



# Statement on Corporate Governance and Ownership Structure

as at 16 September 2020



MEDIOBANCA



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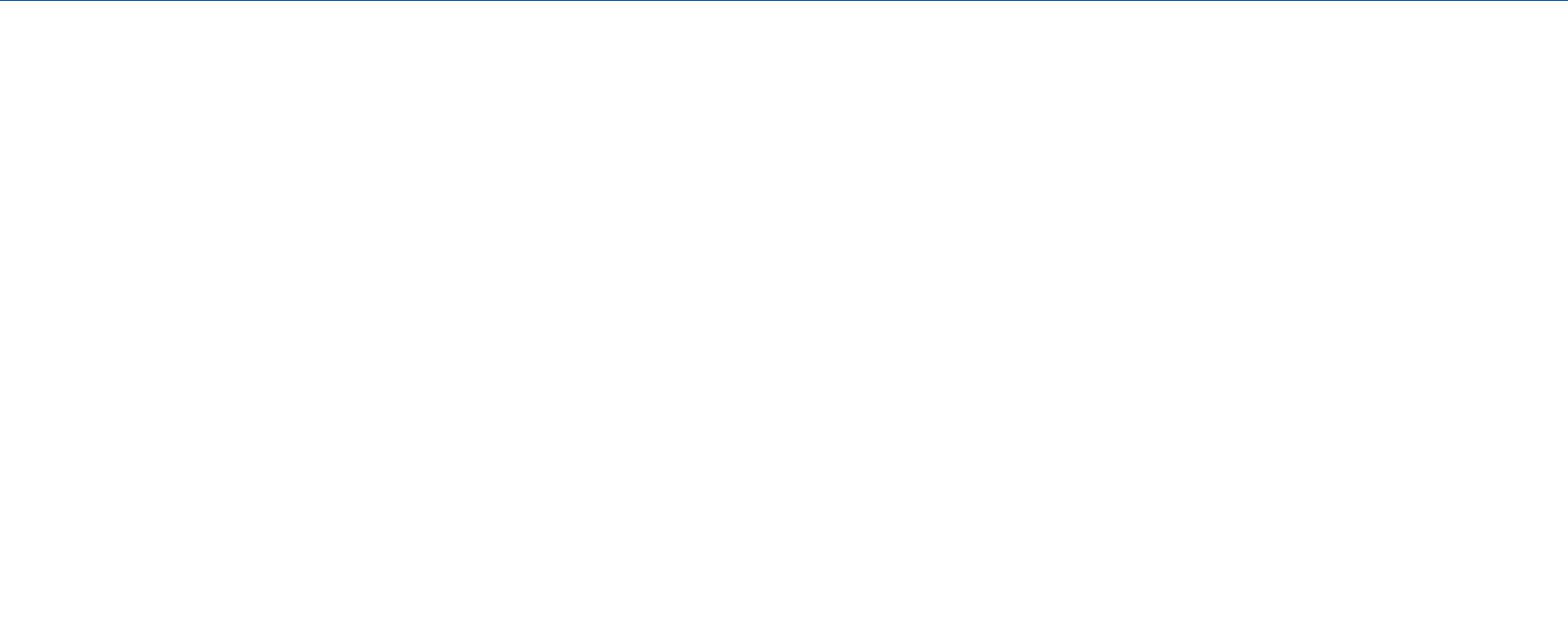
# Statement on Corporate Governance and Ownership Structure 2020

## Introduction

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 on the Corporate Governance Committee's website at [www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm](http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm)), to which Mediobanca adheres, on the terms set forth below. The Corporate Governance Committee monitors its application in practice, and informs listed companies of possible areas for improvement. The recommendations made by the Chairman of Corporate Governance Committee in a letter dated 19 December 2019 were brought to the attention of the Appointments Committee (on 30 January 2020) and the Board of Directors (on 6 February 2020), and were incorporated at the self-assessment stage.

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.

This statement has also been submitted to the external auditor. The judgement regarding its consistency required under Article 123-bis of the Italian Finance Act is contained in the reports drawn up in compliance with Article 14 of Italian Legislative Decree 39/2010, included with the individual and consolidated financial statements.



# Mediobanca Group profile



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# 1. Mediobanca Group profile

Mediobanca, set up in 1946, is the parent company of the Mediobanca Banking Group which consists of three business lines: Wealth Management, Corporate & Investment Banking, and Consumer Banking.

Mediobanca has branch offices in London, Paris, Frankfurt and Madrid, and subsidiaries based in New York, Luxembourg, London, Paris and Geneva. It also holds a 12.9% interest in Assicurazioni Generali.

The guidelines of the 2019-23 Strategic Plan unveiled in November 2019 mark the completion of the Mediobanca Group's according to the distinctive and sustainable model as "specialized financial player" that, thanks to the specialization and solidity of the business model, is able to turn challenges into opportunities.

The Group aims to achieve growth in all segments in which it operates – the new Wealth Management division as well as the traditional core activities of Corporate & Investment Banking and Consumer Banking – by leveraging on its distinctive features: focus and positioning in highly-specialized, highly profitable market segments, driven by long-term trends, strong capital resources, and ongoing investment in talent, innovation and distribution.

The Group intends to deliver impressive growth in revenues, earnings and shareholder remuneration, to the satisfaction of all its stakeholders, while at the same time preserving one of the best risk/return profiles in Europe.

The Group's ESG strategy is an integral part of the business plan, so as to combine growth in business and financial solidity with social and environmental sustainability, thereby creating value over the long term for all stakeholders.

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

Mediobanca, in its capacity as parent company of the Mediobanca Group, directs and co-ordinates the companies forming part of the 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 European Central Bank.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors, an Executive Committee and a Statutory Audit Committee. This corporate governance system combines maximum efficiency in terms of operations with effective control. The Articles of Association also provide for three executives from the Banking Group to be represented on the 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 for the management of the Company's day-to-day business.



Mediobanca is proposing certain changes to the company's Articles of Association which have been submitted to the approval of shareholders at the Annual General Meeting called to approve the financial statements for the twelve months ended 30 June 2020. The changes are chiefly related to certain governance issues linked to changes in the ownership structure in order to align the Bank more closely with international best practices in the banking sector. These include making the selection process for the Chief Executive Officer more flexible, and strengthening the independence criteria set for non-executive Directors; criteria are fully aligned with the new Code of Conduct for Listed Companies (in force from 1 January 2021). The Bank is also taking the opportunity to incorporate changes to the share capital, also to allow for the possibility of treasury shares owned by the Bank being cancelled, plus other minor changes. These changes do not alter the traditional model of governance which will continue as in the past. Ten years since it was introduced, the traditional system has shown that it works smoothly and effectively fosters the necessary debate between the Board's executive and strategic supervisory functions, with the control body, despite not being part of the Board, nonetheless participating actively in discussions at meetings of the Board itself, the Executive Committee, Risks Committee and Remunerations Committee, providing it with access to all documentation.





# Information on ownership structure



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# 2. Information on ownership structure

## 2.1 Structure of share capital, powers to increase share capital and authorization to acquire treasury shares

The Bank's share capital at 30 June 2020 totalled €443,616,723.50, made up of 887,233,447 ordinary par value €0.50 shares. The shares are registered shares, and entitle shareholders to one vote per share in the general meeting.

The powers vested in the Board of Directors by shareholders at the annual general meeting held on 28 October 2015 are as stated in Article 4 of the Articles of Association and involve in particular:

- ◇ authorization, under Articles 2443 and 2420 –ter of the Italian Civil Code, to issue shares or convertible bonds up to a maximum of up 200 million ordinary par value €0.50 shares;
- ◇ authorization, under Article 2443 of the Italian Civil Code, to issue up to a maximum of 80 million 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 Article 2441 paragraph four, second sentence of the Italian Civil Code;
- ◇ authorization, under Article 2349 of the Italian Civil Code, to issue a maximum of up to 20 million ordinary shares to be awarded to Mediobanca Group staff members by way of performance shares. The performance share schemes approved by shareholders at the 2015 general meeting, and the press release regarding the awards made are published on the Bank's website at [www.mediobanca.com](http://www.mediobanca.com).

At an annual general meeting held on 27 October 2018, shareholders adopted a resolution to buy back the company's shares up to 3% of the share capital (26,611,288 shares). The buyback was completed on 25 March 2020. As at the date of this statement, the number of treasury shares owned was 26,611,288.

The amendments to the Articles of Association that Mediobanca proposes to submit to the approval of its shareholders at the Annual General Meeting called to approve the financial statements for the twelve months ended 30 June 2020 include changes to the company's share capital: deletion of the reference to the nominal value of the price per share for ordinary Mediobanca shares, in order to simplify any cancellations of treasury shares owned, and renewal of the powers vested in the Board of Directors to increase the company's share capital already provided for in the Articles, for the same amount.

## 2.2 Ownership structure

Mediobanca has approximately 45,000 shareholders.

As at the date of this statement, Shareholders with interests in excess of 3% are as follows:

SHAREHOLDER	% OF SHARE CAPITAL
Leonardo Del Vecchio (*)	9.89
Bolloré group (**)	5.60
Black Rock group (***)	3.98
Mediolanum group	3.28

\* Indirect shareholding.

