



MEDIOBANCA

**STATEMENT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**



## STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

### 2018<sup>1</sup>

This statement has been prepared in accordance with the provisions of Article 123-bis of Italian legislative decree 58/98 and the Code of Conduct for listed companies (available at [www.borsaitaliana.it](http://www.borsaitaliana.it)), to which Mediobanca adheres, on the terms set forth below.

The statement is also intended to meet the public disclosure requirements for banks instituted by the Bank of Italy's supervisory instructions on the issue of corporate governance.

### PARENT COMPANY

Mediobanca was set up in 1946 and has been listed on the Italian stock market since 1956. It provides its clients with medium- and long-term financing solutions and with highly specialized and innovative financial services in financial advice and asset management. It has branch offices in London, Paris, Frankfurt and Madrid, and subsidiaries based in New York, Luxembourg, Istanbul<sup>2</sup> and London. It also holds a 12.98% interest in Assicurazioni Generali.

As a listed company, Mediobanca qualifies among the largest and most complex banks, and as such is subject to prudential supervision by the ECB.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors (body with responsibility for strategic supervision), an Executive Committee (body with responsibility for management) and a Statutory Audit Committee (body with responsibility for control). This corporate governance system combines maximum efficiency in terms of operations with effective control. The Articles of Association also provide for three executives to be represented on the Banking Group's Board of Directors, as part of a system of corporate governance based on wide-ranging powers being granted to the Executive Committee and the Chief Executive Officer.

### Mediobanca Group

Mediobanca is the parent company of the Mediobanca Banking Group. Various components contribute in balanced fashion to the company's performances: investment banking, consumer banking and wealth management.

Mediobanca is the leading Italian investment bank, and over time has strengthened its footprint in complementary, highly specialized and growing bank activities which ensure sustainable revenues over the long term. These range from consumer credit with Compass Banca, to the retail banking market with CheBanca!, the Group's multi-channel bank, which is now becoming the growth driver at Group level in wealth management.

With the approval of the 2016-19 strategic plan, priority has been given to asset management and investment activities for householders, which has led to the establishment of a Wealth Management division combining CheBanca!, which collects households' deposits and savings, Compagnie Monégasque de Banque, Spafid and Mediobanca Private Banking which collects AUM for Private & HNWI clients. As part of the organization of a full, integrated product offering the new Mediobanca Alternative Asset Management product factory brings together the activities of Cairn Capital, Compagnie Monégasque de Gestion, Mediobanca SGR and RAM Active Investments.

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<sup>1</sup> Unless specified otherwise, the information refers to the situation at 30 June 2018.

<sup>2</sup> The subsidiary company based in Istanbul has been winding up as from July, 2018.



Mediobanca, in its capacity as parent company of the Mediobanca Group, directs and coordinates the companies forming part of the Banking Group (activities which are regulated by the Group Regulations) by governing the process of planning at the Group level, issuing Group-wide Policies, Regulations and Directives, providing centralized risk management, and issuing guidance on how to implement instructions received from the Bank of Italy.

## SHARE CAPITAL AND OWNERSHIP

The Bank's share capital at 30 June 2018 totalled €443,126,470, made up of 886,252,940 par value €0.50 shares. The shares are registered shares, and entitle shareholders to one vote per share in the general meeting.

At the annual general meeting held on 28 October 2015, the shareholders of Mediobanca renewed the Board of Directors' authorization:

- Under Article 2443 of the Italian Civil Code, to increase the Company's share capital, by means of rights issues and/or bonus issues in one or more tranches on or prior to the fifth anniversary of the date of this resolution, in a nominal amount of up to €100m, including via warrants, through the issue of up to 200 million ordinary par value €0.50 shares to be offered as an option or assigned to shareholders, and accordingly, to establish from time to time the issue price of the new shares, including the share premium, if any, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising the warrants attached to the shares to be issued;
- Under Article 2420-ter of the Italian Civil Code, to issue bonds convertible into ordinary shares and/or shares *cum* warrants, in one or more tranches on or prior to the fifth anniversary of the date of this resolution, in a nominal amount of up to €2bn, to be offered as an option to shareholders, and accordingly, to establish from time to time the conversion ratio of the bonds to be issued and any other features thereof, and to authorize the corresponding increase in the Bank's share capital for use in the conversion of the bonds.

The two mandates above shall not lead to the issue of a total number of shares in excess of 200 million;

- Under Article 2443 of the Italian Civil Code, to increase the company's share capital by means of rights issues, in one or more tranches, on or prior to the fifth anniversary of the date of this resolution in a nominal amount of up to €40m, including via warrants, through the issue of up to 80 million par value €0.50 ordinary shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded, under and pursuant to the provisions of 2441, paragraph four, second sentence of the Italian Civil Code, in accordance with the procedure and conditions set forth therein, with the right to establish the issue price of the shares from time to time (again in accordance with the provisions of Article 2441, paragraph four, second sentence of the Italian Civil Code);
- Under Article 2349 of the Italian Civil Code, to increase the Company's share capital by and no later than 28 October 2020, in an amount of up to €10m through the award of no more than 20 million par value €0.50 ordinary shares, to be reserved to Mediobanca Group staff members by way of performance shares.

The performance share schemes approved by shareholders at the 2010 and 2015 general meetings, and the press release regarding the awards made since 2010, are published on the Bank's website at [www.mediobanca.com](http://www.mediobanca.com).

Mediobanca owns a total of 8,714,833 treasury shares (average book value €13.17 per share) acquired following a resolution adopted in a general meeting held on 27 October 2007.

The company's shareholding structure as of 30 June 2018 is as follows (showing shares over 3%):



Shareholder	No. of shares	% of share capital
Unicredit group	74,651,753	8.42
Bolloré group	69,681,608	7.86
BlackRock group*	44,362,188	5.01
Banca Mediolanum group	29,095,110	3.29
INVESCO	27,707,271	3.12

\* BlackRock Inc. (NY), via fifteen asset management subsidiaries, 0.12% of which by way of potential investment and 0.39% as contracts of differences.

Mediobanca has approximately 52,500 shareholders. Mediobanca shareholders representing approximately 28.5% of the Bank's shares have entered into a block shareholders' agreement with the purpose of ensuring that the Bank has a stable shareholder structure with representative management bodies. The Agreement expires on 31 December 2019, with the possibility of early withdrawal with effect from 31 December 2018. The agreement is filed with the Milan companies' register, and an excerpt from it may be found on the Bank's institutional website ([www.mediobanca.com/CorporateGovernance](http://www.mediobanca.com/CorporateGovernance)).

## GOVERNING BODES

- Shareholders in general meeting
- Board of Directors
- Chairman of the Board of Directors
- Board committees
- Chief Executive Officer
- General Manager
- Head of Company Financial Reporting
- Statutory Audit Committee

## GENERAL MEETINGS

The general meeting gives expression to the wishes of the body of the company's shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company's Articles of Association, are binding on all shareholders.

Issues which fall within the jurisdiction of shareholders in general meeting include the following:

- 1) Approval of financial statements and allocation of profits;
- 2) Appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;
- 3) Engagement of, and termination of agreements with, external legal auditors;
- 4) Transactions required by law to be approved by shareholders in extraordinary general meeting;
- 5) Remuneration policies and compensation schemes based on financial instruments adopted for directors, Group employees and collaborators.

The right to attend and vote at General Meetings is governed by the Articles of Association (Section III, Articles 5ff), and the notice of meeting for the AGM explains the means and conditions for attendance.

The Bank has not adopted a specific set of regulations for holding general meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner,



providing for the Chairman of the meeting, who under the Articles is the Chairman of the Board of Directors, has the duty of establishing that a quorum has been reached, ascertaining the identity of those in attendance, and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken.

As provided under Article 127-ter of the Italian consolidated finance act, shareholders may table questions on items on the agenda even prior to the meeting itself. Questions received prior to the meeting will be answered during the meeting itself at the latest, including by means of a single answer if other questions with substantially the same content have been received.

The Board of Directors reports on the activities performed to shareholders at the general meeting, in its Review of Operations; and prepares reports on the various items of agenda within the timeframe set by the regulations in force.

## **BOARD OF DIRECTORS: COMPOSITION AND ROLE**

The Board of Directors consists of between nine and fifteen members, with two places reserved for the list submitted by minority shareholders. Of the Directors thus appointed, three are managers with at least three years' experience working for the Mediobanca Banking Group, and at least one-third qualify as independent in accordance with the definition provided in Article 19 of the Articles of Association, which is basically aligned with that in the Code of conduct for listed companies.<sup>3</sup> At least one-third of the Directors must be of the less-represented gender. No person may be appointed director if they are aged seventy-five or over.

The Board of Directors of the parent company of a banking group has overall responsibility for management of the group as a whole and for the rules and mechanisms of governance to ensure such management is prudent and effective. In particular, the Board of a bank which, like Mediobanca, adopts the so-called "traditional" governance model has responsibilities of both management and supervision/control.

Management responsibilities may include the following, illustrative examples chosen to highlight their importance: strategy, risk taking policy, internal controls, optimal capital allocation, remuneration policies, selection of management, etc. Supervision and control responsibilities require the ability to fully understand the risks taken, supervise the executive bodies, monitor analysis and decisions on an ongoing and continuing basis, and ensure that the heads of the control units are fit to perform their own duties.

Against such a backdrop, the composition of the Board of Directors is of fundamental importance.

The current Board of Directors of Mediobanca was appointed by shareholders in a general meeting held on 28 October 2017 for the 2018-20 three-year period, on the basis of lists of candidates in possession of the requisites stipulated by law, the applicable regulations and the Articles of Association (Article 15). Such lists are submitted by shareholders representing in the aggregate at least 1% of the company's share capital.

In submitting their lists of candidates, the shareholders have taken account of the guidance issued by the Board of Directors in its "Report on the qualitative-quantitative composition of the Board of Directors" dated 14 June 2017.

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<sup>3</sup> According to this definition, persons who hold an investment of more than 2% or are significant representatives of a group which holds such an investment are not independent, regardless of whether or not they are parties to shareholders' agreements.



