



Extraordinary Business - Item no. 3 on the Agenda

Report of the Board of Directors pursuant to Article 126-bis, paragraph 4, of Italian Legislative Decree 58/98, providing an assessment of the request made by the shareholder Delfin S.à.r.l. for an item to be added to the agenda of the Annual General Meeting, called in a single session, to take place on 28 October 2021; considerations and proposed alternative resolution.

Dear shareholders,

On 28 September 2021, shareholder Delfin S.à.r.l., owner of 18.9% of the share capital of Mediobanca, requested, in accordance with the provisions of Article 126-bis, paragraph 1, of Italian Legislative Decree 58/98 (the "Italian Finance Act"), an item to be added to the agenda of the Annual General Meeting, ordinary and extraordinary, of the company called to take place in a single session, on 28 October 2021 (as per the notice of meeting published on 24 September 2021). The proposed item, to be submitted to the approval of shareholders at the Annual General Meeting as extraordinary business, is as follows:

"Amendments to Article 15, paragraphs 4, 9, and 15, to Article 18, paragraph 4, and to Article 23, paragraph 3, of the Articles of Association; ensuing and consequent resolutions".

Along with the requested addition, shareholder Delfin S.à.r.l. has prepared a report and a proposed resolution, in accordance with Article 126-bis, paragraph 4, of the Italian Finance Act, made available by the Board of Directors on the terms and by the means set by law.

In this Report, the Board of Directors of Mediobanca sets out its own assessment of the requested integration and proposed resolution, as required once again by Article 126-bis, paragraph 4, of the Italian Finance Act.

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First of all, the Board of Directors has assessed the request made by the shareholder Delfin for an additional item to be included on the agenda, to ascertain that it complies with the legal requirements in this area. The Board has found that the request is indeed legitimate, and conforms to the provisions set by the law and, accordingly, has agreed to the request, also formulating its own alternative proposal (cf. below) and so including the additional proposed item in the agenda for the Annual General Meeting as follows:

AGENDA

Ordinary business

1. Financial statements as at 30 June 2021 Board of Directors' Review of Operations, reports by external auditors and Statutory Audit Committee:
 - a. Approval of financial statements for the year ended 30 June 2021;
 - b. Allocation of profit for the year and distribution of dividend to shareholders, including through use of part of the Statutory Reserve.
2. Authorization to buy and sell treasury shares.
3. Remuneration:



- a. Report on remuneration and compensation paid: Section I – Mediobanca Group staff remuneration and incentivization policy FY 2021-22;
 - b. Report on remuneration and compensation paid: resolution not binding on Section II – Disclosure on compensation paid in FY 2020-21;
 - c. Policy in the event of the beneficiary leaving office or the employment arrangement being terminated;
 - d. 2022 Incentivization system based on financial instruments (the “2022 performance share scheme”): partial withdrawal of the 2021-25 incentivization scheme, and approval of new one-year scheme.
4. Insurance policy covering civil liability for members of the Group legal entities' governing bodies.

Extraordinary business

1. Cancellation of treasury shares with no reduction of share capital; Article 4 of the company's Articles of Association to be amended accordingly.
2. Withdrawal of the existing authorization to the Board of Directors, under a resolution adopted by shareholders at the Annual General Meeting to be held on 28 October 2020, to increase the company's share capital free of charge through the issue of no more than 20 million ordinary shares to be reserved to Mediobanca Group employees in execution of the performance share schemes in force at the time. Article 4 of the company's Articles of Association to be amended accordingly.
3. Amendments to Article 15, paragraphs 4, 9, and 15, to Article 18, paragraph 4, and to Article 23, paragraph 3, of the Articles of Association; ensuing and consequent resolutions.

With regard to this latter item, the following proposals will be put to the vote in this order:

- a. The proposal submitted by shareholder Delfin, and, if not approved,
- b. The alternative proposal submitted by the Board of Directors.

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CONSIDERATIONS AND PROPOSAL OF THE MEDIOBANCA BOARD OF DIRECTORS

The Board of Directors, notes, first of all, that shareholder Delfin did not promote any prior engagement with the company but addressed the shareholders themselves directly, thus departing from what is now the consolidated best practice in relations between shareholders and listed companies. Such practice requires that the shareholder intending to present requests should embark first on constructive dialogue with the company, according to a timescale which is consistent with the prior commitments of the governing bodies and supervisory authorities, and approach shareholders directly only in cases where the Board fails to act promptly or does not agree to the request.

