



MEDIOBANCA

## STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE



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## Statement on Corporate Governance and Ownership Structure 2019<sup>1</sup>

### 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 21 December 2018 were brought to the attention of the Appointments Committee (on 14 March 2019) and the Board of Directors (on 20 March 2019), 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.

### 1. Mediobanca Group profile

Mediobanca is the parent company of the Mediobanca Banking Group. Various components contribute to the business performance: corporate/investment banking, consumer banking and wealth management.

Mediobanca was set up in 1946 and has been listed on the Italian stock market since 1956. It provides its clients with lending and other services in financial advisory and asset management. It has branch offices in London, Paris, Frankfurt and Madrid, and subsidiaries based in New York, Luxembourg and London. It also holds a 12.92% interest in Assicurazioni Generali.

Over time it has strengthened its footprint in specialist banking activities provided to corporates (lending, intermediation and advisory) and households in the form of consumer credit with Compass Banca and retail banking market with CheBanca!.

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

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

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

<sup>1</sup> Where not otherwise specified, information refers to the situation at 30 June 2019.



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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.

## 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 2019 totalled €443,608,088.50, made up of 887,216,177 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 to 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). As at 30 June 2019 Mediobanca owned a total of 15,445,795 treasury shares (average book value €8.3171 per share). As at the date of this statement, the number of treasury shares owned was 17,964,417.

### 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	NO. OF SHARES OWNED	% OF SHARE CAPITAL
UniCredit group °	78,141,556	8.81
Bolloré group	69,681,608	7.86
Leonardo Del Vecchio *	61,577,870	6.94
Black Rock group **	44,171,756	4.98
Mediolanum group	29,095,110	3.28

° Of which 0.41% held via subsidiary UniCredit Bank AG, which owns another 0.57% under put option contracts taken out to hedge the risks deriving from market maker activities in respect of financial instruments (form 120B, 10 July 2019).

\* Indirect shareholding.

\*\* Black Rock Inc. (NY) via fifteen asset management subsidiaries, 0,514% of which by way of potential investment as part of securities lending and 0.216% as contracts of differences (form 120B, 29 October 2018).



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Some shareholders, including Unicredit and Mediolanum,<sup>2</sup> representing approximately 21% of the company's share capital, 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 common interest in the growth of the Group. 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 [www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/Corporate%20Governance).

## 2.3 Change of control clauses

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

Furthermore, as part of its ordinary activities, Mediobanca is a party to master agreements and contracts which may include provision for specific effects if a change of control occurs, such as amendment to or termination of the contract itself. Such master agreements or contracts should not be considered significant in themselves, either in terms of amount or effects.

## 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 compensation 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.

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<sup>2</sup> The other parties to the agreement are: Schematrentatre S.p.A. (Benetton), Fininvest, FIN.PRIV, Gavio group, Ferrero group, Pecci group, Angelini Partecipazioni Fin., Finprog Italia (Doris), Sinpar (Lucchini), Mais Partecipazioni Stabili (Seragnoli), Vittoria Assicurazioni and Romano Minozzi.



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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.

## 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, para. 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, 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 Report on the qualitative and quantitative composition of the Board of Directors illustrates, based on the regulations in force, the requisites for Board members in terms of professional qualifications, fitness to hold office and independence, time commitment,



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maximum number of directorships to be held, and skills (cf. Report dated 14 June 2017). In addition to the requisites set by the regulations in force (cf. ECB guide to fit and proper assessments, EBA/ESMA joint guidelines on the assessment of the suitability of members of the management body and key function holders), Mediobanca has instituted additional requisites of its own: in order to limit the risk of conflicts of interest for Directors, they are not allowed to perform executive duties in banks, insurances or asset management companies, or sit on their advisory boards; may not be either directly or indirectly significant shareholders (i.e. with shares of above 10%) in banks, insurances or asset management companies. Checks are performed in order to ascertain that these requisites are met on an ongoing basis and formally in conjunction with the annual self-assessment process, and the checks to confirm that the Board as a whole is collectively suitable and reflects the qualitative and quantitative composition held to be optimal, including in terms of compliance with the gender quotas. All the Directors in office meet these requirements.

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.