As at 30 June 2018, the Board of Directors consisted of 14 members.<sup>4</sup> On 23 November 2017, the Board found that the following directors qualify as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98: Maurizia Angelo Comneno, Marie Bollorè, Maurizio Carfagna, Maurizio Costa, Angela Gamba, Valérie Hortefeux, Alberto Lupoi, Elisabetta Magistretti, Massimo Tononi (who resigned on 25 July 2018)<sup>5</sup> and Gabriele Villa (in addition to César Alierta, who resigned in March 2018)<sup>6</sup>; and the following directors qualify as independent under the definition provided in Article 19 of the Articles of Association: Maurizio Carfagna, Maurizio Costa, Angela Gamba, Valérie Hortefeux, Alberto Lupoi, Elisabetta Magistretti and Massimo Tononi (plus César Alierta).

Following the appointment of the Board of Directors, the Board, with the Appointments Committee's support, reviewed the qualifications of each individual director and of the Board as a whole and assessed the degree to which the composition defined as optimal in qualitative and quantitative terms corresponds to the actual composition which ensued from the appointment process, including with reference to issues of gender representation.

In this connection, the Board's composition does comply with the legal requirements on gender representation. The Board's composition is as follows:

Member (as at 30/6/18)	Post held	Date of birth	Indep.*	Indep.**	Management	In office since***
Renato Pagliaro ♦	Chairman	20/02/57			X	02/07/07
Maurizia Angelo Comneno ♦	Deputy Chairman	18/06/48		X		28/10/14
Alberto Pecci ♦	Deputy Chairman	18/09/43				27/10/12
Alberto Nagel ♦	CEO	07/06/65			X	02/07/07
Francesco Saverio Vinci ♦	General Manager	10/11/62			X	02/07/07
Marie Bolloré ♦	Director	08/05/88		X		28/10/14
Maurizio Carfagna ♦	Director	13/11/47	X	X		28/10/14
Maurizio Costa ♦	Director	29/10/48	X	X		28/10/14
Angela Gamba □	Director	15/08/70	X	X		28/10/17
Valérie Hortefeux ♦	Director	14/12/67	X	X		28/10/17
Alberto Lupoi □	Director	29/03/70	X	X		28/10/17
Elisabetta Magistretti ♦	Director	21/07/47	X	X		28/10/11
Massimo Tononi ♦ °	Director	22/08/64	X	X		28/10/17
Gabriele Villa ♦	Director	18/06/64		X	X	28/10/17

\* Independent in accordance with the definition provided in Article 19 of the Articles of Association.

\*\* Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

\*\*\* Period also comprises post held in governing bodies under dualistic governance system adopted by Mediobanca from 27/6/07 to 28/10/08.

♦ Taken from the list submitted by shareholder Unicredit S.p.A., owner of 8.46% of the company's share capital.

□ Taken from the list submitted by a group of investors holding 3.889% of the share capital.

° In office until 25 July 2018.

Since 30 June 2018, Massimo Tononi has also tendered his resignation from his post as director and on 20 September 2018 Maximo Ibarra and Vittorio Pignatti-Morano were co-opted to the Board.

4 Massimo Tononi resigned as director on 25 July 2018. On 20 September 2018 Maximo Ibarra was co-opted to replace César Alierta and Vittorio Pignatti-Morano was co-opted to replace Massimo Tononi. Thus at 20 September 2018 the Board of Directors consists of 15 members, ten of whom qualify as independent under the definition provided in Article 148, para. 3 of the Italian Finance Act, of which ten seven also qualify as independent under the definition provided in Article 19 of the new Articles of Association.

5 after accepting a new position which will make increasing demands on his professional activities. On 20 September 2018, the Board of Directors found that Maximo Ibarra and Vittorio Pignatti-Morano, who were co-opted to the Board on the same date, qualified as independent under the definition provided in Article 19 of the Articles of Association.

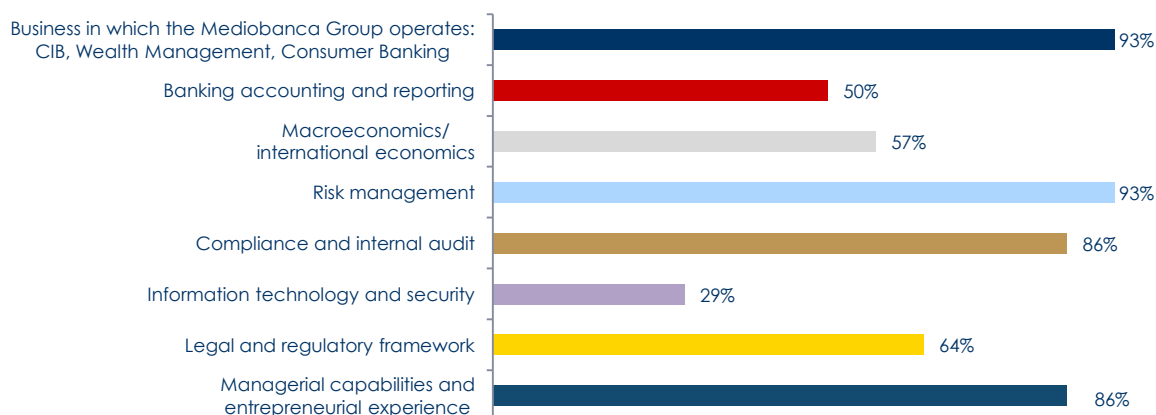
6 He resigned as he is increasingly devoted to social initiatives which require growing energies and time commitment



A breakdown of the Board of Directors by years of seniority is shown below.



The composition of the Board of Directors reflects the appropriate combination of capabilities and professional expertise, in line with the recommendations made in the "Report on the qualitative-quantitative composition of the Board of Directors" (2017).



The Board of Directors is comprised of 9 men (64,3%) and 5 women (35,7%); a breakdown of the Board members by age bracket is shown below:



The documentation submitted by the Directors for appointment to the Board of Directors, including their CVs, is available on the Bank's website at [www.medioBANCA.com/Corporate Governance](http://www.medioBANCA.com/CorporateGovernance).

The Articles of Association require that along with, and at the same time as, each list is submitted, in addition to the information and statements required by the regulations in force at the time, each candidate also submit their own CV to illustrate their professional qualifications to hold office, plus a declaration in which the candidate states, under their own responsibility, that no grounds exist which would render them incompatible with or ineligible to hold office, and that they are in possession of the requisite qualifications under the law and the Articles of Association, plus also a list of the management and supervisory positions held by them at other companies.

In accordance with the supervisory instructions for banks in the area of corporate governance and with the provisions of the Articles of Association, non-management directors who are members of the Executive Committee qualify as executive and are therefore not included in the Remunerations, Appointments and Risks Committees.

The Statutory Audit Committee then checked that the criteria and procedures adopted by the Board of Directors had been applied correctly with respect to the ascertaining of its members' independence. The Committee's activities were principally aimed at ensuring that



the Board expressed its opinion on the basis of adequate information and material, that the proper procedural process was followed for decisions made by the Board, and that the criteria stipulated by the regulations (Article 19 of the Articles of Association and Article 148 of the Italian consolidated finance act) regarding the requirements for independence were correctly applied.

The independent Directors meet regularly on their own without the other Directors present.

Under the Articles of Association currently in force, the following matters are the sole jurisdiction of the Board of Directors:

1. Definition and approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
2. Approval of quarterly and interim accounts and of draft individual and consolidated financial statements;
3. Decisions concerning the acquisition or disposal of equity investments which are equal to 10% of the investee company's share capital and also involve an amount which is above 5% of the Group's consolidated regulatory capital;
4. Appointment and dismissal of the Executive Committee, Chief Executive Officer, General Manager, head of company financial reporting and the heads of the Group Audit, Compliance and Risk Management units;
5. Definition of the overall governance arrangements and approval of the Bank's organizational structure, ensuring clear distinction of duties and function and preventing conflicts of interest.

Under the regulations currently in force, and the resolution in respect of powers, the following matters are also under the sole jurisdiction of the Board of Directors:

- Proposals to be submitted to shareholders in ordinary and extraordinary general meetings, including staff remuneration policies;
- Ascertaining that Directors and members of the Statutory Audit Committee upon their appointment, or without prejudice to the foregoing on at least an annual basis, are in possession of the requisite credentials stipulated by regulations in force and the Articles of Association;
- Approval of "most significant" transactions involving related parties of relevance to the Bank of Italy's prudential regulations, and, if they do not qualify as ordinary transactions, transactions with related parties for purposes of the transparency regulations;
- Approval of the Risk Appetite Framework and the general guidelines for the ICAAP process;
- Approval of the Recovery Plan (required under EU Directive 2014/59);
- Approval of annual plans and review of reports by the internal control units.

Twice a year the Board of Directors also assesses the adequacy of the Bank's administrative and accounting structure, with particular attention paid to the internal control system and risk management based on the enquiries made by the Control and risks committee and the report presented by the head of company financial reporting on the adequacy and application of administrative and accounting procedures required by Italian law 262/05.

The delegated bodies report to the Board of Directors on the Bank's general performance, outlook, and the principal transactions in terms of size or characteristics that have been executed either by Mediobanca itself or by Mediobanca Group companies.

The Board normally adopts resolutions on proposals from the Executive Committee or Chief Executive Officer, with a majority of those in attendance voting in favour.





The means by which Board meetings are called are established by Article 17 of the Articles of Association.

The Chairman is responsible for ensuring that the Directors receive adequate information on the various items on the agenda in good time for the meeting (the documentation on the items on the agenda is normally sent at the same time as the notice of meeting, i.e. five days before the meeting itself is held, and after the Board committee responsible for processing the documentation has assessed it), and ensures that sufficient room is given for discussing the individual items, giving priority to issues of strategic relevance and guaranteeing that the debate is effective. The Chairman regularly invites Board members to indicate issues of interest to them which require further analysis or explanation. The secretary to the Board is available to arrange induction sessions or further analysis for the individual directors.

The Secretary to the Board, the Chief Risk Officer and other Group staff and representatives invited on the basis of the items on the agenda also take part in Board meetings.

The Board of Directors' meetings held during the financial year (1 July 2017/30 June 2018) were duly attended by people in charge of and working for the relevant company units for discussion of the items on the agenda.

A total of eleven Board meetings took place in the period from 1 July 2017 to 30 June 2018. The average duration of Board meetings was around four hours and twenty minutes.