Furthermore, it is not clear why a request to amend the company's Articles of Association regarding the composition and appointment of the Board of Directors is being made as a matter of urgency through the addition of an extra item of the business to be transacted at the Annual General Meeting called to approve the financial statements for FY 2020-21, considering that the Board of directors was appointed just last year and its reappointment is scheduled for 2023, i.e. in two years' time, when Delfin itself has said that it does not “*intend to ask for the current Board of Directors to be dismissed before its term of office expires*”. Submitting the motion in this way puts unnecessary time pressure on the Appointments Committee and the Board of Directors in making their assessments, and equally



unnecessarily, it halves the time which shareholders would usually have available for careful evaluation of the proposed changes to the Articles of Association.

The practice adopted by Delfin in making changes to the Articles of Association means that the proposed amendments have not been submitted by the Bank to the supervisory authorities for approval (to which their adoption by shareholders in at the Annual General Meeting is subject, as the best practice would require in such cases).

With reference to the proposals themselves made by Delfin, the Board agrees with the proposal to delete the statutory provisions regarding the presence of members of the Group's management on the Board of Directors. The proposal, indeed, reflects the position that has developed following last year's AGM in the light of conversations entertained with proxy advisors and institutional investors, as part of a process aimed at standardizing the governance of the Bank with a widespread framework in best practice, and had already been scheduled for the AGM to be held in 2022 ahead of the Board's reappointment scheduled for 2023.

The Board would point out, however, that the inclusion of this statutory constraint originally arose to ensure continuity in moving back from a dualistic model of governance to the traditional Italian system, which entrusted the management of the Bank to a collegiate body made up of five Executive Directors and one independent Director. Now, however, more than ten years later, the Board agrees that it is appropriate to remove this condition, despite remaining firmly convinced that the presence of the Group's managers as members of the Board of Directors (which in fact dates back to 1982) has been one of the strengths of the Bank's governance, and may continue to be so in the future, because of the technical contribution they make to the Board's discussions, thus helping to ensure that prudent, independent and informed decisions are taken.

Larger and more pressing problems are raised by the change which shareholder Delfin is proposing to the list voting mechanism for appointing the Board. In general terms it should be emphasized that "the Board's ability to perform effectively its role as agent versus shareholders" derives primarily – as is clear from the European regulations, now enacted in Italy as well – from the quality, competence and independence of judgement of each of its members, regardless of the list which they were appointed from. From this standpoint, Mediobanca has always paid the utmost attention to scrupulous compliance with the requirements in terms of the suitability of its Directors and the guidance regarding the optimal composition of the governing body in qualitative terms. Dialogue and co-operation between the Executive and independent Directors (regardless of whether the latter are appointed from lists submitted by majority or minority shareholders) and the other Directors ensures the decision-making process is performed with the maximum effectiveness and transparency. The existing arrangement provided for in the Articles, the representation of minority shareholders and the presence on the Board of independent Directors, in other words, have all so far given satisfactory proof of themselves.

This, however, is not all. It must be emphasized that the ownership structure of companies such as Mediobanca which do not have a controlling shareholder has for some time now seen an increasing percentage of institutional investors. Such investors at present represent approximately one-half of Mediobanca's capital. EU legislation, with which the Italian Finance Law has recently been aligned, takes account of this situation and incentivizes constructive dialogue between institutional investors and issuers by providing for a policy of engagement with them.

It appears to be consistent with these developments, therefore, to facilitate the representation of such categories of shareholders on the Board of Directors, in relation *inter alia* to fund managers' sensitivity to the needs of their own stakeholders: needs which the Board of a listed company, which addresses and operating in the market, must take into account.



In view of the foregoing, the Board believes that the objective of further diversifying the composition by increasing the number of positions for minority representatives and the number of lists represented is appreciable but not addressed satisfactorily by Delfin's proposal, which raises the following issues:

- To set a fixed number (if more than two lists are submitted) of four minority representatives in a Board that may consist of a variable number of Directors ranging from 9 to 15, looks unbalanced. Whereas at the majority of Italian banks the minority list appoints less than 20% of the total number of Directors, with this proposal the minority representation on the Board of Mediobanca would rise to 36% if the Board consists of eleven members and 44% if it consists of nine members;
- The proposed formula for quorums, if certain circumstances occur, could lead to the exclusion of candidates proposed by institutional investors which, as already mentioned, account for roughly half of the Bank's capital. If, for example, the list submitted by the Board itself ranks first in terms of the number of votes it receives, and two minority lists are submitted, the one which receives fewest votes (which could easily be the one representing the market) would only have a candidate appointed Director if it receives at least one-quarter of the votes received by the first-ranking minority list and, without prejudice to the foregoing, a number of votes higher than 5% of the company's share capital. In scenarios such as this, the voting mechanism proposed by Delfin could result in at most one representative of the market being appointed to the Board, with the concrete possibility that all four of the Directors attributable to minorities would be appointed from a single list;
- The threshold of 5% of the share capital proposed for appointing a Director from the second minority list reduces the possibility of members appointed by institutional investors being represented on the Board, and makes it more likely that the Board will represent shareholders with significant investments that do not, however, represent the broader ownership structure as a whole.

