

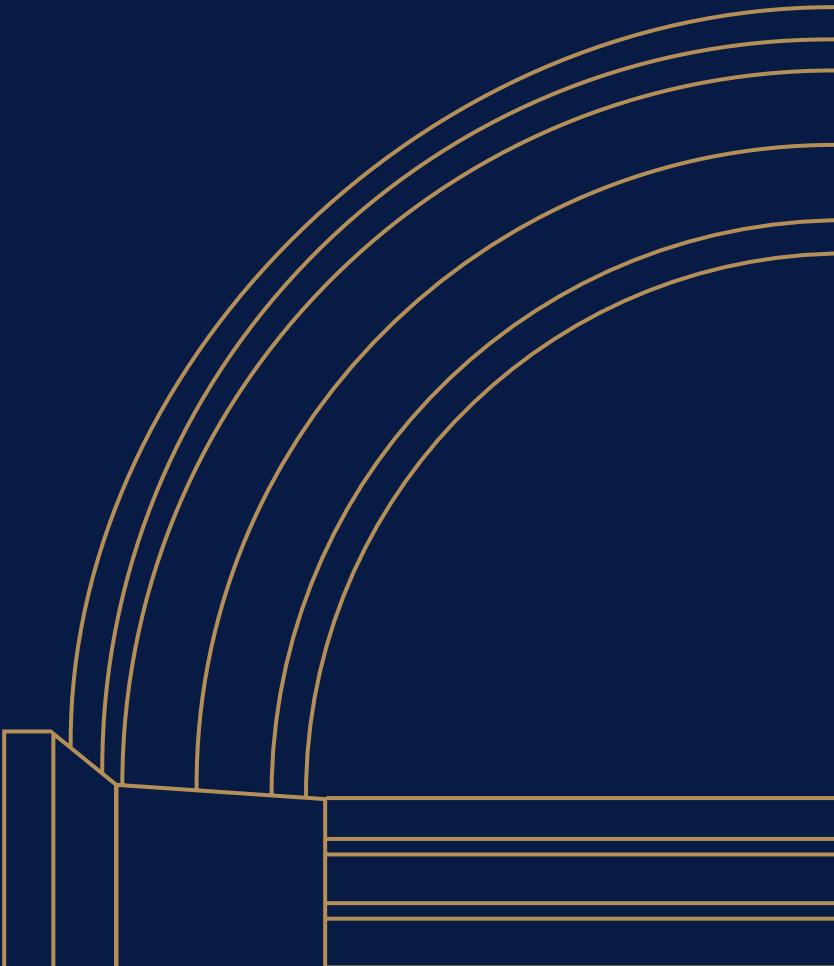
CONSOLIDATED NON-FINANCIAL STATEMENT

2018-2019

IN ACCORDANCE WITH LEGISLATIVE DECREE NO. 254 OF 2016



MEDIOBANCA



CONSOLIDATED NON-FINANCIAL STATEMENT

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MEDIOBANCA

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METHODOLOGY





METHODOLOGY

1.1 REPORTING STANDARDS APPLIED

[GRI 102-52], [GRI 102-54]

The Consolidated Non-Financial Statement (the “Statement” or the “CNFS”) for the Mediobanca Group (the “Group”), drawn up in accordance with the provisions of Article 4 of Italian Legislative Decree 254/16 (the “Decree”), contains information on environmental, social and staff-related issues and on human rights and measures to tackle bribery and corruption, of use to provide an understanding of the activities performed by the Group, its performance, results and the impact produced by it.

The Statement, which is published annually starting from FY 2017-18, has been drawn up in accordance with the provisions of Italian Legislative Decree 254/16 and in accordance with the core option of the Global Reporting Initiative Sustainability Reporting Standards (the “GRI Standards”) published in 2016 by the Global Reporting Initiatives (GRI), which are currently the most widely used and internationally-recognized standards in non-financial reporting.

To facilitate stakeholders in locating information within the document, the GRI Content Index is reproduced on p. 113. References to the GRI indicators are provided in the text in order to facilitate understanding, using the symbol [GRI N.].

The non-financial reporting contained in the Statement reflects the principle of materiality, or relevance, one of the prerequisites set down by the regulations and a key feature of the GRI Standards. Accordingly, the issues presented in the Statement are the ones which, following the materiality analysis described on p. 28, are considered relevant in terms of being able to reflect the social and environmental impact of the Group’s activities or influence the decisions of its stakeholders.

Account has also been taken of the following principles for the purposes of the reporting:

- ◆ **Stakeholder inclusiveness:** the expectations and interests of all stakeholders, i.e. parties which on various grounds contribute to or are otherwise affected by the Group’s activities, are taken into consideration.
- ◆ **Sustainability context:** the results of the non-financial reporting have been presented taking into account the social and economic context in which the Group operates and the main issues in the sector of which it forms part.



METHODOLOGY

- ◆ **Completeness:** the issues reported on and the scope of the Statement enable stakeholders to make a full judgement of the Group's principal social and environmental impacts.
- ◆ **Balance between positive and negative aspects:** the Statement presents the Group's main non-financial performances, describing aspects in which the Group shows positive results and trends, and areas which reflect margins for further improvement.
- ◆ **Comparability:** the indicators have been used in such a way as to allow results to be constructed and reconstructed over time, thus allowing performance to be monitored on an ongoing basis.
- ◆ **Accuracy:** the reporting has been based on data recorded directly, limiting the use of estimates as far as possible.
- ◆ **Timeliness:** the Statement is prepared annually and published at the same time as the financial statements.
- ◆ **Reliability:** all the data and information shown have been validated by the heads of the relevant company units and have been processed on the basis of substantiated evidence which is sufficient to prove the existence, completeness and accuracy of such data and information.
- ◆ **Clarity:** the Statement contains information presented in a way that is understandable and accessible to all the organization's range of stakeholders.

1.2 SCOPE OF REPORTING

[GRI 102-10], [GRI 102-45], [GRI 102-47], [GRI 102-48], [GRI 102-49],
[GRI 102-50], [GRI 102-51]

The qualitative and quantitative data and information contained in the Statement refer to the performances by the Mediobanca Group in the financial year ended 30 June 2019. As provided by Article 4 of Italian Legislative Decree 254/16, the scope of reporting for the CNFS covers virtually the entire consolidated financial statements for FY 2018-19.¹

Companies with no employees or which are not operative or in liquidation are excluded from reporting non-financial data.

1) A full list of consolidated companies is provided on p. 115 of the Mediobanca Financial Statement 2019



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COMPANIES EXCLUDED FROM SCOPE OF CNFS REPORTING

PROMINVESTMENT S.P.A.
CMB ASSET MANAGEMENT S.A.M.
CMB WEALTH MANAGEMENT LIMITED
MB FUNDING LUXEMBOURG S.A.
QUARZO S.R.L.
QUARZO CQS S.R.L.
MEDIOBANCA COVERED BOND S.R.L.
MEDIOBANCA INTERNATIONAL IMMOBILIÈRE S. A R.L.
CAIRN CAPITAL GUARANTEE LIMITED
CAIRN CAPITAL INVESTMENTS LIMITED
CAIRN INVESTMENT MANAGERS LIMITED
AMPLUS FINANCE LIMITED

Also not included in the scope of CNFS reporting for this year is Messier Maris & Associés (MMA), in which Mediobanca acquired a 66% stake in the fourth quarter.

Any further limitations to this scope of reporting, with reference to the coverage of specific indicators, have been disclosed where appropriate in the CNFS itself. Such limitations do not affect the representativeness of the Group's results and assets, as required by Italian Legislative Decree 254/16.

The data reported in the Statement refer to FY 2018-19, and are compared with those for the previous financial year.

Following the reporting process launched for the first Group Consolidated Non-Financial Statement in FY 2017-18, it has been decided to restate some of the data relating to that financial year as they have proved to be inaccurate. The restated data are reported in the following sections: 5.9 Staff health, safety and welfare, 8.3 Energy consumption and CO₂ emissions and 8.4.1 Water consumption.

1.3 REPORTING PROCESS

The Mediobanca Group's CNFS as at 30 June 2019 has been drawn up on the basis of a structured reporting process which entailed:

- ◆ The involvement of all company units and divisions responsible for the material areas and for the information included in the Statement. The representatives identified described the significant



METHODOLOGY

initiatives undertaken during the reporting period, and assisted at the stage of collecting, analysing and consolidating the data, with the responsibility for checking and validating all the information stated in the Statement, each for their own area of responsibility. In particular, in order to meet the requisites of Italian Legislative Decree 254/16 and the GRI Standards, the information contained in the Statement has been managed via data collection reports for the qualitative data, while the quantitative data has been entered in the same IT platform used to manage the Group's consolidated financial reporting. This process is governed via a specific internal Directive, which includes formal validation by the contributing units. The data is processed via extractions and point-in-time calculations, and also estimates (where specifically stated). The earnings and financial data and information have been taken from the Mediobanca Group's consolidated financial statements for the year ended 30 June 2019.

- ◆ Approval of the Statement by the Board of Directors, called to adopt the accounts for the financial year ended 30 June 2019, subject to prior review by the Group CSR and Risks Committees;
- ◆ Assurance for the Statement by PricewaterhouseCoopers S.p.A. in the form of a limited review;
- ◆ Publication of the Statement on the company website to make it fully transparent and available to all stakeholders.

**TABLE TO SHOW INTERSECTIONS BETWEEN AREAS COVERED BY THE DECREE,
MATERIAL ISSUES AND GRI STANDARDS²**

AREAS COVERED BY ITALIAN LEGISLATIVE DECREE 254/16	MATERIAL ISSUES IDENTIFIED BY MEDIOBANCA	GENERAL DISCLOSURES AND RELEVANT TOPIC-SPECIFIC GRI STANDARDS	IMPACT SCOPE	
			GROUP INTERNAL IMPACT	GROUP EXTERNAL IMPACTS
Corruption	<ul style="list-style-type: none"> ◆ Ethics and integrity in business 	Ethics and integrity (GRI 102-16) Anti-corruption (GRI 205)	Whole Group	Community
	<ul style="list-style-type: none"> ◆ Stability, regulation and resilience of financial system 	(*)	Whole Group	
	<ul style="list-style-type: none"> ◆ Systematic risk and brand reputation management and assessment 	(*)	Whole Group	Clients
	<ul style="list-style-type: none"> ◆ Business model and strategy 	(*)	Whole Group	

2) The most significant areas for the Group are in bold, as per the top right-hand square of the Materiality Matrix (Section 3.6.Material issues and areas covered by Italian Legislative Decree 254/16)



METHODOLOGY

AREAS COVERED BY ITALIAN LEGISLATIVE DECREE 254/16	MATERIAL ISSUES IDENTIFIED BY MEDIOBANCA	GENERAL DISCLOSURES AND RELEVANT TOPIC-SPECIFIC GRI STANDARDS	IMPACT SCOPE	
			GROUP INTERNAL IMPACT	GROUP EXTERNAL IMPACTS
Social	◆ Transparency of information on products and services	Marketing and labelling (GRI 417)	Whole Group	Clients
	◆ Customer satisfaction and quality of service	(*)	Whole Group	Clients
	◆ Data security and protection	Privacy (GRI 418)	Whole Group	Clients
	◆ Innovation, multi-channel approach and digitalization	(*)	Whole Group	Clients
	◆ Contribution to economic system and to society	(*)	Whole Group	Community
	◆ Financial inclusion, access to resources and financial education	(*)	Whole Group	Clients Community
	◆ Impact on and investment in the community	(*)	Whole Group	Community
Staff	◆ Training and professional development	Training and education (GRI 404)	Whole Group	
	◆ Managing, attracting, developing and retaining talent	Employment (GRI 401) Training and education (GRI 404)	Whole Group	
	◆ Employment creation and protection	Employment (GRI 401)	Whole Group	
	◆ Staff commitment, engagement and satisfaction	(*)	Whole Group	
	◆ Diversity, inclusion and equal opportunity	Diversity and equal opportunities (GRI 405)	Whole Group	
	◆ Staff incentives, benefits and remuneration	Employment (GRI 401)	Whole Group	
	◆ Staff health, safety and well-being	Health and safety (GRI 403)	Whole Group	



METHODOLOGY

AREAS COVERED BY ITALIAN LEGISLATIVE DECREE 254/16	MATERIAL ISSUES IDENTIFIED BY MEDIOBANCA	GENERAL DISCLOSURES AND RELEVANT TOPIC-SPECIFIC GRI STANDARDS	IMPACT SCOPE	
			GROUP INTERNAL IMPACT	GROUP EXTERNAL IMPACTS
Environment and human rights	◆ Responsible investments and sustainable products	(*)	Whole Group	Clients
Environment	◆ Management of environmental impacts (direct and indirect) linked to business	Water (GRI 303) Effluents and waste (GRI 306)	Whole Group	Environment
	◆ Energy consumption and CO₂ emissions	Energy (GRI 302) Emissions (GRI 305)	Whole Group	Environment
	◆ Purchase and consumption of sustainable products	Materials (GRI 301)	Whole Group	Environment
Supply chain	◆ Responsible supply chain management	(*)	Whole Group	Suppliers

(*) For issues marked with an asterisk (which do not match directly with a Topic-Specific GRI Standard), the Group illustrates the management approach adopted and related performance indicators considered to be material in the document itself.