The following induction and training meetings were arranged during the year outside of the Board meetings themselves, for the benefit of directors and statutory auditors:

- Six "general" induction meetings (to provide preparation for deliberations at Board meetings) on the following issues: European regulations: recovery and resolution plans; updates to regulations: market abuse and MiFID II regulations; corporate engagement, state of progress in adoption of AIRB models; Corporate Social Responsibility; Risk Appetite Framework; statutory issues requiring further analysis and internal governance;
- Five "specific" induction meetings addressed chiefly to newly-appointed members on the following issues: financial statements for the year ended 30 June 2017 and accounting standards; RAF and risk monitoring (dashboard); 2017-19 strategic plan and state of progress in implementing it; European regulations (SREP, ICAAP, ILAAP); principal activities with ECB; meeting with heads of control units; compliance: main issues, current and prospective;
- Two training sessions on more general issues (open also to Board members of other Group companies): staff remuneration and incentivization of commercial networks; cross-selling practices; cyber-security; Research Department/R&S activities.

The average duration of the induction meetings was about two hours, and that of the training sessions around two and a half hours.

## **SELF ASSESSMENT OF THE BOARD OF DIRECTORS**

The process of self-assessment of the size, composition and functioning of the Board of Directors and its committees required by the Supervisory Instructions for banks in the area of corporate governance and by the relevant EU regulations, was conducted in the months between February and July 2018, with the assistance of an external specialist advisor.

The process was structured in three different phases:

- Obtaining each Director's recommendations, on the basis of a standardized questionnaire which was the same for all recipients, structured in three sections: the first on individual suitability, the second on collective suitability, and the third on the Board's



functioning. The questionnaire also sought to identify new topics of discussion for next year's induction sessions;

- The Appointments Committee's analysis of the data collected in aggregate form;
- The Board of Directors' approval of the Summary Report, including the principal results at the Appointments Committee's proposal.

The self-assessment process, in which all of the directors participated and also, in line with the supervisory instructions for banks, the three standing auditors plus four members of the Bank's management external to the Board, revealed a positive situation which confirms the effectiveness of the work carried out by the Board.

The following points in particular emerged:

- The individual and collective composition (in terms of size, capabilities, diversity and number of independent members) and functioning of the Board itself and the committees set up by it were considered to be adequate;
- The flow of information ahead of the meetings, the documentation on risks facing the company and risk controls, and segmentation of budget and closing data by business line, were all held to be satisfactory;
- The debate within the Board itself and the accuracy of the minutes for the meetings were all judged to be effective;
- The Board members were unanimous in their appreciation of the Chairman's role in terms of leadership, effectiveness in running meetings and stimulating critical and independent discussion within the Board itself;
- There was general satisfaction with the induction sessions arranged and the supporting documentation provided;
- The judgement on the work done by the Board as a whole and by each of its members was also generally satisfactory.

The Executive, Appointments, Remunerations and Risks Committees were felt to be excellent in terms of role, functioning, composition and size.

Areas for improvement included in particular the density of the Board meetings' agenda in terms of the number of items for discussion. At a Board meeting held on 31 July 2018, the directors upheld the proposals made in this respect by the Appointments Committee, identifying the following corrective measures:

- Alter the organization of the proceedings at Board meetings, to prevent presentations which have already been made to Board committees being repeated (save in special cases);
- Reporting flow for activities performed by delegated bodies to be correlated to the Board but giving priority to the timing compared to the most recent meeting;
- Send all directors the agendas for meetings of the Board committees, to increase awareness of the issues which will subsequently require approval at the level of the Board itself.

The Board self-assessment process, which in FY 2015-16 was extended to the other banks in the Group in order to obtain an overall picture of the functioning of Group governance, revealed a largely positive assessment of the role of the Board.

## **CHAIRMAN OF BOARD OF DIRECTORS**

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings and Board meetings, and ensures that the other Directors are provided with



adequate information regarding the items on the agenda. No person aged seventy or over may be elected as Chairman.

The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Chief Executive Officer and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees.

He ensures that the self-assessment process is completed effectively, and that the corrective measures devised in order to meet any shortcomings detected are implemented in practice; he ensures that the directors are able to take part in meetings to analyse strategic issues in greater depth, with a view to providing adequate knowledge of the company itself, principles of proper risk management and the regulatory framework.

The Board of Directors has not tasked the Chairman with specific duties or vested him with powers of proposal save for that of controlling the internal audit activities, to be performed on the basis of reports on the results of the audits carried out and via monitoring of the remediation measures identified.

In addition to the duties associated with his role, the Chairman of Mediobanca, Renato Pagliaro is a member of the Appointments Committee and is invited to take part in certain committee meetings but without voting rights.

## **BOARD COMMITTEES**

In accordance with Article 20 of the Articles of Association, the Board of Directors, at the Appointments Committee's proposal, confirmed the institution of the Executive Committee and the three Board Committees (Risks, Remuneration and Appointments), consisting exclusively of non-executive directors, the majority of whom are independent, from whom the Chairman is selected.

The Board committees reach a quorum when the majority of directors in office participate and resolutions are adopted on the basis of the majority of those participating voting in favour.

Minutes are taken of meetings by each Committee which are kept in specific registers.

The Chairman of each Committee reports to the first Board of Directors' meeting on its activities and the Committee's proposals to be submitted for examination by the Board.

## **COMPOSITION AND ROLE OF EXECUTIVE COMMITTEE**

Without prejudice to situations of incompatibility and the restrictions set under the regulations in force, the directors who are members of the management of Mediobanca Group companies are members of the Executive Committee *de jure*. Members of the Executive Committee who are part of the Mediobanca Group's management are bound to devote themselves exclusively to the performance of activities relating to their post, and without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for companies or entities other than those owned by Mediobanca. The other Executive Committee members, again without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for other banking or insurance groups.

The Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Committee is chaired by the Chief Executive Officer. The Chairman of the Board of



Directors is also invited to take part in Executive Committee meetings, to ensure adequate information and reporting flows to the full Board of Directors. The Statutory Audit Committee also participates, as do the Secretary, the Chief Risk Officer and the Head of Company Financial Reporting.

Members (as at 30/6/18)	Post held	Executive
Alberto Nagel (Chair)	CEO and Chairman	X
Maurizia Angelo Comneno *	Deputy Chair	
Francesco Saverio Vinci	General Manager	X
Gabriele Villa *	Director	

\* Independent as defined under Article 148, para. 3 of the Italian Finance Act.

The Executive Committee comprises three men (75%) and one woman (25%). A breakdown of the committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/76
0	0	0	3	0	0	1	0

Under the Articles of Association, the Executive Committee is responsible for managing the ordinary activities of the Bank, vested with every power, including the power to disburse credit, without prejudice to those issues for which the Board of Directors has sole jurisdiction or which the Board has otherwise delegated to the Chief Executive Officer. In particular, the Executive Committee:

- . Approves resolutions, in accordance with the guidelines and general directives adopted by the Board of Directors, to grant loans, including pursuant to Article 136 of the Italian banking act, and trading involving shareholdings considered relevant under the terms of the Articles and for percentage values not to exceed those over which the Board of Directors has decision-making powers;
- . Draws up and implements internal regulations, to be submitted to the approval of the Board of Directors, and establishes the principles for co-ordination and management of Group companies in execution of the strategic guidelines approved by the Board of Directors;
- . Establishes operating limits on the taking of various types of risk, in accordance with the Risk Appetite Framework. The Executive Committee may delegate some of their powers to internal managerial committees or to individual management staff, while giving priority to the principle of collegiality in decision-making. In accordance with the provisions of the Articles of Association, and in order to facilitate the smooth running of the company's operations, the Executive Committee has assigned the following powers to the following committees:
  - . Group Risk Management, powers of consultation on matters of credit, issuer, operational and conduct risk, and executive powers on market risks;
  - . Lending and Underwriting, with executive powers for matters of credit, issuer and conduct risk;
  - . Group ALM and Operating ALM, for monitoring the Group's ALM risk-taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk and the internal fund transfer rate;



- Investments, for the equity investments referred to in Article 18 of the Bank's Articles of Association and other equities and banking book investments (excluding those in Banking Group companies);
- New Operations, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models;
- Operational Risks, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions;
- Private Investments, with the duty of proposing the investment strategy to the Executive Committee and approving the asset classes which make up the investible universe, its composition, the top recommendations and model portfolio.

Reports on these committees' activities are presented at each Executive Committee meeting.

The Committee regularly assesses the general operating performance, including on the basis of information received from the Chief Executive Officer and from the internal management committees.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

Meetings are called on the initiative of the Chairman based on the requirements of the business, as a rule meeting once a month.

A total of twelve meetings were held in the period from 1 July 2017 to 30 June 2018, with an average duration of roughly 1 hour and 40 minutes.

## Risks Committee

Members (as at 30/6/18)	Independent (Article 19)*	Independent (Finance Act)**
Elisabetta Magistretti (Chair) <sup>◊</sup>	X	X
Maurizio Carfagna	X	X
Angela Gamba	X	X
Valérie Hortefeux	X	X
Massimo Tononi <sup>◦</sup>	X	X

<sup>◊</sup> Registered auditor.

\* Independent as defined in Article 19 of the Articles of Association.

\*\* Independent as defined in Article 148, para. 3 of the Italian Finance Act.

<sup>◦</sup> In office until 25 July 2018.

As at 30 June 2018, the Committee consisted of five non-executive Directors<sup>7</sup> who qualify as independent as defined in Article 19 of the Articles of Association, supports the Board of Directors on matters pertaining to risk and the internal controls system, with a focus in particular on all related and necessary activities to ensure that the Board is able to arrive at an accurate and effective Risk Appetite Framework and risk governance policies. The person chairing the Committee is an independent director in possession of the requisite experience in accounting and financial matters, on account of their being a registered auditor. The

<sup>7</sup> On 20 September 2018, Vittorio Pignatti-Morano was co-opted to the Board of Directors to replace Massimo Tononi and was also appointed as a member of the Risks Committee.



