



MEDIOBANCA

**REPORT ON REMUNERATION SUBMITTED TO
APPROVAL OF SHAREHOLDERS IN ANNUAL
GENERAL MEETING ON 28 OCTOBER 2019**



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Dear Shareholders,

We have called you together in general meeting to:

- A) Submit the Mediobanca Group's new remuneration and incentivization policies, approved by the Board of Directors on 19 September 2019, to your approval; and
- B) Report on the remuneration policies adopted for the twelve months ended 30 June 2019.

During the twelve months under review, the governing bodies of Mediobanca have continued to pay close attention to its staff remuneration and incentivization policies, taking into account *inter alia* the new documents published by the supervisory authorities on this issue. The following documents in particular are of importance in this area:

- ◆ The Bank of Italy's Supervisory Instructions on "Remuneration and Incentivization Policies and Practices" issued on 23 October 2018, which bring the Italian regulations into line with the EBA Guidelines on Sound Remuneration Policies in force since 2017, and with other recent guidance issued by international organizations on the same issue;
- ◆ The regulations on "Transparency in Banking and Financial Operations and Services. Proper Conduct in Relations between Intermediaries and Clients" issued by the Bank of Italy on 19 March 2019;
- ◆ Italian Legislative Decree 49/19 enacting Directive (EU) 2017/828 (the "Shareholders' Rights Directive"), which requires remuneration and incentivization policies to pursue a corporate strategy aimed at delivering sustainable profitability in the long term through clear presentation of the objectives set.

This document incorporates all the changes to the regulations and meets the disclosure requirements set forth in the Bank of Italy and Consob regulations.



Section 1

Mediobanca Group staff remuneration and incentivization policy

1 Introduction

The main changes regard:

- ◆ A specific policy to identify “Material Risk-Takers” (or “Identified Staff”) has been adopted;
- ◆ A more detailed description of the activities performed by the control units in the area of monitoring the types of transaction and financial investments made by Identified Staff which could compromise the remuneration mechanisms’ risk alignment;
- ◆ Provision for exception, duly justified, to the 2:1 cap on variable to fixed remuneration in force for all staff including those defined as Material Risk-Takers, exclusively for personnel operating in asset management;
- ◆ Revision to the company units to which the 33% cap on variable to fixed remuneration is applicable;
- ◆ Revision of the variable remuneration deferral mechanisms for Identified Staff (time horizon for distribution, percentages payable in the form of financial instruments, remuneration limits applicable);
- ◆ Definition of a mechanism for calculating the maximum amounts payable in the event of the working relationship ending early (including provision for managing any non-competition clauses);
- ◆ Reference to those parts of this policy which are most closely related to Corporate Social Responsibility principles (CSR).

2 Governance

The governance process for the Group remuneration and incentivization policy is structured across two levels.

a) Governing bodies

Under the current Articles of Association:

- ◆ Shareholders in general meeting set the annual fixed fee payable to members of the Board of Directors when they are appointed, and for the entire duration of their term of office, to be allocated among the individual members based on the Board’s own decision. Directors who are not members of the Group’s senior management are entitled to receive refunds for expenses incurred by them in the performance of their duties.
- ◆ Shareholders in general meeting, within the terms set by the regulations in force at the time, approve the remuneration and incentivization policies and compensation schemes based on financial instruments for Group directors, staff and collaborators, and set the



criteria for establishing compensation to be agreed in the event of a beneficiary leaving the company or office, including the limits on annual fixed salary and the maximum amounts payable as a result of the policies' application.

- ◆ At the Board of Directors' proposal, shareholders in general meeting may, if the requisite quorum is achieved, establish the variable remuneration of Group staff and collaborators up to a maximum of 200% of their fixed salaries or any other limit set by the regulations in force at the time.
- ◆ The Board of Directors institutes the committees provided for by the regulations in force from among its own number, including the Remunerations Committee, establishing their composition and powers.

Under the regulations in force:

- ◆ The Board of Directors compiles the staff remuneration and incentivization policy, submits it to the approval of shareholders in general meeting, reviews it at least once a year, and is responsible for ensuring it is applied correctly in practice. The Board also approves the results of the Material Risk-Takers identification process, including any exclusions; defines the remuneration and incentivization systems for senior figures; ensures that these systems are consistent with the Bank's overall choices in terms of risk-taking, strategies, long-term objectives, corporate governance structure and internal controls system; and ensures, among other things, that the remuneration and incentivization systems are able to guarantee compliance with the legal, regulatory and statutory provisions and any codes of ethics or conduct in force, encouraging recipients to adopt conduct in accordance with such provisions or codes.
- ◆ The Remunerations Committee consists of between three and five members, all non-executive directors, the majority of whom qualify as independent and from among whose number a chairman is appointed. The Committee's duties include proposing compensation for staff whose remuneration and incentivization systems are decided by the Board of Directors; it serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff; and monitors application of the rules governing the remuneration of the heads of the company's control units, working closely with the Statutory Audit Committee in this connection. It also prepares the documentation to be submitted to the Board of Directors for the relevant decisions to be taken; works together with the other internal committees, in particular the Risks Committee; and ensures that all relevant company units are involved in compiling and checking the remuneration and incentivization policies and practices. It gives its opinion on the results of the Material Risk-Takers identification process, including any exclusions, and on whether the performance objectives to which the incentivization schemes are linked have been reached; it establishes whether the other conditions precedent to payment of compensation have been met, on the basis *inter alia* of information received from the other company units; and provides feedback on the activities performed to the governing bodies. To be able to perform its activities effectively and responsibly, the Remunerations Committee has access to company information relevant for such purposes, is endowed with sufficient funds to guarantee it is independent in operational terms, and may call on the services of experts, including from outside the company, on matters which fall within its remit. The Committee is regularly constituted at meetings where a majority of the directors in office are in attendance, and adopts resolutions on the basis of the majority of those present voting in favour. Minutes of Committee meetings are taken and kept in separate registers.
- ◆ The Risks Committee ascertains whether the incentives provided by the remuneration system take due account of the Group's risks and comply with the minimum capital and



liquidity requisites at consolidated level, liaising with the Remunerations Committee to this end.

- ◆ The Chief Executive Officer presents the proposed Group staff remuneration and incentivization policies to the governing bodies, is responsible for staff management, and after consulting with the General Manager, determines the variable remuneration based on the criteria established by the Board of Directors and then distributes it.

b) Organizational units

- ◆ Group HR directs and governs the entire remuneration and incentivization process, involving the governing bodies, control units and other teams responsible for verifying the Group's earnings and financial data.
- ◆ The Planning, Accounting and Financial Reporting area provides the data for ascertaining that the gateways have been met and for determining the business areas' and divisions' annual and long-term performances based on the results achieved.
- ◆ The Group Risk Management unit helps in defining the metrics used in order to calculate the risk-adjusted company performance, validating the results and the gateways, and checking that these are consistent with the provisions of the Risk Appetite Framework.
- ◆ The Compliance unit carries out an annual assessment of the remuneration policies' compliance with the sector regulatory framework, the Bank's Articles of Association, and any applicable codes of ethics or standards of conduct. It is also responsible, after consulting with the other control units, for checking whether or not any compliance breaches have been committed which may be relevant for purposes of assessing the performance and award of the variable remuneration component. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time, including in terms of establishing the identified staff, analysing the metrics adopted, and the practice in cases where the beneficiary has left the company.
- ◆ The Group Audit unit checks that the staff remuneration and incentivization practices correspond to the policies approved and the regulations in force on at least an annual basis. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

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c) Application to Banking Group

Mediobanca liaises constantly with its Group companies to ensure that the remuneration and incentivization systems operating within the Banking Group are consistent, while respecting the specific nature of their sectors of operation, organizational structures, regulations applicable according to type of business and geographical location. In particular the parent company manages the process of defining Identified Staff, issues guidance to be adopted, and takes part in drafting documents relating to the remunerations policies to be compiled by the subsidiaries.

Mediobanca approves the amount of the variable remuneration, including that for identified staff in the different companies and their allocation; establishes the objectives for the CEOs and/or General Managers of the Group companies, ascertaining whether they have been



met; and defines the basic principles of the guidelines of the incentives mechanism for the other staff at the companies, leaving the specific decisions up to their respective Boards of Directors.

3 Policy for identification of Material Risk-Takers

Material Risk-Takers, i.e. staff members whose professional activity may impact substantially on the Mediobanca Group's risk profile, are identified annually at the end of a formalized process involving Mediobanca S.p.A. and the other Group companies.

a) Criteria adopted

In order to identify Material Risk-Takers, Mediobanca adopts the criteria set down in Commission Regulation (EU) 604/2014 which also establishes who should be excluded from such definition. The criteria are:

- ◆ Qualitative: linked to role (including for non-executive directors) and decision-making powers assigned and responsibilities taken within the Group structure, consistent with the nature, range and complexity of the activities performed. Factors considered include organizational position within the Group, materiality of the business unit (not just in terms of the capital allocated to them, but also of volumes and complexity¹), risk profile assigned, including with reference to reputation, participation in internal Group committees, independence in terms of decision-making and operations, geographical location of the office at which they work (in view of the pay differences between different countries), and specific characteristics of the sectors concerned (e.g. asset management).
- ◆ Quantitative: based on the total overall remuneration received in the previous financial year.²

The definition of Material Risk-Taker also includes financial and insurance brokers and financial advisors authorized to offer products door-to-door.³

b) Process

- ◆ Group HR is responsible for the process, and ensures that a unified approach is adopted at Group level;
- ◆ Compliance validates the process, ascertaining that the applicable regulations have been properly applied;
- ◆ Planning, Accounting and Financial Reporting collects the earnings data to be analysed and the criteria to be applied;

1) The regulatory criterion for inclusion as a material business unit is that the capital allocated to it must represent at least 2% of the Banking Group's overall capital. Additional criteria include: whether or not the individual entities/business units form part of higher-level divisions in accordance with management reporting and the strategic plan; business volumes; organizational complexity and size; type of activity performed if the primary risk profile involved is not credit, market or liquidity risk. For the asset management area, in addition to the above, the main criteria considered is the amount of AUM above the limit which would qualify it as a material company under the regulations normally applicable in the respective national legislations on UCITS/AIFM.

2) Mediobanca may also decide that individual staff members, including Financial Advisors, do not impact on the Group's risk profile despite receiving total remuneration \geq €500,000, as permitted by the regulations in force.

3) For the CheBanca! financial advisors, all Network Managers and Area Managers with a percentage of AUM managed by the FAs under them equal to more than 10% of the total AUM managed by the network are included in the definition of Group Identified Staff according to the qualitative criterion. All FAs linked to the Group who individually manage assets equal to more than the 10% threshold of the AUM for their own network qualify as identified in any case according to the qualitative criterion.



- ◆ Group Risk Management takes part in the analysis, to identify the impact of the same resources on the risk profile of material and non-material business units;
- ◆ Group Audit checks that the criteria have been correctly applied and the assessment made has been properly formalized. The unit participates in the process, providing support to Group HR in checking that the regulations have been properly applied.

All the Group companies take part in the annual definition of Identified Staff. The mapping is carried out on an individual basis by all the banks in the Group (CheBanca!, Compagnie Monégasque de Banque CMB, Compass and MB International) and the asset management companies, based in Italy (MB SGR) and elsewhere (Cairn Capital, RAM and MB Management Company), subject to the sector regulations. The information collected is then sent to Mediobanca S.p.A. to be consolidated, whereas for the other, non-banking subsidiaries, the parent company carries out its own assessment.

Group HR monitors organizational changes which could lead to differences in the scope of definition on an ongoing basis.

A record of the whole process is kept in the form of minutes of the meetings held by the parent company units involved. When the process is complete, a list with the names of the Identified Staff for the financial year concerned is drawn up, specifying those who have been included for the first time and any others who have been excluded, with an indication of their roles, responsibilities and the divisions of which they form part, and a comparison with the previous financial year. Any exclusions are highlighted and duly justified. A primary external consultancy company certifies the entire process.

The results are approved by the Board of Directors, at the Remuneration Committee's proposal.

Once the process is complete, individual notice is provided in writing to staff included in the scope of Material Risk-Takers.

If, at the end of the identification process, there are staff identified by quantitative criteria for whom the notification and/or exclusion procedure must be launched, Group HR does so in accordance with the Bank of Italy Supervisory Instructions.

c) Identified staff as at 30 June 2019 (approved by BoD on 26 June 2019)

As at 30 June 2019 the Group's "identified staff" (including the non-executive directors) broke down as follows:

| Cluster | Definition | EBA regulations | PPR # 2019 | PPR # 2018 |
|---|--|---|------------|------------|
| 1) Non-executive directors | Non-executive members of BoD, including Chairman | Article 3. 2 | 1 (+12) | 1 (+11) |
| 2) Directors with executive duties | Management who are members of Executive Committee | Article 3. 1 | 2 | 2 |
| 3) Senior management and heads of relevant BUs (principal business lines, geographical areas and other senior business figures) | <ul style="list-style-type: none"> ◆ Co-Head, CIB ◆ Co-Head, CIB/Head, Inv. Banking Division ◆ CEO, Compass/CB! ◆ Head, Principal Investing ◆ Head, MB Private Banking ◆ Head, CIB Markets Division ◆ Head, CIB Debt Division ◆ Head, London office ◆ Head, Governance & Treasury ◆ Head, Finance division ◆ CEO, CMB | Article 3.3 Article 3.5 Article 3.6 | 11 | 15 |
| 4) Heads and senior staff of internal control units | <ul style="list-style-type: none"> ◆ Compliance & Group AML ◆ Group Risk Management ◆ Group Audit | Article 3. 4 Article 3.7 Article 3.15 | 20 | 16 |



| | | | | |
|--|--|-----------------------------|------------------|----------------|
| 5) Staff with managerial responsibilities in relevant business units | <ul style="list-style-type: none"> ◆ Heads of trading desks, liquidity, origination, trading, and brokerage/sales ◆ Staff with significant responsibility in business and product areas ◆ General and commercial managers, Compass and CB!; CEO, SelmaBipiemme, MB SGR, MB Facta ◆ Financial Advisors with managerial responsibilities and/or 10% of the network AUM | Article 3.8 Article 3.15 | 32 | 23 |
| 6) Heads and senior staff in Staff and support units | <ul style="list-style-type: none"> ◆ Head of Company Financial Reporting ◆ Planning, Control and Budgeting ◆ Chief Operating Officer ◆ Chief Information Officer ◆ Group Head of HR ◆ Group Head of Reward ◆ Legal Counsel ◆ Macroeconomic Strategist | Article 3.9 Article 3.15 | 8 | 8 |
| 7) Quantitative criteria | Roles with total compensation ≥ €500,000 or same remuneration bracket in previous financial year not included in categories listed above | Article 4 | 34 | 23 |
| Material Risk-Takers excluded based on notification/exclusion process⁴ | | | 2 | 4 |
| TOTAL as at 30/6/19⁵ | | | 108 (120) | 88 (99) |
| As % of total Mediobanca Group staff | | | 2.24% | 1.87% |

Management with strategic responsibilities as defined in the Consob resolution issued in 2011 other than directors (i.e. the three heads of the control units, the Head of Company Financial Reporting, the Head of Group HR & Organization, the Head of the Consumer Banking division and Wealth Management/Affluent-Premier business line, and the two Co-Heads of the Corporate and Investment Banking division) are all included in the definition of Identified Staff.