STRATEGY

[GRI 102-14]

The Group continued its path to growth in the financial year ended 30 June 2019, delivering the best annual set of results in the last decade: revenues up 4% to €2.5bn, GOP up 8% to €1.1bn, and adjusted net profit up 8% to €860m. The performance was driven primarily by material commercial development.



STRATEGY

This was the best set of accounts delivered over the horizon of the **2016-19 strategic plan**, the objectives of which have been reached and in some cases beaten, on the back of a sustainable business model consistent with long-term trends.

All the divisions reported significant improvement in profitability while maintaining their excellent risk profile unchanged.

During the year under review, Mediobanca acquired a 66% stake in Messier Maris & Associés (MMA), one of the leading French corporate finance franchises with a large, international and recurrent customer base.

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 intends to contribute 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.

Among the SDGs, particular importance has been attributed to Goal 13 on **Climate Action**, as the speed of change in this area risks seriously compromising future generations.

To promote responsible management of resources, the Group has committed to reduce its direct impact, cutting **CO₂ emissions** by acquiring electricity from renewable sources, and cutting the **consumption of natural resources** by using recycled and certified paper.

With regard to indirect impact, the Group offers its clients an increasing number of **sustainable investment products**, complementing the financial analysis with environmental, social and governance criteria. Mediobanca SGR, RAM Active Investments and Cairn Capital adhere to the **Principles for Responsible Investment** to develop a more sustainable global financial system.

Achieving these challenging objectives is made possible by our **people**, who are the Group's fundamental capital and an indispensable part of our competitiveness. Professional **training** and refresher course for our staff thus play a strategic role in the development process.

Diversity of gender and thought is considered an advantage to be leveraged as source of cultural and professional enrichment.



STRATEGY

As **Alberto Nagel, CEO of the Mediobanca** commented, “Diversity is a value as far as we here at Mediobanca are concerned. This is why we will continue to work hard to increase the number of women we employ in all our business areas. While we are in line with the statistics for the banking sector overall, we will work to support growth in the female population, implementing adequate training programmes to achieve this”.

The attention which Mediobanca has devoted to diversity has led to our being included in among the 230 companies in the 2019 **Bloomberg Gender-Equality Index (GEI)**, 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.

With the aim of promoting a culture of social responsibility and the implications it has for the financial sector, the Group has run a **course on “Sustainability and Human Rights”** which explores the concept of indirect impact, with a focus on respect for human rights.

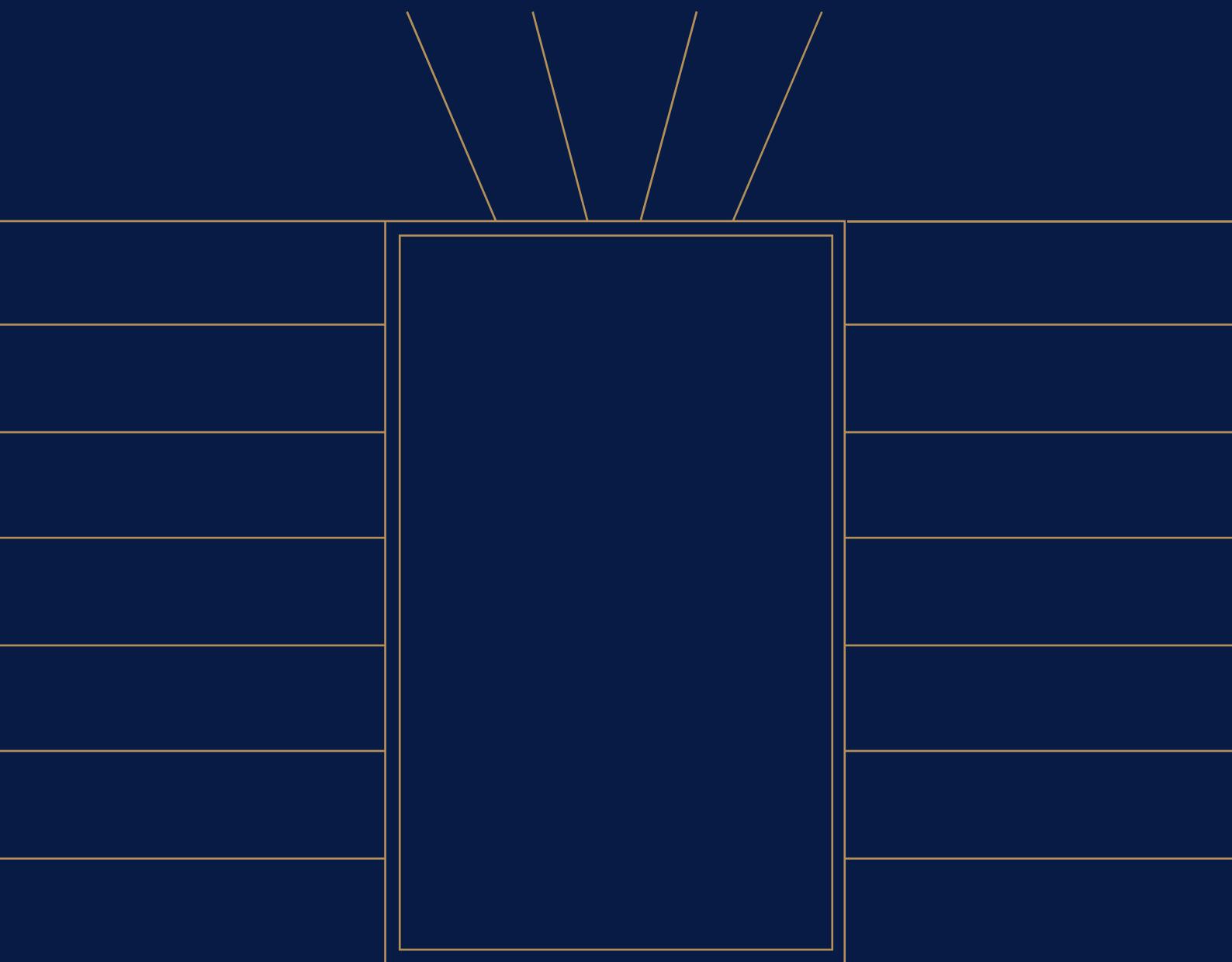
In addition to the theory, we have facilitated practical involvement as well by launching a **company volunteering programme** with a view to capturing our people's talent, passion and commitment by including them in the various environmental and social initiatives supported by the Group.

The Group gives priority to projects which target growth in the communities in which we operate, based on our conviction that an inclusive society must be founded on mutual respect and solidarity, ensuring equal opportunities and a decent lifestyle for all. The Group made an **aggregate contribution of over €3.2m to the community** in the year under review.

As further proof of our commitment to include CSR in our business and financial strategies, **sustainability objectives will be included in our new business plan** to be presented to investors in November 2019.

The convictions and commitment described above are described in more detail in the rest of this document, our Group's second **Consolidated Non-Financial Statement**.

IDENTITY



3.1 MEDIOBANCA GROUP

[GRI 102-1], [GRI 102-2], [GRI 102-4], [GRI 102-5], [GRI 102-6]

Mediobanca was founded in 1946 to support the reconstruction and development of the post-war Italian economy. In the course of this activity, the Bank forged strong links with the most important industrial families in Italy, promoting growth by taking equity investments in the companies itself. Although its original mission was to large corporates, activities were soon launched in the retail and mid-corporate segments too, with a view to diversification: with companies operating in consumer credit (Compass, 1960), leasing (Selma, 1970), mortgage lending (Micos, 1992) and private banking (Banca Esperia, 2001 and CMB, 2003).

Starting from 2003, the Bank embarked on a major transformation process, in a market and regulatory scenario that required change to be accelerated in view of the financial crises that marked the last decade. With the aim of strengthening its capital and earnings profile, and positioning itself as an operator geared towards creating value in the long term, the Mediobanca thus transformed itself from a holding company to a banking group performing highly specialist activities. This led to more active management of the equity investment portfolio, thus moving away from the system of cross-shareholdings, withdrawing from the various shareholder agreements entered into and selling investments not considered to be strategic, but also growing the banking activities in which the Bank had specialized, prioritizing capital light and fee-generating businesses in particular.

The 2016-19 business plan accelerated this process further, with a Wealth Management division being set up to leverage growth opportunities more effectively. Developing this division has become central to the Group's growth strategies.

The Bank's solidity and stability, along with its ability to innovate, its professionalism and proper conduct, care and respect for its clients and partners, are the values which have guided Mediobanca from its very inception and have been the drivers of our recent solid and healthy growth.

Tradition and innovation combine in the areas which go to make up the Group and contribute equally to its performance: lending and investment banking, consumer credit and wealth management.



IDENTITY

The Mediobanca Group today is based on three highly specialized and diversified activities:

BUSINESS MODEL BASED ON HIGHLY SPECIALIZED ACTIVITIES		
Wealth Management	Consumer Banking	Corporate & Investment banking
<ul style="list-style-type: none"> ◆ Business with highly specialized content ◆ Recurrent fee-based and low capital-absorption activity ◆ Solutions business, profitable, albeit not on a large scale ◆ Private banking synergistic with Corporate and Investment Banking ◆ Strategy: acquire small-/medium-sized companies 	<ul style="list-style-type: none"> ◆ Historical business launched in the 1960s ◆ Specialist domestic business with high entry barriers ◆ Stable revenue source, driver of net interest income for the Group, highly profitable ◆ Credit risk highly fragmented 	<ul style="list-style-type: none"> ◆ Business historically part of Mediobanca's identity ◆ Client-driven, highly specialized business ◆ Fee-generating business, profitable but cyclical ◆ Business which has always been well diversified by source and product but now by geography as well

- ◆ **Wealth Management:** the division now considered as being the priority for the Group's future growth, it brings together all the client asset management services:
 - ◆ **Affluent and Premier:** customers addressed by CheBanca!, the multi-channel bank launched in 2008, which after rapidly acquiring a prominent position on the deposit and funding market, doubled in size in 2017 with its acquisition of a selected perimeter of Barclays' Italian retail operations;
 - ◆ **Private & HNWI (High Net Worth Individuals):** targeted in Italy by Mediobanca Private Banking (formerly Banca Esperia, control of which was acquired in 2016) and Spafid (the Group's multi-family office and fiduciary company), and in the Principality of Monaco by Compagnie Monégasque de Banque. This division also comprises the product factories grouped under **Mediobanca Asset Management** and serving the Group's distribution networks: Cairn Capital (the asset management company specializing in credit products acquired in 2015), Compagnie Monégasque de Gestion (CMG, formerly CMB), Mediobanca SGR and RAM Active Investments (the specialist systematic asset management company acquired in 2017).
- ◆ **Consumer Banking:** Compass Banca, pioneer in consumer credit in Italy and now leader in a profitable market with high barriers to entry. It has in-depth knowledge of a growing sector, in which the capabilities it has acquired allow it to successfully identify risks, products and further growth opportunities. In 2018 Compass Banca formalized its offer to acquire a stake of approx. 20% in BFI Finance (Indonesia) with a view to accessing a second, high potential market.