Committee consists of three women (60%) and one man (40%). A breakdown of the Committee members by age is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/76
0	0	2	1	0	0	2	0

In particular, the committee:

- Performs duties of monitoring, instruction and support to the Board of Directors in respect of:
  - Defining the Risk Appetite Framework, monitoring its thoroughness, adequacy, functioning and reliability and those of the risk governance policies;
  - Defining the guidelines for the internal control and risk management system, to ensure that the principal risks facing the Bank and its Group companies are properly identified and adequately measured, managed and monitored;
  - Dealing with risk resulting from any prejudicial events of which the Board of Directors may become aware;
  - Reviewing, at least once a year, the adequacy of the internal control and risk management system vis-à-vis the Bank's characteristics and the risk profile assumed;
- Expresses non-binding opinions, with the assistance of the Appointments Committee, on the appointment and dismissal of the heads of the internal control units (Group Audit, Compliance and Risk Management), their salaries and powers, and the means guaranteed for them to exercise their functions;
- Examines the regular reports and work plans of the Group Audit, Compliance and Risk Management units, and supervises the internal auditing system;
- Reports to the Board, at least once every six months, on the activities performed and the adequacy of the internal control and risk management system;
- Reviews plans for calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP), reporting back to the Board on this issue;
- Checks that the Bank's remuneration and incentivization system is consistent with the Risk Appetite Framework.

With reference to the structure of the Bank's financial reporting organization, the Committee assesses the compliance of decisions taken by the Head of Company Financial Reporting, the external auditors and the Board of Directors in respect of the correct application of accounting standards with primary and secondary regulations, their consistency for purposes of drawing up individual and consolidated financial statements, and generally serves in an advisory capacity to assist the Board of Directors in taking the decisions for which it has responsibility on matters of financial documents.

The Secretary and the Statutory Audit Committee take part in Committee meetings, and the Chief Executive Officer and General Manager are also invited to take part. The head of company financial reporting, the heads of the control units and other Group staff also attend if considered necessary.

The Risks Committee currently also acts as the Related Parties Committee instituted pursuant to the Regulations for transactions with related parties approved on 20 June 2012 and most



recently revised on 10 May 2018 ([www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/Corporate%20Governance)), with the following duties:

- 1) Expressing opinions in advance on the adoption of, and possible amendments to, the Regulations;
- 2) Participating in negotiating and processing the most significant transactions with related parties, by receiving thorough and prompt reporting on them with the right to request further information and make comments;
- 3) Expressing reasoned opinions (binding only in respect of the largest transactions) on the Bank's interest in executing the transaction with related parties and the convenience and substantial correctness of the financial terms, including with the help of independent experts.

The Committee met on a total of twelve occasions in the period from 1 July 2017 to 30 June 2018 and on nine occasions as the Related Parties Committee.

The average duration of Risk Committee meetings was roughly three hours and 20 minutes, and that of Related Parties Committee meetings around 30 minutes.

### Remunerations committee

Members (as at 30/6/18)***	Independent (Article 19)*	Independent (Finance Act)**
Maurizio Carfagna (C)	X	X
Valérie Hortefeux	X	X
Alberto Lupoi	X	X
Alberto Pecci		

\* Independent as defined in Article 19 of the Articles of Association.

\*\* Independent as defined in Article 148, para. 3 of the Italian Finance Act.

\*\*\* César Alierta resigned from his position as Director with effect from 8 March 2018.

As at 30 June 2018,<sup>8</sup> the Committee consisted of four non-executive members, the majority of whom qualify as independent under the terms of Article 19 of the Articles of Association, including the Committee Chair. The Committee has duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as on the proposals formulated by the Chief Executive Officer regarding the guidelines for the remuneration system for senior management and Group staff remuneration, loyalty retention and incentivization schemes. The Committee currently consists of three men (75%) and one woman (25%). A breakdown of the Committee members by age is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/76
0	0	2	0	0	0	1	1

In particular the Committee:

<sup>8</sup> Until 8 March 2018, the Remunerations Committee consisted of five non-executive members, the majority of whom qualify as independent under the definition stipulated in Article 19 of the Articles of Association, including César Alierta (who ceased to be a member of the Committee with effect from 8 March 2018).



- 1) Regularly assesses the adequacy, overall consistency and practical application of the remuneration policy for directors and relevant staff;
- 2) Formulates proposals and/or opinions regarding the remuneration of the Chief Executive Officer and the General Manager.
- 3) Monitors application of the rules on the remuneration of the heads of the company's control units, liaising closely with the body with responsibility for control;
- 4) Gives its opinion on the Remunerations Policies to be submitted to the approval of the Board of Directors and shareholders in annual general meeting, with reference in particular to the issue of whether or not the performance objectives on which the incentivization schemes are based have been reached, and to ascertaining whether or not the further conditions set to payment of bonuses have been met;
- 5) Proposes the allocation of the aggregate fixed compensation to the Board of Directors established by shareholders in annual general meeting to the Board itself for approval.

The Chairman of the Board of Directors, the Secretary, the Statutory Audit Committee, the Chief Risk Officer and Head of Human Resources take part in Committee meetings, along with (in an advisory capacity) the Chief Executive Officer, the General Manager, and any other Group staff considered necessary.

The Committee met eight times in the period from 1 July 2017 to 30 June 2018, including two meetings which were not attended by the Executive Committee, to review changes in the regulatory framework and formulate proposals to the Board of Directors regarding staff remuneration policies. For further information on the issue of remuneration, please see the Report on Remuneration available on the Bank's website under [www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance).

The average duration of Committee meetings was roughly one hour and 45 minutes.

## Appointments committee

Members (as at 30/6/18)	Independent (Article 19)*	Independent (Finance Act)**
Maurizio Costa (C)	X	X
Marie Bolloré		X
Alberto Lupoi	X	X
Elisabetta Magistretti	X	X
Renato Pagliaro		

\* Independent as defined in Article 19 of the Articles of Association.

\*\* Independent as defined in Article 148, para. 3 of the Italian Finance Act.

As at 30 June 2018, the Appointments Committee consisted of five non-executive directors, the majority of whom qualify as independent under Article 19 of the Articles of Association, including the Chairman.

The Committee consists of three men (60%) and two women (40%). A breakdown of the Committee members by age is provided below:





<40	41/45	46/50	51/55	56/60	61/65	66/70	71/76
1	0	1	0	0	1	2	0

The Appointments Committee:

- Performs administrative activities in connection with the Board of Directors' annual self-assessment exercise;
- Performs advisory duties to identify the optimal qualitative/quantitative composition of the Board of Directors, and subsequently checks that this corresponds to the actual composition which results from the appointment process;
- Has duties of enquiry in respect of proposals of submission of lists for the Board of Directors, co-opting of new directors to replace those who have left their post, and for the appointment of the Executive Committee, Chief Executive Officer and, at the CEO's proposal, the General Manager;
- Performs administrative duties in connection with succession planning for directors who are members of the Bank's management;
- Provides administrative assistance to the Board of Directors on governance issues;
- Supports the Risk Committee in identifying the heads of the company control units.

The Secretary, Chief Executive Officer, General Manager and Head of Company Financial Reporting take part in Committee meetings, along with any other Group staff considered necessary.

The Committee met ten times in the period from 1 July 2017 to 30 June 2018 to adopt resolutions regarding the Board of Directors' self-assessment process, to verify the requirements and on succession planning issues, plus the "Policies for the selection, appointment, succession and performance assessment of company representatives and Group Key Function Holders".

The average duration of committee meetings was roughly 1 hour and 40 minutes.

**COMMITTEE INSTITUTED PURSUANT TO ARTICLE 18, PARA. 4 OF THE ARTICLES OF ASSOCIATION**

In addition to the Committees provided for in the regulations and codes of conduct, the Board of Directors has also set up a committee pursuant to Article 18, para. 4 of the Articles of Association which adopts resolutions in respect of decisions to be taking regarding appointments to be made to the governing bodies of particular investee companies at their annual general meetings, companies, that is, in which the Bank holds a stake of at least 10% of the share capital and for which the value of such stakes represents more than 5% of the Group's consolidated regulatory capital.

Members (as at 30/6/18)	Independent (Article 19)*	Independent (Finance Act)**
Alberto Nagel (Chair)		
Marie Bolloré		X
Elisabetta Magistretti	X	X
Francesco Saverio Vinci		

\* Independent as defined in Article 19 of the Articles of Association.

\*\* Independent as defined in Article 148, para. 3 of the Italian Finance Act.



The Committee consists of two men (50%) and two women (50%). A breakdown of the Committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/76
1	0	0	2	0	0	1	0

As at 30 June 2018, the Committee consisted of the Chief Executive Officer, General Manager and two Directors, one of whom qualifies as independent.

The Committee did not meet at all during the last financial year.

## CHIEF EXECUTIVE OFFICER

The Board of Directors appoints a Chief Executive Officer from among the Directors who have been members of the Banking Group's management for at least three years, who must not be more than sixty-five years old.

The Board of Directors, without prejudice to the provisions of the Articles of Association, establishes the duties and powers of the Chief Executive Officer. In particular, the Chief Executive Officer has executive powers and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee, which he chairs, and also:

- 1) Within the limits of his powers, implements the plans and strategic guidelines set by the Board of Directors and Executive Committee;
- 2) Is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts, and the principal internal regulations;
- 3) Is empowered to make proposals to the Committee instituted pursuant to Article 18, para. 4 of the Articles of Association concerning the decisions to be taken regarding appointments to the governing bodies of the investee companies, if listed;
- 4) Is responsible for staff management, and, having sought the opinions of the General Manager, if appointed, appointment of managerial staff;
- 5) Ensures that the organizational, administrative and accounting systems of the bank are adequate for the operations and size of the Company;
- 6) Reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries;
- 7) Is responsible for supervising activities in the area of sustainability, including preparing the Consolidated Non-Financial Statement to be published annually. In performing these duties, the Chief Executive Officer is assisted by the Corporate Social Responsibility management committee.

The Chief Executive Officers is Alberto Nagel.

## GENERAL MANAGER

The Board of Directors may, if proposed by the Chief Executive Officer's proposal with an indication of powers and duties, appoint a General Manager from among the Directors who have been members of the Banking Group's management for at least three years and are not more than sixty-five years old.



The Board of Directors vests the General Manager, who is the head of the internal organization and as such is responsible for its management, with powers to carry out the day-to-day business of the company, which specifically involves supervision of the other Group companies, and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Chief Executive Officer. The General Manager is responsible for approving the guidelines to ensure that the risk mitigation techniques implemented are effective and that suitable training programmes are instituted to embed the requisite risk culture.

