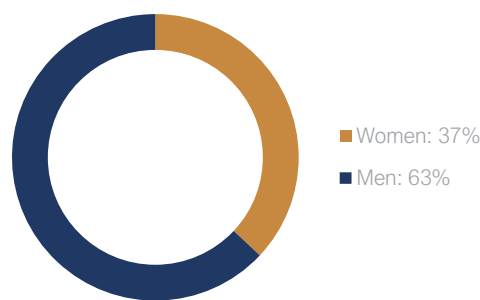
Graph 6: distribution of personnel by age group.
The percentage is calculated based on the overall workforce data of 81 employees.

¹²TheTrade Finance unit is growing and has acquired new workers. One employee was recruited externally, the other from an internal department. In addition, the IT, Compliance and Back Office areas have been strengthened.

¹³In 2020, a project management professional, skilled in managing and coordinating the numerous internal projects and a person with a legal & compliance profile with specific skills in the blockchain field, joined our workforce.

Gender distribution

In recent years, the female share has covered about 35% of the total workforce, with a slight increase in the last year, reaching 37%.

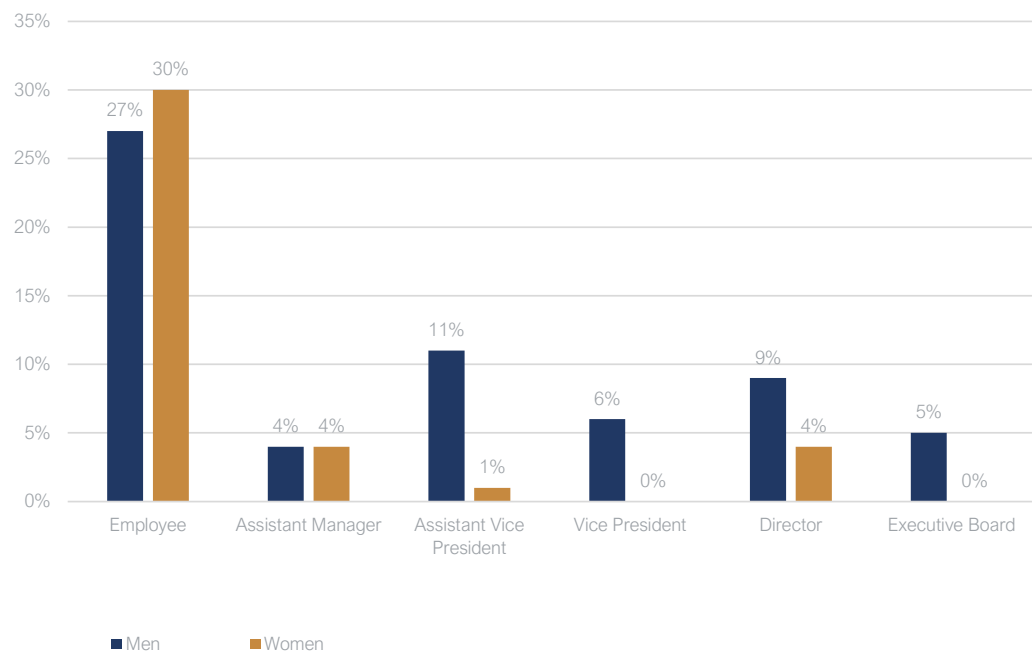


Graph 7: gender distribution of personnel.
The percentage is calculated based on the overall workforce data of 81 employees.

Personnel distribution based on managerial grade and gender

Within the organization, employees may or may not have a managerial degree: they range from simple employee, and then progress, in ascending order, to Agent, Prosecutor, Deputy Director, Director and Member of General Management.

Zarattini & Co. Bank adopts a reward system that provides for the recognition of "appointments" for resources who have particularly distinguished themselves during the year. In 2020, we awarded two employees, one woman and one man, with the position of Deputy Director.

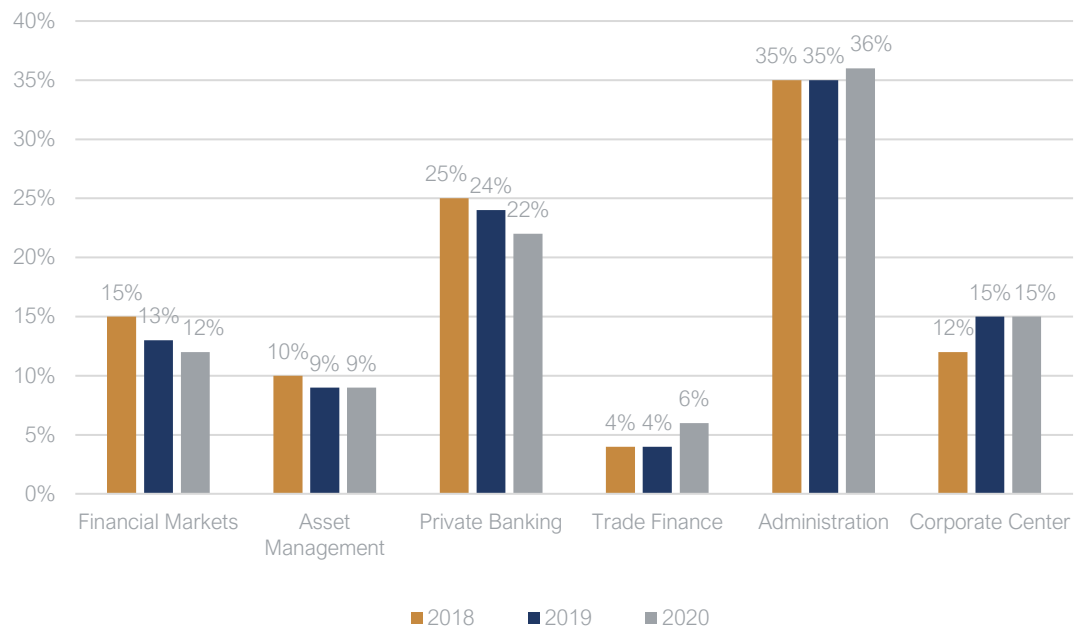


Graph 8: distribution of personnel according to managerial grade and gender.
The percentage is calculated based on the overall workforce data of 81 employees.