4 Remuneration structure

a) General principles and objectives

The Mediobanca Group Remuneration and incentivization policy is intended to attract and retain highly qualified professional and ethical staff members, who are suited to the complexity, increasing internationalization and specialization of its businesses, based on a rationale of prudent management and sustainability of costs and results over time.

Responsible, ethical and transparent compensation mechanisms grow and protect the Bank's reputation, credibility and consensus over time, laying the foundation for sustainable development of the business which is able to create and defend value for all stakeholders.

b) Pay mix constituents

The structure of the Group's staff remuneration is based on various components, with the objective of: balancing the fixed and variable parts over time (pay mix), implementing a flexible approach to remuneration, and helping to gear compensation towards performance in view of the significance of role within the company without encouraging risky and/or short-term behaviour.

To ensure that the remuneration package on offer is competitive and retain the best talent in terms of performance and potential, Mediobanca carries out annual benchmarking activity to assess the Group staff's positioning in terms of compensation relative to the market. The

4) For the twelve months ended 30 June 2019, a total of two such staff members (employed in Asset Management – Cairn Capital – in the United Kingdom), with overall remuneration in the previous year in excess of €500,000, for whom the notification of exclusion from the definition of MRTs made for the first time in 2018 has been confirmed.

5) The Mediobanca Group headcount as at 30 June 2019 consists of 4,805 staff, split as follows: 621 Corporate & Investment Banking (41 Identified Staff), 1,936 Wealth Management (16 Identified Staff, two of whom in the control units of the companies that form part of the division), 1,427 Consumer Banking (5 Identified Staff, two of whom in the control units of the companies that form part of the division), 810 Holding Functions (33 Identified Staff employed by Mediobanca S.p.A., 16 of whom in the control units and 17 in other units), 11 Principal Investing (1 Identified Staff). The definition of Identified Staff also includes 12 Financial Advisors, six of whom qualify by the qualitative criterion and six by the quantitative criterion (out of a total of approx. 340 FSs linked to the Mediobanca Group).



benchmarking is performed with the support of leading specialists in this area, and takes account of the divisions and geographical locations in which staff are employed.⁶

I. Fixed salary

This reflects technical, professional and managerial capabilities, and the related responsibilities. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are adapted to changes in the market scenario from time to time, avoiding excessive reliance on the variable component while at the same time being careful not to make the overall package unduly inflexible.

II. Variable remuneration

This is the incentivizing component which functions as recognition and reward for the results achieved and objectives met, and is calculated based on risk-adjusted indicators. It constitutes an important motivational factor, and for some business figures (in the Wholesale Banking and Wealth Management divisions in particular) forms a significant portion of their annual pay, in line with reference market practice, without prejudice to the cap and to the other conditions established by the regulations in force.

Variable remuneration is paid on the basis of pre-set performance indicators. The time horizon for evaluation may be short-term (i.e. linked to the annual budget, as is typical of short-term incentive systems) or long-term (as in cases where long-term incentive schemes are run).

The variable remuneration is paid in cash and equity instruments, in part upfront and in part deferred to subsequent years, subject to additional performance conditions being met. Any shares awarded are subject, after the respective rights have vested, to an additional holding period for retention purposes.

III. Limits on variable remuneration

Subject to approval by shareholders in annual general meeting, in accordance with the national and international regulations in force on this subject, the upper limit on variable remuneration for all staff belonging to the Mediobanca Group⁷ and hence the entire scope of Identified Staff has been set, as in the previous Remuneration Policies, at 200% of fixed remuneration (without prejudice to the provisions in force for staff employed in the control units).

The reasons justifying this proposed limit are primarily:

- ◆ The need to attract and retain the most talented staff, in investment banking especially, by aligning the Bank's practice with that of its competitors;
- ◆ The need to maintain the appropriate operating flexibility, minimizing the risks that would be associated with increasing the fixed labour cost component excessively;

6) The benchmarking activity is based on a significant and coherent sample of peers diversified according to the Group's individual divisions: for the Consumer (Compass) and WM Affluent/Premier (CheBanca!) divisions, the sample is based on the leading commercial players operating on the Italian market; for the Corporate and Investment Banking division, it is based on the bulge-bracket investment banks, independent advisory boutiques and the CIB divisions of the leading European commercial banks; for the WM HNWI division (MB Private Banking), the sample is based on the market of Italian operators and non-Italian players operating in Italy; for the Group's asset managers, the sample is constructed from independent companies and others forming part of banking groups or insurers operating in the relevant geographical areas. For the Chief Executive Officer and General Manager, the sample comprises a mixture of midcap firms which are comparable to Mediobanca in terms of either business model taken as a whole or individual segment of activity represented within the Group (i.e. advisory, asset management, innovative retail, etc.); these include Close Brothers, Lazard, Julius Baer Group, Macquarie, Natixis, Schroder's, CYBG, Fineco Bank and Banca Generali.

7) With the exception of Financial Advisors linked to the Group under agency contracts, and for staff employed at the Group's non-Italian companies which are not banks which perform pure advisory services, despite not being included in the definition of Group Identified Staff.



- ◆ To ensure that the remuneration policy is consistent with incentives which seek to promote virtuous conduct in the pursuit of business objectives and value creation;
- ◆ To align the Bank with the policies adopted by the leading Italian and international banks;
- ◆ The increasing presence of competitors in sectors (financial institutions which are not banks, private equity, hedge funds) or geographies (United States, Far East) with a liberalized regulatory framework;
- ◆ The possibility of ensuring that funds are distributed appropriately between the most deserving candidates.

The sustainability of this limit is guaranteed by the provisions of the remunerations policies regarding the determination of the variable component, the correlation between risk and performance, and the performance conditions, malus conditions and clawback provisions.

As permitted by the Bank of Italy's Supervisory Instructions currently in force, Mediobanca has taken up the option to make an exception to the 2:1 cap on variable remuneration relative to fixed salary for all staff, including those qualifying as Identified Staff at Group level, belonging to the Mediobanca Group companies which operate in asset management in Italy (MB SGR) and elsewhere (Cairn, RAM, MB Management Company, CMG)⁸. This exception is based on the following points:

- ◆ These companies are individually subject to UCITS/AIFM sector regulations which do not set limits on variable remuneration and operate in markets where other players are: a) independent; b) owned by international banking groups that can apply exceptions to the salary cap under the regulations in force in the countries where they are headquartered; and c) owned by insurance companies;
- ◆ The need to safeguard the appeal and competitiveness of the remuneration package for staff employed in asset management, as per sector practice, by aligning ourselves with the policies operated by our leading Italian and non-Italian competitors;
- ◆ Strengthening in the Wealth Management sector is one of the Group's main pillars of growth;
- ◆ The asset management companies have a different risk profile to the dominant one in the Banking Group's activity, and are not subject to direct financial risks (market, credit or liquidity) for investment products where the assets at risk belong to the client subscribing to them. For asset management products, the risk profile for the client is an integral part of the mandate regulations, and as such is governed and expressly represented in the documentation which the customer receives when they subscribe to the product;
- ◆ The incentivization system designed for the fund manager is based on the same mechanisms provided for clients, meaning their interests are aligned within the system of controls that can be implemented for the asset management sector;

8) As at 30 June 2019, the Group's Identified Staff working for the asset management companies consisted of one person working for MB SGR, identified on the basis of qualitative criteria (cluster 5), and five working for RAM, identified on the basis of quantitative criteria. MB SGR has set a cap on the percentage of variable to fixed remuneration of 5:1 for the fund manager's Identified Staff.) RAM and Cairn, the MB Group companies recently acquired in Switzerland and the United Kingdom, have an extremely limited impact on the Group's overall figures. As at 30 June 2019 they employed a total of 44 and 54 staff, posting revenues of €35.7m and €16.3m, and costs of €21.5m and €22.3m respectively. Considered jointly, their impact on the same Group indicators was limited, at 2% of the total Group headcount (consisting of 4,805 staff), 2% of Group revenues (which totalled €2,525m) and 3.7% of Group costs (which totalled €1,162m).



- ◆ With reference to operational and reputational risks linked to realization of the product investment process and potential related complaints from customers, including complaints related to conduct issues by staff, cannot directly result in any conflict of interest or incentive for staff to increase the direct exposure to the assets' financial risks to beyond the company's own risk appetite, in order to reach their remuneration targets.

Applying this exemption does not impact on the earnings/financial sustainability of the companies involved, as their staff remuneration and incentivization mechanisms guarantee close correlation to results, consistent with the companies' characteristics and size, internal organization, nature, and the range and complexity of their activities. The mechanisms are implemented over a period of time which is appropriate to the life and/or investment cycle of the UCITS or AIFs managed, or to the holding period for the instruments recommended to the investors, to ensure that the valuation process is based on longer-term results and that actual payment of the results-based remuneration components is distributed over a period that takes due account of the investment risks and repayment policy (if any).

IV. Other remuneration components

Buyout, sign-on and entry bonuses may be awarded to staff with particularly important profiles but only at the recruitment stage, and for the first year of their employment by the company, as per the regulations in force. They also include bonuses awarded at recruitment to compensate for any loss in earnings from previous jobs, in accordance with sector practice. Such bonuses are decided and paid in accordance with the policies and regulations in force.

For specific categories of staff and/or on an individual basis, in cases which involve ongoing employment or its termination, contracts may be signed with minimum guaranteed duration clauses (sometimes referred to as stability pacts), or non-competition agreements or other arrangements as permitted under the applicable employment law and other regulations.

Any compensation paid to Group management for positions held on behalf of Mediobanca in Group or investee companies is paid to Mediobanca itself.

V. Benefits and welfare

Based on an awareness that corporate welfare makes a significant contribution to the implementation of CSR, the Group has adopted instruments which produce positive effects outside the company, benefiting not only staff members but also their family and the local community in general. Corporate welfare creates value that is shared with a broad range of stakeholders, and so helping to produce collective benefits that endure over time.

From this viewpoint and in line with the market, the remuneration package is complemented by a series of benefits that reflect the attention devoted by Mediobanca to the personal needs and welfare of its staff, including those already in retirement. The benefits are for the Group's entire population, and may be distinguished by families of professionals and geographical areas but do not make provision for individual discretionary systems.

- ◆ Complementary pension scheme: employees are entitled to participate in complementary corporate pension schemes, with contribution rates distinguished by category and length of time employed by the company.
- ◆ Healthcare scheme: this scheme covers healthcare, dental and preventative medicine expenses for staff members and their family. An extensive network of doctors and dentists who are part of the scheme enables beneficiaries to have direct access to services without having to pay in advance and providing significant financial benefits.



- ◆ Accident insurance policy, Life insurance policy, and Long-term care insurance policy: the first of these policies guarantees coverage to staff in the event of their having an accidents either work- or non-work-related, is in operation 24 hours a day and has no restriction in terms of geographical application; the second entitles claimants to a guaranteed capital sum in the event of an employee's death; and the third pays out an annuity in the event of permanent incapacitation.
- ◆ Company welfare/flexible benefit systems: these have been instituted for all staff or like-for-like categories of staff, as provided by the applicable tax legislation and regulations in force.⁹ Such systems involve the provision of non-cash services and instruments (e.g. training activities, study and education courses, welfare services, etc.), which Group companies make available to their staff and families, with the possibility of paying any amounts unused to the complementary pension scheme. Production and/or result bonuses provided for under complementary company contracts may be used to this end, or other amounts earmarked for the welfare of similar categories of employee and according to marginality criteria relative to the capacity to pay principle. The objective is to: expand the range of welfare initiatives offered contractually, in order to provide increased benefit to staff members and their families by enabling them to access specific products and services which can be tailored to their specific requirements; offer increased protection for public welfare provision; and obtain improved purchasing power for overall remuneration, through relief on tax and social security contributions permitted by law.
- ◆ Company cars: these are assigned only to the highest professional figures or those with commercial roles. The range of cars available is notable for the number of hybrid and/or electric vehicles on offer, in accordance with environmental sustainability criteria.

5 Incentivization system

Variable remuneration and the correlation between risks and performance is determined via a process which aims to reward staff based on the Bank's and the Group's risk-adjusted performances, in line with the risk profile defined in the Risk Appetite Framework (RAF), with a view to achieving business continuity and sustainable results over the long term.

The incentivization system is consistent with a strategy that combines growth and sustainability, distinctive features of the Mediobanca Group based on the conviction that ethics and profit do not have to be in conflict with each other.

a) Gateways and risk-performance correlation

Distribution of the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division only takes place if the following indicators or "gateways" are met:

- a) Capital adequacy and liquidity requirements included in the Risk Appetite Framework¹⁰ approved by the Board of Directors, which are the primary indicators taken into

9) In Italy the applicable regulations are laid down by Article 51, paragraphs 2 and 3 of the Italian Income Tax Act, as amended by the 2016 budget law as amended. These have introduced certain changes to how income from paid employment is taxed, increasing the range of possibilities and examples of sums and benefits not included in the calculation of income from paid employment, and which for this reason were previously considered to be instances requiring protection from the legislator. The changes have made it easier to introduce corporate welfare schemes, which make available a basket of options to staff members from which they can choose the benefits that are most appropriate to their own needs and family situations.