The General Manager is Mr Francesco Saverio Vinci, who heads the Operations division and the Banking Group's principal investments; he is also responsible for the Financial Markets area which is part of the Corporate and Investment Banking division.

## **HEAD OF COMPANY FINANCIAL REPORTING**

On the proposal of the Chief Executive Officer, and with the Statutory Audit Committee's favourable opinion, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and must have held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at another leading bank. The post is currently held by Emanuele Flappini.

The Head of Company Financial Reporting is responsible for putting in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, plus all other reporting of a financial nature. The appointed bodies and the Head of Company Financial Reporting issue statements on the company's capital, earnings and finances as required by law.

The Board of Directors exercises supervision to ensure that the Head of Company Financial Reporting is vested with suitable powers and means to carry out the duties entrusted to him, and to ensure that the administrative and accounting procedures are complied with in practice.

At the annual general meeting held on 27 October 2012, the shareholders of Mediobanca appointed PricewaterhouseCoopers to audit the company's full-year financial statements and interim accounts, and to perform other activities provided for under Article 155 of the Italian Consolidated Finance Act for the 2013/2021 period.

## **RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING PROCESS**

Mediobanca has equipped itself with an internal control system for accounting and financial reporting requirements based on benchmark standards which are widely accepted at international levels (COSO and COBIT framework).<sup>9</sup> The system provides for:

- **Company Level Controls:** controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the norms, regulations and control mechanisms in force in the Group. Company Level Controls regard the organization of the company and impact on the methods by which the financial reporting and disclosure objectives are reached.

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<sup>9</sup> The CoSO Framework has been compiled by the Committee of Sponsoring Organizations of the Treadway Commission, a US body with the objective of improving the quality of corporate information through defining ethical standards and an effective corporate governance and organizational system. The CobIT Framework-Control Objectives for IT and related technology, meanwhile, is a set of rules prepared by the IT Governance Institute, another US body whose objective is to set and improve corporate standards in the IT sector.



- Administrative/accounting model: organizational processes (operators, activities, risks and controls) which generate the most significant earnings and asset figures included in the financial statements and information disclosed to the market.
- General IT controls: general rules governing technologies and applications developments which are common to the architectures and IT applications used to generate financial reporting.

The system has been constructed and is applied according to the relevance of Group companies, accounts or processes.

Checks are carried out according to two distinct methods based on the reference process:

- Test of controls, for non-accounting processes (chiefly relating to the support areas) IT processes, which are carried out by the process-owners using a self-assessment methodology and checked by the heads of their respective organizational areas;
- Test of controls for accounting processes, carried out in part using a self-assessment methodology and in part by the Group Audit Unit.

The Group Audit unit ascertains annually that the tests carried out on a self-assessment basis have been performed in accordance with the relevant methodologies.

Any gaps that emerge from the testing activity are analysed in conjunction with the heads of the organizational units responsible for the process, and possibly also with the areas that will be involved in solving the problems. With the Head of company financial reporting, a plan of corrective action is drawn up which assigns responsibilities and defines timescales.

Based on this model, the relevant administrative bodies and the Head of Company Financial Reporting attest, by means of a declaration attached to the annual report, the condensed interim report and the consolidated financial statements, that the procedures in force are adequate and have been effectively applied during the period to which the documents apply, and that the documents correspond to the data recorded in the company's books and accounts ledgers and are adequate for the purpose of providing a truthful and adequate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

### **STATUTORY AUDIT COMMITTEE**

The Statutory Audit Committee consists of three standing auditors and three alternate auditors. Appointment to the Statutory Audit Committee is made on the basis of lists deposited at least twenty-five calendar days prior to the date scheduled for the general meeting to be held in the first or only instance along with professional CVs for the individual candidates and statements by them agreeing to stand as candidates and confirming that they are in possession of the qualifications required under law, the applicable regulations and the Articles of Association. The Articles in particular provide that, without prejudice to the provisions of the law, members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy, hold the post of Chief Executive Officer, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca. The Articles of Association further state that lists may only be submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force at the date of the general meeting (currently 1%).

The mechanism for appointments provides that the Chairman of the Statutory Audit Committee shall be chosen from the minority list.



Its composition also ensures the gender balance stipulated in Italian law 120/11.

The Statutory Audit Committee, appointed on 28 October 2017 for the 2018, 2019 and 2020 financial years, is currently made up as follows:

Members (as at 30 June 2018)	Position	In office since **
Natale Freddi *	Chairman	28/10/11
Laura Gualtieri ♦	Standing Auditor	28/10/14
Francesco Di Carlo *	Standing Auditor	28/10/17
Alessandro Trotter ♦	Alternate Auditor Supplente	28/10/14**
Barbara Negri ♦	Alternate Auditor Supplente	28/10/14
Stefano Sarubbi *	Alternate Auditor Supplente	28/10/17

♦ Appointed from the list submitted by shareholder UniCredit S.p.A., which holds 8.46% of the company's share capital.

\* Appointed from the list submitted by a group of investors owning 3.889% of the share capital.

\*\* Alternate audit until 2 July 2007; member of Management Board from 2 July 2007 to 28 October 2008; and alternate auditor from 28 October 2014.

The members of the Statutory Audit Committee all qualify as independent under Article 148 of Italian legislative decree 58/98 and the Code of Conduct.

The CVs of the Statutory Auditors deposited along with the lists for appointments to the Statutory Audit Committee may be found on the Bank's website at [www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance).

The Statutory Audit Committee performs the duties and functions required of it under the regulations in force. In particular it monitors:

- Compliance with the provisions of the law, regulations and the Company's memorandum of incorporation, as well as with the principles of proper management;
- Adequacy of the organizational, administrative and accounting arrangements set in place by the company and the financial reporting process;
- The thoroughness, adequacy, functioning and reliability of the internal control system and Risk Appetite Framework;
- The process of auditing the annual and consolidated financial statements;
- The independence of the external auditors, in particular regarding the provision of non-audit-related services;
- The thoroughness, adequacy, functioning and reliability of the business continuity plan.

The Statutory Audit Committee is also responsible for:

- Reviewing the plans of activity for the company's control units, along with the reports prepared by them on the work carried out;
- Expressing its opinion on the appointment and/or dismissal of the heads of the control units and the Head of company financial reporting;
- Monitoring the process of calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP);



- Informing the Board of Directors of the results of the auditing process, and sending the additional report required under Article 11 of European regulation no. 537/2014, along with any comments it might have;
- Proposing the audit company for approval by shareholders in annual general meeting to act as the Bank's legal external auditors;
- Reviewing the working plan prepared by the external auditors to audit the Bank's accounts, and the results as described in their report and their letter containing suggestions;
- Assessing the adequacy of the procedures adopted to regulate transactions involving related parties and compliance with them;
- Checking that the criteria and procedures adopted by the Board of Directors to assess the independence of its members are applied correctly;
- Monitoring compliance with the requirements provided for in Italian Legislative Decree 254/16 on sustainability;
- Reporting any irregularities in operations or breaches of the regulations noted to the supervisory authorities.

The statutory auditors are vested with the broadest powers provided for by the legal and regulatory provisions in force.

The committee takes part in all meetings of the Board of Directors, the Executive Committee and the other committees set up by the Board for which their participation is required under the Board's regulations. In this way the Committee is kept informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, transactions with related parties, and transactions in which the Directors have an interest either in their own right or by means of third parties.

The Statutory Audit Committee receives information flows organized and channelled via the company's control units, i.e. Group Audit, Risk Management and Compliance, deals with issues in conjunction with the Risks Committee, and maintains regular relations, with a view to reciprocal exchanges of information, with the external legal auditors, and with other Group companies' Statutory Audit Committees. The heads of the various areas of the company hold regular meetings with the Statutory Audit Committee to provide further analysis or training on issues that are of interest to them.

Any Statutory Auditor who has an interest in a particular transaction in which Mediobanca is involved, either in his/her own right or via third parties, informs the other Statutory Auditors and the Chairman of the Board of Directors promptly and exhaustively regarding the nature, terms, origin and scope of such interest.

A total of twenty-nine meetings of the Statutory Audit Committee were held in the last financial year, twelve of which were held jointly with the Risks Committee, and the Committee met on several occasions with representatives of the external auditors retained to audit the company's financial statements pursuant to the Italian Finance Act.

The average duration of committee meetings was roughly three hours.

## **GROUP AUDIT UNIT**

Mediobanca maintains a Group Audit Unit, centralized at Mediobanca S.p.A. but covering the Group as a whole, which is organized so as to assess the thoroughness, adequacy, functioning and reliability of the company's internal control system. The activities regard all companies in the Banking Group and are performed by the unit itself and via its co-ordination of the



corresponding subsidiaries' units (where applicable; e.g. in the case of Compagnie Monégasque de Banque).

Centralizing internal audit activities in this way allows Mediobanca's role of co-ordination of the internal controls system to be strengthened and makes the whole control structure more efficient by:

- Centralizing co-ordination responsibilities at, and providing for direct coverage, by the Group audit unit for all subsidiaries;
- Defining a Banking Group audit plan, to be submitted to the approval of Mediobanca's Board of Directors and thereafter of the individual companies' Boards for what concerns them;
- Sharing specialized skills (e.g. IT auditing, AIRB, regulations) and audit methodologies, inspection methods reporting standards vis-à-vis governing bodies and senior management.

The head of the Group Audit Unit is Giorgio Paleari, who reports to the Board of Directors.

The unit operates independently and has direct access to all information useful to it, and adequate means are made available for it to be able to perform its mandate.

The head of the Group Audit Unit takes part in meetings of the Risks Committee, providing support in its own control activities. The unit submits a report to the Risks Committee and the Board of Directors once every six months on the activities performed and remediation of any critical issues noted.

The plan of activities is executed in accordance with the provisions contained in the unit's own Regulations and the Audit Plan approved each year by the Board of Directors.

### **COMPLIANCE UNIT**

The Compliance unit manages the regulatory and reputational risks of the Group, and to monitor in particular that the internal procedures set in place are consistent with the objective of preventing breaches of regulations applicable to the Bank and the Group. For the Bank, the unit proposes and monitors the adoption of procedures intended to manage risks of non-compliance linked to the provision of banking services and MiFID investment and ancillary services, ensuring staff are fully updated on developments in the domestic and European regulatory scenario. The unit manages compliance risks at the Group level as well, with the assistance of representatives and officers of the various Group companies, who in functional terms report to the head of the Compliance unit on such matters.