Distribution by area

The current organizational structure of Zarattini & Co. Bank is a model with six main groups - Financial Markets, Asset Management, Commercial Area, Trade Finance, Administration and Corporate Center - linked by a transversal collaborative relationship aimed at achieving common objectives.

To better understand the nature of our workforce, we have organized the data on the distribution of the workforce over the last three years.

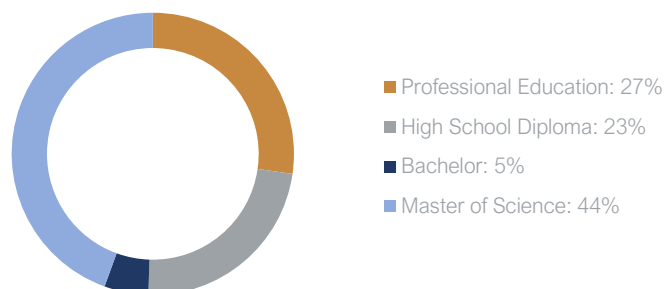


Graph 9: distribution of personnel by area.
The percentage is calculated based on the overall workforce data of 81 employees.

Education level

Many of the people who make up the staff have attained additional highly qualified specific certificates, such as CFA, CAIA, CAS.

Most employees have an economic, mathematical, engineering or legal profile, as often required by the nature of the sector. 44% have a university education, with the attainment of a Master of Science. Around half have a high school or higher education vocational qualification and the remainder, a minority, have a Bachelor's degree.



Graph 10 distribution of personnel by level of education.
La The percentage is calculated based on the overall workforce data of 81 employees.

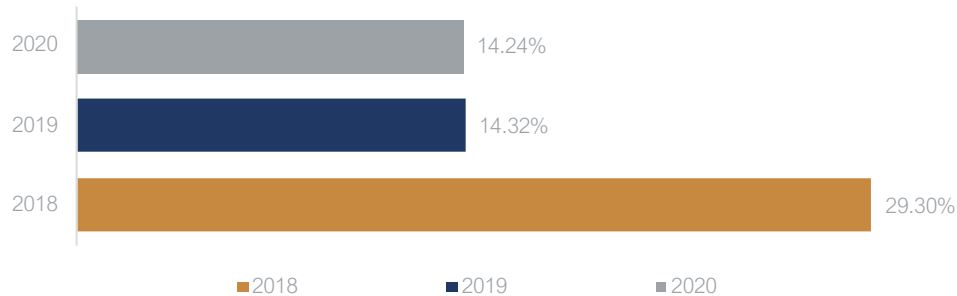
2018 saw a peak in the turnover rate due to a significant moment in the Group.

Turnover rate

The turnover rate, an indicator that measures incoming and outgoing personnel as a ratio of employees, is on average 14% (14.24% in 2020, 14.32% in 2019). 2018 saw a peak of 29% due to a significant moment in the Group. At the end of 2017, 100% of BIM (Suisse) was acquired and, although most of the former employees of BIM (Suisse) have found employment within the staff of Zarattini & Co. Bank, some have suffered a physiological departure, due to the doubling of duties.

In the same year, the Financial Markets area was largely restructured.

Moreover, 2018 was also the year that Trade Finance, an expanding Business Unit that increased its workforce by two additional members in 2020, was set up.

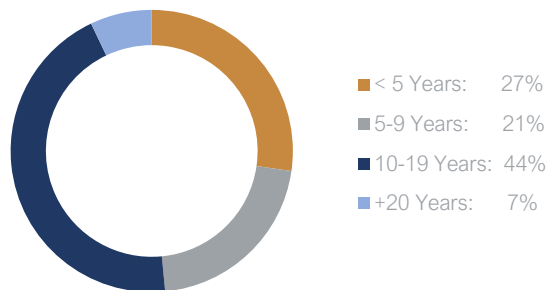


Graph 11: turnover rate.
The percentage is calculated based on the overall workforce data of 81 employees.

The average length of service at Zarattini & Co. Bank indicates a good level of loyalty.

The stability rate

A useful piece of data, to be read together with the turnover rate, is the stability rate, or the average permanence of our human capital, which is crucial to be able to create a sense of belonging and a shared culture, essential for achieving goals and success in a compact manner. The average length of service at Zarattini & Co. Bank indicates a good level of loyalty, with 44% of employees being in the company for over 10 years.



Graph 12: stability rate.
The percentage is calculated based on the overall workforce data of 81 employees.

WELFARE

Welfare is assuming an increasingly central role in human resource management policy and includes, in addition to the remuneration package, some benefits that employees can access, in some cases made available directly on site, in other cases via agreements with third parties.

Favorable conditions for employees

- Any bonuses
- BVG Pension plan
- Basic and supplementary accident insurance
- Free Maestro cards and credit cards
- Favorable conditions for other banking services
- Fleet discount in collaboration with dealerships

Training

We certainly believe that one of the most stimulating benefits an employee can have is the offer for training/education. Offering continuous educational opportunities represents a two-way advantage between employee and Institution.

The advantage for the employee can be measured by the opportunity to be updated continuously and to increase one's professional profile and to develop one's own character.

The benefit for the Institute is expressed indirectly, as the acquired skills and experience renew the collective mentality, competitiveness and professionalism.

The training promoted by Zarattini & Co. Bank has two main characteristics: on the one hand, for some specific areas, a minimum number of training hours are set out, to be taken over a predetermined period of time. The main goal is to be constantly updated, maintaining high service standards to meet the needs of an increasingly multifaceted and intricate market fabric.

Alongside the mandatory updating, Zarattini & Co. Bank stimulates and supports access to training courses so as to create ad hoc skills that are decisive for corporate strategic innovation; just think of the development of workers directly connected to CSR or DLT business activities.

In order to better educate our workforce, we turn to various external partners, evaluating those who best fit our needs.