10) The Risk Appetite Framework identifies the risks which the Bank is willing to take, and for each risk defines the objectives and limits in normal and stressed conditions, identifying the management actions necessary to bring the risk back within the set limit. It is based on assessment of the principal risk drivers to which the Bank is exposed, both macroeconomic and specific. The RAF is subject to ongoing fine-tuning and update, in line with the continual



consideration in the ICAAP. These are: CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio.

b) Positive operating profit delivered at Group level.¹¹

b) Annual variable remuneration (short-term incentives)

I. Budget phase

In the process for defining the annual incentivization system and subsequently determining the divisional variable remuneration, the budget approved by the Board of Directors includes the estimated cost of labour for the financial year to come, including the amount of variable component, determined on the basis of the all the Mediobanca Group divisions' expected earnings performance targets, the market scenario and historical pay trends.

II. Determination and allocation of annual divisional variable remuneration

Once the final results have been closed, the annual variable remuneration payable to the Group's business divisions, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives.

- ◆ Wholesale Banking division:¹² the Chief Executive Officer of Mediobanca identifies the share of the share of the division's Economic Profit to be used for the variable remuneration. The aggregate amount also reflects assessment of other quantitative parameters (Group results, Risk Appetite Framework indicators other than those already included among the gateways, comparison of performances delivered versus annual budget objectives and the long-term business plan, comparison versus historical performances, and cost/income and compensation/income ratios) and qualitative parameters (market positioning and share, retention of key staff, need to recruit new professional talent). The amount determined is related to the results of the scorecards for the individual business units, which may be fine-tuned to ensure that overall sustainability is maintained. These scorecards use Economic Profit or other risk-adjusted metrics depending on the nature of the business and activity, and other secondary metrics, both quantitative (such as reference to budget objectives and historical results trends) and qualitative, with a cap instituted.
- ◆ For Mediobanca Private Banking: For the Private Banking division, the Chief Executive Officer of Mediobanca identifies the share of ordinary gross operating profit, net of the cost of risk, to be set aside as variable remuneration. To determine this amount, other secondary quantitative metrics, such as inter-company cross-selling, cash/AUA transformation to AUM, and operational risk assessment) and qualitative metrics (adequate transparency in banking and financial transactions and services provided to clients; management of resources, compliance with regulations) are also used. Variable remuneration is allocated on the basis of an evaluation of the individual's contribution to area results (indicators used include Net New Money, AUM, revenues, cost/income ratio attributable to each individual banker) and their internal organizational unit.

changes in the risk metrics and analysis methodologies adopted, not to mention to the regulatory framework and the corporate processes with which it is integrated.

11) Total income less operating costs and loan loss provisions, as shown in the consolidated restated financial statements.

12) Economic Profit (EP) is defined as the pre-tax profit earned by the Wholesale Banking division, net of variable labour costs and the cost of regulatory capital (not represented in the accounts) required to perform such activities. It therefore measures the additional profit generated after the return on capital, the cost of which is calculated based on a risk-free rate in the medium/long term, the risk premium and taking into account the Division's cost of funding. As required by the supervisory authorities, the EP metric reflects both present and future risks and the sustainability of results over time.



- ◆ Principal Investing division: the variable remuneration is determined on the basis of specific qualitative and quantitative performance indicators for the area.
- ◆ Holding Functions/control, staff and support units: the aggregate variable remuneration is established by the Chief Executive Officer of Mediobanca on the basis of general earnings sustainability. The variable component, which is usually small, is not related to earnings performance or the Group's results, but to individual qualitative performance (value of staff, quality of performance, retention strategies) and to the role's positioning relative to the reference market.
- ◆ Group Treasury, Strategic and Trading Portfolio: aggregate variable remuneration is determined on the basis of scorecards which use quantitative metrics, linked to both risk and earnings indicators according to the nature of the business and activity (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio, cost of funding, HQLA and P&L thresholds). Secondary qualitative metrics are also provided for.
- ◆ For the other divisions and business lines (Consumer Banking, Wealth Management Affluent/Premier, CMB and the entities performing asset management activities, Speciality Finance) the amounts are determined by the Chief Executive Officers of the relevant related legal entities, who to this end liaise with the General Manager and Group HR based at Mediobanca.

III. Individual performance evaluation

The individual incentivization system and assignment of variable remuneration to individual beneficiaries are established via an annual performance assessment process based on merit and professional quality, with particular attention to reputational issues: indeed, the variable remuneration may either not be paid or may be reduced for staff guilty of committing compliance breaches of either internal or external regulations in the course of the year. The entitlement to receive variable remuneration is subject to the beneficiary fully maintaining their status as an employee¹³ of the Mediobanca Group throughout the assessment period and still being in the company's employment at the actual date of distribution and/or not serving a period of notice for resignation or dismissal. The remuneration may not be split over fractions of years, hence if the employment relationship begins or ceases in the course of the relevant financial year, the staff member concerned is not entitled to any variable remuneration, even pro rata. For identified staff, the performance assessments are ratified individually by the Chief Executive Officer and General Manager of Mediobanca with the support of Group HR.

Mediobanca valorizes its staff on a meritocratic basis, developing their professional capabilities and career opportunities in accordance with the principle of equal opportunities and in line with the Bank's own strategic, organizational and business choices. Difference of gender and thought is treated as a value to be leveraged, providing a source of enrichment in cultural and professional terms. Professional development is facilitated through the provision of the appropriate training, practical work experience under the leadership of line managers, mobility across different positions, assessment of performance, and ultimately the career advancement and promotion process. The Group also encourages its staff to take part actively in its company volunteering programme, to foster talent, passion and commitment on the part of staff by including them in the various environmental and social initiatives which the Group supports.

¹³⁾ The other contractual forms provided for by the regulations apart from full employment contracts (e.g. collaboration or employment agency contracts) are considered equivalent.



All these instruments together provide an opportunity for the Group's staff to feel valued. Our people represent a fundamental part of our capital and are indispensable to making us competitive and so helping the Bank deliver performances that are sustainable over the long term.

At the start of the year the professional, personal and company objectives for each staff member are assigned and discussed with the respective line manager. Such objectives are meant to be achievable, challenging and weighted according to the priority assigned to each staff member. Particular attention is paid to proper individual conduct in accordance with the provisions of the Code of ethics, Organizational model and Business conduct policy, and in general terms with the principles established by the laws, regulations, operational rules and internal procedures, with reference in particular to those considered to be most relevant in terms of reputational risk. Increasing consideration is being devoted as part of the evaluation process to the achievement of environmental, social and governance (ESG) objectives within the individual and business areas of responsibility.

At the end of each year, the line managers make their assessment of the individual staff members based on these objectives. Mid-term feedback throughout the year also allows the line managers and staff to agree on the extent to which the objectives have been met, as part of objective discussion of individual performances. In this way the organization is able to reach its objectives while respecting its corporate values, and transparency is assured in the area of training opportunities, professional development and evaluation criteria.

For staff belonging to the business units, the evaluation reflects:

- ◆ Earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios;
- ◆ Qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, reputational and compliance issues, and adherence to the Bank's values.

For all the other units, the main aspects of the evaluation are based on qualitative objectives and a broader appraisal regarding compliance with regulations, control of costs and efficient management of resources. In particular, for staff employed in the accounting, planning and control areas the following aspects are considered: all obligatory, supervisory and market disclosure requirements being complied with, all the accounting processes, related electronic procedures and tax requirements being managed efficiently and accurately. For staff employed in the internal control units, i.e. Group Audit, Compliance and Risk Management, continuous monitoring and control of the Bank's processes and operations, carried out independently and autonomously to prevent risk situations developing and ensure irregular behaviour or events is picked up swiftly; continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

In close relation to the evaluation process, staff may also be promoted to a new contractual level or being assigned a new corporate title, as part of the career advancement process linked to covering new organizational roles based on experience acquired and results achieved. Promotions are proposed by the head of the business unit concerned, agreed with



Human Resources and approved by the General Manager and/or the Chief Executive Officer (for middle management). For higher levels (senior management or equivalent), the process involves specific appraisal of the candidate concerned, including by other senior Bank staff from a variety of different professional backgrounds, experience and roles. The process is closely linked to that of succession planning which involves researching, identifying and managing individual candidates for senior positions (specifically executive directors, including in cases where such figures have to be replaced ahead of the scheduled expiry of their term of office, in view of the fact that under Mediobanca's current Articles of Association, some of the directors must be chosen from among staff with at least three years' experience as senior management employed by Mediobanca Banking Group companies). The process also requires a pool of possible high-potential replacements to be identified (the "senior talent pool") for key positions, including the business areas, control units, and staff and support roles, in view of likely future requirements in terms of strategic leadership and/or professional and managerial capabilities based on a global organizational approach, without neglecting to monitor the market on an ongoing basis. Growth and career development pathways are devised for such staff, including involvement in specific strategic projects, exposure to Board/committee meetings, and international and intra-Group rotation. Selection is based on assessment of professional and technical skills, as shown by CV and company record as well as performance over time, possession and development of key leadership capabilities.

The remunerations policies are therefore co-ordinated with the selection, appointment, succession and assessment of the adequacy of company representatives and Key Function Holders and the Staff management policies.

IV. Exceptions (variable remuneration for retention purposes and floors)

The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations Committee in favour, may authorize payment of variable remuneration for Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Group's various divisions. The scope of the staff and the amount involved is based mainly on the following criteria: the contribution of the individual beneficiary to the overall results of the division and the Group, the importance of the profile to the sustainability of future results, benchmark analysis of the market and competitive scenario, the need to ensure business continuity, and consistency with the succession planning policy.

Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.

c) Long-term variable remuneration (long-term incentive)

Upon the approval of a long-term Group strategic plan, the Board of Directors may choose to adopt a long-term incentivization scheme conditional upon the objectives set out in the plan itself being reached.

Such a plan directs activities towards creating long-term value for shareholders; correlates a part of the variable remuneration to achieving objectives over the medium and long term; is constructed in such a way as to ensure that achieving the plan's results does not encourage



taking more risk than the governing bodies have decided is sustainable; and promotes loyalty retention. It is consistent with sustainability objectives that endure over time and is able to create value that is shared with all stakeholders.

The long-term incentive scheme has specific quantitative/financial and qualitative/non-financial objectives linked to the scheme's time horizon, and is subject to gateways.

Payment will be made in accordance with the terms, conditions and methods provided for the variable remuneration component in this Policy, unless stipulated otherwise by the Board of Directors after consulting with the Remunerations Committee, in accordance with the regulations in force for long-term incentivization schemes and for payment of the variable remuneration accrued, including any specific resolutions requiring to be adopted in general meetings. In addition to the Chief Executive Officer and General Manager, other Group senior representatives may be included in the long-term incentivization scheme, with a specific pay mix identified for them between short- and long-term variable components. The 2:1 cap on variable/fixed remuneration approved by the shareholders in general meeting must be complied with for each year.

At present no such long-term incentivization scheme is in force.

d) Payment of variable component

I. Timing and instruments

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payment is structured in the form of annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For directors with executive duties and senior management (i.e. groups 2 and 3 in the table of Identified Staff), the deferral period is always five years. The deferred component is:

- ◆ 60% (55% in equities and 45% in cash), for variable remuneration equal to or higher than €425,000;
- ◆ 50% (56% in equities and 44% in cash) for variable remuneration of less than €425,000.

For other Identified Staff, deferral is over a three-year time horizon, made up as follows:

- ◆ 60% (50% in equities and 50% in cash), for variable remuneration equal to or higher than €425,000;
- ◆ 40% (50% in equities and 50% in cash), for variable remuneration of less than €425,000.

For the Material Risk-Takers, the upfront component is paid half in cash and half in Mediobanca shares.

The €425,000 threshold has been identified in accordance with the regulations, as it is less than 10x the average overall compensation within the Group (approx. €82,500) and 25% of the overall remuneration for Italian high earners stated in the EBA 2019 report (i.e. €425,000). This threshold can be reviewed at least once every three years.

For Identified Staff, the deferral mechanism applies starting from a materiality threshold of variable remuneration equal to or higher than €80,000.



After the vesting period, the shares are subject to a further retention holding period of one year.

The time horizon over which the variable remuneration is distributed, in cash and shares, is therefore six years for senior management and four years for the other Identified Staff.

An overview of the timing for the various distributions is shown in the table below:

| | Anno T | T+1 | T+2 | T+3 | T+4 | T+5 |
|---|---------------------|--|--|--|------------------------|--|
| Senior management with variable remuneration \geq €425,000 | 20% Upfront cash | 20% Upfront equity | 13% Deferred cash | 11% Deferred equity | 11% Deferred equity | 11% Deferred equity 14% Deferred cash |
| Senior management with variable remuneration $<$ €425,000 | 25% Upfront cash | 25% Upfront equity | 11% Deferred cash | 9% Deferred equity | 10% Deferred equity | 9% Deferred equity 11% Deferred cash |
| Other Identified Staff with variable remuneration \geq €425,000 | 20% Upfront cash | 20% Upfront equity 5% Deferred cash | 15% Deferred cash 10% Deferred cash | 15% Deferred equity 15% Deferred cash | | |
| Other Identified Staff with variable remuneration $<$ €425,000 | 30% Upfront cash | 30% Upfront equity | 10% Deferred equity 10% Deferred cash | 10% Deferred equity 10% Deferred cash | | |

Mediobanca also applies a 30% deferral over a three-year time horizon, all in cash and subject to malus conditions, to all staff not included in the definition of identified staff who receive variable remuneration equal to or higher than €100,000.¹⁴

II. Performance share scheme

In order to have ordinary shares for use as components of staff remuneration, Mediobanca has adopted a performance share scheme, approved by shareholders at the annual general meeting to be held on 28 October 2015. The plan is subject to review by shareholders in annual general meeting, to adapt it to the conditions set forth in the section entitled "Timing and instruments" above, to which reference is made for all further details.

The scheme involves the award of Mediobanca shares to staff members (employees, collaborators, staff on agency contracts) as the equity component of the variable remuneration granted to them as a result of the performance evaluation process, both short-term in relation to the annual budget (short-term incentive plan) and long-term (long-term incentive plan) usually assigned in conjunction with approval of the strategic plan.

The performance shares allocated as upfront equity component are subject to a holding period of no less than one year before they are actually awarded, subject to the beneficiary continuing to work with the Mediobanca Group.¹⁵

14) For personnel not included among the definition of Identified Staff, the Group companies are free to adopt or not adopt their own internal deferral mechanisms and respective thresholds, including on the basis of specific sector regulations (e.g. in asset management). The deferral structure adopted to this end by the Mediobanca applies to those Group companies which do not have a policy or other specific remuneration and incentivization of their own, and which therefore adopt the Group policy directly without further specification.