The head of Compliance takes part in Risks Committee meetings, providing support to the committee in its control activities. The Compliance unit reports to the Control and risks committee, the Board of Directors and the Statutory Audit Committee twice a year. The Compliance unit is headed up by Massimiliano Carnevali, who reports directly to the Chief Executive Officer.

### **ANTI-MONEY-LAUNDERING UNIT**

The Anti-money-laundering unit was established in 2011, and as required by the instructions issued by the Bank of Italy on 10 March 2011 as amended, is responsible for ongoing monitoring of the Bank's and Group's procedures to ensure they are adequate to prevent and tackle breach of the regulations on money-laundering and terrorist financing. In 2018, the unit was centralized at Mediobanca for the Italian Group companies, while at the non-Italian companies the unit manages these risks with the assistance of the respective representatives and officers, who in functional terms report to the head of the AML unit on such matters.



The head of the Group AML unit is Andrea Verger, who reports to the head of the Compliance unit.

## **GROUP RISK MANAGEMENT UNIT**

The Group Risk Management unit reports directly to the Chief Executive Officer under the leadership of the Group Chief Risk Officer, Pierpaolo Montana.

The unit co-operates in the definition and execution of the Risk Appetite Framework and the related risk governance policies, through an adequate risk management process. It plays an important role in strategy and risk-taking decisions, in the appraisal of extraordinary transactions, and in identifying, measuring, valuing, managing, mitigating, monitoring and reporting risks in the event of unauthorized exposures being noted.

In particular it is responsible for identifying and implementing an efficient risk management process and for ensuring this is embedded across the Group. To this end it presides over the functioning of the Bank's and the Group's risk management systems, defining the appropriate methodologies for measuring the current and future set of risks faced by them. The unit ensures ongoing control of the aggregate exposure, at Group and individual unit level, to credit, financial, operational and other relevant risks, within the limits set by the internal and supervisory regulations. The unit also issues guidance to the Group companies, to ensure that the entire Group's exposure to the above risks is governed appropriately.

In the exercise of his duties of control, the Group Chief Risk Officer is the person responsible for identifying and implementing an efficient risk management process through developing risk management policies which include defining and quantifying risk appetite and risk limits at both the individual operating unit and Group-wide level, calling on the assistance also of the other Risk Management teams of the various Group companies which to this end report in functional terms to the Group Chief Risk Officer.

The Head of the unit attends meetings of the Risks Committee, assisting it in its control tasks. Every six months the unit submits a report to the Risks Committee and the Board of Directors on the activities performed, and once a year it submits an assessment of the Group's risk profile and the adequacy of the Group's risk management measures.

As part of the Risk Appetite Framework, the Risk Management unit performs a set of regular internal controls with the aim of measuring the current level of the metrics relative to the limits set in the framework. It also gives prior opinions on whether Most Significant Transactions are consistent with the Risk Appetite Framework and identifies any needs in terms of decision-making escalation. If needs be, and depending on the nature of the transaction, it also seeks the opinion of other units involved in the risk management process.

In the area of strategic planning, Risk Management participates in the definition of the Group's strategic guidelines, ensuring the strategic goals and risk limits defined in the RAF are consistent with reference specifically to the adequacy of the company's assets and liquidity. The unit is also responsible for the process and performance of Group-wide stress tests.

The Risk Management unit is involved in making decisions regarding the Bank's entry into new markets, introduction of new products, and extraordinary operations, in order to assess the impact of these changes and operations on the Bank's and the Group's overall risk level.

## **ORGANIZATIONAL MODEL INSTITUTED PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/01**

At a Board meeting held on 31 July 2018, the Directors of Mediobanca approved the revised version of the new organizational model following changes to the regulatory framework.

The organizational model consists of:

1. A **General Part**, which provides an overview of the set of principles on which the model is based and functions, containing references to the primary regulations and with them a





list of the crimes pursuant to Italian Legislative Decree 231/01, the cases of possible exemption from liability, an indication of the requisites for the supervisory body and its members, references to the staff remuneration and incentivization.

## 2. Special Parts:

- **Map of crimes and activities at risk:** for each category of crime and organizational unit, the sensitive activities, control measures and organizational units involved are identified.
- **Protocols**, summarizing the principles of conduct and operating procedures for each sensitive area.
- Group Code of Ethics, which has been adopted by all Group companies, constitutes an integral part of the model, and contains references and principles which are complementary to the legal obligations and self-regulation requirements for directors, advisors, outside staff and suppliers, and are continuous and consistent with the Group's mission and its basic values. The document is available on the Bank's website at [www.mediobanca.it/Corporate Governance](http://www.mediobanca.it/Corporate%20Governance).
- **Reporting flows** from/to the supervisory body, containing the data and information which each organizational unit is required to transmit to the supervisory body. Obtaining such data allows the supervisory body to monitor the model's functioning and compliance with it, and to propose revisions where these may be necessary in order to render the company's organizational and internal control measures more effective.
- **Form for reporting** suspected breaches of the model to the supervisory body.
- List of crimes: document describing the crimes assumed to be applicable to the Bank.

The Statutory Audit Unit also performs the functions assigned to the supervisory unit instituted pursuant to Italian legislative decree 231/01. In this connection, the Statutory Audit Committee is responsible for monitoring the functioning of and compliance with the model and the functioning of the disciplinary system. It maintains and ensures flows of information to the Board of Directors, including:

- . Presenting an annual report on the activity carried out;
- . Serious breaches of the model, also informing the Chairman of the Control and Risks Committee.

## CODE OF ETHICS AND CODE OF CONDUCT

Since 2010 Mediobanca has adopted a Code of Ethics summarizing the ethical principles on which the Bank bases its activity and describing the values which underpin its daily operations.

These principles have also been set out in a Code of Conduct, which represents the benchmark for governing, in cases not expressly covered by the regulations, the Bank's internal and external relations in ethical terms, describing the standard of conduct required from all staff and collaborators.

## WHISTLE-BLOWING

Mediobanca has also adopted a policy on whistle-blowing to enable staff to report, including on a confidential basis, any issues with the functioning of the Bank's organizational structure or internal control systems, or any other irregularity in the Bank's operations or



breaches of the regulations on banking activity. The policy provides for liaison with the supervisory body, to which such reports are addressed. The policy, adopted by all Group companies, defines the principles, methods and measures to ensure that such instances of whistle-blowing are managed correctly, respecting the confidentiality of the parties involved.

The head of the internal reporting systems is Massimiliano Carnevali, who is also responsible for the Compliance unit.

## **PERSONAL TRANSACTIONS**

In accordance with the provisions of regulations in this area, Mediobanca has adopted a procedure to ban and/or identify personal transactions made (or transactions recommended, solicited or divulged to third parties) by relevant persons which may give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

Under the procedure, relevant persons must be made aware of and comply with the restrictions and reporting requirements on personal transactions.

## **INTERNAL DEALING**

The Board of Directors has adopted Regulations on Internal Dealing to govern reporting requirements for transactions involving equity instruments issued by Mediobanca (shares, convertible bonds, warrants, equity derivatives, etc.) carried out by persons defined as "relevant". Such relevant persons (chiefly Directors, statutory auditors and key management) have all subscribed to the code, and notify Mediobanca of each such transaction involving said equity instruments within two days of its completion. Transactions involving sums of less than €5,000 (or a higher figure set by the relevant authority, if any) are not considered. Mediobanca then discloses all such information to the market and Consob by the next successive day, using the methods set down by the regulations in force. Relevant persons may not effect such transactions in the thirty days prior to the date on which the Board of Directors' approval of the Bank's annual, interim and quarterly accounts is made public (black-out period). A more restrictive regime has also been introduced for certain management figures, limiting the restrictions on them trading to certain "window" periods only, i.e. the 15 open market days subsequent to the results for the period being published.

## **RELATED PARTY TRANSACTIONS**

At a Board meeting held on 10 May 2018, following the unanimous favourable opinion of the Related Parties Committee and the Statutory Audit Committee, the Directors of Mediobanca approved a revised version of the Regulations in respect of transactions with related parties and their associates adopted in pursuance of Consob resolution 17221/10 and the Bank of Italy's 2011 provisions on this subject, which set out the provisions with which the Bank must comply to ensure that transactions with related parties carried out directly or via Group companies are executed transparently, fairly in terms of both substance and form, objectively and impartially, whether directly or via subsidiaries, and also that the prudential limits on risk assets vs related parties are complied with.

The Regulations use a definition of "related party" which combines the areas of application provided under the Consob regulations with Bank of Italy instructions in respect of procedural and approval obligations. The scope of the definition of related parties to which the



prudential limits set by the Bank of Italy and the transparency regulations set by Consob apply remains distinct.

The Regulations are activated every time the Bank intends to implement a transaction with a related party (as defined in Annex 1 of the regulations). They involve an initial classification between “Most significant transactions” and “Transactions of minor significance”, which determines the respective responsibilities and approval procedures. The Regulations do not apply to transactions which qualify as “Exemptions” (which include “Ordinary transactions of minor significance carried out on market terms” and “Transactions involving negligible amounts”).

The Regulations also prescribe a specific “transparency regime” which defines the reporting requirements and deadlines versus both the public and the company’s governing bodies. These Regulations are published on the Bank’s website at [www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/CorporateGovernance).

## **CONFLICT OF INTEREST POLICY**

Consistent with the requirements of the regulations in this area, Mediobanca has adopted a conflict of interest management policy for the identification, monitoring and management of conflicts which may arise in the provision of investment or ancillary services. Taking into account the provisions of the ECB Guide for the requirements of directors’ integrity and professionalism, it also regulates the measures to be taken in the event that one of them or a Statutory Auditor should become involved in a conflict of interest.

The Policy describes the methods of identification and management of real and potential conflicts of interest which affect Mediobanca’s ability to act independently and could thereby harm the interests of the Bank or of one or more of its clients.

Mediobanca believes prompt, correct identification and management of conflicts of interest to be not only necessary in order to comply with the provisions of the laws and regulations but of essential importance for protecting clients’ rights and safeguarding Mediobanca’s assets and reputation before its clients, the market, other institutions and the authorities.