\*\* Bolloré group 2019 financial statement e 2020 half-year financial report

\*\*\* Black Rock Inc. (NY) via fifteen asset management subsidiaries (form 120b, 6 August 2020), 0.69 % of which by way of potential investment as part of securities lending and 0.13% in other long positions with cash settlement.

The shareholder structure of Mediobanca is currently made up as to 60% of institutional investors, as to 10% of retail investors and the remaining part of other investors. Some shareholders (12,6%)<sup>1</sup> are parties to a consultation agreement which makes no provision for commitments in terms of lock-up or votes in respect of the shares syndicated to it. By signing this agreement, which has been in force since 1 January 2019, the parties confirm their shared interest in the Group's growth, with a view to ensuring unified management in accordance with its traditions of autonomy and independence. The agreement governs the means by which the parties meet to share reflections and considerations regarding the Group's performance, without prejudice to the principle of full parity of information versus the market. The parties also recognize that the preferred practice is for the outgoing Board to submit a list of Directors to be reappointed to the Board, as already provided for in the Articles of Association. The agreement is valid until 31 December 2021 and is automatically renewed for further three-year periods between those parties who have not given notice of their intention to withdraw from it at least three months prior to the original or extended date of expiry. The agreement is filed with the Milan companies' register, and an excerpt from it may be found on the Bank's institutional website at <https://www.mediobanca.com/en/corporate-governance/main-shareholders/shareholder-consultation-agreement.html>.

## 2.3 Change of control clauses

Mediobanca is a party to shareholder agreements in unlisted companies which provide, in the event of a change of control, for the other parties to exercise put options over their own interests.

<sup>1</sup> Mediolanum, Schematrentatre (Benetton), Fininvest, FIN.PRIV., Gruppo Gavio, Gruppo Ferrero, Gruppo Pecci, Angelini Partecipazioni Fin., Finprog Italia (Doris), Sinpar (Lucchini), Mais Partecipazioni Stabili (Seragnoli), Vittoria Assicurazioni, Romano Minozzi.



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# General meetings



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# 3. 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, which are usually held in a single session on 28 October each year, 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) remuneration policies and incentivization schemes based on financial instruments adopted for directors, Group employees and collaborators;
- 5) transactions required by law to be approved by shareholders in extraordinary general meeting.

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 illustrates the methods 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 notice of meeting contains an indication of the deadline by which questions must be submitted.

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



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# 4. Board of Directors

## 4.1 Composition and appointment

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, at least two qualify as independent as required by Article 148, paragraph 3 of the Italian Legislative Decree 58/98 and at least one-third qualify as independent in accordance with the definition provided in Article 19 of the Articles of Association. 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 independence qualifications provided by Article 19 of the Articles of Association are basically aligned with those in the Code of conduct for listed companies. Under the Articles in force, Directors are held not to qualify as independent if they hold an interest of over 2% in the company or are significant representatives of the group to which the company belongs, regardless of whether they are parties to shareholder agreements. Furthermore, given that such requisites are stipulated in the Articles, by their nature no exceptions to them are possible.

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.

In this connection, the Board of Directors must be formed of members:

- ◇ who are fully aware of the powers and obligations relating to the functions they are each required to carry out;
- ◇ who have a suitable professionalism for the role they are to perform, including for any committees within the board, and calibrated in relation to the operational and dimensional characteristics of the bank;
- ◇ with expertise that is spread between all members and suitably diversified, in order to allow each of the members, within the committees they are part of and in collegial decisions, to contribute effectively to ensuring an effective governance of the risks in all areas of the bank;

◇ who dedicate suitable time and resources to the complexity of their assignment.

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, and following the resignation of two Directors, was restored to its full complement on 20 September 2018 through two new Directors being co-opted, and subsequently confirmed to their posts by shareholders at the Annual General Meeting held on 27 October 2018. The appointments in 2017 were made, as required by the Articles of Association, 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 took 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. Together with each list, and along with the other information and statements required by the regulations in force at the time, the CVs of the individual candidates were submitted, containing details of their professional qualifications, plus declarations in which they state, under their own responsibility, that there are no grounds that would render them incompatible with or ineligible for office, that the requisites stipulated by the law in force and the Articles of Association are met, and attaching a list of the management and control positions held by them in other companies.

The Board of Directors consisted of 15 members, eleven of whom qualify as independent under Article 148, paragraph 3 of the Italian Finance Act, eight of which eleven also qualify as independent under Article 19 of the Articles of Association. The Board's composition complies with the legal requirements on gender representation.

The Board of Directors has found that the independence requirements have been met: i) as stated under Article 148, paragraph 3 of the Italian Finance Act, by Maurizia Angelo Comneno, Marie Bolloré, Maurizio Carfagna, Maurizio Costa, Angela Gamba, Valérie Hortefeux, Maximo Ibarra, Alberto Lupoi, Elisabetta Magistretti, Vittorio Pignatti Morano and Gabriele Villa; and ii) as stated under Article 19 of the Articles of Association, by Maurizio Carfagna, Maurizio Costa, Angela Gamba, Valérie Hortefeux, Maximo Ibarra, Alberto Lupoi, Elisabetta Magistretti and Vittorio Pignatti Morano. 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.

In accordance with the Supervisory Instructions for banks in the area of corporate governance and with the Articles of Association, Directors who are not members of the Group's management but who are part of the Executive Committee are treated as though there were executive directors and accordingly do not form part of the Remunerations, Appointments and Risks Committees.

MEMBER	POST HELD	DATE OF BIRTH	INDIP. *	INDIP. **	MANAGEMENT	IN OFFICE SINCE ***
<b>Renato Pagliaro</b> <sup>†</sup>	Chairman	20/2/1957			x	02/07/2007
<b>Maurizia Angelo Comneno</b> <sup>†</sup>	Deputy Chair	18/6/1948		x		28/10/2014
<b>Alberto Pecci</b> <sup>†</sup>	Deputy Chair	18/9/1943				27/10/2012
<b>Alberto Nagel</b> <sup>†</sup>	CEO	7/6/65			x	02/07/2007
<b>Francesco Saverio Vinci</b> <sup>†</sup>	Group General Manager	10/11/1962			x	02/07/2007
<b>Marie Bolloré</b> <sup>†</sup>	Director	8/5/88		x		28/10/2014
<b>Maurizio Carfagna</b> <sup>†</sup>	Director	13/11/1947	x	x		28/10/2014
<b>Maurizio Costa</b> <sup>†</sup>	Director	29/10/1948	x	x		28/10/2014
<b>Angela Gamba</b> <sup>‡</sup>	Director	15/8/1970	x	x		28/10/2017
<b>Valérie Hortefeux</b> <sup>†</sup>	Director	14/12/1967	x	x		28/10/2017
<b>Maximo Ibarra</b> <sup>†</sup>	Director	13/12/1968	x	x		20/09/2018
<b>Alberto Lupoi</b> <sup>‡</sup>	Director	29/3/1970	x	x		28/10/2017
<b>Elisabetta Magistretti</b> <sup>†</sup>	Director	21/7/1947	x	x		28/10/2011
<b>Vittorio Pignatti Morano</b> <sup>†</sup>	Director	14/9/1957	x	x		20/09/2018
<b>Gabriele Villa</b> <sup>†</sup>	Director	18/6/1964		x		28/10/2017

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

\*\* Independent as required by Article 148, paragraph 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 Unicredit S.p.A., which at the time owned 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.

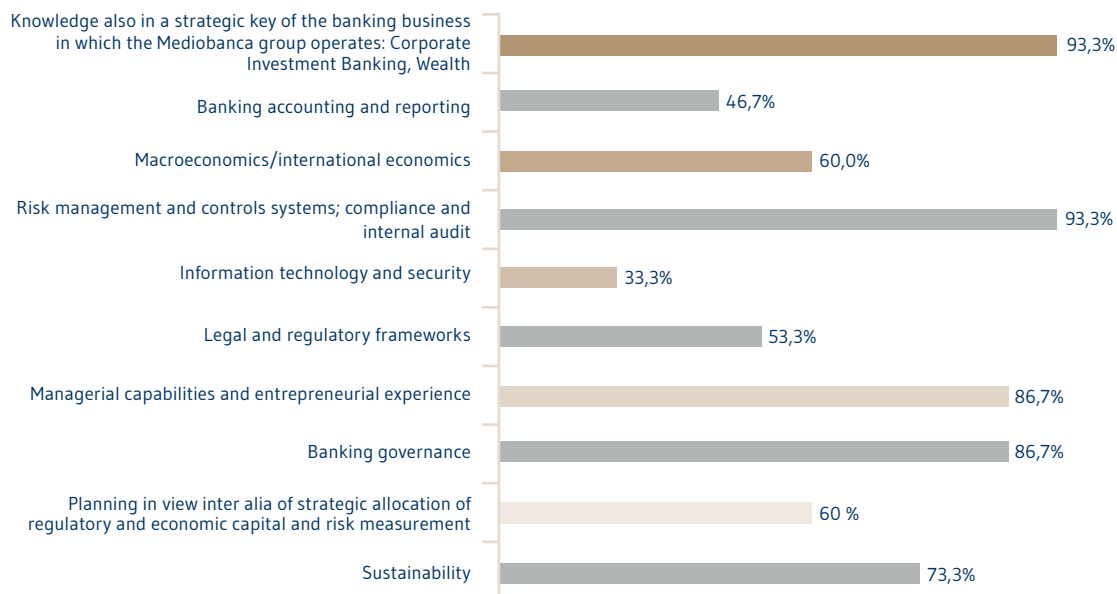
\* Co-opted on 20 September 2018.