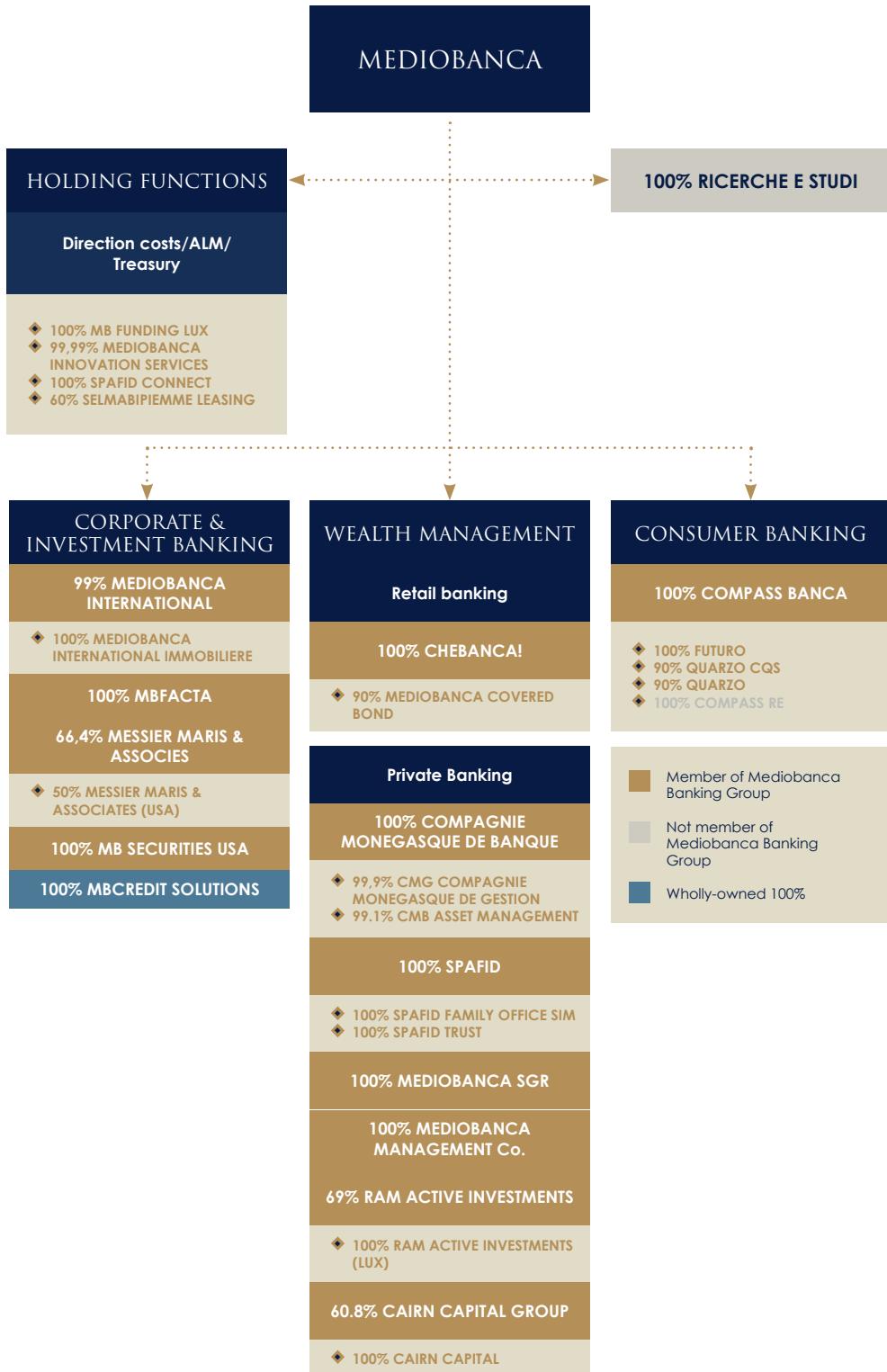
IDENTITY

- ◆ **Corporate & Investment Banking:** provides high-level advice and a full range of credit products, from simplest and most traditional instruments to the most sophisticated solutions available on financial markets through its offices in Paris, New York, Madrid, Frankfurt and London. To strengthen its footprint in France and Southern Europe, Mediobanca announced a long-term strategic partnership early in 2019 Mediobanca through which it acquired a 66% stake in Messier Maris et Associés. CIB also includes Specialty Finance, Factoring and Credit Management activities, all of which strengthen the service offering provided to medium-sized enterprises.

The Mediobanca Group's strategy continues to focus on growth in all divisions, to be realized prudently and progressively by leveraging on its strong capital position, reputation and the market opportunities on offer, i.e. both through organic growth and by M&A. Priority will continue to be given to growth opportunities in the wealth management area, and more generally to fee-based and capital-light activities.



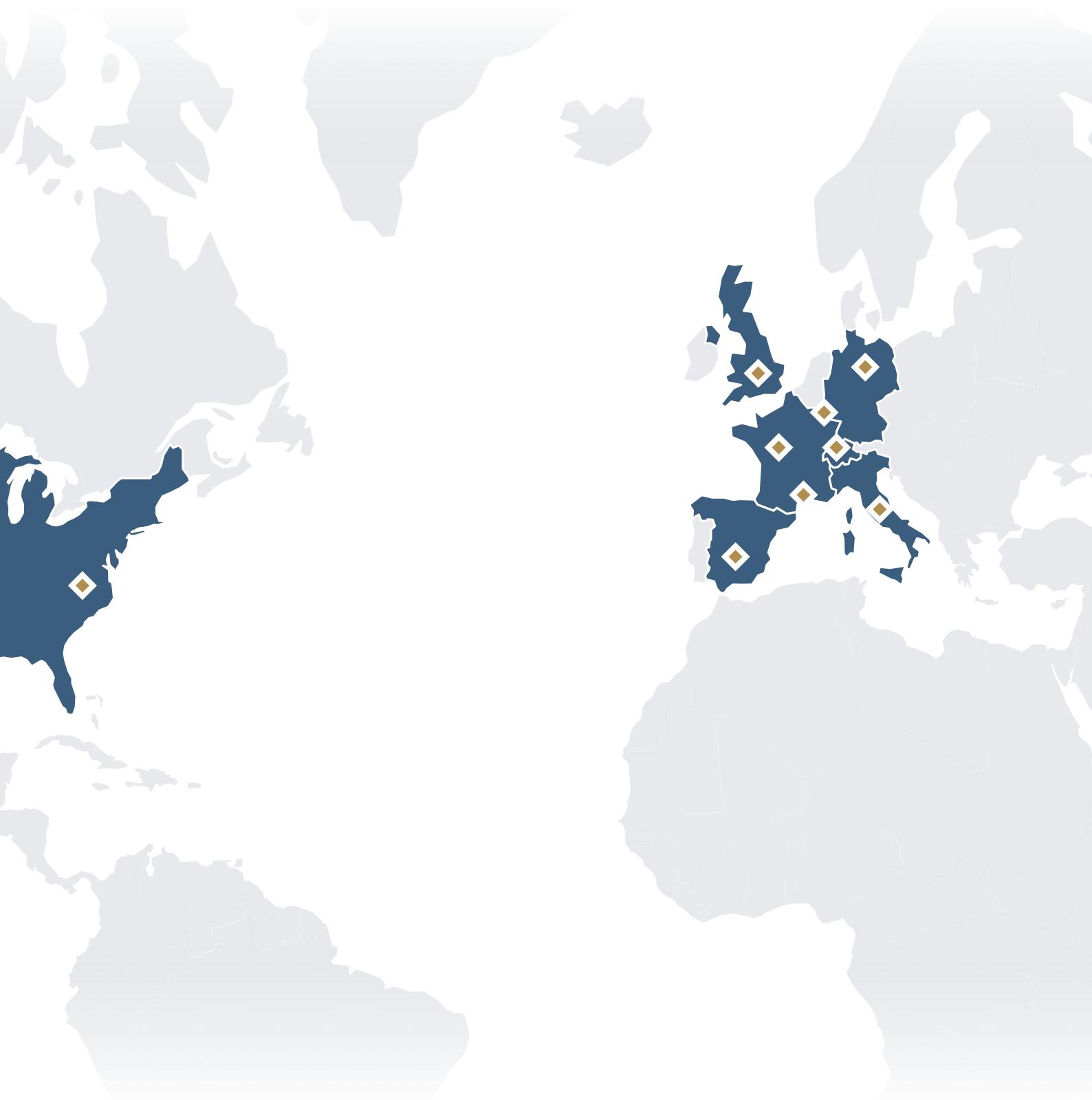
IDENTITY





IDENTITY

The Group's international network is extensive, operating through companies set up in the various countries where Mediobanca has a footprint.



3.2 GOVERNANCE MODEL

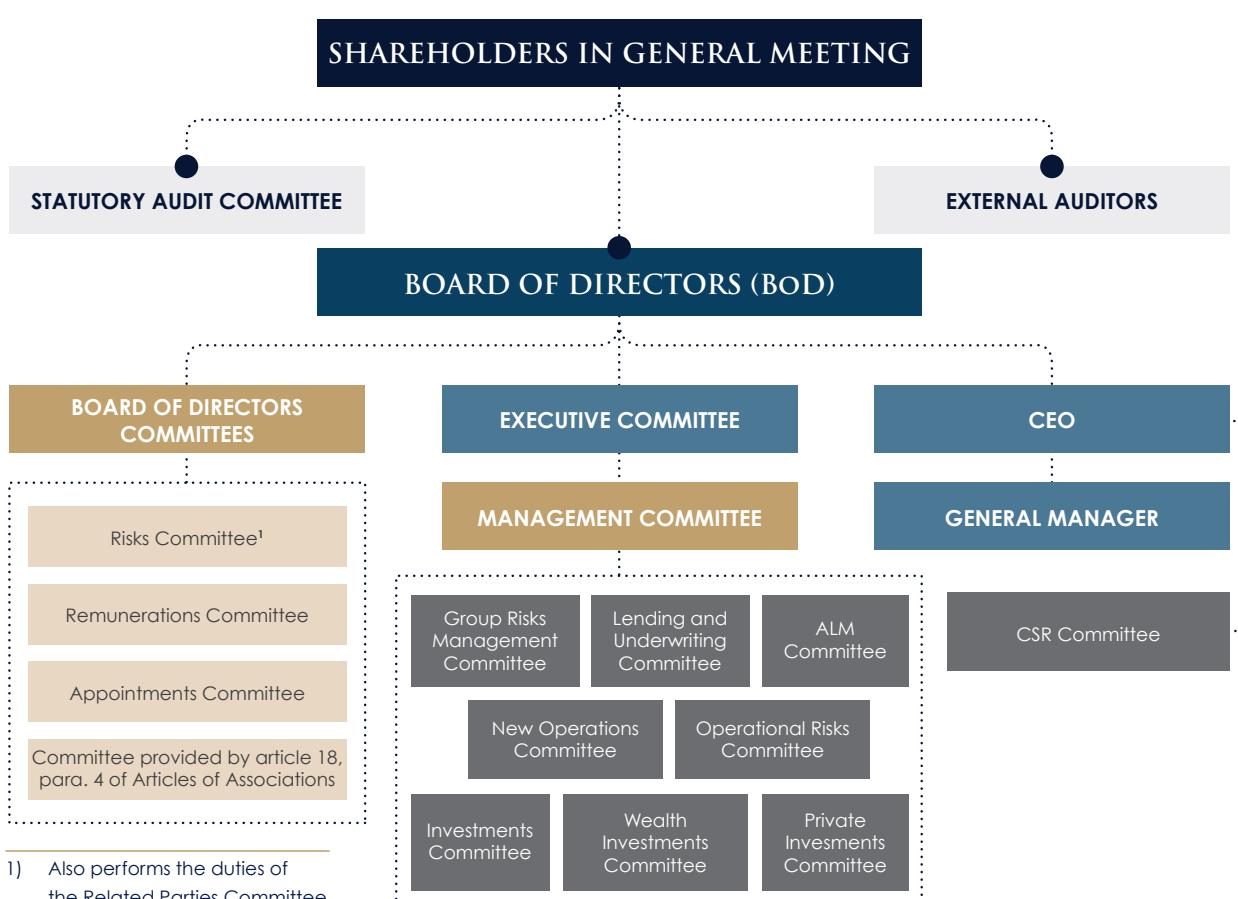
[GRI 102-18], [GRI 102-22], [GRI 102-24], [GRI 405-1]

Mediobanca has adopted a traditional system of governance based on the appointment of a Board of Directors and Statutory Audit Committee by shareholders gathered in annual general meeting.

Within this model, the Group's governance provides for a clear division of roles and responsibilities between governing bodies, as stipulated in the Articles of Association:

- ◆ The Board of Directors is responsible for strategic supervision, approving the strategic direction of the Bank and monitoring to ensure it is implemented in practice;
- ◆ Management of the Group is the responsibility of the Executive Committee and the Chief Executive Officer, who are responsible for executing the strategic direction and for managing the company's day-to-day operations;
- ◆ The Statutory Audit Committee is vested with duties of control.

The existing model works as follows:



1) Also performs the duties of the Related Parties Committee



IDENTITY

Under the terms of the Articles of Association, the Board of Directors is appointed on the basis of a list voting mechanism in which lists may be submitted by the Board of Directors and/or by shareholders representing at least 1% of the company's share capital in the aggregate.

The Directors must be in possession of the qualifications expressly set by the regulations in force and the requisite time commitment; they must comply with the limits on the number of posts held, and not be in any situations of incompatibility pursuant to Article 36 of Italian law 214/11. Three Directors are chosen from among staff members who have been members of Group companies' senior management for at least three years. At least one-third of the Directors must qualify as independent according to the definition provided in Article 19 of the Articles of Association, and no-one over the age of 75 may be appointed. The Board's composition also complies with the law on equal gender representation.

The Board of Directors currently in office consists of 15 members – two of whom were appointed by shareholders at the Annual General Meeting held on 27 October 2018 following the resignation of two of the Directors appointed at the AGM held on 28 October 2017 – one-third of whom are women, more than half of whom qualify as independent under the definition provided in Article 19 of the Articles of Association, and with two Directors appointed by minority investors. There are four executive and eleven non-executive members on the Board.

BREAKDOWN OF BOARD MEMBERS BY AGE

AGE RANGE	NUMBER OF DIRECTORS
Below 30 years	0
30-50 years	3
Over 50 years	12

In accordance with the recommendations made by Borsa Italiana in its Code of Conduct for Listed Companies and with the Bank of Italy's Supervisory Instructions on corporate governance, the Board of Directors has instituted a Risks Committee, Remuneration Committee and Appointments Committee, all three of which consist entirely of non-executive Directors, the majority of whom are independent, from which a Chair is appointed. The Board of Directors has also appointed an Executive Committee.