## **DIRECTORS’ AND STRATEGIC MANAGEMENT’S REMUNERATION**

The Chief Executive Officer’s and the General Manager’s remuneration are structured in such a way as to ensure their interests are aligned with the main objective of value creation for shareholders over the medium and long term, as part of a framework of regulations directed towards achieving proper management of the current and future risks facing the company, and maintaining appropriate liquidity and capitalization levels. The compensation package is structured into three components so that the economic benefits accruing to executive Directors are diversified over time:

- 1) Fixed salary;
- 2) A variable annual component (or short-term incentive) which accrues only if the gateways established in the remuneration policies are met, which is defined in the sense of reaching certain specific quantitative and qualitative performance criteria, contained in an individual scorecard approved annually by the Board of Directors at the Remunerations Committee’s proposal.

The scorecards contain performance objectives for the business areas under the individual manager’s responsibility. For example these may regard: risk-adjusted profitability; revenues, for the Group as a whole or specific divisions; profitability or Economic Profit of the individual areas under their responsibility; and/or other objectives consistent with the strategic plan guidelines in terms of capitalization, liquidity or new business initiatives. Each objective is weighted based on the importance attributed to it by the Board and the actual degree of autonomy which the manager concerned has in



terms of decision-making regarding it. Achievement of these objectives results in variable remuneration being paid which varies from 50% (or a lower percentage) of annual gross salary when minimum targets (usually those set by the budget) are reached to up to of 200% for particularly outstanding performances (indicatively between 115% and 150% of the minimum).

Payment of the variable component (50% in cash and 50% in shares) is deferred as to 60% over a five-year time horizon. All the deferred components are subject to the performance and malus conditions provided for in the remuneration policies.

- 3) When the Group's strategic plan is approved, the Board of Directors may adopt a long-term incentivization scheme linked to achievement of the plan's targets. In this case the short-term incentive scheme described in the previous point will be adapted with reference to the long-term scheme, without prejudice to the 200% cap on variable remuneration for each financial year. Like the short-term scheme, the long-term incentivization scheme will have specific quantitative and qualitative objectives linked to the time horizon of the plan and will be subject to gateways. Payment will be made in accordance with the terms, conditions and means provided for the variable remuneration component referred to in the previous point, unless the Board of Directors decides otherwise having first consulted with the Remunerations Committee, as required by the regulations on long-term incentivization schemes currently in force, including any specific resolutions requiring to be adopted by shareholders gathered in annual general meeting. At present there is no long-term incentivization scheme in force.

The Chairman is entitled to fixed remuneration only.

Directors who are also members of the Group's senior management receive a fee for their position as directors, but do not receive any remuneration in respect of their participation in committees, and in cases where such directors hold posts on Mediobanca's behalf in Group or investee companies, any emoluments due are paid to Mediobanca itself as the persons concerned are members of the Bank's staff.

Non-executive Directors' remuneration is set by shareholders in their annual general meeting, and does not include incentives linked to the Bank's performance.

The policy on the remuneration of directors and management with strategic responsibilities is illustrated in the "Remuneration Policy", which at the Remuneration Committee's proposal is approved by the Board of Directors and submitted to shareholders in annual general meeting. The policy for FY 2017-18 as approved by the shareholders is available on the Bank's website at [www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/Corporate%20Governance).

## **OTHER INFORMATION REQUIRED UNDER ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCE ACT ON SEVERANCE PAY AGREEMENTS**

In the event of the directors employed by Mediobanca ceasing to work for the company for any reason, the provisions of the Group's remuneration policies for identified staff and the sector regulations in force at the time shall apply, as approved by the shareholders in their annual general meeting and published on the Bank's website at [www.mediobanca.com](http://www.mediobanca.com).

## **SUCCESSION PLANNING**

At a Board meeting held on 12 July 2018, the Directors approved the "Policies for the selection, appointment, succession and performance assessment of company representatives and Group Key Function Holders" governing *inter alia* the succession of executive directors (including the Chief Executive Officer and the General Manager) and



non-executive directors, the Statutory Auditors and the Key Function Holders and include the emergency plan for renewal of appointments to senior management positions in the event that this should suddenly become necessary. The company representatives include members of the Board of Directors and Statutory Audit Committee; while the Key Function Holders are persons who are not Board members but have a significant influence on the Bank's management (the heads of the control units, the head of company financial reporting, the heads of the Mediobanca Group business areas (CIB, Retail/Consumer, Private Banking, Principal Investing, CMB, MAAM), and the Group HR Director).

Regarding succession planning for the executive Directors, the Chief Executive Officer and General Manager, the Appointments Committee is tasked with selecting a limited number of persons who have been members of the Group's management for at least three years and who are considered able to succeed to those positions. The selection is made with the support of the Chief Executive Officer and General Manager in office, Group HR, and specialized consultants if considered appropriate. This select number of management is kept informed at all times, so that, if need be, the Appointments Committee can make swift proposals to the Board of Directors or to shareholders in general meetings. In emergency situations, the Chairman swiftly calls a meeting of the Board of Directors to assign interim powers in order to ensure continuity of business, and to launch ordinary succession procedures with the Appointments Committee's involvement.

If an executive director other than the Chief Executive Officer or the General Manager, i.e. a member of the Executive Committee, should leave office during the course of a financial year, the responsibility for proposing a replacement falls to the Appointments Committee. In general terms, an executive director must possess all requisites stipulated in general for directors, plus specific experience in banking, professional or corporate areas which highlights their capability to take decisions quickly and on an informed basis. The Appointments Committee will commence its selection from among the other non-executive directors currently in office; if it fails to identify a suitable candidate, the new director will be co-opted from outside. To this end the Appointments Committee assesses the profiles represented on the Board to gauge who which might be suitable for inclusion in the Executive Committee.

Regarding the succession of non-executive directors, those appointed from the minority list are replaced, where possible, by unappointed directors from the same list, in accordance with the provisions in force on equal gender representation.

For directors appointed from the majority list, in line with best practice, the selection of candidates will reflect the guidance issued by the Board in its Report on the qualitative-quantitative composition of the Board of Directors.

In particular, the Board, with the assistance of the Appointment Committee which performs the administrative duties, will take steps immediately to identify a candidate in possession of the same characteristics as the director leaving office (in terms of gender, independence, international experience and specialization), and if this is not possible, a candidate who nonetheless possesses characteristics which are functional to the Board's optimal composition in qualitative and quantitative terms.

The regulations in force at the time in respect of the balance of directors in terms of gender and independence will of course be observed.

As for the limitations on the number of posts which representatives of banks may hold under the new CRD IV directive, the relevant decree law remains to be enacted by the Italian Ministry for the Economy and Finance, which, after consulting with the Bank of Italy, will set the limits pursuant to Article 26 of the Italian Banking Act, as amended by Italian legislative decree 72/15. These provisions will apply to appointments subsequent to its coming into force, as provided by Article 2 of Italian legislative decree 72/15.



As for the Key Function Holders, a total of ten key positions have been identified (currently covered by eleven individuals), for which the capabilities required for such roles have been defined and formalized.

The Chief Executive Officer and the General Manager, with the support of Group HR, identify internal staff who are able to guarantee succession in the short and medium term (known as the senior talent pool), without ceasing to monitor the market. Growth and career development pathways are identified for senior talent pool members, including in terms of involvement in specific strategic projects, exposure to Board/Committee meetings, and international/intra-Group rotation.

## **RELATIONS WITH SHAREHOLDERS AND INVESTORS**

Mediobanca maintains an ongoing dialogue with its shareholders, institutional investors and individual holders of shares and bonds and with all other stakeholders within the national and international financial community.

Transparency and prompt disclosure are the hallmarks of the relationship between Mediobanca and its interlocutors, in compliance with the regulations and the internal procedures governing the circulation of inside information.

To enable all shareholders to exercise their rights knowingly, information concerning the Group's business model, corporate governance structure, earnings/financial data, products and services, and social and cultural initiatives is available on the Bank's website; to promote the greatest possible participation in annual general meetings, the relevant documentation is sent beforehand to the addresses of who requested it.

Furthermore, to promote dialogue via its institutional website at [www.mediobanca.com](http://www.mediobanca.com) (content in English and Italian), Mediobanca offers interested parties an opportunity to be kept up-to-date with the Group's earnings results and strategic objectives. As well as making available the full documentation produced by the Bank (again in both languages), the website also offers an opportunity to follow the conference calls organized for publication of the Bank's quarterly, half-yearly and annual results via a web streaming service.

Relations with institutional investors, financial analysts and journalists are handled by the relevant units (Paola Schneider – Group Corporate Affairs, Jessica Spina - Investor Relations and Lorenza Pigozzi – Media Relations).

Milan, 20 September 2018



Table 1: Structure of Board of Directors and Committees as at 30 June 2018

Board of Directors													Executive Committee		Risks Committee		Remuneration Committee		Appointments Committee	
Office	Member*	Year of birth	Date first appointed **	In office since	In office until	List	Non-exec.	Exec.	Indep. (Article 19)	Indep. (Finance Act)	No. of other posts held (***)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)
Chairman	Renato Pagliaro	1957	28/10/08 (1)	28/10/17	28/10/20	(a)	X				0	100%								100%
Deputy Chair ♦	Maurizia Angelo Comneno	1948	28/10/14	28/10/17	28/10/20	(a)		X		X	0	100%		100%						
Deputy Chair	Alberto Pecci	1943	27/10/12	28/10/17	28/10/20	(a)	X				3	90.90%							100%	
CEO ♦ ♦	Alberto Nagel	1965	28/10/08 (1)	28/10/17	28/10/20	(a)		X			0	100%	P	100%						
Director and General Manager ♦	Francesco Saverio Vinci	1962	28/10/08 (1)	28/10/17	28/10/20	(a)		X			0	90.90%		100%						
Director	Marie Bolloré	1988	28/10/14	28/10/17	28/10/20	(a)	X			X	10	81.81%								80%
Director	Maurizio Carfagna	1947	28/10/14	28/10/17	28/10/20	(a)	X		X	X	3	100%				91.66%	P	100%		
Director	Maurizio Costa	1948	28/10/14	28/10/17	28/10/20	(a)	X		X	X	1	90.90%							100% (*)	P 90%
Director	Angela Gamba	1970	28/10/17	28/10/17	28/10/20	(b)	X		X	X	1	100%				100%				
Director	Valérie Hortefeux	1967	28/10/17	28/10/17	28/10/20	(a)	X		X	X	2	100%				100%			100%	
Director	Alberto Lupoi	1970	28/10/17	28/10/17	28/10/20	(b)	X		X	X	0	100%							100%	100%
Director	Elisabetta Magistretti	1947	28/10/11	28/10/14	28/10/20	(a)	X		X	X	2	100%			P	100%			100% (*)	100%
Director	Massimo Tononi	1964	28/10/17	28/10/17	25/07/18	(a)	X		X	X	3	90.90%				100%				
Director ♦	Gabriele Villa	1964	28/10/17	28/10/17	28/10/20	(a)		X		X	1	100%		100%						

Maximo Ibarra and Vittorio Pignatti-Morano were co-opted on 20 September 2018.  
 \* Left office on 28 October 2017.