The amendments to the Articles of Association being submitted to the approval of the Bank's shareholders at the Annual General Meeting called to approve the financial statements for the twelve months ended 30 June 2020 include the following proposals regarding the composition of the Board of Directors:

- ◆ that independent Directors make up the majority of the Board, based on criteria for defining independence aligned with the new Code of Conduct for Listed Companies as recently revised;
- ◆ adaptation of the number of members of the Group's senior management represented on the Board according to the size of the Board itself, with provision for two such members in cases where the Board consists of thirteen or fewer members.

The Report on the qualitative and quantitative composition of the Board of Directors, which the Board has issued to shareholders ahead of the reappointment of the governing bodies, sets out, based on the regulations in force, the requirements for holding the position of Director. For the new Board of Directors to be appointed, Mediobanca has also stipulated additional requisites: in order to mitigate the risk of conflicts of interest, no Directors who: (i) hold, or have held in the last six months, the position of member of the body with strategic supervisory duties, senior management, or advisory board of companies forming part of competitor groups or insurance groups, or who: (ii) are, directly or indirectly via fiduciary companies, subsidiaries or other persons, significant shareholders in such groups (i.e. with stakes of above 10%).

The composition of the Board of Directors reflects the appropriate combination of capabilities and professional expertise.



The Board of Directors is comprised of 10 men (66.67%) and 5 women (33.33%); a breakdown of the Board members by age bracket is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
1	0	2	3	2	2	0	5

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

0-2 YEARS	3-5 YEARS	> 6 YEARS
40%	27%	33%

The documentation submitted by the Directors for appointment to the Board of Directors, including their CVs, is available on the Bank’s website at in the lists or proposals published in the section entitled “General Meeting 2017” (<https://www.mediobanca.com/en/corporate-governance/annual-general-meeting/general-meetings/general-meetings.html>).



## 4.2 Role and functioning

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, Group 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;
- ◇ proposals to be submitted to shareholders in ordinary and extraordinary general meetings, including staff remuneration policies;
- ◇ 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 and ILAAP processes;
- ◇ 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 regularly 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.

A total of nine Board meetings took place in the period from 1 July 2019 to 30 June 2020. The average duration of Board meetings was around 4 hours and 30 minutes.

The independent Directors meet regularly without the other Directors present. In the period from 1 July 2019 to 30 June 2020, the independent Directors met on two occasions, discussing the process for the submission of lists of candidates for the position of Director by the Board itself, the ownership structure of banks supervised by the ECB, and the letter received by Mediobanca from Bluebell Capital Partners.

### 4.3 Role of the Chairman

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 vested the Chairman with specific powers save for his role in liaising with the Group Audit Unit, which he performs 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, including management committees, in order to facilitate effective reporting flows versus the Board of Directors.

### 4.4 Induction and regular training

The Board promotes induction and training programmes for members of the governing bodies, ensuring that the necessary resources are provided to this end.

The objective of the induction meetings is to provide participants with knowledge to enable them to take an informed part in the Board of Directors' discussions and deliberations.

The training meetings serve to refresh members' knowledge of general issues in the banking world, such as the regulatory scenario, risks, etc. Training meetings are open to participation by the Directors and Statutory Auditors of the Group's other banks as well.

The induction and training programmes spread out meetings over the financial year according to a timetable which is set annually. In setting the agenda, the Chairman takes account of the findings to emerge from the self-assessment process from the governing bodies, any comments from the Directors themselves, and suggestions made by the heads of area and control units.

Each meeting is supported by documentation which is sent to participants in advance.

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:

- ◇ seven induction meetings for the whole Board on the following topics: ICAAP-ILAAP; SREP letter 2019; Liquidity, Funding Policy and FTP model; the RAF as risk management instrument and its relation to budget; analysis of banking regulations on the issues of transparency and anti-money-laundering; Remuneration Policies; and the functioning of the AIRB models used for credit risk;
- ◇ one induction meeting addressed to the Risks Committee and subsequent debate by the Board of Directors on the following issue: Group Audit Plan for means of conducting audits remotely;
- ◇ two training sessions on more general issues (open also to Board members of other Group banks) on the following issues: cyber security and new technologies in the banking/financial sector: fintech, crypto-currencies, blockchain and artificial intelligence; macroeconomic and geopolitical scenarios.

The average duration of the induction meetings was around two hours and 15 minutes, that of the training meetings approximately 3 hours.

#### 4.5 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 March and July 2020, with the assistance of an external advisor (Egon Zehnder), under the supervision of one of the independent Directors who is also a member of the Appointments Committee (and was mandated by the Committee itself to perform this duty). Apart from the customary assessment of the functioning of the Board of Directors itself and the Board Committees, this year the process has been conducted inter alia in view of the Report on the Qualitative and Quantitative Composition of the Board of Directors addressed to shareholders ahead of the Annual General Meeting to be held in October 2020 at which a new Board of Directors will be appointed.

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. Each Director was able to approach the Director appointed to supervise the self-assessment process and the external advisor;
- ◇ 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, and the Report on the Qualitative and Quantitative Composition of the Board of Directors, containing guidance for shareholders, 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 3 standing auditors plus 4 members of the Bank's management external to the Board, revealed a thoroughly positive situation which confirms the effectiveness of the work carried out by the Board of Directors.

The following positive aspects emerged in particular from the self-assessment process: i) the individual and collective composition (in terms of size, capabilities, background, diversity – including in terms of gender – and number of independent members; ii) the functioning of the Board itself, which was adjudged to be very positive.

In particular, in the third and last year of the Board's term of office, the vast majority and in some cases all respondents:

- ◇ adjudged the number and duration of meetings to be appropriate, and considered both the Board's agenda and the time devoted to the individual items on it to be largely adequate; the records of the discussions regarding the individual items entered in the minutes of the meeting were also considered to be precise and accurate;
- ◇ expressed appreciation for the level of debate at Board meetings, considered to be direct and effective, with the key role played by the Chairman in terms of the leadership he displays in directing proceedings once again unanimously acknowledged, as in previous years;
- ◇ assessed the current segmentation by business lines as adequate and effective; expressed appreciation for the way in which the RAF, ICAAP and ILAAP are integrated with management of the Group's business, as well as for the documentation on risk management and controls (e.g. quarterly segment reporting, Pillar III, dashboard, and control unit reports);
- ◇ considered the quality, contents and timing of the reporting flows to be appropriate in view of the resolutions to be approved by the Board itself and also the activities performed by the Board Committees, including with reference specifically to the recommendations recently made by Corporate Governance Committee in this area;
- ◇ expressed complete satisfaction once again at the participation of the heads of the control units and the heads of the Group's main business lines at Board meetings and induction sessions over the three years of the Board's term of office;
- ◇ expressed unanimous satisfaction, once again as in previous years, with the induction and training programme organized for the Board by Mediobanca, both in terms of the contents and the supporting information material;
- ◇ once again expressed full appreciation for the quality and effectiveness of the work done by the Board as a whole and its Committees;
- ◇ unanimously reiterated its positive assessment of the activities performed by the Statutory Audit Committee.

A large majority of the respondents was appreciative of the progress made in the two areas highlighted

as requiring further attention in last year's self-assessment (sustainability and the new IT platform).

It is also worth noting that based on the self-assessment exercises held in previous years, it has never seemed necessary for a Lead Independent Director to be appointed, partly because the Chairman and Chief Executive Officer are not the same person, and also because the independent Directors constitute the majority of the Board itself.

Areas for improvement in the coming year involved:

- ◇ the need to give more space to business issues in the Board's agenda;
- ◇ more indepth analysis of organizational profiles, including with reference to ensuring the appropriate competences are represented, in view of the developing market scenario;
- ◇ enriching the RAF, ICAAP/ILAAP and dashboard presentations, complementing the predominantly quantitative approach with more substantial analysis of possible problems in risk management and the related solutions;
- ◇ reviewing the powers delegated to the Executive Committee if the new Board chooses to appoint one.

With reference to the Report on the Qualitative and Quantitative Composition of the Board of Directors addressed to shareholders ahead of the appointment of the new governing bodies, the outgoing Board of Directors has made the following recommendations on governance issues:

- ◇ the major representatives (Chair, Deputy Chair, Chief Executive Officer) chosen should meet the requirements identified in the Report;
- ◇ only one Deputy Chair to be appointed;
- ◇ statutory figure of Group General Manager to be confirmed;
- ◇ an Executive Committee should again be appointed pursuant to Article 23 of the Articles of Association, with a clear distinction between its powers and responsibilities and those of the Chief Executive Officer;
- ◇ continuity in the composition of the Board committees to be confirmed;
- ◇ institution of the Board Corporate Social Responsibility Committee also to be confirmed.