15) I.e. the existence of a co-operation agreement between the beneficiary and the company, whether an employment contract or some other arrangement, not during a period of advance notice for resignation/withdrawal/termination, whether voluntary or due to dismissal/withdrawal on the part of the company. For Directors of Group companies who are not tied to the Group by employment contracts, when their terms of office come to an end as a result of expiring naturally or failing to be renewed, the rights are maintained subject to the provisions of the specific individual agreements and provided that the person concerned has not left office due to compliance breaches or other deeds attributable to them.



The performance shares awarded as deferred equity component are:

- ◆ Assigned within an overall vesting period for all deferred components over a time horizon of at least three years, provided that the beneficiaries are still employed by the Group¹⁶ and that the additional performance conditions stipulated in the remuneration policies in force at the time regarding the sustainability of the results achieved have been met, with the conditions regarding the company's capital solidity and liquidity and/or proper individual conduct in particular respected.
- ◆ Subject to a further holding period of at least one year prior to the their actual assignment, which remains conditional upon the beneficiary continuing to work with Mediobanca.¹⁷

Awards which are spread over time are an incentive to staff, in accordance with their role and business activities, to adopt conduct which is consistently geared towards ensuring that Mediobanca retains a solid capital base, substantial liquidity, control of all risks and profitable results, thus guaranteeing that the remuneration systems in place remain sustainable over the long term.

The Chief Executive Officer of Mediobanca may also use ordinary shares as an instrument outside the annual award cycle, to define remuneration packages upon the occasion of recruiting new key staff, including outside the annual and/or long-term award cycle and with specific deferral mechanisms. The governing bodies may also award quantities of performance shares as part of compensation agreed in respect of early termination of the working relationship, to link it to the performance delivered and the risks taken by the individual and the Bank, as required by the regulations and consistent with the provisions of the remunerations policies in force at the time.

The shares received are personal, without prejudice to inheritance rights. The right to receive shares is retained in the event of retirement or the beneficiary being permanently disabled and/or suffering from an illness which makes them unable to continue working. Conversely, the right to receive shares is forfeited in cases where the working relationship ends, whether governed by an employment contract or some other arrangement, due to resignation, dismissal and/or withdrawal. Exceptions to the foregoing are handled by the governing bodies within their respective areas of authority, namely the Board of Directors, Remunerations Committee and the Chief Executive Officer of Mediobanca, based on the powers vested in them, particularly in cases which involve departures by mutual consent within the limits defined by the remunerations policies in force at the time. The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies, and without prejudice to any regulations providing for more favourable treatment instituted by the applicable local legislations.

Performance shares are awarded from capital increases approved by the shareholders in general meeting or from any treasury shares the Bank may possess (once again subject to a resolution being passed in general meeting). The maximum number of shares that may be awarded under the terms of the existing scheme is 20 million, from the capital increase reserved for award to Mediobanca Group staff members before 28 October 2020, pursuant to Article 2349 of the Italian Civil Code, which was approved by shareholders on 28 October 2015. A total of 5,140,540 shares remain, and at present there is a total of 6,676,384 performance shares assigned against the resolution adopted by shareholders but not yet allocated on account of their being subject to vesting and/or holding periods. Alternatively

16) See previous note.

17) See note 15.



and/or in addition, those of the treasury shares currently held by the Bank and not reserved for other purposes may be used to this end.¹⁸ The fully-diluted percentage of the share capital accounted for by the equity instruments assigned to Group staff amounts to approx. 0.75%. The impact on the stock's value and the possible dilution of the share capital is negligible, given that there are several schemes in operation over different years and with different vesting and holding periods over a medium-/long-term time horizon.¹⁹

III. Performance conditions, malus conditions and clawback

The deferred variable remuneration component is paid, after the performance evaluation process has been completed over the relevant timeframe, i.e. annual (short-term incentive) or long-term (long-term incentive), provided that:

- ◆ The beneficiary is still a Group employee²⁰ and not serving a period of notice for resignation or dismissal;
- ◆ In each of the financial years, the performance conditions equating to the gateways described in the section entitled "Gateways and risk-performance correlation" are met;
- ◆ The beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as validated by the Risk Management unit;
- ◆ The beneficiary has not committed any compliance breaches (i.e. has not been subject to disciplinary measures under the terms, *inter alia*, of Mediobanca's Code of ethics, Organizational model, Business conduct policy and other internal regulations²¹) and no losses have been incurred which were attributable to their actions.

This method is consistent with the requirement for staff, in accordance with their role and business activity, to conduct themselves at all times in such a way as to ensure that Mediobanca retains a solid capital base, a strong liquidity position and close control of all risks as well as positive earnings results, thus guaranteeing that the remuneration systems remain sustainable over the long term.

18) In accordance with the provisions of the resolution adopted by shareholders in the annual general meeting held on 27 October 2018.

19) At the extraordinary annual general meeting held on 27 June 2007, the shareholders of Mediobanca adopted a stock option, which was then revised by the Board of Directors at a meeting held on 24 June 2011 to become a performance stock option scheme. No options remain to be taken up from that scheme. The 24,464,000 shares remaining from the capital increase (to be implemented by 1 July 2022) can no longer be used.

20) Equivalent provisions have also been provided for working arrangements other than employment itself (e.g. co-operation or agency contracts). For Directors of Group companies who are not tied to the Group by employment contracts, when their terms of office come to an end as a result of expiring naturally or failing to be renewed, the rights are maintained subject to the provisions of the specific individual agreements and provided that the person concerned has not left office due to compliance breaches or other deeds attributable to them.

21) The remuneration and incentivization system must not only discourage inappropriate behaviour but must also contribute to promoting good conduct. For this reason conduct is an important issue of the remuneration policies, which must take due account of individual and collective responsibilities in the event of misconduct and establish their impact on remuneration. To this end Mediobanca has drawn up a Group directive which lays down the rules for identifying and assessing compliance breaches and their impact on the variable remuneration component, whether already awarded or still to be awarded. In more detail, in the event of compliance breaches being committed malus mechanisms can be activated to reduce or wipe out the value of: (i) the variable remuneration to be assigned for each year in connection with the annual performance assessment of the individual concerned or a specific unit; and/or (ii) deferred component for previous years as yet unpaid; or clawback mechanisms, which require an amount of the variable remuneration already distributed to be repaid. For the purposes of identifying a compliance breach, account is principally taken of violations noted by the control units (Compliance & Group AML, Group Audit and Group Risk Management) and the authorities (e.g. Bank of Italy, Consob). To ensure greater effectiveness, and in accordance with the principle of proportionality, under the terms of the Directive only relevant violations constitute compliance breaches, i.e. incidents which have exposed Mediobanca to a significant risk of non-compliance with the regulations. In general terms, this involves violations which give rise to criminal or administrative liability as a result of a crime being committed (e.g. those contemplated in Italian Legislative Decree 231/01) and violations specific to the banking and financial sector (e.g. market abuse, provision of banking or investment services, anti-money-laundering, business conduct). Any more minor breaches noted by the control units and/or behavioural violations detected by Group HR, despite not constituting compliance breaches, may in any case be taken into consideration in connection with payment of variable remuneration as part of the performance evaluation process which always includes assessment of general conduct among the objectives, along with the individual operating targets. The materiality of the violation is assessed on the basis of the following issues: seriousness of the violation, extent of the violation, and external relevance. Each compliance breach is assessed on the basis of each of the foregoing criteria, assigning a value of nil, low, medium or high and establishing an overall score. For each score the variable component is reduced by a certain amount affecting the remuneration for the current financial year (in-year adjustment) and/or the deferred component assigned in previous years but not yet distributed. In the event of enquiries or disciplinary proceedings being launched by the authorities which have not resulted in procedural violations being clearly established, it may be decided to suspend payment of the variable remuneration, either the upfront and/or deferred component as yet unpaid depending on the results of the enquiries. The outcome of the assessment and the impact on the variable remuneration, individual or unit scorecard is formalized and stored by the Compliance unit, with regular reporting to the governing bodies.



For staff employed at other Group companies, the Chief Executive Officer may choose to identify one or more specific economic indicators in place of those referred to above.

The Board of Directors, with the favourable opinion of the Remunerations Committee, may, at the Chief Executive Officer's proposal, authorize payment of the deferred component, including in part, even if the gateways are not achieved, either to business divisions or individuals who during the year have delivered particularly outstanding performances or who are expected to be decisive with regard to the sustainability of results over time, for retention purposes.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members even without fraud and/or wilful misconduct being established. In particular, provision for such measures is made in cases involving breach of the obligations imposed under Article 26 of the Italian banking act (company representatives – personal and professional qualifications and independence) or, where relevant to the party involved, Article 53, paras. 4ff (regulatory supervision), of the obligations in respect of remuneration and incentivization.

Clawback clauses can be applied to Identified Staff up to the fifth year following payment of variable remuneration, upfront or deferred, and up to one year for other staff.

e) Ban on hedging strategies

Staff members are not allowed to use hedging or insurance strategies on their remuneration or other aspects which could alter or otherwise distort the risk alignment effects inherent in the compensation mechanisms, especially if they refer to the variable component paid in the form of financial instruments.

As governed by the applicable internal regulations,²² Identified Staff must give notice of transactions executed by them directly or indirectly in financial instruments issued by Mediobanca and those with Mediobanca instruments as underlying, transactions identified as potentially able to affect the risk alignment mechanisms, and more generally, to impact on achieving the objectives of the regulations in force in the area of remuneration²³. Identified Staff are required to give notice of contracts executed with counterparties that generate the same effect (e.g. OTC derivatives). They are also obliged to disclose, from the moment they are included in the definition of Identified Staff and once a year if their inclusion is confirmed:

- ◆ All custody and administration accounts – opened with the Group or with other intermediaries – of which they are holders and/or joint account holders at the disclosure date. Also relevant in this connection are any accounts attributable to them indirectly (e.g. made out to companies 100% owned by them);
- ◆ The list of the financial instruments listed above with an indication of their respective quantities;
- ◆ The fact that no contracts have been entered into with third parties for hedging and/or insurance purposes.

22) "Disclosure of accounts and trades by Group Identified Staff", "Regulations on internal dealing" and "Regulations governing personal transactions involving financial instruments made by relevant persons".

23) Specific provisions are adopted for the companies operating in asset management, as the variable remuneration in such cases may be assigned in the form of fund stock units and/or fund-linked products.



Failure to disclose the above information could constitute a compliance breach.

The foregoing is without prejudice to the obligations and restrictions in force under any additional internal regulations governing trading in financial instruments on a personal basis.

Based on the information contained in the above disclosures, the control units carry out checks on the accounts and make further enquiries which may include asking to see the statements of account as appropriate.

6 Retribution structure for particular categories of staff

a) Non-executive directors

The emolument payable to non-executive directors of Mediobanca and the Group companies is fixed by the shareholders in general meeting, and no provision is made for incentives linked to the Bank's performance.

The directors of Mediobanca and all the Group companies are covered by a D&O insurance policy.

The Chairman is entitled to receive fixed remuneration only. The Board of Directors may, after consulting with the Remunerations Committee and within the limits set by the regulations in force, assess whether or not it is appropriate to pay him a variable component, on an exceptional basis, to be paid in accordance of the rules of this policy.

b) CEO and General Manager of Mediobanca

The remuneration of the CEO and the General Manager is regulated by individual agreements approved by the Board of Directors, and comprises:

- 1) A fixed salary;
- 2) A variable annual component (short-term incentive) which only accrues if the gateways stipulated in these policies are met (see the section entitled "Gateways and risk-performance correlation"), commensurate with the quantitative/financial and qualitative/non-financial performance indicators contained in an individual scorecard approved annually by the Board of Directors at the Remunerations Committee's proposal being met.

The scorecards provide for performance objectives for each individual manager's sphere of responsibility. For example, these may regard: risk-adjusted profitability; revenues, Group-wide or for particular divisions; profitability, or Economic Profit of individual areas for which they are responsible; and/or other objectives consistent with the guidelines of the strategic plan with respect to capitalization, liquidity or new business initiatives. Each objective is weighted according to the relevance assigned to it by the Board of Directors and the actual margin of autonomy in terms of decision-making. If the quantitative/financial objectives are met, this triggers the payment of a variable bonus ranging from 50% (or 40% if the minimum target is only partially met, i.e. at least 85%) of the gross annual salary on certain minimum objectives being reached (usually related to the budget objectives) to a maximum of 180% in the event of particularly good performances. Regarding the qualitative objectives, the variable component deriving from the quantitative objectives may be adjusted by the Board of Directors based on the degree to which the non-financial objectives have been reached, in a range from -10%



to +15%. The qualitative objectives are considered as having equal weighting, and are to be assessed individually. The 200% cap applies in all cases.

Of the variable component, 60% is deferred over a five-year time horizon, in cash and in Mediobanca shares, in accordance with the provisions of these Policies in the section entitled "Timing and instruments". All deferred components are subject to the performance and malus conditions stipulated in these Policies (see the section entitled "Performance conditions, malus conditions and clawback").

For the financial year ending 30 June 2020, the Chief Executive Officer has been assigned the following quantitative objectives:

| Objective | Weighting |
|--|-----------|
| Profit before Taxes (PBT) from Group banking activities/capital absorbed (to optimize return and capital allocated to core activities) | 35% |
| RWA density: Finrep assets/RWAs (focus on loan quality) | 25% |
| Total fees (for focus on capital-light revenues) | 20% |
| AUM-AUA-AUC as % of TFAs (for growth in indirect funding and reduction in weight of liquidity) | 20% |

The General Manager has been assigned the following objectives:

| Objective | Weighting |
|--|-----------|
| Profit before Taxes (PBT) from Group banking activities/capital absorbed (to optimize return and capital allocated to core activities) | 35% |
| RWA density: Finrep assets/RWAs (focus on loan quality) | 20% |
| Banking cost/income ratio (to support balanced growth between revenues and costs) | 20% |
| ROAC Wealth Management (to optimize return on capital absorbed by WM division) | 25% |

The following non-financial objectives have been assigned for the year ending 30 June 2020: to the Chief Executive Officer, management of Corporate Social Responsibility objectives, and strengthening the distribution platforms in the Wealth Management, Consumer Banking and CIB divisions; to the General Manager, maximizing synergies between distribution network and product factories, and management of IT Growth to the Business and Data Quality projects.