In other words, Delfin's proposal appears to go in the opposite direction to the way ownership structures are evolving, as mentioned previously, and to the avowed increased capacity of the market to monitor the Bank's performance. It could effectively mean that institutional investors are not represented.

Nonetheless, the Board is willing, as already mentioned, to agree to Delfin's request to remove the statutory restriction on the number of members of Mediobanca's management to sit on the Board of Directors (Article 15, paragraphs 4 and 9, Article 18, paragraph 4, and Article 23, paragraph 3), while, in order to overcome the critical issues in the system for the election of directors highlighted above, the Board has formulated an alternative proposal (Article 15, paragraph 15), which:

- Assigns a variable number of positions on the Board should be allocated to minorities depending on the size of the Board itself, equal to 20% of the total number of members (a percentage which is above average for the banks listed on the FTSE-MIB), i.e. three Directors if the Board has at least 13 members. This percentage, unlike the proposal tabled by Delfin should, in the Board's view, prevent excessive polarization between majority and minority shareholders, and promotes a constructive diversity in terms of the types of shareholders represented on the Board to the benefit of the Bank's sound and prudent management;
- Ensures that a component representing institutional investors and the market is included on the Board, by reserving one place to them even if the list submitted by them receives fewer votes than the lists submitted by other minority shareholders;
- Reduces the percentage of votes required to appoint a Director from the second minority list from 5% to 2% of the share capital.



The Board's proposal to amend the list voting mechanism is therefore the best solution to ensure that all components of the Bank's ownership are represented, and the best overall to meet the objectives identified by shareholder Delfin itself.

Please note, finally, that the Board's proposal will be put to the vote only if Delfin's proposal is not approved by shareholders in the Annual General Meeting.

The resolutions are subject to authorization by the ECB.

Proposed resolutions submitted to the approval of shareholders as extraordinary business at the Annual General Meeting

Dear shareholders,

In view of the foregoing, we hereby invite you to:

- a) Amend Article 15, paragraphs 4, 9, and 15, Article 18, paragraph 4, and to Article 23, paragraph 3, of the Articles of Association, on the following terms:

SECTION IV

Management

Sub-section I - Board of Directors

Article 15

4. Three Directors, or two Directors, if the Board of Directors itself consists of thirteen or less than thirteen members, are chosen from among employees with at least three years' experience of working for Mediobanca Banking Group companies at senior management level.

9. Lists containing a number of candidates equal to or above two-thirds of the Directors to be appointed shall contain three candidates, or two if the number of Directors to be appointed is equal to or less than three, numbered consecutively starting from the first in possession of the requisites stipulated under the foregoing paragraph 4.

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number in which they are ordered from the list obtaining the highest number of votes; the other two Directors are chosen from the list which ranks second in terms of number of votes cast and which is not submitted or voted for by shareholders who are related, as defined under regulations currently in force, to the shareholders who submitted or voted for the list ranking first in terms of number of votes cast, again on the basis of the consecutive number in which the candidates are ordered.

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- (a) If more than two lists are submitted, all the directors to be appointed will be taken from the list which has obtained the highest number of votes from shareholders (the “Majority List”) based on the consecutive order in which they appear in the list, save for a number equal to 20% of the Directors to be appointed, rounded up to the nearest full number to the number obtained by applying the said percentage (the “Minority Directors”). Without prejudice to the provisions of letter (b) hereunder, if there are three Minority Directors to be appointed: (i) two will be taken from the list – without taking into account any votes cast by shareholders related, *inter alia* indirectly, to those that submitted or otherwise voted for the Majority List – which ranked second by number of votes (the “First Minority List”), and (ii) one will be taken from the list – again without taking into account any votes cast by shareholders related, *inter alia* indirectly, to those that submitted or otherwise voted for the Majority List – which ranked third by number of votes (the “Second Minority List”), always provided that the Second Minority List has received votes representing at least 2% of the company’s share capital. Once again without prejudice to the provisions of letter (b) hereunder, if**



there are only two Minority Directors to be appointed: (i) one will be taken from the First Minority List, and (ii) one will be taken from the Second Minority List, provided that the Second Minority List has received votes representing at least 2% of the company's share capital. If the Second Minority List has not received votes representing at least 2% of the company's share capital, all the Minority Directors to be appointed will be taken from the First Minority List;