It is important to underline that our human capital devotes hours of free time to studying and preparing exams and certifications, denoting a high level of personal motivation aimed at consolidating aptitude and technical talent.

In 2020, 27% of employees had access to training courses, some in the form of daily refresher courses, others to full-bodied courses, such as CAS or MBA courses, lasting several months.

The areas that had the most access to training in 2020 were, in order of number of courses funded: Private Banking, Legal & Compliance, Asset Management, Risk Management, General Management and Board of Directors, Trade Finance, Information Technology and Communication.

Zarattini & Co. Bank is training people with specific skills in the field of sustainability, as regards both ESG investments and CSR.



ENVIRONMENTAL PROTECTION

Plastic house manufactured in Switzerland. Upcycling: method that provides plastic recycling solutions, but also introduces sustainable methods in the construction industry.

Switzerland is often cited as a model in the field of recycling thanks to its methods of collecting and sorting waste and recovering materials. Public entities, research institutes, companies and citizens are taking action to reduce their impact on the environment and society. Companies innovate and develop technologies for developing more efficient systems for resource management, waste collection and material recycling so as to create a more circular economy.





CONSUMPTION OF RESOURCES

Plastic

Achieving economic development while respecting the environment is one of the challenges that every company faces.

There is widespread awareness that the earth's capital is limited and that people are exposed to climate risks, energy crises and pollution.

It follows that even businesses, whose core business is not strictly related to the consumption of resources, must strive to save these resources.

Generally speaking, the Bank pays attention to ethical, social and environmental issues, but it was in December 2019, by reducing the use of plastic, that Zarattini & Co. Bank took the first active step in favor of reducing its environmental impact.

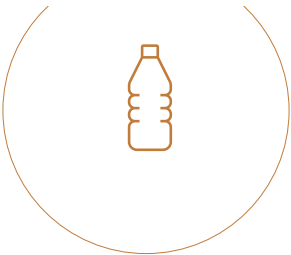
We have introduced a smarter water distribution and purification system that has allowed us to completely eliminate plastic bottles and office dispensers.

We have opted for collaboration with a partner in the area who supplies us with dispensers that draw directly from the water network, providing us with high quality water that is always fresh, thanks to appliances that remove impurities. The consumption of this primary good through such a simple operation represents an alternative that is up to 500 times greener than drinking it in the bottle. The production and transport of 1 liter of bottled water requires 3.1 deciliters of oil. In addition, 12,000 trucks cross the Swiss Alps every year to transport bottled water. In energy terms, drinking 2 liters of bottled water per day (indicated as the correct consumption for the optimal hydration of each person) is therefore equivalent to traveling 2000 km by car, like traveling from Switzerland to Sweden.

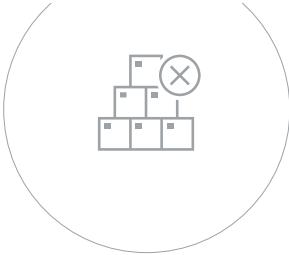
In 2019, we consumed around 5,500 half-liter bottles just to meet client needs. In other words in 2020, by doing without these, we eliminated 73,333.33 grams of plastic and saved 2,750 liters of water, thereby optimizing consumption.

The initiative, well received by employees and clients, was supported by the choice to donate a branded water bottle, which allowed us to better express the tangible intention of our commitment.

- 5'500
Bottles



- 73 kg
Plastic



- 2'750
Liters of water



Paper

Working remotely, during the Covid 19 pandemic, has highlighted a key element, often common to different departments, namely the difficulty of physically exchanging paper material. We asked ourselves two questions: how to overcome this problem and how to take the opportunity to do so without tons of unnecessary paper.

Paper is a material obtained from wood, and therefore to produce it, it is necessary to cut down trees (unless you use recycled paper). It has been calculated that each tree is worth about 12 thousand sheets, so saving on the use of paper means avoiding the cutting down of many trees. Not only that: using less paper also means producing less garbage and therefore reducing the impact that its disposal has on the environment: it would be enough to eliminate one printout out of five to reduce pollution emissions by about 900 million.

We would like to first state that since 2017 we have made a green choice by replacing all the paper in the offices with recycled ecological paper. If we consider that paper can be recycled up to seven times and that the production of recycled paper does not involve the cutting down of trees, we already have a good measure of what a truly virtuous choice it is. Added to this is a considerable saving in water and energy for its production, and a truly high quality of paper.

The fact is that we have become fully aware that the time has come to start a process of massive digitization of documents, which would allow us to take a further truly efficient step toward a sustainable impact.

Two "pilot" departments were selected, Back Office and Accounting, which implemented various measures, including the digitization of swift messages, invoices or other categories of correspondence, in addition to the use of digital signatures and stamps, archiving in the network in accordance with compliance measures, etc.

With this operation, we calculated that in 2020 we purchased about 1,000 reams of A4 paper, compared to 1,600 purchased in 2019.

During 2021, we are motivated to extend the digital onboarding process to all departments.

It is important to highlight that, although habits have been upended, rooted in years of work set up in the same way, our employees have welcomed this change with a decidedly positive attitude.

The Bank has also taken steps to encourage and sensitize clients to switch to receiving digital mail in order to reduce or eliminate traditional paper mail.



WORKING REMOTELY

Working remotely is a method of working that, in some companies, had already taken some timid steps even before 2020. However, it had never been adopted in Zarattini & Co. Bank and it was the pandemic that confronted us, initially with no small shock, with a new, more flexible way of working.

With the health emergency, it has become a priority to make employees safe, as well as having the social responsibility not to risk creating hypothetical outbreaks in the office, aggravating a health system to the limit.

At first we were overwhelmed by a wave that no one would ever have imagined, our Crisis Committee and the IT department worked continuously to provide preparatory tools for creating a virtual home station, all sorts of different snags came about, especially in terms of hardware equipment: from those who did not have a good connection, to those who did not have a personal computer (and in the beginning there were supply difficulties because a lot of equipment was no longer available in the market), to those who did not have a home that could also become an office.