As at 30 June 2019, the Board of Directors consisted of 15 members, eleven of whom qualify as independent under Article 148, para. 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, para. 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



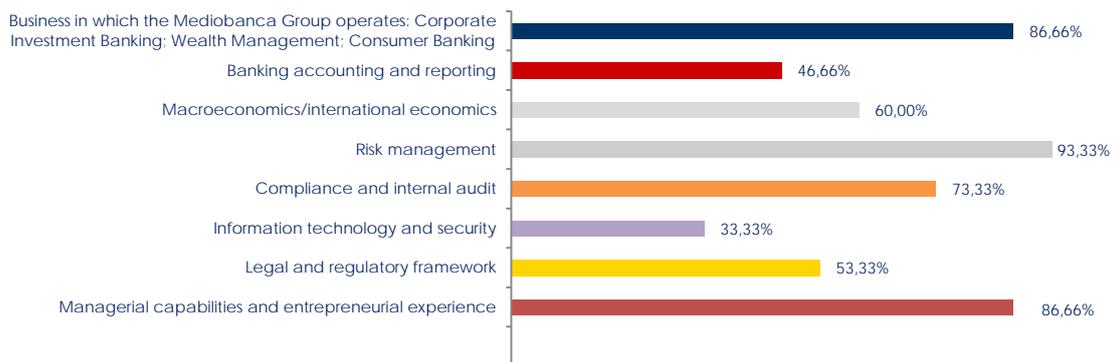
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there were executive directors and accordingly do not form part of the Remunerations, Appointments and Risks Committees.

Member (as at 30/6/19)	Post held	Date of birth	Indep. *	Indep. **	Management	In office since ***
Renato Pagliaro ♦	Chairman	20/2/57			X	2/7/07
Maurizia Angelo Comneno ♦	Deputy Chair	18/6/48		X		28/10/14
Alberto Pecci ♦	Deputy Chair	18/9/43				27/10/12
Alberto Nagel ♦	CEO	7/6/65			X	2/7/07
Francesco Saverio Vinci ♦	General Manager	10/11/62			X	2/7/07
Marie Bolloré ♦	Director	8/5/88		X		28/10/14
Maurizio Carfagna ♦	Director	13/11/47	X	X		28/10/14
Maurizio Costa ♦	Director	29/10/48	X	X		28/10/14
Angela Gamba □	Director	15/08/70	X	X		28/10/17
Maximo Ibarra *	Director	13/12/68	X	X		20/09/18
Valérie Hortefeux ♦	Director	14/12/67	X	X		28/10/17
Alberto Lupoi □	Director	29/3/70	X	X		28/10/17
Elisabetta Magistretti ♦	Director	21/7/47	X	X		28/10/11
Vittorio Pignatti Morano *	Director	14/9/57	X	X		20/09/18
Gabriele Villa ♦	Director	18/6/64		X		28/10/17

- \* Independent in accordance with the definition provided in Article 19 of the Articles of Association.
- \*\* Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.
- \*\*\* Period also comprises post held in governing bodies under dualistic governance system adopted by Mediobanca from 27/6/07 to 28/10/08.
- ♦ Taken from the list submitted by shareholder Unicredit S.p.A., owner of 8.46% of the company's share capital.
- Taken from the list submitted by a group of investors holding 3.889% of the share capital.
- \* Co-opted on 20 September 2018.

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	3	3	1	2	1	4



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



The documentation submitted by the Directors for appointment to the Board of Directors, including their CVs, is available on the Bank's website at [www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/CorporateGovernance) in the lists or proposals published in the section entitled "General meetings".

## 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, 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.



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

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

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

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

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

A total of ten Board meetings took place in the period from 1 July 2018 to 30 June 2019. The average duration of Board meetings was around 3 hours and 35 minutes.

The independent Directors meet regularly without the other Directors present. In the period from 1 July 2018 to 30 June 2019, the independent Directors met on two occasions, discussing the self-assessment process for the Board of Directors, and the thoroughness and effectiveness of the flow of reporting from the delegated bodies to the Board of Directors in particular.

## **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 tasked the Chairman with specific duties or vested him with powers of proposal 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:

- Six induction meetings for the whole Board on the following topics: Wealth Management and commercial networks: control measures and main risks; Investor Relations and analysts' reports; activities outsourced by Mediobanca and the other banks in the Group and related risks; strategy; Group IT systems; and corporate social responsibility;
- Two induction meetings addressed to the Risks Committee and subsequent debate by the Board of Directors on the following issues: ICAAP-ILAAP; and Group Recovery Plan;
- Four induction meetings addressed specifically to newly-appointed members on the following issues: integrated risks monitoring, rating systems governance policy and credit risk governance policy; Mediobanca Alternative Asset Management (Cairn Capital and RAM Active Investments) and Mediobanca SGR: structure and services/products offered; RAF/RAS and risk monitoring, ICAAP and internal models, ILAAP; mail balance-sheet data, IFRS 9, resolution; meeting with heads of control units to present teams and duties;
- Five training sessions on more general issues (open also to Board members of other Group banks) on the following issues: geopolitical scenario; non-executive directors' liability; security, cybercrime and fintech; provisioning calendar.