As mentioned, the recommendations made in the letter by the Chairman of the Corporate Governance Committee sent on 19 December 2019 have been taken into consideration in the self-assessment process. In particular:

- ◇ with reference to corporate social responsibility issues being integrated into the business strategies and remuneration policies, the Group has aligned itself with the recommendation made, having set up a Board Corporate Social Responsibility Committee in September 2019 (the management committee

was set up in 2017), and included sustainability objectives in the 2019-23 Strategic Plan and the Long-Term Incentive Scheme for both the Chief Executive Officer and Group General Manager.

- ◇ with reference to the quality of the reporting to the Board of Directors, this is covered by the Regulations governing the operations of the Board and its committees which is subject to continuous improvements; the majority of the documentation is sent along with the notice of meeting, and only price-sensitive documents are transmitted shortly before the meetings themselves.
- ◇ with reference to assessment of independence and any exceptions, the banking regulations require the adoption of a single statutory definition of independence with no exceptions admitted. Accordingly, one of the amendments to the Articles of Association submitted to the approval of shareholders at the Annual General Meeting called to approve the financial statements for the year ended 30 June 2020 is to fully align the independence criteria provided in the Articles with those of the new Code of Conduct for Listed Companies.
- ◇ regarding the adequacy of the remuneration paid to non-executive Directors and to members of the control body, the compensation paid to the Statutory Audit Committee was adjusted, inter alia on the basis of comparative analysis, when the body was last reappointed (i.e. at the Annual General Meeting in 2017), following benchmarking with other comparable banks. The remuneration payable to non-executive Directors was also set in 2017 based on the amounts paid by similar banks.

No need for specific action emerged, as the governance organization is already basically aligned with the recommendations.

The Board of Directors has been informed that the Statutory Audit Committee has carried out its own self-assessment, resulting in a positive opinion of the supervisory body's collective suitability, composition in qualitative and quantitative terms, and functioning. The process has been conducted inter alia in view of the Statutory Audit Committee's reappointment which is on the agenda at the Annual General Meeting to take place in October. For further information, please refer to the Board's Report on the qualitative and quantitative composition of the Statutory Audit Committee available on the Bank's website at <https://www.mediobanca.com/en/corporate-governance/annual-general-meeting/index.html>.

## 4.6 Appointed bodies

### 4.6.1. 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. For the purpose of greater flexibility at the Annual General Meeting to take place on 28 October 2020, a proposal will be submitted to shareholders to remove the restriction in the Articles of Associations which requires that the Chief Executive Office must be chosen from among the Directors who are members of the Group's senior management.

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, paragraph 4 of the Articles of Association concerning the decisions to be taken regarding appointments to the governing bodies of the investee companies (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), if listed;
- 4) is responsible for staff management, and, having sought the opinions of the Group 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 Group 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 Officer is Alberto Nagel.



#### 4.6.2. Group 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 Group 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. At the Annual General Meeting to take place on 28 October 2020, a proposal will be submitted to shareholders to remove the restriction in the Articles of Association which requires that the Group General Manager must be chosen from among the Directors who are members of the Group's senior management.

The Board of Directors vests the Group General Manager, who is the head of the internal organization and as such is part of the management function, 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 or by the 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 Group 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 Group General Manager is Francesco Saverio Vinci, who is responsible for supervising the Holding Functions division, which includes Finance and Group Technology and Operations, and also, in conjunction with the Chief Executive Officer, for directing and co-ordinating operations at Group level.



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# Board Committees



MEDIOBANCA

# 5. Board Committees

In accordance with Article 20 of the Articles of Association, the Board of Directors, at the Appointments Committee's proposal, has instituted the Executive Committee and the three Board Committees (Risks, Remuneration and Appointments) provided by the regulations in force, consisting exclusively of non-executive directors, the majority of whom are independent, from whom the Chairman is selected. As proof of Mediobanca's attention to sustainability, a Corporate Social Responsibility Committee has been set up by the Board, consisting of a majority of non-executive and independent Directors, with responsibilities for processing matters relating to corporate social responsibility. Another Committee has also been set up pursuant to Article 18 of the Articles of Association, 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.

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 Board of Directors at the first available meeting on its activities and the Committee's proposals to be submitted for examination by the Board.

## 5.1 Executive Committee

The Executive Committee consists of between three and five directors.

MEMBERS	POST HELD	EXECUTIVE
<b>Alberto Nagel (P)</b>	Chief Executive Officer and Committee Chairman	x
<b>Maurizia Angelo Comneno *</b>	Deputy Chair	
<b>Francesco Saverio Vinci</b>	Group General Manager	x
<b>Gabriele Villa *</b>	Director	

\* Independent as defined under Article 148, paragraph 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	71/75
0	0	0	1	2	0	0	1

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

The Executive 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.

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 six meetings were held in the period from 1 July 2019 to 30 June 2020, with an average duration of roughly 1 hour and 20 minutes.

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;

- ◇ establishes operating limits on the taking of various types of risk, in accordance with the Risk Appetite Framework;
- ◇ is responsible for the Group's investment process.

The Executive Committee reviews transactions which qualify as "most significant" under the regulations in force that have received a negative opinion from the Risk Management, and, if appropriate, authorizes them; and informs the Board of Directors and the Statutory Audit Committee of such transactions.

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, for issuing guidance in respect of credit, issuer, operational and conduct risk, and with powers on market risks approval;
- ◇ Lending and Underwriting, with powers of approval for 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;
- ◇ Group Operational Risks, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions;
- ◇ Group Wealth Investments, for defining market views at Group level based on analysis of the economic situation for relevant markets and countries and for monitoring their track record;
- ◇ Private & Affluent Investments, for defining strategic and tactical asset allocation, selecting investment houses, funds and other financial instruments.

Reports on these committees' activities are presented at each Executive Committee meeting which in turn reports to the Board of Directors.

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

## 5.2 Risks and Related Parties Committee

The Committee consisted of five non-executive Directors who qualify as independent as defined in Article 19

of the Articles of Association. 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.

MEMBERS	INDEPENDENT (ARTICLE 19)*	INDEPENDENT (FINANCE ACT)**
<b>Elisabetta Magistretti (P)◇</b>	x	x
<b>Maurizio Carfagna</b>	x	x
<b>Angela Gamba</b>	x	x
<b>Valérie Hortefeux</b>	x	x
<b>Vittorio Pignatti Morano</b>	x	x

◇ Registered auditor.

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

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

The Committee consists of three women (60%) and two men (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	71/75
0	0	1	1	0	1	0	2

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

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;
- ◇ issues opinions on the appointment of any external advisors which the Board might retain;
- ◇ makes recommendations to the Board on any risk strategy adjustments that might prove necessary based on the business model, market developments or which otherwise derive from Risk Management;
- ◇ 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 and liquidity, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP and ILAAP), reporting back to the Board on this issue;
- ◇ checks that the Bank's remuneration and incentivization system is consistent with the Risk Appetite Framework.

The Compliance and Risk Management units also report to the Committee in functional terms; the Committee may ask the heads of both units to carry out specific enquiries, audits and/or assessments on matters that are of interest to it.

With reference to the structure of the Bank's financial reporting organization, the Committee, together with the Head of Company Financial Reporting and after consulting the external auditors and the Statutory Audit Committee, assess the correct application of accounting standards for purposes of drawing up individual and consolidated financial statements, assess the external auditors' recommendations, 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 Risks Committee currently also acts as the Related Parties Committee instituted pursuant to the Regulations for transactions with related parties approved on 27 June 2012 and most recently revised on 27 July 2020 (<https://www.mediobanca.com/en/corporate-governance/governance-reports-and-documents/governance-reports-and-documents.html>), 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 2019 to 30 June 2020 and on ten occasions as the Related Parties Committee.

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

The Statutory Audit Committee also takes part in meetings of the Risks Committee based on a joint programme. To ensure that the concept of collegiate control is even more fully embodied, at joint meetings between the two committees the discussions are led by the Chair of the Risks Committee, with the Chair of the Statutory Audit Committee providing specific analysis on control issues.

### 5.3 Remunerations Committee

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.

MEMBERS	INDEPENDENT (ARTICLE 19)*	INDEPENDENT (FINANCE ACT)**
<b>Maurizio Carfagna (P)</b>	x	x
<b>Valérie Hortefeux</b>	x	x
<b>Alberto Lupoi</b>	x	x
<b>Alberto Pecci</b>		

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

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

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	1	1	0	0	0	2

The Committee has duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the Group 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. In particular the Committee:

- 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 Group 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 Group General Manager, and any other Group staff considered necessary.

The Committee met six times in the period from 1 July 2019 to 30 June 2020, including one meeting not attended by the executive directors, to formulate proposals to the Board of Directors regarding their remuneration. For further information on the issue of remuneration, please see the Report on Remuneration available on the Bank's website ([https://www.mediobanca.com/static/upload\\_new/rem/remuneration-policy-20191.pdf](https://www.mediobanca.com/static/upload_new/rem/remuneration-policy-20191.pdf)).

The average duration of Committee meetings was roughly one hour and 30 minutes.

## 5.4 Appointments Committee

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.