Despite everything, within a couple of weeks we were able to create the conditions to ensure that all those who wished to do so, could work remotely, facilitating the use of IT and telematic tools and protecting sensitive data where necessary.

In this sense, our size has helped us, since it has allowed us to evaluate each individual case and to find ad hoc solutions when required.

Some of the individuals unable to work from home remained in the Lugano office in Via Balestra, while others were relocated to the "old" office in Via Pretorio, which was put back into operation specifically to meet safety regulations.

After an initial turbulent phase, the problems were solved, the processes optimized and Working remotely became increasingly systemic and often appreciated.

After some reflection on being able to adopt Working remotely even after the health emergency is over, we decided to carry out an internal investigation to capture satisfaction and suggestions from our employees.

Here is some data:

63 people participated in the questionnaire, submitted voluntarily and anonymously, out of 81 employees, of which 54, or approximately 86%, would make themselves available to participate in a remote work initiative.

The Crisis Committee, made up of members of the IT team, of the organization department and of General Management, managed the 2020 pandemic crisis in an optimal manner, implementing the application of Federal and Cantonal regulations and coordinating our internal departments.



On the basis of the analyzed sample, we calculated the potential savings in terms of time and CO2.

Time

- Out of 54 analyzed cases, the average time for one trip back and forth (to and from work) is about 32 minutes, with 15 cases under a quarter of an hour and 11 cases over 45 minutes.
- A majority of the people who take more than an hour are over 30 years old and 70% are women.
- Only 2 people (out of 9 of the participants) who take more than one hour to travel requested part-time work and both are women.
- The total accumulated time for both journeys (back and forth) per day is 56 hours, which, if used to carry out useful work, would be equal to 7 FTE¹⁴.



56

hours per day
spent traveling



7 FTE

amount of useful work if the
travel time were otherwise used

Co2

- Estimating employee travel, 491 kg of CO2 are emitted into the environment every day.
- By enabling Working remotely for all the people who are open to it, 332 kg of CO2 could be reduced per day.
- Estimating the federation's imposition of the CO2 tax (currently present on the purchase of fossil fuels and equal to 96 CHF / Ton) it would be equivalent to 47.14 CHF per day, equal to 942 CHF per month.



332 Kg

Co2 saved per day



942 CHF

monthly savings

¹⁴FTE: *Full time equivalent*: expresses the number of full-time employees to carry out a specific activity, or present in the company, in relation to the total number of subjects, calculating the equivalent of hours even in the presence of part-time work and other forms of contracts with fewer hours per day than Full Time. Source: ebc consulting.

We also asked what the main benefits and perceived criticalities were.

Benefits

- Reduction of time and costs during the move (psychophysical balance);
- Time flexibility;
- Greater operational availability;
- Less stress, greater continuity and concentration;
- Environmental aspects (reduction of Co2 emissions);
- Having more free time and time for family life (work-life balance);
- Healthier and more controlled diet;
- Getting used to a working methodology that could become common in the future;
- Less chance of contagion;
- Finding the work-from-home experience itself interesting;
- Having a room with a window.

Disadvantages

- Printing documents, paper material, dossiers and collection of signatures;
- Client visits without appointment;
- Critical issues with hardware tools;
- Immediate communication with colleagues, interaction between offices and with management, a sense of isolation;
- Meetings with two or more participants, management of telephone calls;
- Tools such as Bloomberg and the number of simultaneous applications;
- Physical interventions, alarms, wiring, mail management;
- Risk of «Overwork» due to greater availability.