For the year ending 30 June 2020, with a view to achieving convergence with the new long-term incentive plan shortly to be introduced as described below, the annual variable component may entail payment of up to a maximum of 150% of the annual fixed remuneration as recognition for achievement of the quantitative/financial objectives set, while the Board of Directors will be authorized to adjust the payment upwards if non-financial objectives are met too, up to a maximum cap of 160%.

- 3) When long-term plans are approved, the Board of Directors may approve a long-term incentive plan for the Chief Executive Officer and General Manager related to achievement of the strategic plan's objectives.

Individual scorecards are used to show when the quantitative/financial and qualitative/non-financial objectives have been reached, whereupon the amount of the bonus awarded to the CEO and General Manager ranges from 20% to 40% of the value



of their annual fixed remuneration for each year of the strategic plan. The final amount payable at the end of the plan, pro rata to the overall performance delivered, is determined by evaluating each of the objectives contained in the scorecard based on the weighting assigned to them.

- 4) The Chief Executive Officer and General Manager also receive their emoluments as directors, but not those due in respect of participation in committees. An insurance policy is available to cover them for third-party liability, and they also benefit from participation in the complementary pension scheme, other benefits and welfare schemes operated for Mediobanca Group management staff.
- 5) The Chief Executive Officer is required to hold a number of Mediobanca shares equal in value to twice the amount of his fixed remuneration, and the General Manager one time, even after the shares deriving from the award of the variable component have actually been assigned, until the respective vesting/holding periods expire (known as the "stock ownership requirement"). The equivalent amount of shares, to be delivered in a timespan of five years from the date of their first award, must be held throughout the duration of their terms of office, to ensure their interests are aligned with those of the shareholders.²⁴

c) Identified Staff employed in control units

The remuneration package for the Group's Identified Staff in the control units (Group Audit, Compliance and Risk Management) is structured so that the fixed component represents the majority, with a variable component assigned annually based on qualitative criteria in relation to the effectiveness and quality of control action. The variable component has a maximum limit of 33% of the fixed component, while that of the heads of unit is set annually by the Board of Directors, at the Remuneration Committee's proposal.

d) Persons working for Group companies

In Group companies, the incentivization system is reserved specifically to senior staff who, on account of their professional specialization, organizational role and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are identified by the Chief Executive Officer and/or General Managers of the companies themselves, after consulting with the General Manager of Mediobanca and with Group HR. Each beneficiary is notified of their inclusion in the incentives scheme, with a defined annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is usually the Economic Profit and/or ROAC delivered by the business division in which they work or by other specific risk-adjusted metrics based on the type of activity, as is the case with asset management) and other secondary, quantitative objectives. Specific long-term incentivization plans may also be implemented, with performances evaluated over a time horizon of several years.

For the commercial branch and credit management network, the variable component is determined on the basis on specific quantitative indicators that can be applied individually or collectively by organizational unit. Valuation indicators are also adopted to incentivize proper relations with clients, including (but not limited to): customer satisfaction analysis, commodity checks, lack of complaints attributable to specific responsibilities due to improper conduct versus clients, transparency in banking and financial transactions and services offered to clients, evaluation of other quality indicators (e.g. correct MiFID profiling, absence

24) At 30 June 2019, the Chief Executive Officer held 2,786,050 Mediobanca shares and the General Manager 1,065,000 Mediobanca shares, equal to approx. 14x and 6.4x their fixed remuneration respectively.



of contractual irregularities, observance of internal processes in the area of powers, proxies and guidelines). Due consideration is also taken of the results of checks made by the control units. The evaluation is completed by consideration of whether or not individual and project objectives have been achieved. For the staff, support and control units, allocation is based primarily on qualitative criteria.

Below given limits, the bonus is paid entirely in cash in the year in which it accrues. Above such limits provision is made for forms of deferral, on a three-year basis. In the event of losses related (including, but not limited to) to provisions which prove to be insufficient, contingent liabilities or other items which might prejudice the integrity of the accounts (such instances not to be construed restrictively; the "malus conditions"), all or part of the deferred share may not be paid.

In line with the provisions in place for Mediobanca, the incentivization schemes in operation at the Group companies too place particular emphasis on the issue of proper individual conduct (i.e. compliance with regulations and internal procedures, and transparency versus clients) by adopting the concept of compliance breaches, both at the stage of award of the variable component, and in assessment of whether or not to pay any deferred components.

e) Persons working for asset management companies

The Group includes companies in the asset management sector (UCITS and AIFs) which operate in different jurisdictions (Italy, United Kingdom, Switzerland, Luxembourg, Principality of Monaco). They are subject to the sector regulations instituted by the local regulators (for the European companies this means the national regulations transposing the UCITS V and AIFMD directives²⁵) based *inter alia* on the criteria of proportionality and within the broader framework of the consolidated banking regulations on subjects including:

- ◆ Role of shareholders in general meeting, governing bodies, Remunerations Committee, and governance processes in general where applicable;
- ◆ Definition of identified staff at individual and consolidated levels;
- ◆ Remuneration and incentivization system structures correlated to performance indicators for the manager and the UCITS and AIFs managed and measured net of the risk concerning their operations, and which take account of the level of the capital and liquidity resources necessary to cover the activities and investments made;
- ◆ Application of specific means of deferral between different categories of risk-takers, including variable remuneration assigned in the form of financial instruments linked to shares in funds or equivalent non-cash instruments;
- ◆ Caps on variable remuneration, if any, as a result of forming part of the banking group and the regulations applicable to it from time to time and/or the relevant jurisdiction (see section above on "Limits on variable remuneration" and exceptions to the 2:1 cap on variable to fixed remuneration);
- ◆ Specific malus clauses and clawback mechanisms;
- ◆ Dismissal or resignation;
- ◆ Disclosure requirements.

²⁵⁾ In Italy this refers to the joint Bank of Italy/Consob regulations issued on 28 April 2017 which transposes and combines the UCITS V and AIFMD guidelines.



f) External networks and financial advisors

To achieve its strategic objectives and provide services to its clients, the Group also uses financial advisors retained on the basis of agency contracts in the Wealth Management division, and wealth managers in the Consumer Banking division. This allows them to promote and sell financial products and services without representation, on an independent and exclusive basis.

In view of the independent nature of their employment relationship, their remuneration is entirely variable but split between recurring and non-recurring components.

The recurring component chiefly consists of direct commissions (on various products, such as asset management, individual asset management, insurance, asset administration, direct funding, bank services, bank products offered by the Mediobanca Group), and indirect commissions ("oven" fees if a management mandate is issued, calculated based on the business promoted by the advisors co-ordinated and concluded by the Bank).

These are credited back on various grounds (e.g. sales, maintenance, management, negotiation and distribution fees) based on the commission table in force from time to time and attached as an annex to the agency contract. They constitute the more stable, ordinary component of their remuneration and in themselves do not serve for incentivization purposes (comparable to the fixed remuneration component for employees).

The non-recurring component does serve for incentivization purposes (and is therefore comparable to the variable remuneration component for employees) and is linked, for example, to beating certain targets in terms of funding (bonus for developing portfolios or growing the Bank's customers), launch of new products, long-term incentivization schemes operative over several years, etc.

As required by the regulations in force, the Group includes staff members belonging to this category in the process of defining Identified Staff. The qualitative identification criteria adopted refer to the possible liability on the part of the relevant organizational units for the earnings, financial or reputational risk to which they could expose the Group. The quantitative criteria provided for by the regulations are also adopted for employees to be included in the definition of Identified Staff; these regulations also govern exclusion mechanisms and procedures, if any.

In accordance with the provisions for employees, for financial advisors too, particular attention is paid to the issue of assessment of proper individual conduct and control of operational and reputational risks (such as compliance with the regulations and internal procedures, and transparency versus clients) through adoption of the mechanism known as compliance breach. Specific events or behaviours are monitored *ex post*, including (without limitation): sanctions or precautionary measures taken by the supervisory authorities against the financial advisor, complaints made by clients for actions attributable to the financial advisor, fraudulent behaviour or wilful misconduct by the financial advisor, failure to comply with the sector regulations, internal procedures and conduct obligations versus clients, with reference in particular to the duty to act in accordance with the principles of professionalism and proper conduct in relations with clients. Appropriate organizational procedures to prevent such situations from occurring are put in place *ex ante*.

The same rules apply to non-recurring remuneration received by financial advisors included in the definition of Group Identified Staff as apply to the payment of variable remuneration for the other Identified Staff (i.e. gateways, cap, deferral, malus clause and clawback).



7 Policies in the event of the beneficiary leaving office or the employment arrangement being terminated

As provided by the regulations and the Articles of Association, the shareholders in ordinary general meeting are responsible for determining the compensation to be awarded in cases where beneficiaries leave office or the employment arrangement is terminated early, including the limits set on such compensation in terms of the annual fixed salary and the maximum amount deriving from applying them.

a) Treatment for directors leaving office early

Mediobanca does not make payments other than the ordinary component to directors who leave office for any reason.

b) Treatment for employees

Treatment for individuals linked to Mediobanca Group companies under the terms of employment contracts (i.e. including directors who are members of the Group's senior management and all Identified Staff, including the aggregate of management with strategic responsibilities) involves payment of:

- ◆ The amount established and due in accordance with the provisions of law and the locally applicable contractual regulations in respect of the cost of failure to give notice²⁶ and other entitlements payable upon termination (severance provision, holiday leave etc.);
- ◆ An additional amount by way of severance if appropriate: severance pay is the main instrument recognized in the various jurisdictions for cases where the employment arrangement is terminated by mutual consent, in order to minimize the earnings and reputational risks, present and future, which the Bank might face as a result of possible disputes;
- ◆ Other types of arrangement, e.g. to cover non-competition agreements or settlements paid in respect of potential moral or material damages.

c) Severance

The amount of severance pay is determined by taking into account the various factors normally stipulated in the applicable provisions of employment law and jurisprudence and in employment contracts (collective or individual), as well as the practice adopted on the respective reference markets. Although it is difficult to provide an exhaustive definition of the concrete situation *ex ante*, given the variety of individual cases, the following factors in particular are taken into account: number of years' service within the Group, age and personal and social conditions, role and organizational position held, the historical performance in qualitative/quantitative terms delivered by the individual, the reasons for employment arrangement being terminated (which in some cases may be organizational and strategic rather than related to individual performance), the performance of activities that have caused problems for the risk profile decided by the Group, personal conduct that does not conform to company values, and the existence of risks for the Bank linked to possible disputes. The approach adopted reflects the effective and long-term results of the individual and company performance.

26) In Italy the period of notice required is established on the basis of the national collective labour contracts in force at the time. Usually the notice period will be from six to twelve months, depending on the employees' number of years' service.



The basis for calculating the additional monthly salaries to be paid by way of severance is usually the most recent fixed salary, the average variable remuneration paid over a given time horizon (generally the last three years), and in some cases the value of fringe benefits.

Mediobanca defines the total maximum amount payable by way of severance as 24 monthly salaries, as previously defined and in any case no more than €5m, unless provided otherwise by shareholders in general meeting.

It does not include any amounts paid as indemnity for failure to give notice and the other amounts due in connection with termination of the employment relationship (severance provision, holiday leave etc.).²⁷ It does, however, include any non-competition agreements. Severance payments may not under any circumstances exceed the limits set by the applicable laws, regulations and collective contracts.

For Identified Staff, amounts paid as severance are included in calculating the limit on variable remuneration as a percentage of fixed remuneration represented by the cap, where instituted, with reference to the last year of employment. Any amounts agreed and/or paid under the terms of a non-competition agreement are included for purposes of calculating the cap only up to the amount which exceeds the share of the last year's annual fixed salary, for each year of the non-competition agreement's duration.

As provided by the regulations in force, in calculating whether or not the cap has been reached, no account is taken of any amounts agreed and/or paid under the terms of an agreement between the Bank and staff to settle a dispute that has already arisen (or at least is feared with good reason), at any stage of the settlement process, calculated as illustrated below. In order to quantify the risk objectively, the Bank takes advice from external lawyers specializing in employment law whose opinions are substantiated by objective legal references.

Amounts agreed and/or paid as severance under the terms of an agreement between the Bank and staff in order to settle a dispute which has already arisen (or at least is feared with good reason), without reference to the cap, are therefore determined²⁸ on the basis of the following formula:

$$\text{Severance} = \text{monthly salary (MTC)} \times \text{indicator representing number of years' service (Y)} \pm \text{correction factor (CF)}$$

or

$$\text{Severance} = (\text{MTC} \times \text{Y}) \pm \text{FC}$$

where:

MTC

Calculation basis: average monthly total gross compensation, or fraction thereof, usually derived from the most recent annual fixed salary, the average variable remuneration paid over a given time horizon (last three years where applicable), and the value of any fringe benefits.

Y

Indicator representing the number of years' service in the

27) To express this in terms of number of years' annual fixed salary, for staff members who have received variable remuneration equal to 2x their fixed salaries (given the 2:1 cap) on an ongoing basis over the whole time horizon taken into consideration, a total of six annual fixed salaries would be payable. This estimate, which is purely theoretical, is balanced by the maximum amount payable in absolute terms established by the remuneration policies.

28) Net of the cost of any amounts paid by way of indemnity in lieu of notice and amounts due in connection with severance mentioned in point b) above, and with the provisions specified in the foregoing note 26.



CF

Mediobanca Group: these are considered as not less than 7 and not more than 12.

Correction factor: determined and justified, on the basis of objective and suitably documented parameters, to be calculated according to the criteria set forth below:

- ◆ Age;
- ◆ Personal and social conditions provided for under the internal regulations;
- ◆ Role and position within organization;
- ◆ Historical individual qualitative and quantitative performance delivered;
- ◆ Reason for end of employment arrangement (in some cases may be organizational and strategic and not strictly related to individual performance);
- ◆ Activities performed that have caused problems with respect to the risk profile adopted by the Group;
- ◆ Personal behaviour not aligned with company values;
- ◆ Existence of risks for the Bank as a result of disputes that have already arisen or are feared with good reason, based on opinions obtained from leading lawyers; and
- ◆ Specific refinements which take into account the employment law provisions in force in the specific countries other than Italy where the Group operates.

The Bank determines analytically in its internal regulations the weightings used to define the overall correction factor applicable in practice, which in general terms may vary between - 100% and + 100%.