MEMBERS	INDEPENDENT (ARTICLE 19)*	INDEPENDENT (FINANCE ACT**)
<b>Maurizio Costa (P)</b>	x	x
<b>Marie Bolloré</b>		x
<b>Alberto Lupoi</b>	x	x
<b>Elisabetta Magistretti</b>	x	x
<b>Renato Pagliaro</b>		

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

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

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	71/75
1	0	1	0	0	1	0	2

The Committee has duties of consultation and enquiry with regard to:

- ◇ the Board of Directors' annual self-assessment exercise;
- ◇ identification of the optimal qualitative/quantitative composition of the Board of Directors, and subsequently checks to ascertain that it corresponds to the actual composition which results from the appointment process;
- ◇ 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 Group General Manager;
- ◇ succession planning for directors who are members of the Bank's management and key function holders (heads of the Group's control units and main business areas);
- ◇ governance issues.

The Committee also supports the Risks Committee in identifying the heads of the company control units.

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

The Committee met nine times in the period from 1 July 2019 to 30 June 2020. The average duration of committee meetings was roughly 1 hour and 30 minutes.

### 5.5 Committee instituted pursuant to Article 18 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, paragraph 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.

The Committee consisted of the Chief Executive Officer, Group General Manager and two Directors, one of whom qualifies as independent.

MEMBERS	INDEPENDENT (ARTICLE 19)*	INDEPENDENT (FINANCE ACT)**
<b>Alberto Nagel (P)</b>		
<b>Marie Bolloré</b>		x
<b>Elisabetta Magistretti</b>	x	x
<b>Francesco Saverio Vinci</b>		

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

\*\*Independent as defined in Article 148, paragraph 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	1	1	0	0	1

The Committee met on one occasion during the last financial year.

## 5.6 Corporate Social Responsibility Committee

The Committee consisted of four Directors, one executive, and three non-executive qualifying as independent under Article 19 of the Articles of Association.

MEMBERS	INDEPENDENT (ARTICLE 19)*	INDEPENDENT (FINANCE ACT**)
<b>Alberto Nagel (P)</b>		
<b>Angela Gamba</b>	x	x
<b>Maximo Ibarra</b>	x	x
<b>Elisabetta Magistretti</b>	x	x

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

\*\* Independent as defined in Article 148, paragraph 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:

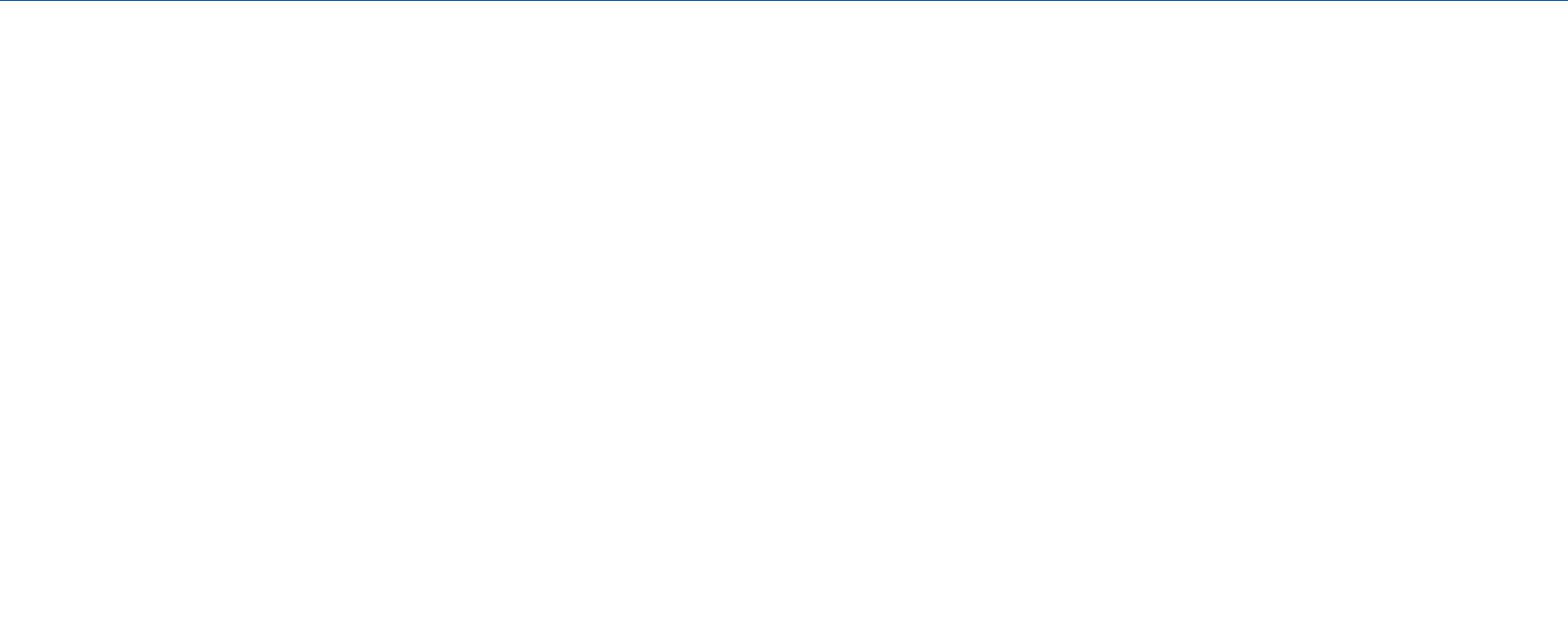
<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
0	0	2	1	0	0	0	1

The Committee has responsibility for processing matters relating to corporate social responsibility and proposals to be submitted to the Board's approval, including the Group Sustainability Policy and the Consolidated Non-Financial Statement prepared by the management committee which is chaired by the Chief Executive Officer.

The Committee also liaises with the Remunerations Committee in evaluating whether the CSR objectives set in the management scorecards have been met.

The Group General Manager, Secretary and head of Corporate Social Responsibility take part in Committee meetings, along with any other Group staff invited by the Committee Chair based on the items on the agenda.

The Committee, which was set up on 19 September 2019, met four times in the period from October 2019 to 30 June 2020. The average duration of committee meetings was roughly 1 hour and 20 minutes.





# Other information required under Article 123-bis of the Italian Finance Act on severance pay agreements



MEDIOBANCA

# 6. Other information required under Article 123-bis of the Italian Finance Act on severance pay agreements

The aggregate compensation payable to the Board of Directors is set by shareholders in general meeting, in a fixed amount for each year in which the Board is in office<sup>2</sup>, with no provision made for incentives linked to the Bank's performance. This compensation is split by the Board on the basis of the individual members' participation in the Board Committees.

It does not include the remuneration paid to the Chairman and the Executive Directors (Chief Executive Officer and Group General Manager) which, as members of the Group's senior management, is governed by the "Mediobanca Group staff remuneration and incentivization policy", approved annually by the shareholders in general meeting<sup>3</sup>. The policy provides, for the Executive Directors, a fixed salary<sup>4</sup>, a variable short-term component, and a variable long-term component as well, plus other staff benefits such as complementary pension scheme, healthcare policy, corporate welfare, etc. Directors who are members of the Group's senior management receive the emolument due to them for serving on the Board but no further emoluments for serving on the Board Committees.

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

Among the amendments to the Articles of Association being submitted to the approval of shareholders at the Annual General Meeting to take place on 28 October 2020 is the proposal, permitted by Article 2389 of the Italian Civil Code, to make the Board of Directors responsible, after consulting with the Statutory Audit Committee, for deciding on the remuneration payable to Directors with particular duties separate from the collective emolument payable to the Board as a whole which is approved by shareholders in general meeting.

With reference to the requirements of Article 123-bis of the Italian Finance act, 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 policy shall apply.

2. The remuneration determined by shareholders at the Annual General Meeting held on 28 October 2017 was €2,500,000.

3. The Remuneration Policy for FY 2019-20 as approved by shareholders in annual general meeting is available at [www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/Corporate%20Governance).

4. The annual gross fixed salary of the Chief Executive Officer is €1,800,000, that of the Group General Manager €1,500,000.







A dark, ornate wrought-iron gate with intricate scrollwork and floral patterns. In the background, a stone building with arches is visible. The Mediocredito logo is embossed on the gate.

# Conflicts of interest and related party transactions



MEDIOBANCA

# 7. Conflicts of interest and related party transactions

## 7.1 Conflict of interests policy

Consistent with the requirements of the regulations in this area, Mediobanca has adopted a conflict of interest management policy to identify, monitor and manage conflicts which may arise in the provision of banking, investment or ancillary services, and insurance brokerage. Taking into account the provisions of the ECB Guide to fit and proper assessments for Directors, it also governs the measures to be taken in the event of one of them or a Statutory Auditor becoming involved in a conflict of interest.

The Policy describes the methods by which to identify and manage real and potential conflicts of interest that 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 is 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.

## 7.2 Transactions with related parties

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 lay down the regulations 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 procedure, 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 “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 <https://www.mediobanca.com/en/corporate-governance/governance-reports-and-documents/governance-reports-and-documents.html>.





# Internal controls and risk management system



MEDIOBANCA

# 8. Internal controls and risk management system

The internal controls system is a fundamental part of banks' overall governance system. It has a central role in the organization, and allows risks and the inter-relations between them to be governed in an effective manner, to ensure that the business is carried on in line with the company strategy and policies, and is based on sound and prudent management principles.