The Statutory Audit Committee consists of three standing auditors and three alternate auditors, appointed by shareholders at the Annual General Meeting held on 28 October 2017 and in office for the 2018, 2019 and 2020 financial years based on lists submitted by shareholders representing at least 1% of the company's share capital on an aggregate basis. Lists containing a number



IDENTITY

of candidates equal to or above three must ensure at least compliance with the regulations in force on equal gender representation (one-third).

The candidate gaining the highest number of votes in the section for standing auditors in the list which comes second in terms of the number of votes is appointed Chairman of the Statutory Audit Committee.

Mediobanca provides detailed information on its corporate governance and the composition of its governing bodies in its "Annual Statement on Corporate Governance and Ownership Structure" which is published on its website at www.mediobanca.com under *Governance Reports and Documents*, and in its Annual Report.

3.3 COMPLIANCE, INTERNAL CONTROL AND RISK MANAGEMENT

[GRI 102-11], [GRI 102-15]

The Mediobanca Group is distinguished by its prudent and selective approach to risk management, its excellent asset quality and high capitalization levels which are comfortably above the minimum requisites and among the highest of any Italian banks reported.

In order to manage the degree of uncertainty which is implicit in banking and financial activity, the Group has adopted a series of rules, procedures and organizational structures with the objective of:

- ◆ Safeguarding the integrity of the Bank's capital, to the direct benefit of its shareholders, clients and employees.
- ◆ Supporting the formulation and implementation of the company's strategies.
- ◆ Promoting the sustainable and enduring growth of the Bank and the return for its shareholders.
- ◆ Structuring effective and reliable company processes and procedures.

The internal control system is the set of rules, procedures and company functions intended to achieve effectiveness and efficiency of process, ensure the reliability of the accounting and management information, guarantee compliance with the regulations and appropriate risk management.

Risk management involves, with different roles and responsibilities, the management and control bodies and business units of Mediobanca S.p.A. and the Mediobanca Group companies. The other principal company units involved in the management and control of risks are as follows:



IDENTITY

- ◆ **Group Audit Function:** the Group Audit Function operates on behalf of all the Group companies, and its mission consists of assessing the Group's operations to check that they are being performed correctly and monitoring changes in the company's risks, reviewing the organizational structure and other internal control system components to check that they are adequate, properly functioning and reliable, and providing advice to the Group's various units, including through participation in project-based activities. The unit performs its activities based on a plan drawn up using a risk-based approach; for it to perform its duties, it has direct access to all useful information, and has adequate means available to it. The head of the Group Audit Function, who reports directly to the Board of Directors, reports to the governing bodies (Board of Directors, Risks Committee and Statutory Audit Committee) on the results of its audit activities, has direct access to the Statutory Audit Committee, and communicates with the Committee without restrictions or intermediation.
- ◆ **Compliance and Group Anti-Money-Laundering (AML):** this function presides over the regulatory and reputational risks facing the Group, and has specific responsibility for reviewing the internal procedures to check they are consistent with the objective of preventing the laws and regulations applicable to the Bank and the Group from being breached. For Mediobanca S.p.A., the function proposes the adoption of procedures to ensure the risk of non-compliance is managed (and checks that they have been implemented), provides updates on changes to the domestic Italian and European regulatory framework, and prepares adequate reporting flows to the corporate bodies and the units involved. For the Group it handles relations with the supervisory authorities for the matters falling within its own remit. The function presides over the risks of non-compliance facing the Group, calling on the assistance of the management and officers of the various Group companies who in this connection report functionally to the head of the Compliance function and ensure adequate regular and occasional reporting flows to him, in accordance with the provisions of the Compliance unit's own regulations. Within the Compliance function itself, a Group AML function has been established with the objective of preventing and tackling breaches of the regulations on money laundering and terrorist financing.³ The head of the Group Compliance function, who reports directly to the Chief Executive Officer, takes part in Risks Committee meetings, providing support to the Committee in its controls activity.
- ◆ **Group Risk Management:** the Group Risk Management function is responsible for identifying and implementing the risk management process and for applying it across the Group as a whole. It presides over the functioning of the Group's risk control system, defining the appropriate current and future risk measurement methodologies. The unit ensures ongoing

3) The Italian Group companies have outsourced their AML activities to the Mediobanca S.p.A. AML unit, whereas the non-Italian Group companies have identified an AML officer reporting in functional terms to the head of Group AML



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control of the Group's overall exposure and the exposure of each individual unit to credit risk, financial risks, liquidity risk, operational risk and the other relevant risks, up to the limits established by the internal and supervisory regulations, with the assistance *inter alia* of the Group companies' Risk Management functions which to this end report functionally to the Group Chief Risk Officer. The Group Chief Risk Officer is responsible for the risk management process, developing risk management policies which include definition and quantification of risk appetite, and policies and risk limits at the individual business unit and Group level. The Chief Risk Officer, who reports to the CEO, takes part in BoD and Risks Committee meetings, providing support to the Committee in its own control activities.

- ◆ **Heads of business areas:** the heads of the business areas, also known as risk owners, are responsible for ensuring that risk management activities are identified, assessed, managed and monitored properly with respect to their own operations, and for implementing the appropriate first-level control measures.

The individual risks identified by the Group, in addition to those typical of the financial sector such credit risk, market risk, exchange rate risk, liquidity risk and operational risks (including IT risks and cyber risks) also include non-financial risks.

The management and ongoing monitoring of such risks is a necessary prerequisite to generate and protect value in a way that is sustainable over time and impacts on issues considered to be priorities for the Group, such as maintaining a high service and customer satisfaction levels, transparency of information on products and services, innovation, multi-channel approach, digitalization and data security, in order to guarantee ethics, business integrity and brand protection.

In the course of FY 2018-19, the Group Risk Management function, in conjunction with the Operational Risk Management and Credit Risk Management and with the support of the Group Sustainability unit, launched a specific project with the ultimate objective of defining a risk assessment and reporting framework for ESG and climate change risks.

This activity had a significant impact on the non-financial reporting, allowing the tables showing the risks associated with material issues and the principal mitigation initiatives supporting them to be integrated into the statement.

The project was structured into the following phases:

- ◆ Analysis of the reference scenario, through benchmarking the Group's main peers and assessment of the best practices currently used to manage non-financial risks in the banking sector.
- ◆ Meetings with the main stakeholders at Mediobanca S.p.A. and the leading Group companies, to identify and prioritize risks relating to the material issues for the Group and



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the measures required to mitigate them (governance of such risks, any policies or operating practices adopted, and the mitigation actions in force generally).

- ◆ Consolidation of the risks and preparation of an integrated reporting flow to the Group Chief Risk Officer and the head of the Group Sustainability unit.

The results of this initiative constitute the basis for launching a process to achieve ongoing improvement in the internal controls system, with the objective of increasing integration and consolidation of the three lines of defence – namely, management, control and monitoring of ESG and climate change issues – within the respective areas of responsibility using a risk-based approach.

3.4 SUSTAINABILITY GOVERNANCE

[GRI 102-18]

MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITIES
Business model and strategy	Ineffectiveness of internal control and ESG/climate change risk management systems	<ul style="list-style-type: none">◆ Group CSR Committee, chaired by the CEO, and a Group Sustainability unit◆ Internal directive defining the process for collecting non-financial data and dedicated IT platform
Business model and strategy	Ineffective communication of Group ESG/climate change management models to financial stakeholders	<ul style="list-style-type: none">◆ Group CSR Committee, chaired by the CEO, and a Group Sustainability unit◆ Group Investor Relations handling relations with SRI investors and ESG rating agencies, in conjunction with the Group Sustainability unit◆ Group Policy on sensitive information◆ Participation in ESG assessments (e.g. CDP and CSA/DJSI questionnaires) by the Group Sustainability unit, in conjunction with the Investor Relations unit

At a Board meeting held on 14 June 2017, the Directors of Mediobanca mandated the Chief Executive Officer to take charge of activities regarding sustainability and the actions to be implemented and monitored, including the institution of the CSR Committee to support the CEO and report to him.



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In particular the Chief Executive Officer, with the Committee's assistance:

- ◆ Defines the Group's policy in terms of corporate social responsibility (CSR) for submission to the approval of the Board of Directors;
- ◆ Promotes implementation of practices which are consistent with the Group Sustainability Policy;
- ◆ Proposes the CSR budget at Group level and monitors its performance;
- ◆ Prepares the draft version of the Consolidated Non-Financial Statement and decides on the methods of disclosure;
- ◆ Reports regularly to the Board of Directors on the activities performed.⁴

The CEO's management of such activities forms part of the overall assessment of his performance.

The CSR Committee consists of the:

- ◆ Chairman
- ◆ Chief Executive Officer
- ◆ General Manager
- ◆ CEO of Compass and CheBanca!
- ◆ Planning, Accounting and Financial Reporting
- ◆ Group HR and Organization
- ◆ Group Sustainability

The Committee meets once every two months, and the heads of specific units are also involved from time to time, depending on the specific issues under discussion.

The Group Sustainability unit reports to the Chief Executive Officer, assisting him in all issues relating to social responsibility and ensuring the Group is positioned correctly on these issues in its various areas of operation.

The Board of Directors is responsible, following review by the Risks Committee and the CSR Committee, for approving the CNFS. The Statutory Audit Committee monitors the observance of the provisions laid down by the regulations on non-financial reporting, and reports to shareholders gathered in general meeting on this issue, in its annual report.

4) An induction session for the Board of Directors on sustainability issues is held once a year



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In August 2017, the Mediobanca Group approved a Group Sustainability Policy which was subsequently adopted by the Group companies, sub-divided into five areas held to be priorities: measures to tackle bribery and corruption, Human Rights, diversity and equal opportunities, environmental issues and responsible investing.

The Policy contributes to the strengthening and implementation of the values of ethics, integrity and responsibility as a form of respect towards people, the environment and society as a whole.

The Group Sustainability Policy is based on the primary declarations and regulations issued with respect to the above areas, with the commitment to constantly improve the Group's conduct to ensure that sustainability is an integral part of the strategy and operation of its business.

The Policy applies to the Group as a whole, in all countries in which it operates and in accordance with: the Code of Ethics, the Code of Conduct, the organizational model instituted pursuant to Italian Legislative Decree 231/01, and all other policies, guidelines, procedures, directives and provisions related to the areas covered by the Policy, defined at Group and local level.

To embed and promote a corporate culture based on ethics, integrity and sustainable business, the Group has adopted a Code of Ethics and Code of Conduct which set out the main principles on which the protection of its reputation rests, and contains the values underpinning the Group's day-to-day operations, as described in more detail in section 4.1 Policies and initiatives to prevent and tackle corruption.

3.5 STAKEHOLDER ENGAGEMENT

[GRI 102-40], [GRI 102-42], [GRI 102-43]

The Group considers it vital to take into consideration the opinions and expectations of its stakeholders, i.e. those parties which on account of their role have an interest in the company's activities. The Group comes into contact with many and varied stakeholders in the course of its business, and for purposes of convenience it has been decided to sub-divide them into a total of eight different categories. The principal stakeholder engagement initiatives are summarized in the table below.



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STAKEHOLDER	CHANNELS AND MEANS OF INVOLVEMENT
Shareholders and investors	<ul style="list-style-type: none">◆ The eMarket SDIR platform and eMarket STORAGE mechanism⁵◆ Meetings, conference calls and dedicated meetings
Clients	<ul style="list-style-type: none">◆ Customer satisfaction surveys◆ Touch points◆ Direct Email Marketing (DEM) channels, text messages, home banking and app◆ Website and dedicated guides◆ Social media◆ One-to-one meetings to ensure ongoing dialogue between advisors and clients
Staff	<ul style="list-style-type: none">◆ Climate analysis◆ Performance assessment processes◆ Company intranet◆ Internal communication instruments◆ Company volunteering
Trade union organizations	<ul style="list-style-type: none">◆ Regular meetings with trade union representatives
Entities and institutions	<ul style="list-style-type: none">◆ Initiatives and events◆ Meetings with representatives◆ Working groups
Community	<ul style="list-style-type: none">◆ Initiatives and events◆ Meetings with representatives◆ Working groups
Suppliers and partners	<ul style="list-style-type: none">◆ Portal to manage purchasing by Mediobanca Group
Agents and promoters	<ul style="list-style-type: none">◆ Regular training activities in financial products and new regulations

5) As a listed company, Mediobanca is obliged to disclose relevant information which could affect its stock market performance via a regulated procedure. For this reason, disclosure is made via the eMarket SDIR (Sistemi di Diffusione delle Informazioni Regolamentate) system. Similarly, information disclosed is stored for a certain number of years to ensure it remains accessible and can be consulted (via eMarket STORAGE)



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3.6 MATERIAL ISSUES AND AREAS COVERED BY ITALIAN LEGISLATIVE DECREE 254/16

[GRI 102-43], [GRI 102-44], [GRI 102-46], [GRI 102-47]

“Material issues” are defined as aspects which reflect significant economic, environmental and social impacts by the organization or which could substantially influence stakeholder assessments and decisions. These aspects are also important with regard to risk management and strategy, and form the basis for the non-financial reporting.