Severance may not be paid in cases where the conduct of individual staff members has damaged the integrity of the Bank's capital, profitability and earnings/financial or reputational situation, whether or not fraud and/or wilful misconduct is established.

d) Timing and instruments

For identified staff included in clusters 2 and 3 in the table shown in the section entitled "Policies for identification of Material Risk-Takers", the methods and timescales provided for in making severance payments and any compensation for non-competition agreements (except in the latter case for the share of any such amounts that does not exceed the last year's payment in terms of fixed salary) entered into upon terminating an employment relationship include payment based on the timescales and deferral mechanisms instituted for payment of variable remuneration, use of shares or instruments related to them, payment being made subject to malus conditions in the event of liability being established in cases of fraud and/or wilful misconduct and/or attributed in a court of law to the individual staff member's own responsibility during the period in which they worked for the company which emerge after the employment relationship has been terminated. For other identified staff, forms of deferral and risk adjustment may be applied, with the appropriate methods to be identified based on the amount to be paid by way of severance, in addition to the considerations described under point c) above. The Bank also reserves the right to use the claw back mechanism in the cases provided for in the applicable employment law regulations.



e) Treatment of deferred component and fringe benefits

Entitlement to receive deferred variable remuneration components, in cash and/or equity, awarded in previous years but not yet paid, is forfeited in cases where staff members tender their resignations or are dismissed, as does the entitlement to any company benefits.

for treatment in cases of "good leavers",²⁹ exceptions providing for more favourable treatment in individual cases and the possibility of applying more favourable local legislations, are handled by the governing bodies within their respective areas of responsibility, namely the Board of Directors, Remunerations Committee and Chief Executive Officer, based on the powers vested in them.

f) Decisions by third parties

The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies.

g) Involvement of governing bodies

Regular reporting is made to the Remunerations Committee on any decisions taken vis-à-vis employees qualifying as Identified Staff, and the Committee itself is involved promptly in deciding on the treatment of the most significant individual cases.

h) Arrangements for the Chairman, CEO and General Manager of Mediobanca

In cases where the Chairman (if a member of the Group's management), Chief Executive Officer and/or General Manager leave the Bank's employment for any reason, the provisions of the Group's remuneration policies for Identified Staff and the sector regulations in force from time to time shall apply. Any amounts paid in cash, in addition to notice, shall be subject to contributions to the company's complementary pension scheme, and save in cases of dismissal for just cause, the said persons will be allowed to retain any financial instruments assigned to them up to the time when the employment arrangement is terminated.

29) "Good leavers" are defined as those staff members whose employment arrangement ends by mutual consent (including in cases of retirement or early retirement), death or permanent incapacity, duly certified, if it remembers the staff member concerned unable to perform their duties. In all other cases where the employment arrangement is ended, including resignations, the staff members concerned are considered "bad leavers", even though the Bank may decide to treat them as "good leavers" in any case, in view of the specific features of the case concerned, to be evaluated on the basis of suitably justified and documented objective criteria.



Section 2

Report on application of staff remuneration and incentivization policies for year ended 30 June 2019

a) Introduction

The Mediobanca Group delivered an excellent set of results for the year ended 30 June 2019, which placed it among the top European banks for growth in revenues, profitability, shareholder remuneration and stock market performance. All divisions delivered good performances, with the main highlights as follows:

- ◆ Total revenues: up 4%, to €2.5bn;
- ◆ Net interest income: up 3%, to €1.4bn, due to growth in loans (up 8%, to €44bn) and a reduction in the cost of funding (from 90 bps to 80bps);
- ◆ Asset quality improving further, with the cost of risk declining (from 62 bps to 52 bps), gross NPLs down 8%, to €1.8bn, representing 3.9% of total loans (4.6%);
- ◆ GOP up 8%, to over €1.1bn;
- ◆ Adjusted net profit up 8% to €860m, adj. EPS up 8% to €0.97;
- ◆ Profitability higher: adj. ROTE 10.2%, vs 9.5% in 2018;
- ◆ CET 1 ratio stable at 14.1%;
- ◆ Payout ratio 50% (vs 48%), proposed dividend of €0.47 per share.

The 2016-19 strategic plan objectives have been fully achieved, on the back of our distinctive business model and financial solidity, factors which allow the Mediobanca Group to focus on growth and place us in the privileged position of being able to strengthen distribution, organically and via acquisitions. All divisions improved in terms of positioning and profitability: Wealth Management now visible by brand, scale and contribution to Group figures; record results posted in Consumer Banking; and CIB now leader in Southern Europe.

Decisions on staff remuneration have been taken in a business environment that increasingly requires the contribution of highly-skilled professionals.



b) Governance

The governing bodies and company units have governed the entire process of applying the remunerations policies.

In particular, as described *inter alia* in the Annual statement on corporate governance and ownership structure, the Remunerations committee has met on eight occasions, and the meetings on average lasted around 1 hour and 45 minutes. The Committee is made up of four non-executive members, a majority of whom qualify as independent under Article 19 of the Bank's Articles of Association. The Statutory Audit Committee also participated in the Committee meetings, as did (apart from in one case) the Chief Executive Officer and the General Manager as guests. The Chief Risk Officer and the head of Group HR also took part, along with other members of the Group's staff.

The main items discussed in Committee meetings, in addition to this report, are as follows: formulation of proposals to the Board of Directors regarding the variable remuneration of the Chief Executive Officer and General Manager (defining and marking their scorecards); assessment of a long-term incentive scheme for Group senior management in connection with approval of the new strategic plan; decisions made by the Chief Executive Officer regarding the variable remuneration of other staff; review of the internal processes and procedures adopted in connection with the remuneration system; analysis of the new Bank of Italy instructions issued on 23 October 2018 on the subject of remuneration and incentivization policies and practices with a particular focus on the remuneration of financial advisors and staff working in asset management; analysis of market benchmark compensation and guidance from institutional investors and proxy advisors; and application of the severance policy.

Group HR has provided full support for all activities, co-ordinating the process of formulating the proposals and resolutions, and executing them. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and finalizing the new remunerations policies.

The Compliance unit has issued a report stating that the remunerations policies conform to the Bank of Italy and internal regulations, and the Group Audit Unit checked that they were implemented correctly. The Risk Management unit, too, has been involved in ascertaining that the gateways have been met. The Planning, Accounting and Financial Reporting areas also provided the data for determining the business areas' performances and gateways.



c) Incentivization system: determination of variable remuneration and allocation using risk-adjusted metrics based on sustainable results over time

All the Group's gateways for the year ended 30 June were met: consolidated gross operating profit €1,140m, CET 1 ratio 14.1%; Leverage ratio 8.4%; AFR/ECAP 192%; average Liquidity Coverage Ratio 177%; Net Stable Funding Ratio 107%. For the Group companies which adopt their own RAF on an individual basis (Compass, CBI and Mediobanca International), in the course of the twelve months their risk profile remained consistent with the objectives and limits set, with no breaches of the thresholds recorded.

The other quantitative and qualitative metrics were also met, in the sense that the Group's results reflected the required risk/return balance, in compliance with all the objectives set in the Risk Appetite Framework. From a qualitative perspective, Mediobanca confirmed its positioning and market share in a difficult market scenario.

The Group's results for the year ended 30 June 2019 reflect:

- ◆ Stable capital solidity indicators (CET 1 ratio >14%);
- ◆ Growing GOP (€1.14bn), 7.8% higher than last year and 4.5% ahead of budget;
- ◆ Revenues of €2.5bn (up 4%), with net interest income increasing despite market rates remaining in negative territory;
- ◆ Good performance in trading activity (up 25% year-on-year);
- ◆ Loan loss provisions decreasing for the fifth year in a row (from €247m to €223m).

The Wholesale Banking division's results in the twelve months ended 30 June 2019 reflect a gross operating profit of €338m, following writebacks to loans totalling €63m, with its market leader position confirmed. The Economic Profit earned by Wholesale Banking totalled €252m, impacted by a negative performance from the proprietary trading portfolio in turn offset by the healthy trend in CIB Client business, which was ahead of budget and up 9% year-on-year due to CMS, Corporate Finance and an improved cost of risk. CIB Client in particular delivered:

- ◆ Economic Profit up 9%, from €253m to €275m;
- ◆ Investment banking revenues showed strong growth in Corporate Finance, a low capital-absorption product with higher pay-out consistent with market practice, and growth in Capital Market Solutions. The overall figure was penalized by the downturn in lending activity, where revenues were down 9%, in a difficult market scenario, but was boosted by writebacks which were far higher than the need for provisioning;
- ◆ Market leadership in advisory business;
- ◆ Fixed labour costs down slightly, due to more efficient organization in various teams plus a more favourable GBP/EUR exchange rate.

For Mediobanca Private Banking, the results were as follows:

- ◆ Profit from ordinary activities up 9%, from €14.1m to €15.4m;
- ◆ GOP €17m (30/6/18: €13.6m, reflecting €0.6m in provisions);



MEDIOBANCA

- ◆ AUM/AUA €15.5bn (€14.9bn); NNM approx. €2.5bn, €2.1bn of which liquid assets.

For the Consumer Banking division (Compass and Futuro):

- ◆ Revenues up 3%, and above budget, on resilient returns and volumes;
- ◆ Further improvement in asset quality drove a reduction in loan loss provisions, from €242m to €238m, due to the risk-taking and recovery policies;
- ◆ GOP €496m (up 7% Y.o.Y. and 11% above budget);
- ◆ ROAC for Consumer Banking division 30%, slightly higher than in 2018 (29%);
- ◆ Cost/income and compensation/income ratios stable Y.o.Y.

With regard to the Wealth Management – Affluent / Premier division (CheBanca!):

- ◆ Growth of 16% in gross profit (from €41m to €47m);
- ◆ TFAs up 12% to €25.4bn; of the €2.8bn added, approx. 70% were AUA;
- ◆ Healthy trend in revenues (up 2%);
- ◆ ROAC for CheBanca! almost double at 14% vs 8% in 2018 (helped by adoption of AIRB models);
- ◆ Cost/income and compensation/income ratios stable Y.o.Y.

Principal Investing delivered growth in profits, from €295m to €332.4m, with a ROAC of 15%, despite the lack of gains on disposals.

Having therefore ascertained that all the conditions precedent to the distribution of the variable component had been met, and in application of the criteria provided for in the remuneration policies, the Chief Executive Officer, after consulting with the General Manager, and the relevant internal and control units, thus established the overall amount for distribution to the Mediobanca S.p.A. divisions at approx. €74m (basically stable compared with 2018). Variable remuneration for the WB division was set at €48.2m (€47.6m), of which €46.8m for CIB Client (vs €45.1m in 2018), translating to payouts of 19% (18%) and 17% (18%) of Economic Profit respectively. The variable component for Private Banking totalled €7.2m (€6.7m), corresponding to a payout ratio of 29% (30%). A total of €18.6m was allocated to the PI division, MAAM and the Holding Functions units (versus €19.3m in 2018). The bonus pool includes the variable remuneration reserved to the Chief Executive Officer and the General Manager and the heads of the control units of Mediobanca S.p.A.

The variable/fixed remuneration ratio for WB division staff was 98%, basically flat versus last year (101%). For Mediobanca Private Banking the ratio is 38% (44%). Considering Identified Staff only the ratio was 116% (135%) for WB and 128% (174%) for Mediobanca Private Banking. If all Mediobanca staff are considered, the ratio falls to 65%, from 67% in 2018.

One of the main objectives in making individual awards of variable remuneration was to maintain a competitive compensation package for younger and business staff from a talent retention perspective. Group HR and the Compliance unit reviewed potentially relevant instances in connection with application of the compliance breach mechanism.



The amount of the variable remuneration for the Consumer division and CheBanca! reflects excellent earnings results, including on a risk-adjusted basis. The total variable remuneration awarded to the Consumer division was approx. €8m, in line with 2018, with Compass's commercial network, like in previous years, reaching the cap instituted as part of the incentivization system. For CheBanca! the variable remuneration was around €11m, largely stable versus 2018.

The variable/fixed ratio for identified staff in the Consumer division was around 102%, compared with 109% in 2018, and approx. 56% compared with 48% in 2018 for CheBanca! identified staff. Considering for the headcount as a whole for the Consumer division, the ratio was 9% (10% in 2018), and 13% (15%) for CheBanca!

As at 30 June 2019, management with strategic responsibilities other than the executive directors and referred to in the Consob resolution issued in 2011, consisted of eight persons: the three heads of the control units, the head of company financial reporting, the head of Group HR & Organization, the head of the Consumer Banking division and the Wealth Management/Affluent-Premier business line, plus the two co-heads of the Corporate and Investment Banking division. Their remuneration package reflects the provisions of the remuneration policies, based on the individual category of Identified Staff to which they belong.

d) Variable remuneration of the Chief Executive Officer and General Manager of Mediobanca

This reflects the achievement of the quantitative and qualitative targets assigned in the individual scorecards approved by the Board of Directors. If the quantitative objectives are met, the amount of the variable remuneration payable to the CEO and the General Manager may be between 50% and 180% of their gross annual salary. This amount may be adjusted by the BoD according to whether or not qualitative objectives have also been met (without prejudice to the 2:1 cap).

The quantitative performance indicators assigned for the financial year ended 30 June 2019 were for the CEO as follows:

| Objective | Weighting | Reached |
|---|-----------|----------------------|
| i) RWA density: RWA/total assets (to focus on asset quality) | 25% | Comfortably exceeded |
| ii) Profit Before Taxes (PBT) from Group banking activities (to grow banking activities) | 25% | Achieved |
| iii) Group ROTE (to ensure optimal use of overall capital) | 25% | Achieved |
| iv) Growth in Total Financial Assets - AUM/AUA/direct funding (with focus in growth in assets in WM division) | 25% | Comfortably exceeded |

For the General Manager, the following objectives were assigned:

| Objective | Weighting | Reached |
|---|-----------|--------------------|
| i) Loans/funding ratio (to ensure effective balance between deposits and applications of funds) | 20% | Partially achieved |
| ii) Profit Before Taxes (PBT) from Group banking activities (to grow banking activities) | 30% | Achieved |



| | | |
|--|-----|----------------------|
| iii) Banking activities cost/income ratio (to ensure that growth in costs is proportionate to trend in revenues) | 20% | Partially achieved |
| iv) Net New Money in Private Banking business line (focus on growth in Private Banking) | 30% | Comfortably exceeded |

For the CEO the qualitative objectives involved managing the Corporate Social Responsibility initiatives and activities directed towards growing the Group's management, in relation to the succession planning; and for the General Manager, the data quality project, and implementation of the new governance/organization structure at the Wealth Management division. In both cases the objectives were found to have been achieved.