## 8.1 Bodies and functions

### 8.1.1 Board of Directors

The Board of Directors sets the direction for the internal controls and risk management system, in accordance with the strategic guidelines and risk appetite chosen. In this way it ensures that the principal risks are identified correctly, and measured, managed and monitored adequately, inter alia according to how they develop.

To this end, it reviews the Group's Risk Appetite Framework annually, in accordance with the budget process and strategic plan definition timing, to ensure that business develops in line with the desired risk profile.

The Board makes its assessments and decisions on the internal controls and risk management system. It appoints the heads of the control units, approves the plans of their activity, and receives regular reporting from them.

The Board of Directors of Mediobanca is responsible for the adequacy of the Bank's internal controls and risk management system. It is the Board which draws up measures to ensure that the internal controls system is effective and efficient and remains so over time, on the back of an understanding of all the risks facing the company and the inter-relations between them with a view to ensuring integrated risk management.

### 8.1.2 Risks Committee

The Risks Committee performs duties of instruction and consultation for the Board of Directors on matters pertaining to risks and the internal controls system as described in section 5.2.



### 8.1.3 Group Risk Management unit

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 adequate representation of risks.

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.

The unit also functions as secretariat to the Group Risk Management and Lending & Underwriting Committees.

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.

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.

The unit is responsible for managing the Group's integrated risks monitoring processes, for preparing the ICAAP and Recovery Plan documents, and for executing the Group's stress testing.

The Head of the unit attends meetings of the Risks Committee and the Board of Directors, assisting them in their control tasks. Once a year the unit submits a report to the Risks Committee, the Board of Directors and the Statutory Audit Committee on the activities performed and an assessment of the Group's risk profile and the adequacy of the Group's risk management measures; once a quarter it draws up the integrated risks, RAF and Recovery Plan monitoring report.

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

The Group Risk Management unit reports directly to the Chief Executive Officer under the leadership of the Group Chief Risk Officer, Pierpaolo Montana. In functional terms the unit reports to the Risks Committee.

#### 8.1.4 Compliance unit

The Compliance unit manages the regulatory and reputational risks of the Group, and checking 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 Risks Committee, the Board of Directors and the Statutory Audit Committee once a year, plus an executive summary once a quarter to flag up any critical issues in a timely manner. The Compliance unit is headed up by Massimiliano Carnevali, who reports directly to the Chief Executive Officer. In functional terms the unit reports to the Risks Committee.

#### 8.1.5 Group Anti-Money-Laundering unit

The Anti-Money-Laundering unit, as required by the instructions issued by the Bank of Italy in a measure dated 26 March 2019, 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.

#### 8.1.6 Group Audit unit

Mediobanca maintains a Group Audit Unit, centralized at Mediobanca S.p.A., 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 Group under the terms of specific outsourcing contracts, or in limited cases, based on the governance role performed by equivalent local units (i.e. in cases where there is a unit responsible for third-level controls, notably CMB), or alternatively in the capacity of headquarters.

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 third-level control structure more efficient by:

- ◇ responsibilities to be allocated, and direct coverage provided, by the Group Audit Unit for all subsidiaries;
- ◇ defining a Group audit plan, to be submitted to the approval of Mediobanca's Board of Directors; the individual companies' Boards approve the annual audit plans, and where applicable, the three-year audit plans;

- ◆ sharing specialized skills (e.g. IT auditing, quantitative issues), and audit methodologies and reporting standards vis-à-vis governing bodies and senior management.

The unit operates independently of the business areas, 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 relation to aspects regarding the internal control system. The unit submits a report to the Risks Committee, meeting in conjunction with the Statutory Audit Committee, and to the Board of Directors on the activities performed (annually) and remediation of any critical issues noted (twice a year), and a quarterly report to flag up any critical issues in a timely manner.

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

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

## 8.2 Financial reporting process

### 8.2.1 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, 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 (since 30 September 2017).

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 regarding the adequacy of the administrative and accounting procedures and their application in practice, and regarding whether or not they correspond to the data recorded in the company's documents, books and accounts, 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.

### 8.2.2 Financial control 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<sup>5</sup> and CobIT Framework<sup>6</sup>). The system provides for:

5. The version of the COSO entitled "Internal Control – Integrated framework", published in September 1992, has been used as the benchmark by the US regulators which have oversight in this area (SEC and PCAOB – Public Company Accounting Oversight Board) for purposes of applying the regulations contained in the Sarbanes Oxley Act, the Bank of Italy's Supervisory Instructions, and the Code of conduct for listed companies operated by Borsa Italiana.

6. The version of the COBIT entitled "IT Control Objective for Sarbanes Oxley" has been considered appropriate for purposes of applying the regulations contained in the Sarbanes Oxley Act.

- ◇ 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;
- ◇ 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.

For the risks identified in the assessment of the administrative and accounting processes, the appropriate control measures are identified to ensure they are represented truthfully and accurately in the financial reporting. Such measures include “key” controls, i.e. those without which there is the risk of serious error in the financial statements.

To measure the adequacy of these controls and ensure they are up-to-date at all times, tests are carried out twice a year on the design of the controls, and the test of controls itself, chiefly using the self-assessment methodology<sup>7</sup>. At this stage the possible impact is assessed of any irregularities detected in the course of the controls, to ensure the administrative and accounting procedures are adequate and applied effectively in order that the financial statements can be drawn up correctly.

The Group Audit unit, working together with the head of company financial reporting, performs regular checks to ascertain 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. Co-ordinated by the Head of company financial reporting, a plan of corrective action is drawn up which assigns responsibilities and defines timescales.

Assessment of the adequacy and operational effectiveness of the controls, conducted in accordance with the model adopted, enables the Head of Company Financial Reporting to issue:

- ◇ The declarations attached to the annual report, the interim report and the consolidated financial statements, issued in conjunction with the Chief Executive Officer, as required by Article 154-bis, paragraph 5 of the Italian Finance Act, 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.
- ◇ The declarations, required under Article 154-bis, paragraph 2 of the Italian Finance Act, to be attached to the financial reporting issued to the market, regarding the results for the period (analyst presentations and press releases), and the Basel III Pillar III disclosure, annual and interim.

The head of company financial reporting presents a report on the activities performed twice a year to the Statutory Audit Committee, which is responsible for carrying out supervision to ensure that the Bank’s organizational and administration/accounting structure and financial reporting process are adequate.

7. Based on the self-assessment methodology, the tests are performed by the process owners, i.e. those responsible for managing the specific process.

The head of company financial reporting also participates in meetings of the Risks Committee, which processes proposals to be submitted to the approval of the Board of Directors in connection with the accounting documents for which he is responsible. Once every six months, in the light of the report presented by the head of company financial reporting on the adequacy of the administration/accounting procedures required by Italian Law 262/05, which illustrates the activities performed in order for the relevant declarations to be issued, the Board of Directors appraises the adequacy of the Bank's administration and accounting arrangements.

The Group Disclosure Policy, approved by the Board of Directors, describes the process for generating and disclosing the financial reporting, in accordance with the best market practices. The policy also describes the internal processes for producing, collecting and preparing the documentation. The Statutory Audit Committee is responsible for monitoring the general principles indicated in the Policy.

### 8.3 External auditors

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 Italian Legislative Decree 39/10 for the 2013-21 period.

### 8.4 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 external regulatory framework and certain important internal organizational changes (e.g. establishment of the Private Banking division).

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 disciplinary system and reporting flows versus the supervisory body.
- 2) **Special parts:**
  - ◇ **Map of crimes and activities at risk:** document which serves to identify instances of crimes and possible means of committing them in the performance of the Bank's activities.
  - ◇ **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.

- ◇ **Reporting flows** from/to the supervisory body, containing the data and information which each organizational unit is required to transmit to the supervisory body.
- ◇ **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 Committee 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 Risks Committee.

## **8.5 Corporate Social Responsibility, codes of ethics and conduct, whistleblowing, internal dealing and personal trading**

### **8.5.1. Corporate Social Responsibility**

Growth and sustainability are two of the Group's distinctive traits. Our development strategy is based on the conviction that ethics and profits can and indeed must go hand in hand, because in the long term there cannot be economic growth without social and environmental growth as well. Responsible, proper and transparent conduct grows and protects a company's reputation, credibility and consensus over time, laying the foundation for sustainable business development which aims to create and protect value for all stakeholders. In line with our commitment in this area, the Group contributes to promoting the universal principles contained in the Global Compact, of which it is a member, and to realization of the Sustainable Development Goals (SDGs) set out in the United Nations' 2030 Agenda, supporting and encouraging new sustainable growth and development prospects at the global level.

The Group staff incentivization system reflects these principles, and CSR objectives are included in the CEO's and the Group General Manager's performance evaluation scorecards used to determine the variable component of their remuneration.

In 2017 a Group Sustainability unit was set up, with its own head and a management committee chaired by the CEO, with responsibility for: defining the Group's policies in the area of Corporate Social Responsibility (CSR) to be submitted to the Board of Directors for approval; promoting the implementation of practices consistent with this policy up to the limits of its own budget, and monitoring performance.

In September 2019, the Board has set up its own Corporate Social Responsibility committee. For further details, please see section 5.6.