The Mediobanca Group carried out its first materiality analysis in 2017, with the aim of identifying the most relevant issues for the Group itself and its stakeholders, i.e. issues which impact significantly on the ability to create value in the short, medium and long term.

The process of analysing these issues led to the materiality matrix being developed, and has subsequently been updated:

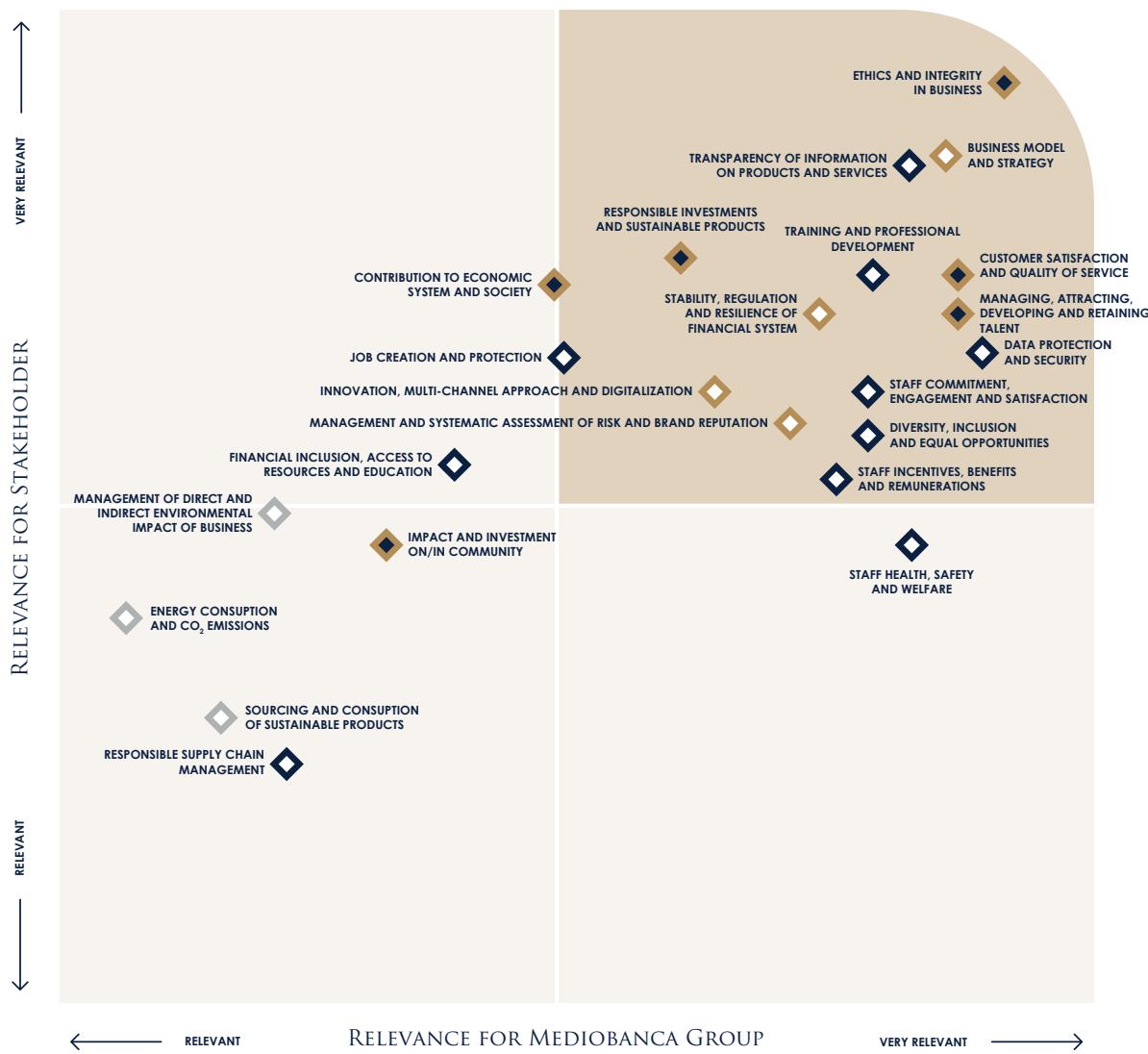
- ◆ In 2017 a benchmark analysis was performed of the financial sector and specific surveys and guidance in the sustainability area, which resulted in more than 50 issues being identified with the potential to impact on the financial sector. Subsequently these issues were analysed in greater depth with the heads of 15 different Group units and companies, in order to establish their relevance;
- ◆ In April 2018, a multi-stakeholder forum was held with the objective of updating the Materiality Matrix. The meeting with internal and external stakeholders, identified with the support of the relevant company units, involved shareholders and investors, clients, staff, entities and institutions and representatives of the third sector. At the forum, the sustainability path undertaken by the Group to date was illustrated, and the issues included in last year's Materiality Matrix were presented. The stakeholders in attendance discussed and classified the relevance of the issues based on their own experience, expertise and expectations versus the Group;
- ◆ In May 2019, with the objective of updating the Materiality Matrix from the internal stakeholders' perspective, the heads of the 18 Group units responded to a questionnaire on sustainability issues. The material issues were then revised internally to reflect their relevance to the Group, and the results were integrated with those collected from the external stakeholders in 2018.

The results of this activity enabled the Materiality Matrix to be updated, with 18 of the 23 issues proving to be more material for the Group. In particular, the issues which reporting a **significant increase in materiality** were as follows: *Responsible investments and sustainable*



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products, Managing, attracting, developing and retaining talent, and Staff health, safety and welfare. Those which **reduced in materiality** were: Energy consumption and CO₂ emissions, Financial inclusion, access to resources and financial education, Impact on and investment in communities, and Management of direct and indirect environmental impact of the business.



PERFORMANCE

ECONOMIC

SOCIAL

ENVIRONMENTAL



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3.7 SUSTAINABLE DEVELOPMENT GOALS

[GRI 102-12]



On 25 September 2015, the leaders of the 193 member states of the United Nations met in New York to approve the **"17 Goals to Transform our World: 2030 Agenda for Sustainable Development"**, a manifesto identifying seventeen global objectives, or Sustainable Development Goals, structured into 169 targets of the new agenda to be implemented by 2030 to ensure sustainable development of the planet.

The definition "Common objectives" means that all member countries and individuals are required to contribute, combining forces on a collaborative basis and in partnership. Businesses too are therefore required to play an activity role, as with their resources and capabilities they are able to have a fundamental impact on the achievement of these global objectives.

The Mediobanca Group, aware of the close connection between some of the SDGs and its own business, is keen to make its own contribution to making a positive change at the global level, beginning by focusing on projects and activities which are more in line with the global objectives (see section 8. Objectives and future commitments).



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4 QUALITY EDUCATION



The Group promotes and runs financial education and training via a series of instruments and ventures for clients and vulnerable areas (section 6.1.5. *Financial inclusion, access to financial resources and education*). It also provides specialist training to its staff, helping them develop and maintain their skills (section 5.5. *Professional training and development*)

5 GENDER EQUALITY



The Group is a signatory to the Valore D manifesto, a programmatic and strategic statement of intent to deliver increased diversity and gender inclusion within the company organization (section 5.3. *Diversity, inclusion and equal opportunities*)

8 DECENT WORK AND ECONOMIC GROWTH



The Group's continuing growth fosters ongoing job creation and protection, with priority given to recruiting young people (section 5.2. *Mediobanca Group staff: job creation and protection*) and indirectly influencing both clients (section 6.1.2. *Group clients*) and suppliers (section 6.2. *Responsible supply chain management*)

13 CLIMATE ACTION



The Group's Italian companies acquire 100% of their electricity derives from certified renewable (section 8.3. *Energy consumption and CO₂ emissions*)

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



The Group has adopted strict internal procedures to prevent the risk of instances of bribery and corruption from being committed (section 4. *Ethics and integrity in business and anti-corruption measures*). Furthermore, since 25 April 2018 the Group has officially been a participant in the United Nations' **Global Compact**: an initiative based on voluntary adherence to a set of principles to promote sustainability values such as human rights. To reinforce its commitment in this area, Mediobanca ran a training course on "Sustainability and Human Rights" which was mandatory for all staff members

ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES⁶



6) The information contained in this section refers exclusively to companies forming part of the Mediobanca Banking Group and included in the CNFS scope of reporting



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

4.1 POLICIES AND INITIATIVES TO PREVENT AND TACKLE CORRUPTION

[GRI 102-16], [GRI 103-1], [GRI 103-2], [GRI 103-3], [GRI 205-2]

As stated in the Sustainability Policy, the Mediobanca Group is committed to conducting its business in accordance with the highest ethical standards, and does not tolerate any form of corruption, whether active or passive.

The Group acquires and maintains commercial relations solely on the basis of its own offering of services and the specific needs of its clients. It does not engage in any form of conduct which is or could appear to be intended to obtain and/or offer improper advantages. The approach it adopts is also intended to prevent instances of corruption occurring in the structuring and execution of transactions or commercial agreements.

To ensure corruption is tackled effectively and guarantee compliance with all applicable laws and regulations, the Group has prepared its own internal regulations, procedures and controls, arranges regular training, and carries out checks and audit activities.

All the companies included in the scope of the Statement have adopted anti-corruption policies and procedures. In particular, the Italian companies have adopted their own organizational, management control models pursuant to Italian Legislative Decree 231/01; the London branch office and the companies incorporated under English law have adopted their own anti-bribery and corruption regulations to incorporate the provisions of the UK Bribery Act. Mediobanca, in its pursuit of a zero-tolerance approach to corruption, has adopted internal regulations to tackle such phenomena. The regulations are listed below and are available on the company intranet.

◆ **Organizational Model pursuant to Italian Legislative Decree 231/01**

The purpose of the Model is to contribute towards preventing crimes from being committed which could entail administrative liability for the Bank, including crimes of bribery and corruption (*inter alia* between private individuals). The Model, which is approved by the Board of Directors, was updated in July 2018.

◆ **Code of Ethics**

The Board of Directors of Mediobanca S.p.A has approved a Code of Ethics, which forms an integral part of the Model instituted pursuant to Italian Legislative Decree 231/01, and sets down the set of values which direct the Group's conduct. The Code is a fundamental instrument in defining a good system of corporate governance. The Code of Ethics contains references and guidance which complements the legal requirements and self-regulation obligations, with a view to ensuring that behaviour is consistent and compliant with the Group's mission and its fundamental values.



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

The Code of Ethics lays down principles, models and regulations in terms of behaviour which the Group undertakes to pursue in all its businesses:

- ◆ Fairness and honesty
- ◆ Impartiality
- ◆ Professionalism and valorization of staff
- ◆ Confidentiality
- ◆ Conflicts of interest
- ◆ Transparency and full disclosure of information
- ◆ Health and safety
- ◆ Environment
- ◆ Copyright and intellectual property
- ◆ Use of company assets

The principles and provisions of the Code are binding for Directors, Statutory Auditors, management, staff and collaborators of the Group, and also apply to individuals or entities with which the Group enters into supply or advisory agreements.

The administrative and management units and their various divisions undertake to circulate the Code of ethics and promote its observance. In particular, each recipient is obliged to:

- ◆ Refrain from behaviour which is contrary to the Code and to comply with the company's body of regulations;
- ◆ Direct, wherever possible, their own collaborators to comply scrupulously with the Code;
- ◆ Circulate the Code to third parties with which the Group companies enter into a relationship.

◆ **Code of Conduct**

The Code of Conduct is the document which, along with the Code of Ethics, sets out the fundamental principles on which the company's reputation is based, and contains the values which underlie its everyday operations. The Code, which is approved by the Board of Directors, was revised in July 2018. All the Bank's staff members and collaborators (the "Recipients") must familiarize themselves with the Code of Conduct and ensure their behaviour is based on the principles and values set forth in it. The Recipients must also complete the training initiatives which the Bank organizes on relevant regulations, contribute to spreading an ethical corporate culture, and act as positive role models for their colleagues,



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

promptly reporting any violations and co-operating actively with any further enquiries. The heads of the organizational units must ensure that the Recipients under their supervision maintain the highest ethical and professional standards. If they fail to exercise their powers of supervision appropriately, If they do not carry out their powers of supervision with due care, they may be held jointly responsible for the breaches committed by their own staff. In the event of breaches of the Code of Conduct and the internal regulations, action may be taken involving the offender's variable remuneration, and disciplinary measures based on the seriousness, extent and external relevance of the infringement.

◆ **Non-compliance risk management policy**

The policy, updated in November 2018, describes the model used for managing the risk of non-compliance with the regulations in force.

◆ **Whistle-blowing policy**

The Whistle-blowing Policy sets out the principles, means and measures adopted to allow staff members to report any malfunctioning within the organizational structure or internal controls system, or any other irregularity in the Bank's operations or breach of the regulations governing banking activity. The policy is approved by the Board of Directors and was revised in July 2018.

◆ **Gift directive**

The Gift Directive, updated in September 2015 (and currently in the process of being revised), sets out precise rules on the possibility of receiving and offering gifts from and to third parties, to avoid behaviour that could give the appearance of being intended to exert improper influence on the conduct of recipients.