The average duration of the induction and training meetings was about two and a half hour.

## 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 2019, 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).

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 may approach the Director appointed to supervise the self-assessment process and/or the external advisor;
- The Appointments Committee's analysis of the data collected in aggregate form;



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- The Board of Directors' approval of the Summary Report, including the principal results at the Appointments Committee's proposal.

The self-assessment process, in which all of the directors participated and also, in line with the supervisory instructions for banks, the three standing auditors plus four members of the Bank's management external to the Board, revealed a positive situation which confirms the effectiveness of the work carried out by the Board 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 flow of information ahead of the meetings (including with reference specifically to the Corporate Governance Committee's recommendation on pre-Board reporting), documentation on risks facing the company and risk controls, and segmentation of budget and closing data by business line, were all held to be satisfactory; iii) a positive assessment of the role of the Chairman; iv) the work done by the Board was adjudged to be satisfactory in terms of the number and duration, level of debate and minutes of the meetings and the induction and training programme; v) the participation of the heads of the control units and the Group's main business areas in Board and induction meetings was appreciated; vi) increased focus by the Board on senior management succession issues and visibility over key function holder development schemes; and vii) the Executive, Appointments, Remunerations and Risks Committees were felt to be excellent in terms of role, functioning, composition and size.

It is also worth noting that based on the self-assessment exercises held in previous years, the need has never emerged for a Lead Independent Director to be appointed, partly because the Chairman and Chief Executive Officer are not the same person.

Areas for improvement in the coming year involved:

- More space for sustainability issues in the Board's agenda;
- Step up the involvement of Group senior management in Board and induction meetings;
- Increased level of detail in minute-taking and hoped livelier debate;
- Regular reporting to the Appointments Committee and the Board on the composition of the governing bodies of the most important Group companies;
- With reference to the reporting flow by the Executive Committee, comment on the rationale for the main decisions taken by the delegated bodies in Board meetings.

As mentioned earlier, the recommendations made in the letter by the Chairman of the Corporate Governance Committee sent on 21 December 2018 have been taken into consideration in the self-assessment process. 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.

## 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.

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:



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

The Chief Executive Officer is Alberto Nagel.

## 4.6.2. General Manager

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

The Board of Directors vests the General Manager, who is the head of the internal organization and as such is 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 General Manager is responsible for approving the guidelines to ensure that the risk mitigation techniques implemented are effective and that suitable training programmes are instituted to embed the requisite risk culture.

The General Manager is 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.

## 5. Board Committees

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



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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 (as at 30/6/19)	Post held	Executive
Alberto Nagel (Chair)	Chief Executive Officer and Committee Chairman	X
Maurizia Angelo Comneno*	Deputy Chair	
Francesco Saverio Vinci	General Manager	X
Gabriele Villa*	Director	

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

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

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



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A total of eleven meetings were held in the period from 1 July 2018 to 30 June 2019, with an average duration of roughly 1 hour and 40 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 approval powers on market risks;
- 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 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.

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

As at 30 June 2019, 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 (as at 30/6/19)	Independent (Article 19)*	Independent (Finance Act)**
Elisabetta Magistretti (Chair)◊	X	X
Maurizio Carfagna	X	X
Angela Gamba	X	X
Valérie Hortefeux	X	X
Vittorio Pignatti Morano	X	X

◊ Registered auditor.

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

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

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 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,



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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;
- Reviews the Consolidated Non-Financial Statement.

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 20 June 2012 and most recently revised on 27 June 2019 ([www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/Corporate%20Governance)), with the following duties:

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

The Committee met on a total of eleven occasions in the period from 1 July 2018 to 30 June 2019 and on ten occasions as the Related Parties Committee.

The average duration of Risk Committee meetings was roughly three hours and 15 minutes, and that of Related Parties Committee meetings around 30 minutes.