Zarattini & Co. Bank, Trading Room
Via Pretorio 1 | Lugano

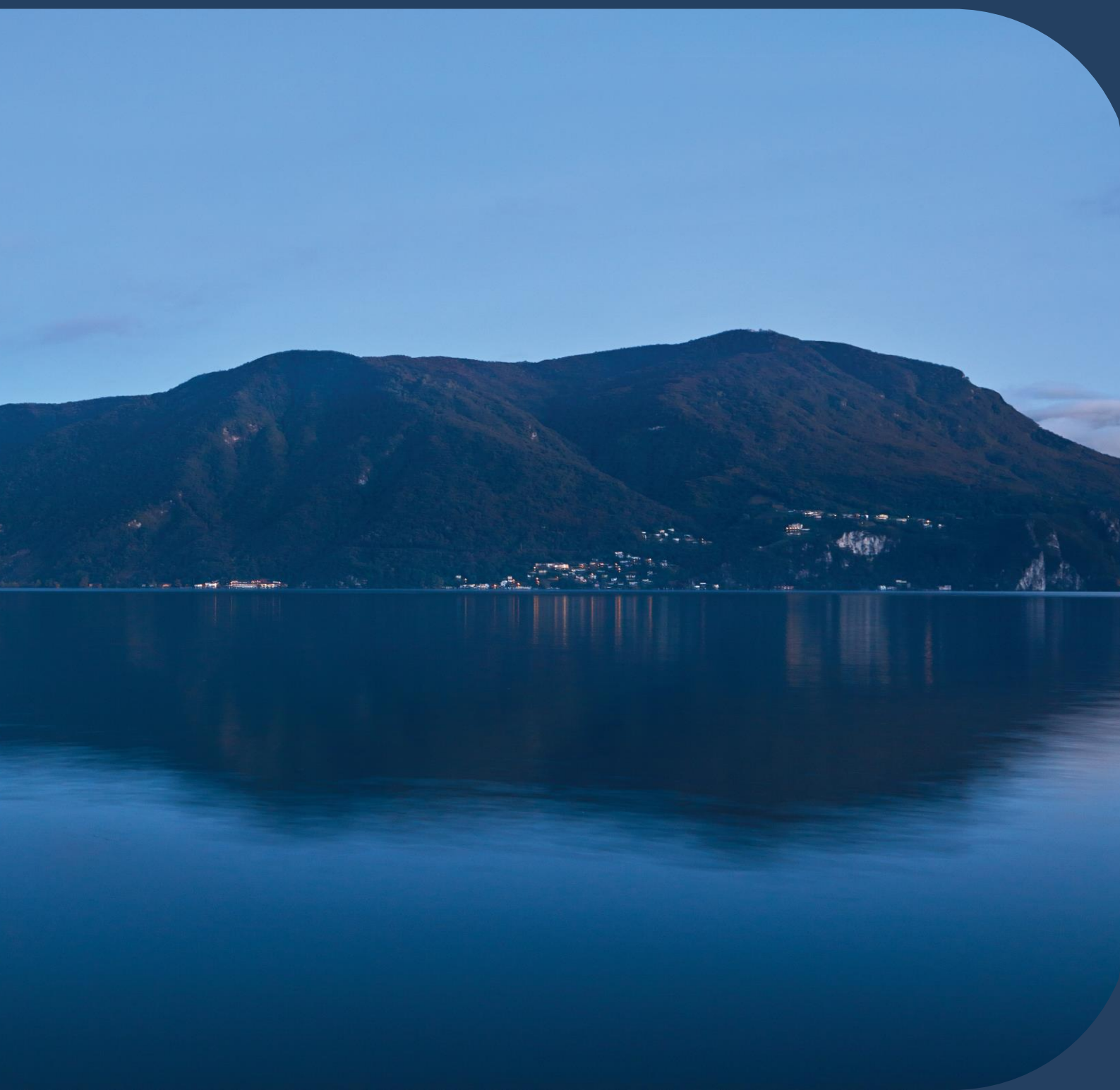
COMMUNITY SUPPORT



Lugano

Recognized in 2019 as the City of Energy, Lugano embodies the typically Swiss attention to the environment through the adoption of increasingly sustainable energy policies.

It is the territory in which we are immersed and implementing virtuous policies with the surrounding community is one of the values that characterizes us.



COMMUNITY SUPPORT

The relationship with the community plays an important role according to the philosophy of Zarattini & Co. Bank. Ours is an enterprise with Italian origins, which has found its consolidation in Lugano. Ticino is our adopted home, a place to which we are very attached and, since the beginning, we have tried to make our contribution to the territory, each year selecting local entities, projects or associations to which we can allocate our support.

Covid-19 Credits

As a result of the COVID-19 pandemic, the Federal Council, in order to limit infections and safeguard the health of citizens, has imposed rules of behavior that limit individual freedom and has ordered the closure of certain business activities.

In order to support the companies that have suffered a sharp reduction in activities and, consequently, the ability to generate cash flow and revenues, the Federal Council has arranged various aid measures.

Among these is the granting of a subsidized credit, through banking institutions that make it known, guaranteed by the Confederation.

Zarattini & Co. Bank has decided to join the program for credits up to CHF 500,000 - COVID-19 Credit.

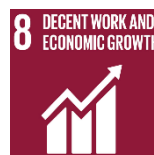
Green Night Awards

Among the initiatives we are most proud of, emerges the "Green Night Awards", of which we are partners and supporters, along with other exponents of the Ticino and Italian economic and social fabric.

This is an event, now in its second edition in 2020, which rewards sustainability and which adheres perfectly to the commitment of corporate responsibility of Zarattini & Co. Bank. Lugano hosts the awards ceremony, which is only the celebratory moment of a broader project that aims to give recognition to both Swiss and foreign enterprises that have distinguished themselves for their moral and ethical commitment from a sustainable economy and environmental protection point of view.

In order to select the most promising organizations, the "Green Night Awards" makes use of its own scientific committee and an external risk company, whose main criterion is the absence of risk, that is to return to the same psychophysical and digital state we started with. The analysis process culminates with the awarding of the annual prize to those who have successfully developed projects or products according to the United Nations concept of sustainable development.

The Green Night Awards rewards sustainability and is perfectly in line with the commitment to corporate responsibility.



In 2020, 4 prizes were awarded in the categories of architecture, finance, mobility and sustainable fashion.

The architecture award was awarded to a studio that carried out a lighting and interior design project in Matera, using a zero-impact system, with respect for the surrounding environment.

For finance, the award went to a bank in the Lugano area that launched a digital platform capable of measuring the tangible impact of ESG funds, comparing them with the 17 SDGs of the United Nations.

The prize for projects related to environmental mobility was awarded to a New Zealand company that developed the first aquatic e-bike in the world.

For the "Sustainable Fashion" category, the award went to a young designer for a luxury accessories brand founded in 2019 in Madagascar, established with the goal of improving the lives of vulnerable women in developing countries, who find expression through the art of weaving.

For the occasion, we have published an article about our explicit commitment to sustainability (page 81)



Image 4: poster of the evening event held in 2020.

A look at the feminine side

In 2020 we chose to give our financial support to the Audiovisual Memory Association of Capriasca and Val Colla (ACVC), an ethnographic museum recognized by the Canton of Ticino, to support the project called “Uno sguardo al femminile” (A look at the feminine side). It is a photographic collection with comments by forty-five women, of different life experiences and backgrounds, which tell the past and the present through images. Some texts describe memories and emotions that have allowed us to meticulously reconstruct stories and cultural assets. Some testimonies come from migrant women, who have thus been able to discover our territory more in depth and have found points of contact with their origins. Other reflections instead highlight sometimes tumultuous conditions of female life, documented through the photographic lens.

Given the importance of the cultural and historical moment that pays due attention to women, we thought it was an initiative full of meaning.



Image 5: «A look at the feminine side» book cover

Spazio 1929

Among the initiatives we are most fond of, and in which we have always believed, we must remember the Spazio 1929 to which Zarattini & Co. Bank has always provided its support.

The Space, which had found its place in the heart of Lugano, gave up the ghost at the end of this year. It has been an active institution in the world of cinema, applied arts, culture and art. It was above all a co-working place, the first of its kind in Ticino, capable of creating a working environment accessible to independent creatives and cultural operators.

Many local creatives, recent graduates or young people who returned to Ticino after experiences abroad, found an ideal workplace in which to develop their skills in the fields of communication, audiovisual, graphics and new technologies. Over the years, countless events, art exhibitions, conferences, debates, concerts, art markets and much more were welcomed.