As proof that ESG issues are now a substantive and integral part of the company's business and financial strategies, quantitative sustainability targets have been integrated into the 2019-23 Strategic Plan for the first time, with the intention of contributing to the achievement of six of the United Nations' 17 Sustainable Development Goals. In September 2020 Mediobanca also issued its first seven-year green bond to finance the Group's sustainability commitments based on a framework approved by the Sustainability Committee in June 2020 and certified by ISS Oekom. The deal, which was preceded by meetings with international

investors to present the framework, attracted €3.5bn in demand against a size of €500m. The issue confirms Mediobanca's commitment to reduce the direct and indirect impact of its business activities, both by promoting ESG investment products and by initiatives to improve energy efficiency and reduce consumption, as provided in the 2019-23 Strategic Plan.

Mediobanca takes part annually in the questionnaires sent by the leading ESG indexes, including: Sustainalytics, ISS Oekom, VIGEO, CDP, Dow Jones Sustainability Index and FTSEforGood, which recently confirmed that the Bank had been included in its own rating. Mediobanca has also been ranked as one of the ten leading Italian companies by the Integrated Governance Index.

### **8.5.2. Codes of ethics and conduct**

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.

### **8.5.3. Whistleblowing**

Mediobanca has also adopted a Policy on whistleblowing to enable staff to report, including anonymously, 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 reports relevant for Italian legislative decree 231/01 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 system for Mediobanca is Massimiliano Carnevali, who is also responsible for the Compliance unit.

### **8.5.4. Internal Dealing and personal Trading**

The Board of Directors has adopted Regulations on Internal Dealing to govern reporting requirements for transactions involving financial instruments issued by Mediobanca. Persons defined as "relevant" (chiefly Directors, statutory auditors and strategic management) notify Mediobanca of any transaction involving such instruments, within two days of execution. Mediobanca then discloses all such information to the market and Consob. Relevant persons may not, for example, 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 applies to 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. Internal dealers are also only allowed to sell Mediobanca shares at the opening auction or closing phases of any buyback schemes activated by

Mediobanca.

Mediobanca, in accordance with the provisions of regulations in this area, has adopted a procedure to ban and/or identify personal transactions made (or transactions recommended, solicited or divulged to third parties) by relevant persons (including members of the Executive Committee and the Statutory Audit Committee, and also other Directors in cases where they have been included in the insider or transaction watch lists) which could give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

The Regulations also institute a ban on staff members executing trades in financial instruments with equity content (shares, convertible bonds, derivatives, etc., apart from those involving Mediobanca or SPVs promoted by Mediobanca) if the main market on which the instrument is listed or the issuer's registered office is in one of the member states of the European Union.







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# Statutory Audit Committee



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# 9. 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 the Bank of Italy's Supervisory Instructions, 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 made up as follows:

MEMBERS	POSITION	IN OFFICE SINCE
<b>Natale Freddi*</b>	Chairman	28/10/2011
<b>Laura Gualtieri*</b>	Standing Auditor	28/10/2014
<b>Francesco Di Carlo*</b>	Standing Auditor	28/10/2017
<b>Alessandro Trotter*</b>	Alternate Auditor	28/10/2014**
<b>Barbara Negri*</b>	Alternate Auditor	28/10/2014
<b>Stefano Sarubbi*</b>	Alternate Auditor	28/10/2017

\* Appointed from the list submitted by UniCredit S.p.A., which at the time owned 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 auditor 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 in the lists themselves of the proposals published in the "General Meeting 2017" section of the Bank's website (<https://www.mediobanca.com/en/corporate-governance/annual-general-meeting/general-meetings/general-meetings.html>).

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 Articles of Association, 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 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 Statutory Audit 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 Statutory Audit Committee is kept informed at all times 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.

The Statutory Audit Committee regularly illustrates the critical issues that emerge in the course of its control activities to the Board of Directors.

A total of twenty-eight 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 2 hours and 50 minutes.





A photograph of a courtyard with a brick building, trees, and a statue. The text "Succession planning and diversity criteria" is overlaid in white. The background shows a brick building with arched windows and a balcony, with trees and a statue in the foreground.

# Succession planning and diversity criteria



MEDIOBANCA

# 10. Succession planning and diversity criteria

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 procedure for the succession of executive directors (including the Chief Executive Officer and the Group General Manager) and non-executive directors, the Statutory Auditors and the Key Function Holders, including the emergency plan for renewal of appointments to senior management positions in the event that this should suddenly become necessary. 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, Wealth Management-Affluent/Consumer, Private Banking, Principal Investing, CMB, MAAM, Mediobanca SGR and the Group HR Director).

Regarding succession planning for the Chief Executive Officer and Group General Manager, the policies stipulate, in addition to the requirements specified by the regulations in force, that candidates for succession must have the specific capabilities required by the role and complexity of the business that must be met in full. In emergency situations, the policies provide that the Chairman shall swiftly call 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. The Appointments Committee has ascertained that the requirements stipulated are met and has identified a select number of Group senior management members, whose personal and professional qualifications make them potential candidates for succession; this review was also performed during the financial year ended 30 June 2020.

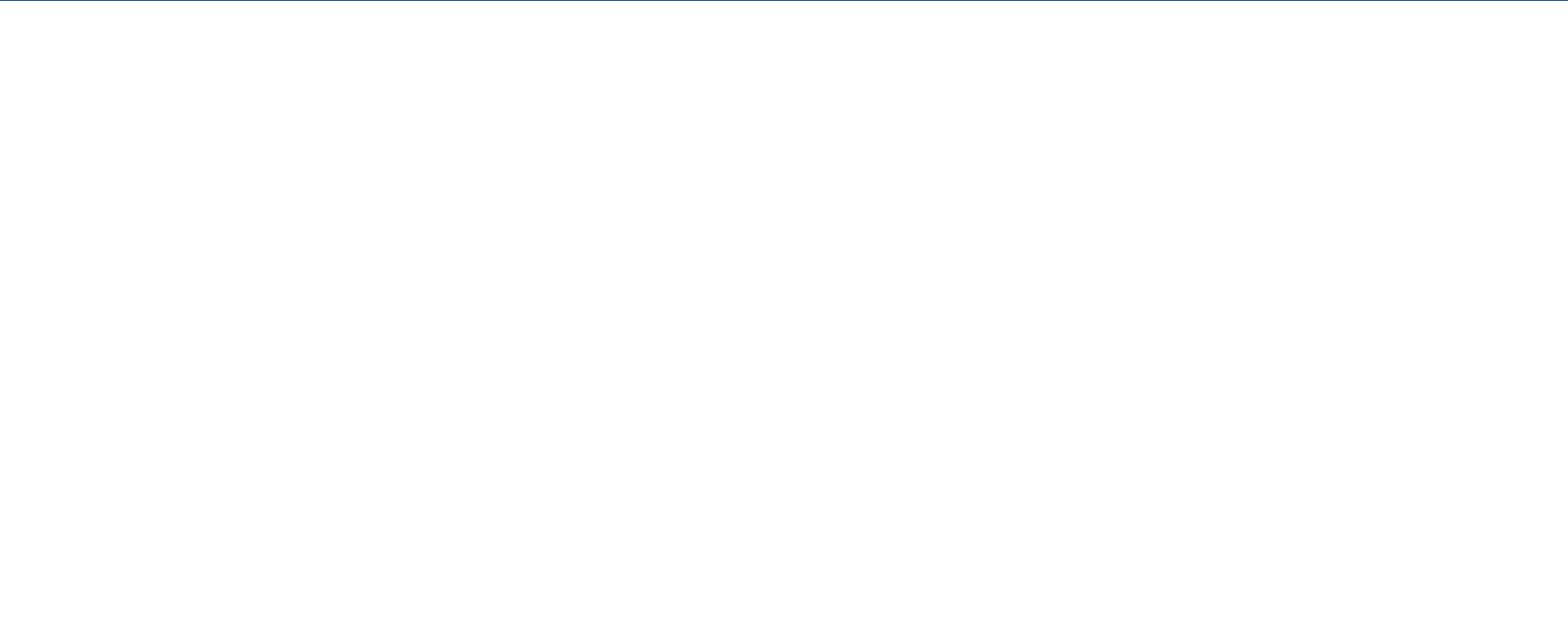
If a member of the Executive Committee requires to be replaced, the responsibility for proposing a replacement falls to the Appointments Committee. In general terms, an executive director must possess all requisites stipulated in general for directors, plus specific experience in banking, professional or corporate areas which highlights their capability to take decisions quickly and on an informed basis. To this end the Appointments Committee assesses the profiles represented on the Board to gauge which candidates might be suitable for inclusion in the Executive Committee; this review was also performed during the financial year ended 30 June 2020.

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, giving priority to candidates in possession of the same characteristics as the Director leaving office (in terms of gender, independence, international

experience and specialization).

As for the Key Function Holders, a total of fourteen positions have been identified: for each of them, the respective capabilities required to perform them have been defined and formalized. The Appointments Committee ascertains that all the current holders of the fourteen positions meet the requirements, and for each of them – including in the financial year ended 30 June 2020 – has identified an internal candidate with the requisite qualifications who is therefore able to succeed them.

For the second year running, Mediobanca has been included in the Bloomberg Gender-Equality Index (GEI), which tracks the performance of listed companies committed to implementing fair gender policies, based on their respective development, representation and transparency policies in this area. The Group currently has around 4,900 staff, approx. 42% of whom are women. All issues relating to female employment are fully discussed in the Group's Consolidated Non-Financial Statement.