## 5.3 Remunerations Committee

As at 30 June 2019, 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 (as at 30/6/19)	Independent (Article 19)*	Independent (Finance Act)**
Maurizio Carfagna (Chair)	X	X
Valérie Hortefeux	X	X
Alberto Lupoi	X	X
Alberto Pecci		

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

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



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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 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 General Manager;
- 3) Monitors application of the rules on the remuneration of the heads of the company's control units, liaising closely with the body with responsibility for control;
- 4) Gives its opinion on the Remunerations Policies to be submitted to the approval of the Board of Directors and shareholders in annual general meeting, with reference in particular to the issue of whether or not the performance objectives on which the incentivization schemes are based have been reached, and to ascertaining whether or not the further conditions set to payment of bonuses have been met.
- 5) Proposes the allocation of the aggregate fixed compensation to the Board of Directors established by shareholders in annual general meeting to the Board itself for approval.

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

The Committee met eight times in the period from 1 July 2018 to 30 June 2019, including one meeting not attended by the executive directors, to formulate proposals to the Board of Directors regarding their remuneration and the structure of a long-term incentive plan shortly to be adopted. For further information on the issue of remuneration, please see the Report on Remuneration available on the Bank's website at [www.mediobanca.com/CorporateGovernance](http://www.mediobanca.com/CorporateGovernance).

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

## 5.4 Appointments Committee

As at 30 June 2019, 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 (as at 30/6/19)	Independent (Article 19)*	Independent (Finance Act**)
Maurizio Costa (Chair)	X	X
Marie Bólloré		X
Alberto Lupoi	X	X
Elisabetta Magistretti	X	X
Renato Pagliaro		

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

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



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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	1	1

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 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 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 2018 to 30 June 2019. The average duration of committee meetings was roughly 1 hour and 40 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, para. 4 of the Articles of Association which adopts resolutions in respect of decisions to be taking regarding appointments to be made to the governing bodies of particular investee companies at their annual general meetings, companies, that is, in which the Bank holds a stake of at least 10% of the share capital and for which the value of such stakes represents more than 5% of the Group's consolidated regulatory capital.

As at 30 June 2019, the Committee consisted of the Chief Executive Officer, General Manager and two Directors, one of whom qualifies as independent.

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

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

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



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

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

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

## 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>3</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 Executive Directors (Chief Executive Officer and 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>4</sup> The policy provides for a fixed salary,<sup>5</sup> a variable short-term component, and in some cases 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.

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.

## 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 investment or ancillary services. 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

<sup>3</sup> The remuneration determined by shareholders at the Annual General Meeting held on 28 October 2017 was €2,500,000.

<sup>4</sup> The Remuneration Policy for FY 2018-19 as approved by shareholders in annual general meeting is available at [www.mediobanca.com/CorporateGovernance](http://www.mediobanca.com/CorporateGovernance).

<sup>5</sup> The annual gross fixed salary of the Chief Executive Officer is €1,800,000, that of the General Manager €1,500,000.



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

At a Board meeting held on 27 June 2019, 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 "Ordinary transactions of minor significance carried out on market terms" and "Transactions involving negligible amounts").

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

## 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 senior management of Mediobanca is responsible for the adequacy of the Bank's internal controls and risk management system. It is the senior management 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 reporting risks in the event of unauthorized exposures being noted.

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

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

The unit is also responsible for the Group's stress testing process and execution.

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 Head of the unit attends meetings of the Risks Committee, assisting it in its 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 the Bank's entry into new markets, introduction of new products, and extraordinary operations, in order to assess the impact of these changes and operations on the 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.



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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:

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

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

The head of the Group Audit Unit takes part in meetings of the Risks Committee, providing support in 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 once a year on the activities performed and remediation of any critical issues noted, 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.

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>6</sup> and CobIT Framework<sup>7</sup>). The system provides for:

- Company level controls: controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the norms, regulations and control mechanisms in force in the Group. Company level controls regard the organization of the company and impact on the methods by which the financial reporting and disclosure objectives are reached;
- 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>8</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

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> Based on the self-assessment methodology, the tests are performed by the process owners, i.e. those responsible for managing the specific process.



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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*, para. 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*, para. 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.

### 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**: for each category of crime and organizational unit, the sensitive activities, control measures and organizational units involved are identified.
  - **Protocols**, summarizing the principles of conduct and operating procedures for each sensitive area.
  - The 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. Obtaining such data allows the supervisory body to monitor the model's functioning and compliance with it, and to propose revisions where these may be necessary in order to render the company's organizational and internal control measures more effective.
  - **Form for reporting** suspected breaches of the model to the supervisory body.