(b) If, in cases where more than two Minority Lists are submitted, one is presented exclusively by EU-based entities managing undertakings for collective investment in transferable securities falling within the scope of application of Directive 2009/65/EC, or, if non-EU-based, which are subject, under the applicable regulations, to equivalent restrictions on holding voting rights (the "Institutional Market List"), the Institutional Market List, if it ranks fourth in terms of the number of votes received, will in any case be treated as the Second Minority List for purposes of the allocation provided for under the foregoing letter (a), always provided it has received votes representing at least 2% of the company's share capital;

(c) If only two lists are submitted, all the directors to be appointed will be taken from the Majority List based on the consecutive order in which they appear in the list, save for a number equal to 20% of the Directors to be appointed, rounded up to the nearest full number to the number obtained by applying the said percentage, who will be taken from the list that – without taking into account any votes cast by shareholders related, *inter alia* indirectly, to those that submitted or



otherwise voted for the Majority List – ranked second in terms of number of votes (the “Minority List”).

If it is not possible to appoint a sufficient number of Directors using this method, other candidates are added from the lists which received most votes out of those that obtained at least 5% of the votes cast in general meeting, based on the consecutive order in which they were ranked.

If the number of candidates appointed in this way included in the lists that have been submitted, minority and majority, is still below the number required to be appointed, the other Directors are elected under a resolution to be adopted by shareholders in general meeting based on the majority set by law, ensuring that the minimum number of Directors qualifying as independent, the requisite number of Directors from the least represented gender, and with the qualifications stipulated in point 4 above, are all met.

In the event of an equal number of votes being cast, a ballot shall be held.

Article 18

4. The Board of Directors delegates decisions to be taken at general meetings of companies listed on the stock market under paragraph 2, point 5) above on appointments to governing bodies, to a committee consisting of, in accordance with the regulations in force, the Managing Director, the Executive Directors referred to under Article 15, paragraph 4, and two other Directors, at least one of whom must qualify as independent pursuant to Article 19 hereof. The committee adopts resolutions with a majority of its members voting in favour.

Sub-section II - Executive Committee

If it is not possible to appoint a sufficient number of Directors using this method, other candidates are added from the lists which received most votes out of those that obtained ~~at least 5% of the votes cast in general meeting~~ **votes representing at least 2% of the share capital**, based on the consecutive order in which they were ranked.

If the number of candidates appointed in this way included in the lists that have been submitted, minority and majority, is still below the number required to be appointed, the other Directors are elected under a resolution to be adopted by shareholders in general meeting based on the majority set by law, ensuring that the minimum number of Directors qualifying as independent, **and** the requisite number of Directors from the least represented gender, ~~and with the qualifications stipulated in point 4 above~~, are all met. **The same method of proceeding is adopted if no list is submitted.**

In the event of an equal number of votes being cast, a ballot shall be held.

Article 18

4. The Board of Directors delegates decisions to be taken at general meetings of companies listed on the stock market under paragraph 2, point 5) above on appointments to governing bodies, to a committee consisting of, in accordance with the regulations in force, the Managing Director, ~~the Executive Directors referred to under Article 15, paragraph 4, and two~~ **four** Directors, at least one of whom must qualify as independent pursuant to Article 19 hereof. The committee adopts resolutions with a majority of its members voting in favour.

Sub-section II - Executive Committee



Article 23

3. Save in cases of incompatibility and up to the limits set by the regulations in force, the Managing Director and executive directors referred to under Article 15, paragraph 4 above are members of the Executive Committee *de jure*. Without prejudice to the provisions of the law, *de jure* Executive Committee members are bound to devote themselves solely to performance of activities involved in such office, and unless otherwise provided by the Board of Directors, may not perform duties of administration, management or control or of any other kind at companies or entities which are not investee companies of Mediobanca.

Article 23

3. Save in cases of incompatibility and up to the limits set by the regulations in force, the Managing Director and executive directors **who are members of the Group's management** ~~referred to under Article 15 above~~ are members of the Executive Committee *de jure*. Without prejudice to the provisions of the law, *de jure* Executive Committee members are bound to devote themselves solely to performance of activities involved in such office, and unless otherwise provided by the Board of Directors, may not perform duties of administration, management or control or of any other kind at companies or entities which are not investee companies of Mediobanca.

- b) To vest the Chairman and the Chief Executive Officer, jointly and severally, with the broadest powers to make any amendments, changes or additions to this resolution that might prove necessary or that might otherwise be requested by the competent authorities;
- c) To authorize the Chairman and the Chief Executive Officer, jointly and severally, to perform every formality necessary to ensure that the resolutions hereby adopted are duly registered in the Milan Companies' Register."

Milan, 8 October 2021

THE BOARD OF DIRECTORS