Image 6: one of the numerous exhibitions hosted by Spazio 1929.

COMMUNICATION CHANNELS



This work by Eva Oertli and Beat Huber is a sculpture that comes out of the ground, gently wraps a tree with its fingers and conveys a message of care and environmental responsibility. Caring Hand is located in Glarus, one of only two cities in Switzerland where direct democracy is still practiced by show of hands.



COMMUNICATION CHANNELS

Communication plays an essential role in interacting transparently with one's stakeholders.

As we have seen, we relate to various stakeholders of interest, with more or less institutional characteristics. Furthermore, some of them are internal to the institution, such as employees; others are external, such as partners, clients, institutions and the surrounding area.

It goes without saying that the tools used to communicate can be extremely varied and must be designed to meet different needs.

On p. 82-83, you will find a summary table that indicates the means of communication used for each stakeholder. In the following lines, we illustrate the details of some of these communication vehicles.

Website

The website, as part of a larger rebranding project, changed its graphics in 2017 with the aim of updating the Bank's image. The logo was redesigned, and has attained a lighter and more streamlined shape, and the corporate colors have changed, moving towards a more modern style: ocher was chosen, a color that represents reform and originality and promotes the perception of the brand as innovative and oriented toward accelerating the transition toward the principle themes of the future: technology and sustainable reality.

The site, also optimized for navigation with mobile devices, has the main function of showcasing our business units and the services offered.

Social Media

During 2020, we also strengthened our presence on Social Media, specifically LinkedIn. In addition to the promotion of heterogeneous events and articles, the page is enriched with various documents of an educational nature. The published material can take on different forms and has, in summary, the main objective of exchanging value with the network.

Among the publications, the "Market Outlook" of Zarattini & Co. Bank emerges, which bears the signature of our Research Department and is drawn up on a quarterly basis; it has the aim of providing ideas, food for thought and useful tools for getting familiar with trends of the financial system, with geopolitical and macroeconomic events and with the main asset classes.

We are pleased to have seen an increasing number of followers and interactions.

E-banking

Communication with the client is enhanced by another digital product: e-banking.



During 2020, Zarattini & Co. Bank implemented Internet Banking, designed to be used with a traditional PC, tablet or smartphone.

The previous use of e-banking provided by our institution was of a consultative nature.

In addition to having new graphics, today it is possible to also carry out various operations via the APP. From the main menu, it is in fact possible to share documents with the end user, to have a consolidated overview of one's portfolio, performance, positions and accounting movements. National and international payments are allowed, the function to enter stock exchange orders or to view available exchange rates has been introduced. Another novelty introduced is the chat that allows the Bank to communicate instantly with the end user, making proximity to the client even more perceptible.

It should be noted that from a data protection point of view, the client is fully protected.

II Proxy Voting

With the entry into force of the SRD II law, it is possible to participate in the General Assemblies of companies through «Proxy Voting». One of the objectives of this legislation is to increase transparent communication between the shareholder and the company.

As a Custodian Bank, Zarattini & Co. Bank has equipped itself with the necessary tools to allow participation.