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- 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;
- I Serious breaches of the model, also informing the Chairman of the Risks Committee.

## **8.5 Corporate Social Responsibility, codes of ethics and conduct, whistle-blowing, 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 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.

Since the reporting date, the Board has set up its own Corporate Social Responsibility committee, with duties of instruction with regard to the items to be submitted to the Board's attention, including in particular the Group CSR Policy and the Consolidated Non-Financial Statement prepared by the management committee. The CSR Committee also liaises with the Remunerations Committee in assessing whether or not the CSR objectives that may be identified in the scorecards used for senior management performance evaluation have been met. The Committee is made up of the CEO himself plus Directors Angela Gamba, Maximo Ibarra and Elisabetta Magistretti.

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

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

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



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## 8.5.3. Whistle-blowing

Mediobanca has also adopted a policy on whistle-blowing 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 effect such transactions in the thirty days prior to the date on which the Board of Directors' approval of the Bank's annual, interim and quarterly accounts is made public (black-out period). A more restrictive regime has also been introduced for certain management figures, limiting the restrictions on them trading to certain "window" periods only, i.e. the 15 open market days subsequent to the results for the period being published.

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.

## 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%).



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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 (as at 30/6/19)	Position	In office since
Natale Freddi *	Chairman	28/10/11
Laura Gualtieri ♦	Standing Auditor	28/10/14
Francesco Di Carlo ♦	Standing Auditor	28/10/17
Alessandro Trotter ♦	Alternate Auditor	28/10/14**
Barbara Negri ♦	Alternate Auditor	28/10/14
Stefano Sarubbi *	Alternate Auditor	28/10/17

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

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

\*\* Alternate 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 at [www.mediobanca.com/Corporate Governance](http://www.mediobanca.com/Corporate Governance).

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);



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- 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 thirty-one meetings of the Statutory Audit Committee were held in the last financial year, eleven 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 3 hours.

## 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 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



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Mediobanca Group business areas (CIB, Retail/Consumer, Private Banking, Principal Investing, CMB, MAAM), and the Group HR Director.

Regarding succession planning for the Chief Executive Officer and 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.

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.

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 eleven positions have been identified (currently covered by twelve individuals): 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 eleven positions meet the requirements, and for each of them has identified an internal candidate with the requisite qualifications who is therefore able to succeed them.

Mediobanca is fully aware of the benefits deriving from diversity of gender, and accordingly, if the minimum quota for the least represented gender in the governing bodies currently stipulated by law should cease to be met, nonetheless recommends that it continue to be respected in the composition of both Board of Directors and Statutory Audit Committee.

Since January 2019 Mediobanca has been one of the 230 companies in the 2019 Bloomberg Gender-Equality Index, an initiative that selects companies on the basis of the transparency of their approach, as demonstrated in the reporting on gender issues and by adopting an increasingly egalitarian approach towards women. The Group currently has around 4,600 staff, more than 40% of whom are women. All issues relating to female employment are fully discussed in the Group's Consolidated Non-Financial Statement.

## 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, products



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and services, and social and cultural initiatives is available on the Bank's website; to promote the greatest possible participation in annual general meetings, the relevant documentation is sent beforehand to the addresses of who requested it.

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

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

Milan, 19 September 2019



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Table 1: Structure of Board of Directors and Committees as at 30 June 2019