Based on the results of the scorecards, the Board of Directors, at the Remunerations Committee's proposal, resolved to award variable remuneration of €2,650,000 (€2,484,000 in 2018) and of €1,900,000 (€2,070,000 in 2018) to the General Manager, equal to 147% (138% in 2018) and 127% (138% in 2018) of their fixed salaries. Contributions to the complementary pension scheme are also paid on the upfront cash component only. Of the variable remuneration awarded, half in cash and half shares, 60% will be deferred over a five-year time horizon and is subject to performance conditions being met. The upfront equity component is subject to a two-year holding period. The ratio in 2019 between the CEO's gross total compensation and the average gross total compensation for Group staff members was approx. 55x.

e) Means of distributing the variable component

The means of distribution are as provided in the remuneration policies.

The equity component ("performance shares") to be paid to Identified Staff is equal to approx. €15m which in part will be booked to the accounts over the next five financial years under the accounting standards currently in force. Accordingly, the Board of Directors adopted a resolution to award Group staff a total of 1,716,197 performance shares³⁰ (at the average stock market value of Mediobanca shares in the month prior to the award, i.e. €9.3 per share) including those awarded to Identified Staff employed at Group companies. For Identified Staff employed in the asset management area (Mediobanca SGR), the financial instruments component was awarded in cash, linked to an index representative of the SGR funds' stock units, as permitted by the sector regulations in force.

30) Of these, 142,358 were awarded to the CEO and 102,067 to the General Manager. The total also includes 141,669 performance shares already awarded to the CMB group's Identified Staff for the year ended 31 December 2018 and under recruitment agreements in the period from June 2019 – September 2019.



MEDIOBANCA

Dear shareholders,

In view of the foregoing, we invite you to adopt the following proposed resolution for which, as in previous years, three separate votes will be held:

“At an ordinary general meeting, the shareholders of Mediobanca,

in view of the Staff remunerations policies for FY 2018-19 as illustrated in the Board of Directors' report,

HEREBY RESOLVE

Resolution 1: to approve the new staff remuneration policies as illustrated in the Board of Directors' report;

Resolution 2: to adopt the provision instituted in the section entitled “Limits on variable remuneration”, which sets the ratio between variable and fixed remuneration at a maximum of 2:1, without prejudice to the fact that such ratio may not in any case exceed the maximum amount permitted by the law and regulations in force and without prejudice to the exception to the above limits permitted for personnel working in the asset management area;

Resolution 3: to adopt the provision instituted in the section entitled “Policies in the event of the beneficiary leaving office or the employment arrangement being terminated” establishing the criteria for determining the compensation to be agreed in cases where directors or staff leave office or cease working for Mediobanca early, including the limits on such compensation in terms of the number of annual fixed salary payments to be made and the maximum amount deriving from their application;

and to confer on the Board of Directors and the Chief Executive Officer and/or the General Manager on its behalf, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement each of the three foregoing resolutions including the power to make all amendments to the new staff remunerations policies that prove necessary to bring them into line with the law and regulations in force from time to time”.

Milan, 19 September 2019

The Board of Directors



Section 3

Tables with quantitative data

Table 1: Compensation paid to members of the Bank's governing and control bodies, general managers and other managerial staff with strategic responsibilities (as per "Delibera Consob 18049" – 23rd December 2011)

| (A) Name and surname | (B) Post | (C) Period for which post has been held | | Term of office expires | (1) Fixed compensation | | | (2) Fees payable for participation in committees | (3) Variable compensation (non-equity) | | (4) Non-cash benefits | (5) Other forms of compensation | (6) Total | (7) Fair value of equity compensation | (8) Indemnity payable on leaving office/severance |
|--|--|--|------------|------------------------|---------------------------|--------------|-----------|---|---|----------------------|---------------------------------------|------------------------------------|--------------|--|--|
| | | | | | Emoluments | Fixed salary | Total | | Bonus and other incentives | Interest in earnings | | | | | |
| Renato Pagliaro | Chairman | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | 1.800.000 | 1.900.000 | | | | 350.356 | | 2.250.356 | | |
| | Member of Appointments committee | | | | | | | | | | of which complementary pension scheme | | | | |
| | | | | | | | | | | | 346.413 | | | | |
| | (I) Compensation in company preparing the accounts | | | | 100.000 | 1.800.000 | 1.900.000 | | | | 350.356 | | 2.250.356 | | |
| (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | | |
| (III) Total | | | | | 100.000 | 1.800.000 | 1.900.000 | | | | | 2.250.356 | | | |
| Maurizia Angelo Commeno | Deputy Chairman of Board of Directors | 01/07/2018 | 30/06/2019 | 30/06/2020 | 135.000 | | 135.000 | | | | | | 135.000 | | |
| | Member of Executive Committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 90.000 | | 90.000 | | | | | | 90.000 | | |
| | (I) Compensation in company preparing the accounts | | | | 225.000 | | 225.000 | | | | | | 225.000 | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | 225.000 | | 225.000 | | | | | | 225.000 | | | |
| Alberto Pecci | Deputy Chairman of Board of Directors | 01/07/2018 | 30/06/2019 | 30/06/2020 | 135.000 | | 135.000 | | | | | | 135.000 | | |
| | Member of Remunerations committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 30.000 | | 30.000 | | | | | | 30.000 | | |
| | (I) Compensation in company preparing the accounts | | | | 165.000 | | 165.000 | | | | | | 165.000 | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | 165.000 | | 165.000 | | | | | | 165.000 | | | |
| Alberto Nagel | CEO | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | 1.800.000 | 1.900.000 | | 854.000 | | 454.804 | | 3.208.804 | 1.048.984 | |
| | | | | | | | | | | | of which complementary pension scheme | | | | |
| | | | | | | | | | | | 449.942 | | | | |
| | (I) Compensation in company preparing the accounts | | | | 100.000 | 1.800.000 | 1.900.000 | | 854.000 | | 454.804 | | 3.208.804 | 1.048.984 | |
| (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | | |
| (III) Total | | | | 100.000 | 1.800.000 | 1.900.000 | | 854.000 | | 454.804 | | 3.208.804 | 1.048.984 | | |
| Francesco Saverio Vinci | General Manager | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | 1.500.000 | 1.600.000 | | 628.400 | | 369.045 | | 2.597.445 | 781.448 | |
| | | | | | | | | | | | of which complementary pension scheme | | | | |
| | | | | | | | | | | | 362.517 | | | | |
| | (I) Compensation in company preparing the accounts | | | | 100.000 | 1.500.000 | 1.600.000 | | 628.400 | | 369.045 | | 2.597.445 | 781.448 | |
| (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | | |
| (III) Total | | | | 100.000 | 1.500.000 | 1.600.000 | | 628.400 | | 369.045 | | 2.597.445 | 781.448 | | |
| Marie Bolloré | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | | 100.000 | | |
| | Member of Appointments committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 20.000 | | 20.000 | | | | | | 20.000 | | |
| | (I) Compensation in company preparing the accounts | | | | 120.000 | | 120.000 | | | | | | 120.000 | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | 120.000 | | 120.000 | | | | | | 120.000 | | | |
| Maurizio Carfagna | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | | 100.000 | | |
| | Member of Risks committee and Related parties committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 80.000 | | 80.000 | | | | | | 80.000 | | |
| | Chairman of Remunerations committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 40.000 | | 40.000 | | | | | | 40.000 | | |
| | (I) Compensation in company preparing the accounts | | | | 220.000 | | 220.000 | | | | | | 220.000 | | |
| (II) Compensation from subsidiaries/associates at 30/06/2019 (1) | | | | 35.000 | | 35.000 | | | | | | 35.000 | | | |
| (III) Total | | | | 255.000 | | 255.000 | | | | | | 255.000 | | | |



| (A) Name and surname | (B) Post | (C) Period for which post has been held | | Term of office expires | (1) Fixed compensation | | | (2) Fees payable for participation in committees | (3) Variable compensation (non-equity) | | (4) Non-cash benefits | (5) Other forms of compensation | (6) Total | (7) Fair value of equity compensation | (8) Indemnity payable on leaving office/severance |
|---|---|--|------------|------------------------|---------------------------|----------------|----------------|---|---|----------------------|--------------------------|------------------------------------|----------------|--|--|
| | | | | | Emoluments | Fixed salary | Total | | Bonus and other incentives | Interest in earnings | | | | | |
| | | | | | | | | | | | | | | | |
| Maurizio Costa | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Chairman of Appointments committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 25.000 | | 25.000 | | | | | 25.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 125.000 | - | 125.000 | - | - | - | - | 125.000 | - | - |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | | 125.000 | - | 125.000 | - | - | - | - | 125.000 | - | - | |
| Angela Gamba | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Member of Risks committee and Related parties committee | | | | 80.000 | | 80.000 | | | | | 80.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 180.000 | - | 180.000 | - | - | - | - | 180.000 | - | - |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | | 180.000 | - | 180.000 | - | - | - | - | 180.000 | - | - | |
| Valérie Horfeux | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Member of Remunerations committee | | | | 30.000 | | 30.000 | | | | | 30.000 | | | |
| | Member of Risks committee and Related parties committee | | | | 80.000 | | 80.000 | | | | | 80.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 210.000 | - | 210.000 | - | - | - | - | 210.000 | - | - |
| (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | | |
| (III) Total | | | | | 210.000 | - | 210.000 | - | - | - | - | 210.000 | - | - | |
| Maximo Ibarra | Director | 20/09/2018 | 30/06/2019 | 30/06/2020 | 77.808 | | 77.808 | | | | | 77.808 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 77.808 | - | 77.808 | - | - | - | - | 77.808 | - | - |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| | (III) Total | | | | | 77.808 | - | 77.808 | - | - | - | - | 77.808 | - | - |
| Alberto Lupoi | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Member of Remunerations committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 30.000 | | 30.000 | | | | | 30.000 | | | |
| | Member of Appointments committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 20.000 | | 20.000 | | | | | 20.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 150.000 | - | 150.000 | - | - | - | - | 150.000 | - | - |
| (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | | |
| (III) Total | | | | | 150.000 | - | 150.000 | - | - | - | - | 150.000 | - | - | |
| Elisabetta Magistrelli | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Chairman of Risks committee and Related parties committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Member of Appointments committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 20.000 | | 20.000 | | | | | 20.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 220.000 | - | 220.000 | - | - | - | - | 220.000 | - | - |
| (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | | |
| (III) Total | | | | | 220.000 | - | 220.000 | - | - | - | - | 220.000 | - | - | |
| Vittorio Pignalli-Morano | Director | 20/09/2018 | 30/06/2019 | 30/06/2020 | 77.808 | | 77.808 | | | | | 77.808 | | | |
| | Member of Risks committee and Related parties committee | 20/09/2018 | 30/06/2019 | 30/06/2020 | 62.247 | | 62.247 | | | | | 62.247 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 140.055 | - | 140.055 | - | - | - | - | 140.055 | - | - |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | | 140.055 | - | 140.055 | - | - | - | - | 140.055 | - | - | |



| (A) Name and surname | (B) Post | (C) Period for which post has been held | | Term of office expires | (1) Fixed compensation | | | (2) Fees payable for participation in committees | (3) Variable compensation (non-equity) | | (4) Non-cash benefits | (5) Other forms of compensation | (6) Total | (7) Fair value of equity compensation | (8) Indemnity payable on leaving office/severance |
|---|---|--|------------|------------------------|---------------------------|----------------|------------------|---|---|---------------------------------------|--------------------------|------------------------------------|------------------|--|--|
| | | | | | Emoluments | Fixed salary | Total | | Bonus and other incentives | Interest in earnings | | | | | |
| | | | | | | | | | | | | | | | |
| Gabriele Villa | Director | 01/07/2018 | 30/06/2019 | 30/06/2020 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Member of Executive Committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 90.000 | | 90.000 | | | | | 90.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 190.000 | | 190.000 | | | | 190.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 (2) | | | | | 3.699 | | 3.699 | | | | 3.699 | | | |
| (III) Total | | | | | 193.699 | | 193.699 | | | | 193.699 | | | | |
| Massimo Tononi | Director | 01/07/2018 | 25/07/2018 | 25/07/2018 | 6.849 | | 6.849 | | | | | 6.849 | | | |
| | Member of Risks committee and Related parties committee | 01/07/2018 | 25/07/2018 | 25/07/2018 | 5.479 | | 5.479 | | | | | 5.479 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 12.329 | | 12.329 | | | | 12.329 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | | 12.329 | | 12.329 | | | | 12.329 | | | | |
| Management with strategic responsibilities | | | | | | | 3.628.314 | 3.628.314 | 1.725.390 | | 324.331 | 5.678.035 | 1.843.118 | | |
| | | | | | | | | | | of which complementary pension scheme | | | | | |
| (I) Compensation in company preparing the accounts | | | | | | | 3.628.314 | 3.628.314 | 1.725.390 | | 324.331 | 5.678.035 | 1.843.118 | | |
| (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | 738.930 | 738.930 | 374.500 | | 7.136 | 1.122.566 | | | |
| (III) Total | | | | | | | 4.367.244 | 4.367.244 | 2.101.890 | | 331.467 | 6.800.601 | 1.843.118 | | |
| Natale Freddi | Chairman of Statutory Audit Committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 180.000 | | 180.000 | | | | | 180.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 180.000 | | 180.000 | | | | 180.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | | 180.000 | | 180.000 | | | | 180.000 | | | | |
| Laura Gualtieri | Member of Statutory Audit Committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 140.000 | | 140.000 | | | | | 140.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 140.000 | | 140.000 | | | | 140.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | | 140.000 | | 140.000 | | | | 140.000 | | | | |
| Francesco Di Carlo | Member of Statutory Audit Committee | 01/07/2018 | 30/06/2019 | 30/06/2020 | 140.000 | | 140.000 | | | | | 140.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | | 140.000 | | 140.000 | | | | 140.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2019 | | | | | | | | | | | | | | |
| (III) Total | | | | | 140.000 | | 140.000 | | | | 140.000 | | | | |