◆ **Introducers Directive (previously the Agents Directive)**

The Directive, which represents a development of what was formerly known as the Agents Directive, updated in November 2018, defines the procedure for appointing agents, i.e. persons who procure potential clients or business opportunities for Mediobanca, introducing criteria and controls to take into account the risks of bribery and corruption.

All the companies included in the scope of the Statement have adopted their own internal anti-corruption regulations, incorporating the principles and standards laid out in the documents listed above, and adapting them according to their specific areas of operations.⁷⁾

7) The process of adopting the Introducers Directive is currently in progress



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

An anti-corruption directive is also in the process of being drawn up, which will supplement the regulations already adopted to tackle corruption, setting down the standards for identifying and preventing instances of corruption, with the aim of protecting the Group's integrity and reputation. The directive will be adopted first by Mediobanca then the other companies included in the scope of the Statement.

Mediobanca and the Group companies put on e-learning courses addressing the issue of bribery and corruption (Italian Legislative Decree 231/01 for Italian staff) for employees and management. Initiatives are run when staff are first recruited and/or at regular intervals, generally over a time horizon of several years when changes are made to the regulations or the organizational structure. The Group HR and Compliance units may agree further initiatives to extend awareness of this issue.

In particular, during the financial year under review a classroom session on bribery and corruption between private individuals was held for Mediobanca senior management, with the support of an outside expert. In June 2019, a brief overview of Italian Legislative Decree 231/01 was provided to the Board of Directors, containing measures for tackling corruption. With the updated version of the organizational model instituted pursuant to Italian Legislative Decree 231/01 coming into force, a mandatory training course for all staff was run in December 2018, to illustrate the main changes and objectives in practice.

Commercial partners and important suppliers are bound by contract to comply with the provisions of the Group's Code of Ethics and related regulations.

During the reporting period, a total of 2,569 hours' training on anti-corruption issues was provided within the Group, both as refresher courses for staff who have already received training and/or basic training courses for new recruits, with a total of 1,512 staff participating. The anti-corruption policies and procedures have been sent to all the Group's workforce with the exception of certain long-term absentees.

Mediobanca and the Group companies take part in meetings and initiatives of the respective category associations, including those on the fight against corruption.

Mediobanca has also adopted the following policies:

- ◆ **Policy for managing conflicts of interest**, in order to identify and prevent or manage situations in which the Bank could, in the performance of its business, damage the interests of a customer by acting in its own interests or the interests of another customer. Employees' personal conflicts are also detected; hence staff members are required to report any such situations in a timely manner, to allow specific measures to be adopted if necessary;
- ◆ **Directive on external personal interests**, which requires staff members to obtain authorization



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

from senior management before acquiring personal financial interests or accepting positions in companies external to the Group.

The companies included in the scope of the Statement which provide banking and financial services have adopted internal regulations on conflicts of interest, which include measures to manage personal conflicts.

GROUP EMPLOYEES WHO HAVE RECEIVED COMMUNICATIONS ON THE ANTI-CORRUPTION POLICIES AND PROCEDURES

CATEGORIES OF STAFF	2018/2019		2017/2018	
	NO.	%	NO.	%
Top management⁸	11	100%	11	100%
Management	366	89%	312	87%
Middle management	1,762	94%	1,565	88%
White collars	2,430	99%	2,340	95%
Total	4,569	96%	4,228	92%

GEOGRAPHICAL REGION	2018/2019		2017/2018	
	NO.	%	NO.	%
Italy	4,124	97%	3,924	94%
France	16	100%	17	77%
Spain	20	100%	25	100%
Germany	7	100%	12	100%
United Kingdom	158	100%	108	65%
Rest of world	244	78%	142	66%
Total	4,569	96%	4,228	92%

8) Top Management refers to the eleven strategic management figures under the Consob regulations in force



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

GROUP EMPLOYEES WHO HAVE PARTICIPATED IN ANTI-CORRUPTION TRAINING ACTIVITIES⁹

CATEGORIES OF STAFF	2018/2019		2017/2018	
	NO.	%	NO.	%
Top management	4	36%	2	18%
Management	251	61%	69	19%
Middle management	723	38%	275	15%
White collars	534	22%	388	16%
Total	1,512	32%	734	16%

GEOGRAPHICAL REGION	2018/2019		2017/2018	
	NO.	%	NO.	%
Italy	1,382	32%	647	16%
France	2	13%	5	23%
Spain	6	30%	15	60%
Germany	2	29%	5	42%
United Kingdom	102	65%	40	24%
Rest of world	18	6%	22	10%
Total	1,512	32%	734	16%

9) These activities, i.e. refresher courses for staff who have already received training and/or basic training for new recruits, does not generally involve all employees in the course of a single financial year, given that the refresher courses are scheduled following significant amendments to the regulations or substantial changes in the Group's organization



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

4.2 RELEVANT RISKS IN THE AREA OF CORRUPTION

[GRI 102-15], [GRI 205-1], [GRI 205-3]

Further to the details provided in the previous section, with reference to the internal regulations adopted to tackle corruption and comply with the relevant external regulations, the main Group companies perform an annual assessment of the risk of non-compliance with the regulations, which includes the regulations instituted in order to tackle corruption, active and passive.

This risk assessment activity takes the following factors into consideration: the risk of potential breach (taking into account the probability of occurrence in the absence of measures, the seriousness of the sanctions for such breaches, and the potential impact in reputational terms); the existing mitigation measures in place; and the degree of compliance noted in the existing conduct. Following the assessment process, the residual risk of non-compliance can be identified, based on which a decision as to whether or not to institute controls or mitigation measures can be taken. In the year under review, the risk assessment process involved 34 of the Group companies' business lines (roughly 80% of the total).

The Group Audit Function performs audits of the various legal entities which include specific checks on the risk of corruption. Such checks include: correct application of the accounting procedures and transfers of funds to suppliers, transparency in relations with the public administration, compliance with powers of representation delegated to staff and with the internal regulations on expense refund claims. Also part of the audit activities are checks which impact on the risk of corruption indirectly, such as those on transactions on financial markets and the nature of counterparties.

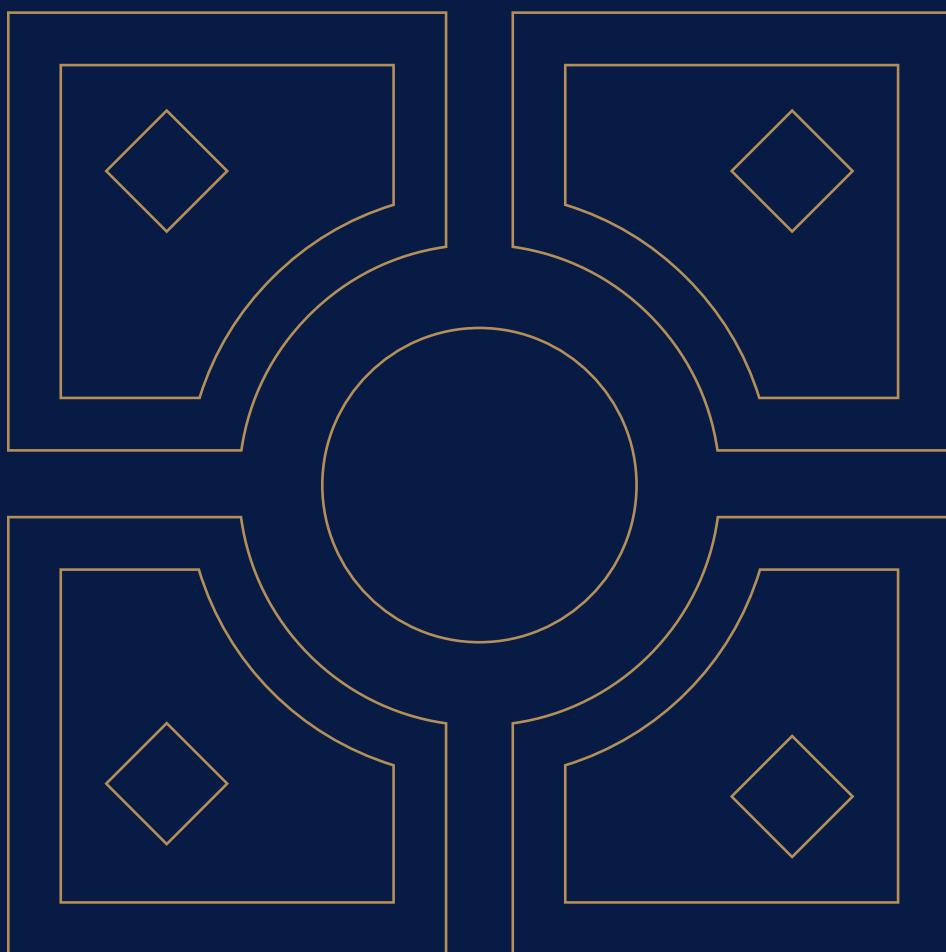
The audits performed by the control functions revealed no instances of corruption.



ETHICS AND INTEGRITY IN BUSINESS AND ANTI-CORRUPTION MEASURES

MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITIES
Ethics and integrity in business	Non-compliance by the Group with anti-corruption measures and potential ineffectiveness in the reporting systems	<ul style="list-style-type: none">◆ Organizational model according to which company management and local compliance teams are involved in tackling corruption◆ Code of ethics adopted by all Group companies, and Organizational model pursuant to Italian Legislative Decree 231/01 adopted by all Italian companies◆ Non-compliance risk management Policy◆ Whistle-blowing Policy◆ Checks and balances put in place at various levels for most sensitive areas in terms of corruption and for non-compliance risk generally◆ Monitoring reports by local compliance teams and any critical issues arising
Ethics and integrity in business	Conflicts of interest	<ul style="list-style-type: none">◆ Group Policy for Managing Conflicts of Interest, which defines roles and responsibilities for preventing and managing conflicts◆ Monitoring by local compliance team, which activates specific reporting flows to the parent company and respective governing bodies, flagging up any critical issues
Ethics and integrity in business	Inadequate staff training on internal procedures on anti-corruption	<ul style="list-style-type: none">◆ Regular training activities on issues pertaining to Italian Legislative Decree 231/01, including tackling corruption, at all corporate levels, and monitoring use of training
Systematic Management and systematic assessment of risk and brand reputation Responsible supply chain management	Non-compliance by business partners or third parties with laws, regulations and/or standards in the areas of ethics and integrity, HSE and/or protection of Human Rights	<ul style="list-style-type: none">◆ Managerial committees with responsibility for assessing whether there is compromising evidence on the counterparty◆ Group Purchasing Processes Management Directive which lays down the qualification and monitoring process for suppliers. Sustainability criteria to be added to the Directive (July 2019)

PEOPLE AND HUMAN RIGHTS





PEOPLE AND HUMAN RIGHTS

5.1 RELEVANT POLICIES AND RISKS

[GRI 103-1], [GRI 103-2], [GRI 103-3], [GRI 102-15]

In a competitive scenario where the business and consumption models are undergoing constant and indepth transformation, the Mediobanca Group is aware that change, a fundamental prerequisite for tackling the challenges posed by the market, has to involve leveraging its staff, developing their professional abilities, and an adequate talent retention scheme.

Our staff members are our human capital and the indispensable foundation of the Group's competitiveness. The trust which underpins every employment relationship is regulated by a body of internal policies and procedures, as formalized and approved by the governing bodies or internal offices responsible.

The Group has adopted a Staff Management Policy which describes the roles and responsibilities of all bodies involved in the staff management process: the Board of Directors, Chief Executive Officer, General Manager and Human Resources. The internal procedures and general staff selection, assessment and development processes, training and remuneration are governed by separate policies.

In the performance of their work, Group employees are required to adopt conduct which is in line with our principles and values, which are based on ethics and integrity.

Group HR has the task of managing, developing and monitoring human capital and its changes within the Group, ensuring the quality and adequacy of its professional capital.

It is also responsible for ensuring that the activities of selecting, training, assessing and developing human resources are performed correctly, with attention in particular to the administrative activities related to employment arrangements. In the exercise of its activities, Group HR has the objective of increasing the sense among staff of belonging to the Group and of valorizing talent.

For the Mediobanca Group, professional development is at the basis of our growth and hence also that of our staff, which is why we guarantee: adequate training, practical work experience, experience in different positions, performance assessment, career progression and promotion, on a meritocratic basis and in accordance with the principle of equal opportunities and staff needs, as well as the its own strategic decisions and organizational requirements. Furthermore, the Bank undertakes to ensure that its staff members are equipped with the competence and professional skills necessary to perform the responsibilities assigned to them.