**DIRECTORS WHO LEFT OFFICE DURING FY 2017-18**

Board of Directors												Executive Committee		Risks Committee		Remunerations Committee		Appointments Committee	
Office	Member*	Year of birth	Date first appointed **	In office since	In office until	List ***	Non-exec.	Exec.	Indep. (Code)	Indep. (Finance Act)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)
Deputy Chair	Marco Tronchetti Provera	1948	23/05/07	28/10/14	28/10/17	(c)	X			X	75%								
Director	Tarak Ben Ammar	1949	15/09/03	28/10/14	28/10/17	(c)	X		X	X	75%								
Director	Gilberto Benetton	1941	28/10/02	28/10/14	28/10/17	(c)	X				50%								
Director	Mauro Bini	1957	28/10/14	28/10/14	28/10/17	(d)	X		X	X	100%							P	100%
Director ♦	Angelo Casò	1940	28/10/08	28/10/14	28/10/17	(c)	X		X	X	100%			100%					
Director	Vanessa Labérenne	1978	09/05/12	28/10/14	28/10/17	(c)	X		X	X	100%							100%	
Director	Marina Natale	1962	28/10/16	28/10/16	21/07/17	(e)	X			X	100%								
Director ♦	Gian Luca Sichel	1968	28/10/14	28/10/14	28/10/17	(c)		X			100%			100%					
Director ♦	Alexandra Young	1968	28/10/14	28/10/14	28/10/17	(c)		X			90.9%			100%					
Director °	César Alierta	1945	28/10/17	28/10/17	08/03/18	(a)	X		X	X	25%								0%

**No. of meetings held during year ended 30 June 2018:**

<b>Board of Directors:</b> 11	<b>Executive Committee:</b> 12	<b>Risks Committee:</b> 12	<b>Related Parties Committee:</b> 9	<b>Remunerations Committee:</b> 8	<b>Appointments Committee:</b> 10
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Quorum required for minority shareholders to submit lists for the appointment of one or more directors:

at least 1% of the share capital

\* The CVs submitted by the directors in conjunction with the lists for appointment to the Board of Directors are available on the Bank's website at [www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/Corporate%20Governance).

\*\* The "date first appointed" for each Director refers to the date on which they were appointed for the first time (ever) to the issuer's Board of Directors.

\*\*\* Data refers to posts held in other listed companies in regulated markets, including outside Italy, in financial companies, banks and/or insurances of significant size.

♦ Members of the Executive Committee.

a. Taken from the majority list submitted by Unicredit S.p.A. which holds 8.46% of the Bank's share capital.

b. Taken from a minority list submitted by a group of investors representing an aggregate 3.889% of the Bank's share capital.

c. Taken from the majority list submitted by Unicredit S.p.A. which held 8.65% of the Bank's share capital.

d. Taken from a minority list submitted by a group of investors representing an aggregate 1.699% of the Bank's share capital.

e. Proposal submitted by Unicredit S.p.A. which held 8.46% of the Bank's share capital.

A. Indicates the director's role within the committee: "C": Chairman.

B. Indicates the directors' attendance records in percentage terms at meetings of the Board of Directors and Committees (no. of meetings which each director attended out the total no. of meetings which they could have attended).

◊ Main person responsible for managing the issuer (Chief Executive Officer or CEO).

(1) Member of the Management Board from 2 July 2007 to 28 October 2008.





- In the year ended 30 June 2018, the Board of Directors also held one meeting of independent directors, eleven induction meetings and two training sessions.

**Table 2: Structure of Statutory Audit Committee as at 30 June 2018**

Office	Member	Year of birth	Date first appointed <sup>d*</sup>	In office since	In office until	List	Indep., Code of conduct	Percentage of Committee meetings attended	No. of other posts held**
Chairman	Natale FREDDI	1952	28/10/11	28/10/17	28/10/20	(b)	X	100%	-
Standing Auditor	Francesco DI CARLO	1964	28/10/17	28/10/17	28/10/20	(a)	X	94.7%	1
Standing Auditor	Laura GUALTIERI	1968	28/10/14	28/10/17	28/10/20	(a)	X	96.5%	1
Alternate Auditor	Alessandro TROTTER	1940	28/10/00	28/10/17	28/10/20	(a)			
Alternate Auditor	Barbara NEGRI	1973	28/10/14	28/10/17	28/10/20	(a)			
Alternate Auditor	Stefano SARUBBI	1965	28/10/17	28/10/17	28/10/20	(b)			

**STATUTORY AUDITORS WHO LEFT OFFICE DURING FY 2017-18**

Office	Member	Year of birth	Date first appointed <sup>d*</sup>	In office since	In office until	List	Indep., Code of conduct	Percentage of Committee meetings attended	No. of other posts held **
Standing Auditor	Gabriele VILLA	1964	28/10/11	28/10/14	28/10/17	(c)		90%	2
Alternate Auditor	Silvia OLIVOTTO	1950	28/10/14	28/10/14	28/10/17	(d)			

**No. of meetings held during the year ended 30 June 2018§: 29**

Quorum required for minority shareholders to submit lists for the appointment of one or more Statutory Auditors:

at least 1% of the share capital

§ 12 of which in conjunction with the Risks Committee.

\* The "date first appointed" for each Statutory Auditor refers to the date on which they were appointed for the first time (ever) to the issuer's Statutory Audit Committee.

\*\* Indicates the no. of posts as director or Statutory Auditor held by the person concerned in other companies listed on regulated Italian markets.



## MEDIOBANCA

- a. Taken from the majority list submitted by Unicredit S.p.A. which holds 8.46% of the Bank's share capital.
- b. Taken from a minority list submitted by a group of investors representing an aggregate 3.889% of the Bank's share capital.
- c. Taken from the majority list submitted by Unicredit S.p.A. which held 8.65% of the Bank's share capital.
- d. Taken from a minority list submitted by a group of investors representing an aggregate 1.699% of the Bank's share capital.



**Table 3: Other requirements under code of conduct for listed companies**

	YES	NO	Reasons for any departures from recommendations made in the Code
<b>Power to represent the Bank and related party disclosure</b>			
Has the Board of Directors authorized parties to represent the Bank and established:			
a) limits	X		
b) methods for exercising such powers	X		
c) regular reporting requirements?	X		
Has the Board of Directors reserved for itself the right to inspect and approve all significant transactions in terms of earnings, capital and finances (including transactions with related parties)?	X		
Has the Board of Directors set guidelines and established criteria for identifying "significant" transactions?	X		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	X		
Has the Board of Directors implemented procedures for reviewing and approving transactions with related parties?	X		
If so, have such procedures been set out in the statement on corporate governance?	X		
<b>Procedures for most recent appointments to Board of Directors/Statutory Audit Committee</b>			
Were candidates' applications for the post of director lodged at least twenty-five days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
Were they accompanied by statements regarding the candidates' eligibility to stand as independent Board members?	X		
Were candidates' applications for the post of statutory auditor lodged at least twenty-five days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
<b>General meetings</b>			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		X	Orderly proceedings are ensured by the powers vested in the Chairman under law and the company's Articles of Association.
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report as to where they may be obtained or downloaded?		X	
<b>Internal controls</b>			
Has the company designated staff to take charge of internal control?	X		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	X		
Organizational unit responsible for internal control	X		Group Audit Unit
<b>Investor relations</b>			
Has the company appointed a head of investor relations?	X		
If so, what are the head of the IR unit's contact details?			Jessica Spina Tel. no.: (0039) 02-8829.860 - Fax no.: (0039) 02-8829.819 Email: <a href="mailto:investor.relations@mediobanca.it">investor.relations@mediobanca.it</a>



## Annex

### Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca <sup>1</sup>

Name	Post held in Mediobanca	Posts held in other companies
PAGLIARO Renato	Chairman	
ANGELO COMNENO Maurizia	Deputy Chair and Executive Committee member	=
PECCI Alberto	Director	Chairman, Pecci Filati Chairman, Tosco-Fin Director, El.EN.
NAGEL Alberto	CEO and Chairman of Executive Committee	=
VINCI Francesco Saverio	General Manager, Director and Executive Committee member	=
BOLLORE Marie	Director	Director, Bolloré S.A. Director, Financiere de l'Odet Director, Bolloré Participations Director, Financiere V Director, Omnium Bolloré Director, Blue Solutions Director, Societé Industrielle et Financiere de l'Artois Supervisory Board member, Sofibol Chair of Supervisory Board, Compagnie du Cambodge CEO Electric Mobility Application Division of Bolloré Group
CARFAGNA Maurizio	Director	CEO, H-Invest Director, Futura Invest Director, FingProg Italia S.p.A.
COSTA Maurizio	Director	Director, Amplifon
GAMBA Angela	Director	Director, Parmalat
HORTEFEUX Valérie	Director	Director, Blue Solutions Director, Ramsay – Générale de Santé
LUPOI Alberto	Director	=
MAGISTRETTI Elisabetta	Director	Director, Luxottica Group Director, Smeg
TONONI Massimo	Director	Chairman, Prysmian S.p.A. Director, Italmobiliare S.p.A. Chairman, ISA Istituto Atesino di Sviluppo S.p.A.
VILLA Gabriele	Director	Statutory Auditor, Edison S.p.A.

(1) The full list of positions is available at [www.medioBANCA.com](http://www.medioBANCA.com).