Managerial staff with strategic responsibilities at 30 June 2019

- 1) Fees due in respect of position held in Mediobanca SGR
- 2) Fees due in respect of position held in Spafid



Table 3A: Incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

| A | B | (1) | Financial instruments awarded in previous years which have not vested during the course of the year | | Financial instruments awarded during the year | | | | | Financial instruments vested during the year and not allocated | Financial instruments vested during the year and allocated | (11) | Financial instruments attributable to the year |
|--|------|-----------|---|--------------------------|---|-------------------------------|----------------|--------------------------|-----------------------|--|--|--------------------|--|
| | | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | | (12) |
| Name and surname | Post | Scheme | No. and type of instrument | Vesting period | No. and type of financial instrument | Fair value at award date | Vesting period | Award date | Market price at award | No. and type | No. and type | Value upon vesting | Fair value |
| Alberlo Nagel CEO | | 28-ott-10 | 36.782 Performance shares | Nov. 2019 | | | | | | | 36.781 | 283.692 | 56.246 |
| | | 28-ott-15 | 110.373 Performance shares | Nov. 2019 – Nov. 2021 | | | | | | | 73.583 | 567.546 | 115.727 |
| | | 28-ott-15 | 152.387 Performance shares | Nov. 2019 – Nov. 2022 | | | | | | | | | 314.329 |
| | | 28-ott-15 | 150.981 Performance shares | Nov. 2020 – Nov. 2023 | | | | | | | | | 265.601 |
| | | 28-ott-15 | | | | 142.358 Performance shares | 1.122.202 | Nov. 2021 – Nov. 2024 | 27 settembre 2019 | 10,069 | | | |
| Francesco Saverio Vinci GM | | 28-ott-10 | 30.570 Performance shares | Nov. 2019 | | | | | | | 30.570 | 235.786 | 48.484 |
| | | 28-ott-15 | 54.977 Performance shares | Nov. 2019 – Nov. 2021 | | | | | | | 36.650 | 282.681 | 57.644 |
| | | 28-ott-15 | 116.830 Performance shares | Nov. 2019 – Nov. 2022 | | | | | | | | | 240.985 |
| | | 28-ott-15 | 125.818 Performance shares | Nov. 2020 – Nov. 2023 | | | | | | | | | 221.335 |
| | | 28-ott-15 | | | | 102.067 Performance shares | 804.590 | Nov. 2021 – Nov. 2024 | 27 settembre 2019 | 10,069 | | | |
| Managerial staff with strategic responsibilities | | 28-ott-10 | | | | | | | | | 20.646 | 159.243 | |
| | | 28-ott-10 | 37.498 Performance shares | Nov. 2019 | | | | | | | 64.385 | 497.615 | 59.471 |
| | | 28-ott-15 | 188.858 Performance shares | Nov. 2019 – Nov. 2021 | | | | | | | 134.894 | 1.042.393 | 199.178 |
| | | 28-ott-15 | 256.802 Performance shares | Nov. 2019 – Nov. 2022 | | | | | | | | | 534.885 |
| | | 28-ott-15 | 254.309 Performance shares | Nov. 2020 – Nov. 2023 | | | | | | | | | 453.172 |
| | | 28-ott-15 | | | | 282.782 Performance shares | 2.233.902 | Nov. 2021 – Nov. 2024 | 27 settembre 2019 | 10,069 | | | |
| Total | | | 1.516.185 | | 527.207 | 4.160.694 | | | | | 397.509 | 3.068.956 | 3.673.550 |

Managerial staff with strategic responsibilities at 30 June 2019

Maximum number of shares that can be awarded if the performance objectives set in the Remunerations policy in force at the time are met and/or subsequent to the holding period lapsing, in accordance with the Remuneration policies in force at the time.



Table 3B: Cash incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

| A Name and surname | B Post | (1) Scheme | (2) Bonus for the year | | | (3) Previous years' bonuses | | | (4) Other bonuses |
|--|-----------|---------------|---------------------------|------------------|--------------------------|--------------------------------|---------------------|----------------|----------------------|
| | | | (A) | (B) | (C) | (A) | (B) | (C) | |
| | | | Payable/paid | Deferred | Deferral period | No longer payable | Payable/paid | Still deferred | |
| Alberto Nagel CEO | | FY 2018/2019 | 530.000 | 795.000 | Nov. 2020 - Nov. 2024 | | | | |
| | | FY 2017/2018 | | | | | | 745.200 | |
| | | FY 2016/2017 | | | | | 324.000 | 486.000 | |
| | | FY 2015/2016 | | | | | | 378.000 | |
| | | FY 2014/2015 | | | | | | 337.500 | |
| Francesco Saverio Vinci GM | | FY 2018/2019 | 380.000 | 570.000 | Nov. 2020 - Nov. 2024 | | | | |
| | | FY 2017/2018 | | | | | | 621.000 | |
| | | FY 2016/2017 | | | | | 248.400 | 372.600 | |
| | | FY 2015/2016 | | | | | | 188.280 | |
| | | FY 2014/2015 | | | | | | 280.500 | |
| Management with strategic responsibilities | | FY 2018/2019 | 1.222.200 | 1.540.800 | Nov. 2020 - Nov. 2024 | | | | |
| | | FY 2017/2018 | | | | | | 1.216.800 | |
| | | FY 2016/2017 | | | | | 549.350 | 782.150 | |
| | | FY 2015/2016 | | | | | | 631.377,50 | |
| | | FY 2014/2015 | | | | | 330.340 | 13.725 | |
| Total | | | 2.132.200 | 2.905.800 | | 1.452.090 | 6.053.132,50 | | |

Managerial staff with strategic responsibilities at 30 June 2019



Investments held by members of the governing and control bodies and by general managers

| Name and surname | Post | Investee company | No. of shares held at end of previous year | No. of shares acquired | No. of shares sold | No. of shares owned at end of present year |
|--------------------------|----------|------------------|--|------------------------|--------------------|--|
| PAGLIARO RENATO | Chairman | MEDIOBANCA | 2.200.000 | == | 100.000 | 2.100.000 |
| NAGEL ALBERTO | CEO | MEDIOBANCA | 2.725.550 | 110.364 ¹ | 49.864 | 2.786.050 |
| VINCI FRANCESCO SAVERIO | GM | MEDIOBANCA | 1.028.500 | 67.220 ¹ | 30.720 | 1.065.000 |
| MAURIZIO CARFAGNA | Director | MEDIOBANCA | 51.000 | 10.000 | == | 61.000 ² |
| PECCI ALBERTO | Director | MEDIOBANCA | 4.677.500 | == | | 4.677.500 ³ |
| PIGNATTI-MORANO VITTORIO | Director | MEDIOBANCA | == | 90.000 | == | 90.000 ⁴ |

NB - for directors appointed or whose positions ended in the course of the year, the initial/final holding refer to the dates of appointment or resignation/disposal accordingly.

- 1) Shares awarded in execution of performance shares scheme
- 2) of which n. 40.000 shares owned through subsidiaries and n. 1.000 through marriage
- 3) Investment owned through subsidiaries
- 4) Investment owned through fiduciary company

Investments held by other managerial staff with strategic responsibilities

| No. of managerial staff with strategic responsibilities | Investee company | No. of shares owned at end of previous year | No. of shares acquired | No. of shares sold | No. of shares owned at end of present year |
|---|------------------|---|------------------------|--------------------|--|
| 8* | MEDIOBANCA | 84.585 | 219.925 | 113.584 | 190.926** |

NB - for directors appointed or whose positions ended in the course of the year, the initial/final holding refer to the dates of appointment or resignation/disposal accordingly.

* Managerial staff with strategic responsibilities as at 30.6.2019
 ** Shares awarded in execution of performance share scheme.



Aggregate quantitative information by division as required by Bank of Italy instructions

| Mediobanca area of activity | FTE | Fixed Salary | Variable Remuneration | % Variable maximum | % Variable on fixed salary | Cash Upfront | Instruments Upfront | Deferred Cash | Instruments deferred |
|--|--------------|--------------------|-----------------------|--------------------|----------------------------|-------------------|---------------------|-------------------|----------------------|
| 1) Management body Supervisory function - Mediobanca | 14 | 3.973.890 | - | - | - | - | - | - | - |
| 2) Management body Management function (CEO/GM) - Mediobanca | 2 | 3.500.000 | 4.550.000 | 200% | 130,0% | 910.000 | 910.000 | 1.365.000 | 1.365.000 |
| 3) Staff, Support, holding units | 1.241 | 71.732.161 | 12.490.709 | 200% | 17,4% | 11.565.436 | 188.000 | 557.773 | 179.500 |
| 4) Control functions (Risk Management, Compliance, Audit) | 299 | 19.639.237 | 3.538.477 | 33% | 18,0% | 3.324.002 | 65.700 | 104.975 | 43.800 |
| 5) Investment Banking - business | 595 | 59.783.746 | 48.790.848 | 200% | 81,6% | 27.759.148 | 5.085.450 | 10.727.950 | 5.218.300 |
| 6) Retail e Consumer - business | 2.568 | 133.589.273 | 16.401.725 | 200% | 12,3% | 14.925.700 | 476.550 | 526.775 | 472.700 |
| 7) Private Banking / Asset Management - business | 385 | 46.378.271 | 19.792.576 | 200% | 42,7% | 16.676.189 | 449.400 | 2.255.388 | 411.600 |
| | 5.103 | 338.596.580 | 105.564.335 | - | 31,2% | 75.160.474 | 7.175.100 | 15.537.861 | 7.690.900 |

Gross amounts included for Group Directors emoluments payable in respect of their office.
 Includes Financial Advisors (recurrent component in Fixed salary and non recurrent component in variable remuneration)
 EBA classification (2019 Organizational structure)
 Includes Group companies which ended FY on 31 December 2018. Messier Maris & Ass. not included.

Aggregate quantitative information by the various categories of "identified staff" as required by the Bank of Italy instructions

| Mediobanca Group - Material Risk Takers | # | Fixed Salary | Variable Remuneration | % Variable maximum | % Variable on fixed salary | Cash Upfront | Instruments Upfront | Deferred Cash | Instruments Deferred |
|---|------------|---------------------|-----------------------|--------------------|----------------------------|---------------------|---------------------|---------------------|----------------------|
| 1) Non-executive directors (non-executive members of BoD, including Chairman) | 1 | 1.800.000 | - | - | - | - | - | - | - |
| 2) CEO | 1 | 1.800.000 | 2.650.000 | 200% | 147% | 530.000 | 530.000 | 795.000 | 795.000 |
| GM | 1 | 1.500.000 | 1.900.000 | 200% | 127% | 380.000 | 380.000 | 570.000 | 570.000 |
| 3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures) | 11 | 7.243.657 | 8.347.000 | 200% | 115% | 1.669.400 | 1.669.400 | 2.504.100 | 2.504.100 |
| 4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit) | 20 | 3.319.128 | 969.650 | 33% | 29% | 816.350 | 65.700 | 43.800 | 43.800 |
| 5) Staff with managerial responsibilities in relevant business units | 32 | 10.693.359 | 8.136.500 | 200% | 76% | 2.094.950 | 2.094.950 | 1.973.300 | 1.973.300 |
| 6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations and IT, Legal) | 8 | 1.946.489 | 764.000 | 200% | 39% | 477.000 | 123.000 | 82.000 | 82.000 |
| 7) Quantitative criteria | 30 | 13.293.218 | 8.069.500 | 200% | 61% | 2.312.050 | 2.312.050 | 1.722.700 | 1.722.700 |
| | 104 | 41.595.851,0 | 30.836.650,0 | - | 74% | 8.279.750,00 | 7.175.100,00 | 7.690.900,00 | 7.690.900,00 |

Gross amounts in €'000 – Performance variable FY ending 30 June 2019
 For Group Directors does not include emoluments payable in respect of their office.
 Includes relevant staff employed at Group company which financial year ended 31 December 2018, identified at that date.
 Includes Financial Advisors (recurrent component in Fixed salary and non recurrent component in variable remuneration)
 Messier Maris & Ass. not included.



| Mediobanca Group - Material Risk Takers | # | Deferred from previous years and paid during the year in cash | # | Deferred from previous years and paid during the year in number of MB shares ¹ |
|---|-----------|---|-----------|---|
| 1) Non-executive directors (non-executive members of BoD, including Chairman) | - | - | - | - |
| 2) CEO - GM | 2 | 572.400 | 2 | 1.369.705 |
| 3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures) | 11 | 1.470.490 | 10 | 2.884.285 |
| 4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit) | 2 | 22.290 | 1 | 39.722 |
| 5) Staff with managerial responsibilities in relevant business units | 23 | 2.302.150 | 14 | 3.127.605 |
| 6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations and IT, Legal) | 2 | 64.450 | 2 | 149.933 |
| 7) Quantitative criteria | 18 | 1.791.050 | 10 | 1.969.269 |
| | 58 | 6.222.830 | 39 | 9.540.519 |

¹ Equivalent value in € at the award date

| Mediobanca Group - Material Risk Takers | # | Treatment at start of relationship | # | Treatment at end of relationship ¹ |
|---|----------|------------------------------------|----------|---|
| 1) Non-executive directors (non-executive members of BoD, including Chairman) | - | - | - | - |
| 2) CEO - GM | - | - | - | - |
| 3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures) | 1 | 1.800.000 | 1 | 435.409 |
| 4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit) | - | - | - | - |
| 5) Staff with managerial responsibilities in relevant business units | - | - | 1 | 850.000 |
| 6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations and IT, Legal) | - | - | - | - |
| 7) Quantitative criteria | - | - | 1 | 450.000 |
| | 1 | 1.800.000 | 3 | 1.735.409 * |

¹ With reference to the identified staff identified as of 30 June 2018.

* Of which € 163.000 by way of incentive, 40% deferred.

The highest amount paid to an individual person was € 850.000 included notice and complementary pension scheme contributions.



MEDIOBANCA

| Total remuneration awarded over € 1 mln. | # |
|--|-----------|
| € 1 million - 1,5 millions | 10 |
| € 1,5 - 2 millions | 4 |
| € 2 - 2,5 millions | |
| € 2,5 - 3 millions | 1 |
| € 3 - 3,5 millions | |
| € 3,5 - 4 millions | 2 |
| € 4 - 4,5 millions | |
| € 4,5 - 5 millions | 1 |
| Total | 18 |