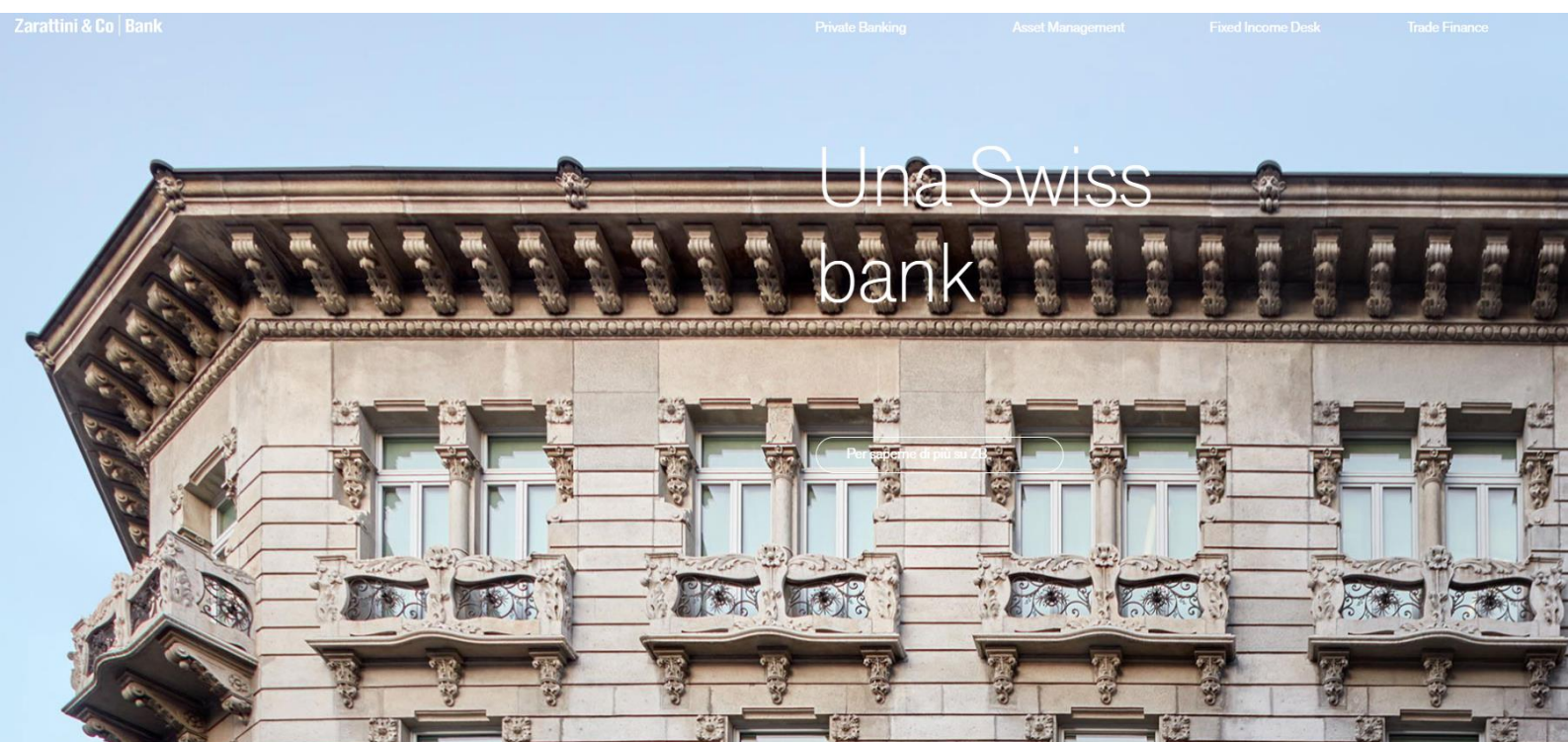


Image 7: Zarattini & Co. Bank website
Zarattinibank.ch

Communicating Sustainability

The topic of sustainability has taken on an increasingly global meaning and it is often confusing what it means to be sustainable for a specific company. It is necessary to find the most suitable way to try to convey one's values, avoiding the assumption of mere propaganda connotations, thereby risking an approach to the increasingly widespread phenomenon of greenwashing.

The most important communication effort carried out so far is definitely the Report you are reading. At the same time, we have enacted other communication channels that will take shape, including a dedicated party on site, which we hope will reach some of our stakeholders, raising awareness on the topic.

The public

One of the most traditional, but still effective, channels of communication is represented by the printed word. Articles are published periodically on various topics related to banking. In particular, we would like to bring the reader's attention to an article that is particularly relevant to the topic of sustainability.

During 2020, having embraced this environment, we consequently decided to formalize our decision and communicate it. In particular, we would like to bring to light the article published by Excellence Magazine, in conjunction with the "Green Night Awards" event (page 69), entitled "Sustainability in Tradition", from which emerges our long tradition in the field of Corporate Social Responsibility. In the article we tried to convey the vision we have on ESG investments and CSR, how it is rooted in our way of being, how its future development could be, and we have provided some expectations about next steps in this direction. In essence, this is our first public statement in favor of sustainability.

Employees

Within the workforce, the Sustainability Committee of Zarattini & Co. Bank has organized training sessions for some specific departments, with the aim of extending it to all divisions in the coming months.

Clients

We have also produced ad hoc material for clients, which aims to provide details as to why we offer sustainable products, what myths should be dispelled, and what our offered services and products are.

EXCELLENCE {Business}

SUSTAINABILITY IN TRADITION IS THE NEW BUSINESS MODEL

WE MET FLAVIO QUAGGIO, GENERAL MANAGER OF THE LUGANO-BASED BANK,
TO GAIN A BETTER UNDERSTANDING OF CSR AND ESG
INCONTRO CON FLAVIO QUAGGIO, DIRETTORE GENERALE DELLA BANCA CON
SEDE A LUGANO, PER COMPRENDERE MEGLIO I TEMI RELATIVI ALLA CSR E ALLA ESG

text by Elena Duregon

Today, there is a lot of talk about CSR (Corporate Social Responsibility), ESG (Environmental, Social and Governance) and sustainable finance.

Literature abounds on what exactly these subjects are, so much so that, at times, the topic ends up sounding intricate and ambiguous.

Certainly, CSR and sustainable finance have become more and more popular, and it is clear that the trend is here to stay.

Mr. Flavio Quaggio, General Manager of Zarattini & Co. Bank, can you help us gain a better understanding of this topic?

This is not the kind of traditional philanthropy to which we are all used, and it is not even about ecology, even if the latter does remain the most popular theme.

It is an organizational behavior implemented by a company that strives to make a positive impact on three distinct dimensions: environment, sociality and corporate governance. First, however, we need to take a snapshot of the global context in which CSR and sustainable fi-

Oggi si parla molto di CSR (Corporate Social Responsibility), di ESG (Environmental, Social and Governance) e di finanza sostenibile. La letteratura di settore abbonda su cosa siano esattamente queste materie, tanto che il tema finisce per sembrare a tratti intricato e ambiguo.

Di certo c'è che il trend della CSR e della finanza sostenibile ha avuto un'accelerazione importante e appare chiaro che sia arrivato per restare.

Dott. Flavio Quaggio, Direttore Generale di Zarattini & Co. Bank, ci aiuta a comprendere meglio questo tema?

Non si tratta della tradizionale filantropia, a cui tutti siamo abituati, e non è nemmeno l'ecologia, anche se quest'ultima rappresenta il tema più popolare.

È un comportamento organizzativo messo in atto da una società che si adopera per apportare un impatto positivo, su tre distinte dimensioni: ambiente, società e governance aziendale. In primo luogo, bisogna però scattare un'istantanea del contesto globale nel quale si collocano la CSR e la finanza sostenibile: succede infat-

Main communication vehicles in relation to stakeholders

| STAKEHOLDER | INTEREST | COMMUNICATION VEHICLE |
|----------------------------------|---|---|
| SHAREHOLDER | <ul style="list-style-type: none"> ▪ Economic performance ▪ Distribution valued added ▪ Strategy ▪ Risk management ▪ Reputation ▪ Ethics | <ul style="list-style-type: none"> ▪ Shareholders' Meeting ▪ Board of Directors ▪ Audit Committee ▪ Annual report, Sustainability report |
| REGULATORY BODIES AND INSTITUTES | <ul style="list-style-type: none"> ▪ Taxes ▪ Rules ▪ Legal & Compliance ▪ Transparency ▪ Risk management ▪ Data protection ▪ Reputation ▪ Ethics | <ul style="list-style-type: none"> ▪ Website ▪ Compliance procedures ▪ Annual report, Sustainability report |
| COMMUNITY | <ul style="list-style-type: none"> ▪ Legal & Compliance ▪ Reputation ▪ Ethics ▪ Responsible procurement practices ▪ Relationship with Institutions ▪ Environmental Impact | <ul style="list-style-type: none"> ▪ Website ▪ Press releas ▪ Social ▪ Membership: <ul style="list-style-type: none"> ○ ABT (Associazione Bancaria Ticinese) ○ Cc-Ti (Camera di commercio Cantone Ticino) ○ ICMA (international Capital Market Association) ○ LCTA (Lugano Commodity Trading Association) ▪ Annual report, Sustainability report ▪ Events ▪ Donations |
| MASS MEDIA | <ul style="list-style-type: none"> ▪ Legal & Compliance ▪ Trasparenza ▪ Reputazione ▪ Rapporto con le istituzioni | <ul style="list-style-type: none"> ▪ Sito web ▪ Comunicazione mirata periodica ▪ Rassegna stampa ▪ Social Media |