# Relations with shareholders and investors



MEDIOBANCA

# 11. 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 and all price-sensitive communications, products and services, social and cultural initiatives, remuneration policies and code of conduct 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. Regular meetings and conference calls are also held with groups of shareholders, one-to-one and with the market.

Mediobanca has published a list of telephone numbers, email addresses and dedicated fax numbers on its website of persons for investors to contact, in order to intercept and collect the requirements and viewpoints of shareholders and the market in a more structured manner.

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

Milan, 16 September 2020





# Tables



MEDIOBANCA



## No. of meetings held during year 1<sup>^</sup> July 2019/30 June 2020:

<b>BOARD OF DIRECTORS: 9</b>	<b>EXECUTIVE COMMITTEE: 6</b>	<b>RISKS COMMITTEE: 12</b>	<b>RELATED PARTIES COMMITTEE: 10</b>	<b>REMUNERATIONS COMMITTEE: 6</b>	<b>APPOINTMENTS COMMITTEE: 8</b>	<b>CSR COMMITTEE: 4</b>
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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

•During the twelve months ended 30 June 2020, year 1<sup>^</sup> July 2019/30 June 2020 the Board of Directors also held two meetings of independent Directors, eight induction sessions and two training meetings.

### Table 2: Structure of Statutory Audit Committee as at 30 June 2020

OFFICE	MEMBER	YEAR OF BIRTH	DATE FIRST APPOINTED*	IN OFFICE SINCE	IN OFFICE UNTIL	LIST	INDEP. CODE OF CONDUCT	PERCENTAGE OF COMMITTEE MEETINGS ATTENDED	NO. OF OTHER POSTS HELD **
Chair	Natale Freddi	1952	28/10/11	28/10/17	28/10/20	(b)	X	100%	-
Standing Auditor	Francesco Di Carlo	1969	28/10/17	28/10/17	28/10/20	(a)	X	96.43%	-
Standing Auditor	Laura Gualtieri	1968	28/10/14	28/10/17	28/10/20	(a)	X	96.43%	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)			

### NO. OF MEETINGS HELD DURING THE YEAR 1<sup>^</sup> JULY 2019/ 30 JUNE 2020§: 28§

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.

(a) Taken from the majority list submitted by Unicredit S.p.A. which at the time owned 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.

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

	YES	NO	REASONS FOR ANY DEPARTURES FROM RECOMMENDATIONS MADE IN THE CODE
Powers to represent the Bank and related party disclosure			
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, as shown by the minutes of the meeting.
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?		N/A	
<b>Internal controls</b>			
Has the company designated staff to take charge of internal control?	x		
If so, are such staff members independent in operational terms from the various heads of the individual operating units?	x		
Organizational unit responsible for internal control	x		Group Audit
<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 investor.relations@mediobanca.it

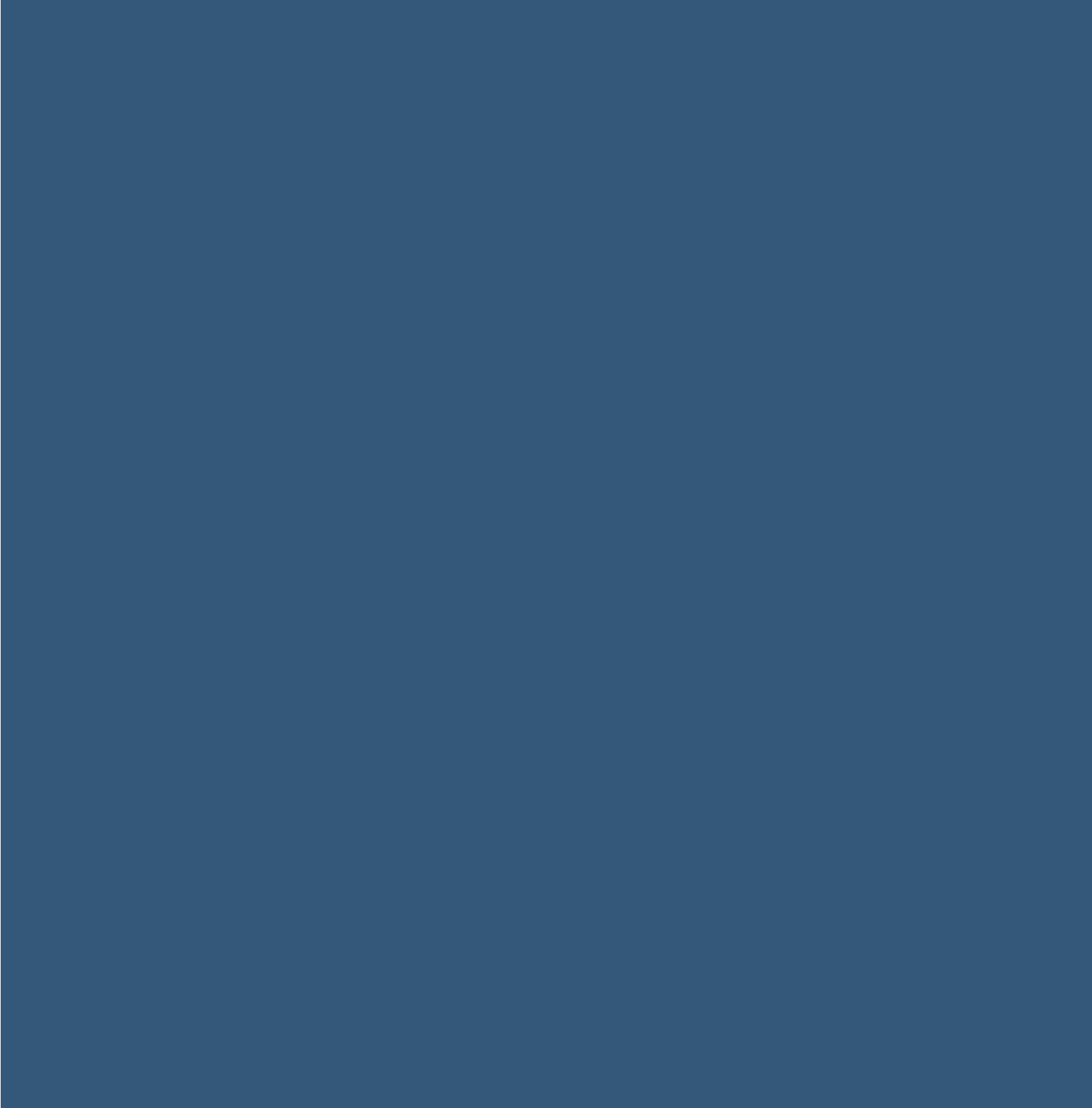
## Annex

### Posts held in other financial companies, banks, insurances or other companies of significant size members of the Board of Directors of Mediobanca in office at 30 June 2020(1)

NAME	POST HELD IN MEDIOBANCA	MAIN POSTS HELD IN OTHER COMPANIES
PAGLIARO Renato	Chair	Director, Istituto Europeo di Oncologia
ANGELO COMNENO Maurizia	Deputy Chair and Executive Committee member	=
PECCI Alberto	Director	Chair, Pecci Filati Chair, Tosco-Fin Director, EI.EN.
NAGEL Alberto	Chief Executive Officer and Executive Committee Chairman	=
VINCI Francesco Saverio	Group General Manager, Director and Executive Committee member	=
BOLLORE' Marie	Director	Director, Bolloré S.A. Director, Financière de l'Odéon Director, Bolloré Participations Director, Financière V Director, Omnium Bolloré Director, Blue Solutions Director, Société Industrielle et Financière de l'Artois Supervisory Board member Sofibol Chair of Supervisory Board, Compagnie du Cambodge Chief Executive Officer, System and Telecoms Division of Bolloré Group Director, Polyconseil
CARFAGNA Maurizio	Director	Director, Futura Invest Director, FingProg Italia S.p.A. Director, Istituto Europeo di Oncologia
COSTA Maurizio	Director	Director Amplifon
GAMBA Angela	Director	Director, Edison
HORTEFEUX Valérie	Director	Director, Blue Solutions Director, Ramsay – Générale de Santé Director, Socfinasia
IBARRA Maximo	Director	Chief Executive Officer, SKY Italia
LUPOI Alberto	Director	=
MAGISTRETTI Elisabetta	Director	Director, Smeg Director, Brembo

NAME	POST HELD IN MEDIOBANCA	MAIN POSTS HELD IN OTHER COMPANIES
PIGNATTI MORANO Vittorio	Director	Director, Trilantic Capital Management GP Director, Trilantic Capital Partners Management Director, Trilantic Capital Partners V Management Director, Ocean Ring Jersey Co Director, Ocean Trade Lux Co Director, Marex Group Director, Istituti Clinici Scientifici Maugeri
VILLA Gabriele	Director and Executive Committee member	Standing Auditor, Edison S.p.A. Standing Auditor, Italmobiliare S.p.A.

(1) The full list of positions is available [www.mediobanca.com/en/corporate-governance/board-of-directors/board-of-directors](http://www.mediobanca.com/en/corporate-governance/board-of-directors/board-of-directors) in the individual Director's own profiles.





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All photos and other images are of Mediobanca offices and buildings