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MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITY
Managing, attracting, developing and retaining talent	Loss of key figures, staff turnover, and lack of specific programmes to attract talent	<ul style="list-style-type: none">◆ The Appointments Committee, with the support of the CEO and GM and the head of HR, is responsible for selecting a select number of members of the Group's senior management considered able to succeed the CEO, GM and the executive Directors◆ Staff selection and management unit within the Group HR division◆ <i>Human resource management Policy</i>, describing the roles and responsibilities of all bodies involved in the staff management process◆ Group Policy on selection, appointment, succession and assessment of the adequacy of company representatives and key function holders◆ Partnerships with universities to identify talent and ad hoc recruitment programmes◆ Employer branding strategies and campaigns to promote the Mediobanca brand◆ Continuous preparation and monitoring of emergency plans for reappointments to senior management positions◆ Ongoing updating of map of competences for specific key positions◆ Performance evaluation systems to which career advancement, remuneration, incentives and benefits are linked
Diversity, inclusion and equal opportunities	Lack of effectiveness of programmes focused on gender diversity & inclusion issues	<ul style="list-style-type: none">◆ Group CSR committee chaired by the CEO and a Group Sustainability unit◆ Staff selection and management unit within the Group HR division, which, in conjunction with the Group Sustainability unit, promotes an inclusive culture that rules out any kind of discrimination◆ <i>Human resources management Policy</i> and <i>Sustainability Policy</i> protecting diversity and equal opportunities◆ Regular monitoring of corporate climate and balancing of corporate population◆ Support for parents by providing healthcare services and training courses (<i>Fiocco in azienda</i> programme)
Training and professional development Job creation and protection Innovation, multi-channel approach and digitalization	Insufficient staff training initiatives	<ul style="list-style-type: none">◆ Existence of a staff management and development unit within the Group HR division◆ <i>Human resource management Policy</i>, which includes staff training◆ Gap analysis to map the areas requiring improvement through training initiatives◆ Competence and performance tracking system◆ Preparation and ongoing monitoring of staff development and training programmes (technical and managerial)◆ Monitoring the effectiveness of process innovations and assessment of impact on employment by HR



PEOPLE AND HUMAN RIGHTS

MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITY
Staff commitment, engagement and satisfaction Managing, attracting, developing and retaining talent	Decrease in motivation among staff members and reduced sense of belonging to the Group	<ul style="list-style-type: none">◆ Existence of a staff management and development unit within the Group HR division◆ <i>Human resource management Policy</i>, describing the roles and responsibilities of all bodies involved in the staff management process◆ Staff climate analysis to analyse the degree of satisfaction among the corporate population

It should be noted that the health and safety risks facing staff members detected by the Group are dealt with in depth in a separate section (5.9. *Staff health, safety and welfare*).

5.2 MEDIOBANCA GROUP STAFF: JOB CREATION AND PROTECTION

[GRI 102-7], [GRI 102-8], [GRI 401-1], [GRI 405-1]

At the end of the financial year under review, the Mediobanca Group had a total of 4,768 staff on its books, 4% higher than last year, 42% of whom are women. The majority of the Group's staff, some 89%, is based in Italy, confirming our strong local roots. The most-represented professional category is that of "employee", which accounts for 52% of the total.

EMPLOYEES BY GEOGRAPHY AND CONTRACT TYPE (PERMANENT AND TEMPORARY)

CONTRACT TYPE	2018/2019		2017/2018	
	PERMANENT	TEMPORARY	PERMANENT	TEMPORARY
Italy	4,140	116	4,032	123
France	16	0	22	0
Spain	20	0	25	0
Germany	7	0	11	1
United Kingdom	158	0	165	2
Rest of world	302	9	202	12
Total	4,643	125	4,457	138



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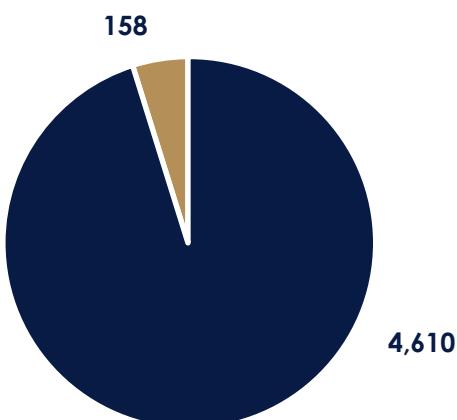
EMPLOYEES BY CATEGORY AND GENDER

CATEGORY OF STAFF	2018/2019			2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Top management	10	1	11	10	1	11
Management	352	59	411	309	49	358
Middle management	1,255	626	1,881	1,198	586	1,784
White collars	1,144	1,321	2,465	1,118	1,324	2,442
Total	2,761	2,007	4,768	2,635	1,960	4,595

EMPLOYEES BY CATEGORY AND AGE

CATEGORY OF STAFF	2018/2019			2017/2018		
	<30	30 – 50	>50	<30	30 – 50	>50
Top management	-	36.4%	63.6%	-	36.4%	63.6%
Management	-	66.7%	33.3%	-	66.8%	33.2%
Middle management	6.0%	70.8%	23.2%	5.7%	72.7%	21.6%
White collars	14.2%	75.9%	9.9%	14.3%	76.7%	9.0%

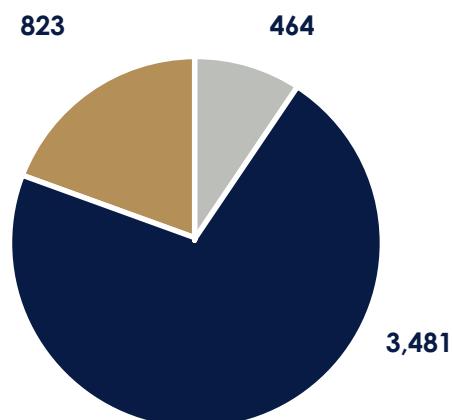
FULL- AND PART-TIME EMPLOYEES



◆ Full-time

◆ Part-time

EMPLOYEES BY AGE RANGE



◆ <30

◆ 30-50

◆ >50



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Women represent 40% of the Group's full-time employees (1,853), and 97% of the staff employed part-time (154).

The majority of our employees, some 73%, are between thirty and fifty years of age, while the average age is around 41 years. In terms of length of service, the highest concentration is in the 0-5 years bracket (40% of the Group population), a level which is consistent with our continuing growth as a company.

Some 97% of the contracts are permanent (4,643), 42% of which are in respect of women (1,960).

As at end-June 2019, a total of 233 other people were engaged to work on behalf of the Bank under a variety of contractual arrangements (internships, other collaborations, etc.), in accordance with the legal and regulatory provisions in force in this area and in relation to the business requirements.

There were also 366 financial advisors linked to the CheBanca! network and 88 agents linked to the Futuro sales network.

During the course of the year a total of 408 new staff were added, 79% in Italy. This increase was driven primarily by the growth in private banking (Wealth Management) and to the acquisitions. A total of 322 staff left the Group's employment during the twelve months under review.

EMPLOYEES HIRED AND EMPLOYEES LEAVING THE GROUP BY GENDER AND AGE	2018/2019		2017/2018	
	EMPLOYEES HIRED	EMPLOYEES LEAVING THE GROUP	EMPLOYEES HIRED	EMPLOYEES LEAVING THE GROUP
Total	408	322	642	521
Men	281	219	395	328
Women	127	103	247	193
< 30	181	56	185	71
30-50	200	186	344	337
> 50	27	80	113	113



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EMPLOYEES HIRED AND EMPLOYEES LEAVING THE GROUP BY GENDER AND AGE	2018/2019		2017/2018	
	EMPLOYEES HIRED	EMPLOYEES LEAVING THE GROUP	EMPLOYEES HIRED	EMPLOYEES LEAVING THE GROUP
Total	408	322	642	521
Italy	323	242	598	454
France	4	8	5	10
Spain	3	7	3	1
Germany	2	7	1	6
United Kingdom	26	35	19	34
Rest of the world	50	23	16	16

TURNOVER RATE BY GENDER AND AGE	2018/2019		2017/2018	
	RECRUITMENT RATE ¹⁰	TERMINATION RATE ¹¹	RECRUITMENT RATE	TERMINATION RATE
Total	9%	7%	14%	11%
Men	10%	8%	15%	12%
Women	6%	5%	13%	10%
< 30	39%	12%	41%	16%
30-50	6%	5%	10%	10%
> 50	3%	10%	15%	15%

10) No. of employees recruited as a percentage of total no. of staff as at 30 June 2019

11) No. of employees leaving the Group as a percentage of total no. of staff as at 30 June 2019



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RECRUITMENT AND TERMINATION RATE BY GEOGRAPHY	2018/2019		2017/2018	
	RECRUITMENT RATE	TERMINATION RATE	RECRUITMENT RATE	TERMINATION RATE
Total	9%	7%	14%	11%
Italy	8%	6%	14%	11%
France	25%	50%	23%	45%
Spain	15%	35%	12%	4%
Germany	29%	100%	8%	50%
United Kingdom	16%	22%	11%	20%
Rest of world	16%	7%	7%	7%

The total staff turnover (outgoing) was 6.75%. 3.98% of the exits occurred on a voluntary basis.

The recruitment and termination rates were lower this year than last, due in part to the policies implemented in order to retain and valorize staff.

5.3 DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES

[GRI 405-1]

As stated in the Group Sustainability Policy, valorization of a company's staff is a vital prerequisite in order to tackle the challenges posed by markets. In this scenario, diversity of gender and thought is considered to be an advantage to be leveraged, as a source of cultural and professional enrichment.

The Group believes in the importance of valorizing different perspectives and experiences through promoting an inclusive culture which does not tolerate any form of discrimination. It seeks to foster a working environment in which diversity and personal and cultural perspectives are respected and considered to be key factors of success.

Although at present no significant risks in the area of diversity and equal opportunities have been identified, the Group is committed to preventing every form of discrimination, from the selection process right up to the determination of remuneration, from professional development opportunities to the end of the employment relationship.



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It guarantees that all its collaborators are treated without distinction, exclusion, restriction or preference, whether direct or indirect, based on their: age, gender, sexual orientation, civil status, religion, language, ethnic or national origins, physical or mental disabilities, state of pregnancy, maternity or paternity (including as a result of adoption), personal convictions, political opinions, and/or trade union affiliation or activities.

The Group also undertakes to offer a fair level of compensation reflecting the skills, abilities and professional experience of each staff member, thus guaranteeing that the principle of equal opportunities is applied in practice.

In this connection Mediobanca's involvement in "Valore D" should be noted. "Valore D" is the first association of large companies in Italy, set up to support women in positions of corporate leadership. The objective of the project is to support and increase the number of talented women in leadership positions, providing women managers with the tools and knowledge relevant to their professional growth. The **Valore D Manifesto**, which was presented by the association in 2017 of which Mediobanca is a signatory, is intended as a genuine programmatic and strategic manifesto for increased gender diversity and inclusion within organizations.

In becoming a signatory to the Manifesto, the Group has committed to accurate monitoring of women in the workplace, to improve representation in all business areas and improve our importance in terms of gender inequality indicators. To this end, and as required in some of the nine points of the Manifesto, specific initiatives have been implemented to support female staff on maternity leave and to encourage fathers to take a more active role in parenting their children.

On the back of its commitment to equal opportunities, Mediobanca has been included as one of the 230 companies in the 2019 **Bloomberg Gender-Equality Index (GEI)**, an initiative which selects companies that have impressed by their transparency of approach as shown in their reporting on gender issues and adopting an increasingly egalitarian approach to women.

In the area of work-life balance, CheBanca!, Compass and Futuro have all signed agreements with trade unions to promote various solutions to enable staff to reconcile their personal and professional lives:

- ◆ **Working part-time:** higher percentages of staff are being allowed to work part-time than was the case in the past, with priority being given to those with complex family and difficult personal situations. Working part-time in no way constitutes grounds for discrimination in working relationships and/or professional development.
- ◆ **Smart-working:** an experimental phase has been launched for flexible forms of working from home among certain organizational units of the three companies concerned.



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- ◆ **Time bank:** an annual time bank has been set up consisting of a number of hours' paid absence in addition to ordinary leave, to be used by staff in serious personal and/or family circumstances. Hours are contributed to the time bank by the company and by the employees themselves, who can donate their time voluntarily to colleagues in difficulty.
- ◆ **Flexi-time:** this solution is available for most staff who work seven and a half hours per day.
- ◆ **Paid and unpaid leave:** in addition to the possibilities provided for by the regulations and national collective labour contract in force, further leave can be taken in cases where children with learning difficulties require assistance, and for periods where children are starting kindergarten or infant school for the first time.

As proof of our commitment in this area, this year too, the Group has promoted **Children's Day**, an initiative to encourage firms to open their doors to families, allowing mums and dads to spend an afternoon at work together with their children, at the offices of Mediobanca Innovation Services.

We have also run the **Un Fiocco in Azienda** programme again, to assist parents in facing the birth of a child without anxiety and facilitate returning to the company, by providing a series of dedicated services:

- ◆ **Collective training/information courses:** the aim is to help women manage the changes that come with motherhood serenely, improve communications with their partners, and recognize the signs in the event of any psychological difficulties developing;
- ◆ **Prenatal nutrition programme:** the objective here is to encourage healthy eating to reduce the rate of complications in pregnancy due to excessive weight gain and/or poor diet;
- ◆ **Paediatrics card:** this is a service which enables users to locate a paediatrician promptly in emergency situations, which is valid for the child's first year of life;
- ◆ **Fathers' group:** group meetings for fathers, providing an opportunity to develop the psychological and relational challenges posed by the prospect of becoming a father.