| STAKEHOLDER | INTEREST | COMMUNICATION VEHICLE |
|-----------------------|---|--|
| CLIENTS | <ul style="list-style-type: none"> ▪ Economic performance ▪ Products and services ▪ Legal & Compliance ▪ Risk Management ▪ Data Protection ▪ Reputation ▪ Ethics | <ul style="list-style-type: none"> ▪ Website ▪ Press release ▪ Social Media ▪ Products Factsheets and presentations ▪ Market Outlook ▪ Ah hoc costumized information ▪ Commercial Activity ▪ Dedicated visits ▪ Compliance procedures ▪ Annual report, Sustainability report |
| INSTITUTIONAL PARTNER | <ul style="list-style-type: none"> ▪ Economic performance ▪ Products and services ▪ Legal & Compliance ▪ Transparency ▪ Reputation ▪ Ethics ▪ Partnerships | <ul style="list-style-type: none"> ▪ Website ▪ Compliance procedures ▪ Commercial Activity ▪ Dedicated visits ▪ Annual report, Sustainability report |
| EMPLOYEES | <ul style="list-style-type: none"> ▪ Economic performance ▪ Conditions of employment ▪ Safety ▪ Training ▪ Reputation ▪ Ethics | <ul style="list-style-type: none"> ▪ Website ▪ Corporate Intranet ▪ Personnel policy ▪ Personnel training ▪ Annual report, Sustainability report |
| RESPONSIBLE SUPPLIERS | <ul style="list-style-type: none"> ▪ Responsible procurement practices ▪ Transparency ▪ Reputation ▪ Ethics | <ul style="list-style-type: none"> ▪ Website ▪ Ah hoc costumized information ▪ Annual report, Sustainability report |

Image 9: communication vehicles in relation to stakeholders



NEXT STEPS



The Gotthard Tunnel. It is the longest tunnel in the world (57.1 kilometers), one of the largest European projects, exemplary and built with full respect for the environment.

NEXT STEPS

As already mentioned in the «Letter to Stakeholders», 2020 is the first year in which we publish the Sustainability Report. Although it was a complex and challenging period, we decided to take the first steps towards ESG investments and toward a CSR strategy. In April 2020, the head of asset management and communication presented the project to General Management, which in turn recognized its importance and urged them to investigate the issue.

The main milestones were identified, taking into consideration a four-year time frame and then, as per practice, the strategic plan was presented to the Board of Directors. In October 2020, the authorization to proceed was obtained.

Without delay, first of all, Zarattini & Co. Bank decided to provide specialized training to some internal employees, so that they could equip themselves with specific skills.

This being a territory still unexplored for our company, understanding what the correct development should be over the following years is not simple. It is necessary to calibrate a budget, define the human resources to dedicate to the project, and to guess the most appropriate steps for developing the strategy.

Below you will find the main steps, with the awareness that, being a project in progress, some steps could be revised and many innovations introduced.

2020



- Authorization by DGEN and BoD
- Institution of the Sustainability Committee of Zarattini & Co. Bank
- Drafting of the «ESG Fund Selection Policy» for management strategies
- Drafting of the «ESG Investment Policy» for Timeo Neutral Sicav funds
- Moderate management strategy converted in ESG
- Balanced house fund converted in ESG
- Two people certified in the field of sustainable investment
- Support for the Green Night Awards
- Rationalization of the use of resources, such as plastic, water and paper
- Training of the Private Banking division on the topic of sustainability

2021



- Production of the first Sustainability Report
- Certification of an employee as CSR Manager
- Stock management strategy converted into ESG
- Inflation-linked house fund converted into ESG
- Implementation of a digital onboarding process with the goal of further rationing paper usage
- Training of the entire company on the topic of sustainability
- Intensification of communication in support of sustainability
- Creation of a sustainability section on the Zarattini & Co. Bank website
- Affiliation with «Swiss Sustainable Finance»
- «Impact Assessment» of Zarattini & Co. by an external entity

2022



While UN PRI is more focused on investments, UN PRB addresses the organization in its entirety.

- Identification of an area entity for good practices
- Affiliation with UN PRI¹⁶
- Affiliation with UN PRB¹⁷

2023



- UN PRI Report
- Implementation of Good practices in compliance with UN PRB guidelines

¹⁵Swiss Sustainable Finance (SSF): Strengthens Switzerland's position in the global sustainable finance market by informing, educating and catalyzing growth. The association, founded in 2014, has offices in Zurich, Geneva and Lugano. SSF currently has 172 members and partners. www.sustainablefinance.ch

¹⁶UN PRI (Principles for Responsible Investments): international network of investors supported by the United Nations that promotes sustainable investments through the incorporation of ESG principles. <https://www.unpri.org>

¹⁷UN PRB: international network created to ensure that the strategies and practices of affiliated banks are in line with the SDGs and the Paris Accords. It is promoted by UNEP FI, a partnership between the United Nations Environment Program (UNEP) and the Finance Initiative (FI) so that the global financial sector is mobilized towards sustainable development. www.unepfi.org/banking/bankingprinciples

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| 102-47 | List of material topics | 17 | |
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| 102-48 | Reporting changes | 12 | |
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| | | | This being the first report, there is no previous report |
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Zarattini & Co | Bank