Board of Directors													Executive Committee		Risks Committee		Remunerations Committee		Appointments Committee	
Office	Member (*)	Year of birth	Date first appointed**	In office since	In office until	List	Non-exec-	Exec.	Indep. (Article 19)	Indep. (Finance Act)	No. of other posts held (***)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)
Chair	Renato Pagliaro	1957	28/10/08 (1)	28/10/17	28/10/20	(a)	X				1	100%								100%
Deputy Chair ♦	Maurizia Angelo Comneno	1948	28/10/14	28/10/17	28/10/20	(a)		X		X	0	100%		100%						
Deputy Chair	Alberto Pecci	1943	27/10/12	28/10/17	28/10/20	(a)	X				3	100%							75%	
Chief Executive Officer ♦ ♦	Alberto Nagel	1965	28/10/08 (1)	28/10/17	28/10/20	(a)		X			0	100%	P	100%						
Director and General Manager ♦	Francesco Saverio Vinci	1962	28/10/08 (1)	28/10/17	28/10/20	(a)		X			0	100%		100%						
Director	Marie Bolloré	1988	28/10/14	28/10/17	28/10/20	(a)	X			X	10	70%								77,78%
Director	Maurizio Carfagna	1947	28/10/14	28/10/17	28/10/20	(a)	X		X	X	4	90%			100%		P		100%	
Director	Maurizio Costa	1948	28/10/14	28/10/17	28/10/20	(a)	X		X	X	1	100%							P	100%
Director	Angela Gamba	1970	28/10/17	28/10/17	28/10/20	(b)	X		X	X	2	90%			100%					
Director	Valérie Hortefeux	1967	28/10/17	28/10/17	28/10/20	(a)	X		X	X	3	100%				90,91%			100%	
Director	Maximo Ibarra	1968	20/09/18	27/10/18	28/10/20		X		X	X	1	100%								
Director	Alberto Lupoi	1970	28/10/17	28/10/17	28/10/20	(b)	X		X	X	0	100%							100%	100%
Director	Elisabetta Magistretti	1947	28/10/11	28/10/17	28/10/20	(a)	X		X	X	2	100%			P	100%				100%
Director	Vittorio Pignatti	1957	20/09/18	27/10/18	28/10/20		X		X	X	8	85,7%				62,50%				
Director ♦	Morano Gabriele Villa	1964	28/10/17	28/10/17	28/10/20	(a)		X		X	1	100%		100%						



## DIRECTORS WHO LEFT OFFICE DURING FY 2018-19

Board of Directors												Executive Committee		Risks Committee		Remunerations Committee		Appointments Committee	
Office	Member (*)	Year of birth	Date first appointed **	In office since	In office until	List ***	Non-exec.	Exec.	Indep. (Code)	Indep. (Finance Act)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)
Director	Massimo Tononi	1964	28/10/17	28/10/17	25/07/18	(a)	X		X	X	100%				100%				

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

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

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

◆ Members of the Executive Committee.

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

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

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

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

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

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

## No. of meetings held during year ended 30 June 2019:

Board of Directors: 10	Executive Committee: 11	Risks Committee: 11	Related Parties Committee: 10	Remunerations Committee: 8	Appointments Committee: 9
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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 2019, the Board of Directors also held two meetings of independent Directors, eight induction sessions and five training meetings.



**Table 2: Structure of Statutory Audit Committee as at 30 June 2019**

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	90%	1
Standing Auditor	Laura Gualtieri	1968	28/10/14	28/10/17	28/10/20	(a)	X	100%	2
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 ended 30 June 2019: 31**

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

at least 1% of the share capital

§ 11 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 holds 8.46% of the Bank's share capital.

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



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

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



## Annex

Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca in office at 30 June 2019<sup>1</sup>

Name	Post held in Mediobanca	Main posts held in other companies
Renato PAGLIARO	Chair	Director, Istituto Europeo di Oncologia
Maurizia ANGELO COMNENO	Deputy Chair and Executive Committee member	=
Alberto PECCI	Director	Chair, Pecci Filati Chair, Tosco-Fin Director, El.EN.
Alberto NAGEL	Chief Executive Officer and Executive Committee Chairman	=
Francesco Saverio VINCI	General Manager, Director and Executive Committee member	=
Marie BOLLORE <sup>9</sup>	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
Maurizio CARFAGNA	Director	Chief Executive Officer, H-Invest Director, Futura Invest Director, FingProg Italia S.p.A. Director, Istituto Europeo di Oncologia
Maurizio COSTA	Director	Director Amplifon
Angela GAMBA	Director	Director, FPS Investments S.r.l. Director, Medical Technology and Devices SA
Valérie HORTEFEUX	Director	Director, Blue Solutions Director, Ramsay – Générale de Santé Director, Socfinasia
Maximo IBARRA	Director	Chief Executive Officer, Royal KPN <sup>9</sup>
Alberto LUPOI	Director	=
Elisabetta MAGISTRETTI	Director	Director, Luxottica Group Director, Smeg

<sup>9</sup> According to press reports, Mr Ibarra tendered his resignation from this position on 25 June 2019, with effect as from 30 September 2019.



# MEDIOBANCA

Name	Post held in Mediobanca	Main posts held in other companies
Vittorio PIGNATTI MORANO	Director	Chair, Gamenet Group 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
Gabriele VILLA	Director	Standing Auditor, Edison S.p.A.

(1) The full list of positions is available at <https://www.mediobanca.com/it/corporate-governance/consiglio-di-amministrazione/incarichi-consiglieri.html>