On the topic of parenting, Mediobanca and MIS have launched **Working Parents**, a course dedicated to helping employees who have become parents in the last two years reconcile the respective spheres of parenting and working. The idea behind this project is that supporting people at such an important stage of their lives is an essential part in helping them to grow which in turn creates value for the company.

Mediobanca, Compass and Futuro have also run a course for the first time on **Clearing airway obstruction and resuscitation manoeuvres for children**, in accordance with the new international guidelines and Italian Health Ministry directives.



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The Group also seeks to manage the employment of differently-abled people in accordance with the regulations in force, by encouraging the different areas of the company to employ staff with different abilities. As at 30 June 2019, a total of 253 differently-abled people were employed by the Group.

5.4 PROTECTION OF HUMAN RIGHTS

[GRI 102-41], [GRI 402-1]

The Group believes that respect of human rights is a fundamental prerequisite to its own sustainability. For this reason it seeks to protect and promote such rights in the conduct of its business, and in particular in the way in which it manages relations with its clients, suppliers and commercial partners, as well as in its relations with its own collaborators.

Although breach of human rights has never been highlighted as a significant risk within the Group, attention to this issue takes the form of various actions to raise awareness of the different issues.

Respect for each collaborator's personality and dignity is fundamental in order to develop a working environment which is based on mutual trust and loyalty, in accordance with all legal obligations in force in every geographical region and area in which the Group operates.

The Group guarantees respect for diversity and non-discrimination at every stage of each collaborator's working experience; it also safeguards the right and freedom of association and collective bargaining;¹² it guarantees high standards of protection of health and safety in the workplace, seeking to raise awareness of risks and promoting responsible behaviour, including via information and training activities. Protection of workers' health and wellness is achieved by adopting specific programmes of prevention and protection, thereby ensuring that all levels of the company take responsibility for this area.

The Group rejects forced labour and child labour and any type of harassment, whether physical, verbal, sexual or psychological, abuse, threatening or intimidatory behaviour in the workplace, guaranteeing working conditions which are respectful and favourable in the countries in which it operates.

With reference to indirect impact, as stated in the *Group Sustainability Policy*, the Group identifies and assesses the risks related to the protection of internationally recognized human rights, and avoids engaging in relations with parties implicated in unlawful activities which could lead to potential breaches of abuses of Human Rights.

12) The national collective employment contract for the sector covers all staff in Italy, and stipulates the minimum period for dialogue with trade union organizations to implement significant organizational changes



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Coverage in this area has been strengthened by the adoption of the *Directive on responsible investing*, bans on business proposals from being submitted for approval to the relevant committees which involve parties that have been convicted of serious crimes (which includes breach of human rights), and the launch of a training course on *Sustainability and Human Rights* with the aim of raising awareness among staff of the risk of breach of human rights as a result of the Group's indirect impact.

TRAINING COURSE ON SUSTAINABILITY AND HUMAN RIGHTS

In June 2019 a training course was launched on Sustainability and Human Rights for all staff of Mediobanca in Italy and elsewhere, Mediobanca SGR, Ricerche e Studi, Mediobanca International (Luxembourg).

The course's objective is to inform staff members of the pathway towards sustainability undertaken by the Group, and to explain the concept of sustainability and its implications for the financial sector. Following a brief introduction of certain general concepts linked to sustainability, the course deals with the issue of responsible investing, with particular attention to the question of human rights. Governments, clients and investors today are asking the banking system to take its responsibilities in its financing choices, as a result of which banks have an indirect impact that could have implications in terms of the risk of breaching human rights. The purpose of the course is therefore to raise awareness of such issues among Mediobanca staff.

No instances of discrimination or breach of human rights, actual or alleged, were recorded or reported in the Group in the course of the year.

5.5 PROFESSIONAL TRAINING AND DEVELOPMENT

[GRI 404-1]

The Mediobanca Group recognizes the important role and central place which training and professional development has for its staff. Training for the Group has a key role in the process of valorizing human resources.

The Group facilitates ongoing, structured technical and managerial training programmes, taking into account the various professional contributions. At the same time it also promotes self-education solutions using initiatives which are appropriate in terms of the level of preparation and experience required by the various roles. Training initiatives are distinguished on the basis



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of the role covered and an assessment of which staff members need to develop their skills to a more advanced level, and which need to acquire new skills due to structural requirements.

During the year under review, a total of 92,141 hours of training were provided, compared with 50,622 hours the previous year, of which 44% to white collars (down 5%), 44% to middle management, and 12% to management (up 5%). Management and specialist training courses are classroom-based, whereas the compulsory courses and language lessons are provided via e-learning activities. The activities themselves involved specialist training (19%), language lessons (13%) and management training (10%).

In the area of compulsory training, the Group has run courses in the twelve months intended to strengthen and embed a culture of health and safety and risk awareness in the workplace and to promote responsible behaviour by staff, for a total of 8,639 hours' training.

Training was also provided during the year under review on compulsory issues, such as data privacy, anti-corruption, anti-money-laundering, data protection, market abuse, information security and business continuity.

The significant increase in the number of hours' training compared to last year is due chiefly to the new mandatory courses on MiFID II, IVASS and the revised version of the organizational model instituted pursuant to Italian Legislative Decree 231, as well as to new types of course being provided. The inclusion of Mediobanca SGR and the Private Banking division in the scope of reporting for this year is also relevant in this connection.

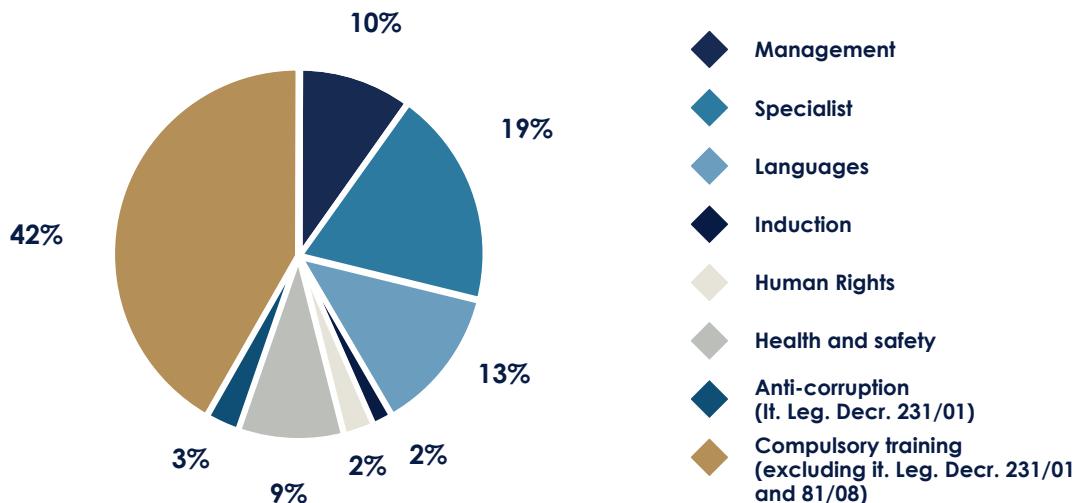
AVERAGE HOURS OF TRAINING BY GENDER AND CATEGORY

CATEGORY OF STAFF	2018/2019			2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Top management	14.62	1.00	13.38	9	-	8.18
Management	26.58	24.32	26.26	8.05	22.45	10.02
Middle management	21.49	21.94	21.64	12.23	12.59	12.35
White collars	17.20	15.76	16.43	10.71	9.78	10.20
Total	20.34	17.93	19.32	11.06	10.92	11



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HOURS OF TRAINING BY TYPE



The Group offers its staff an opportunity to spend time working for other organizational units, in Italy or elsewhere, to broaden their professional experience and encourage the growth of their technical and managerial skills. Internal staff mobility is particularly important for staff employed in the control units, as required *inter alia* by the regulatory authorities.

In addition, the 366 CheBanca! FAs received training as stipulated by the regulations for a total of 14,250 hours, plus a further 240 hours' optional training.

Compass and Futuro too have provided training and refresher courses on the obligations deriving from sector regulations, offering mandatory training courses for their own FAs with coverage of 100%.



5.6 MANAGING, ATTRACTING, DEVELOPING AND RETAINING TALENT

[GRI 404-3]

The Mediobanca Group devotes considerable attention to the issue talent management and retention which is considered to be a strategic factor for its own development.

In accordance with this approach, the *Policies for the selection, appointment, succession and performance assessment of company representatives and Group Key Function Holders* govern the succession of Directors, both executive (including the Chief Executive Officer and General Manager) and non-executive, Statutory Auditors and Key Function Holders, and contain an emergency plan for replacing company management if the need to do so suddenly arises. Regarding succession planning for the executive Directors, the Chief Executive Officer and General Manager, the Appointments Committee is tasked with selecting a limited number of persons who have been members of the Group's management for at least three years and who are considered able to succeed to those positions. The selection is made with the support of the Chief Executive Officer and General Manager in office, Group HR, and specialized consultants if considered appropriate. This select number of management is kept informed at all times, so that, if need be, the Appointments Committee can make swift proposals to the Board of Directors or to shareholders in general meetings. With regard to the Key Function Holders, i.e. non-Board members with significant influence over the Bank's management, a total of eleven key functions (covered by twelve staff members) have been identified, for which the skills required by such roles have been defined and formalized. The functions thus identified are the heads of the control units, the head of company financial reporting, the heads of the Mediobanca Group business areas (CIB, Retail/Consumer, Private Banking, Principal Investing, CMB, MAAM), and the Group HR Director. The Chief Executive Officer and General Manager, with the support of Group HR, identify internal staff able to guarantee short- and medium-term succession for them (the "senior talent pool"), while continuing to monitor the market at all times. Growth and development pathways are identified for the senior talent pool members, including in terms of involving them in specific strategic projects, exposure to the Board/Committees, and international and intra-Group rotation. Selection is based on an assessment of candidates' professional and technical skills, as shown by their CVs and career records, performances over time, and possession and development of key leadership skills.

In the area of attracting new young talent, Mediobanca has ongoing co-operations with the best universities in Italy, via participation in on campus selection and employer branding activities. This year for the first time the Bank has chosen to participate in a Career Day to facilitate the recruitment of people with disabilities and candidates from protected categories. Mediobanca



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also organizes regular events at its own head offices, offering students and new graduates various opportunities to meet with the Group's management. In this way, talent young people can engage in dialogue directly with sector professionals, to receive guidance and support in their training and professional choices.

The Group also offers students the possibility of completing internships to complete their academic training, giving them an opportunity if they wish to use their experience in conjunction with the subject of their thesis.

In addition to these activities, Mediobanca is building its presence on the main social networks, with particular attention paid to LinkedIn, where a section has been built specifically in order to attract young talent.

During the year under review, as part of the Job For NextGen event, Mediobanca was awarded the CSR Award 2018 prize assigned to companies that have promoted initiatives to help provide guidance to young people approaching the workplace, as recognition for the sensitivity and commitment we have shown to the new generations.

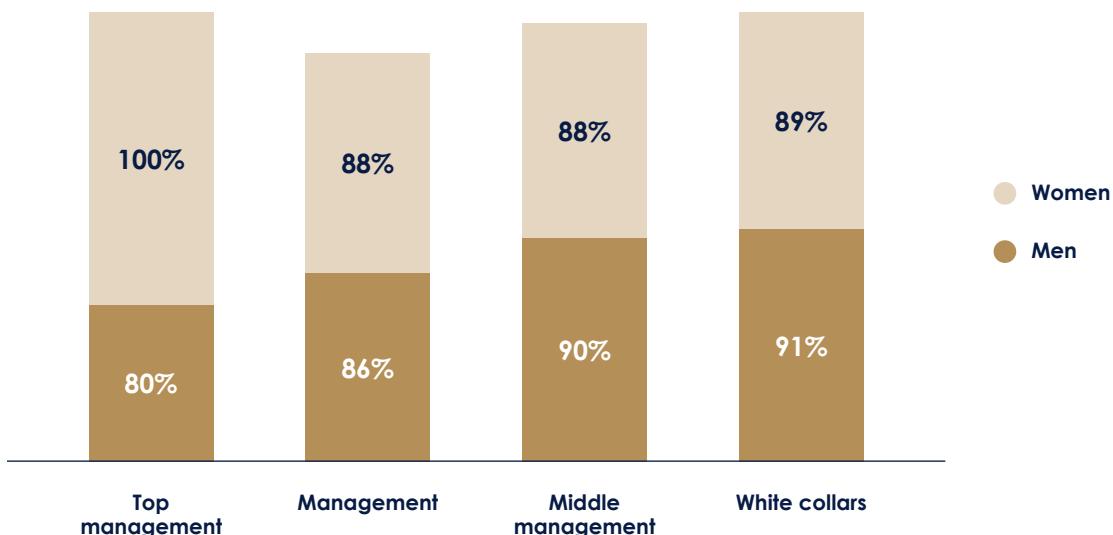
The Group adopts a constructive approach to professional development which is geared to achieving results over the long term. As proof of this commitment, instruments to support staff assessment have been adopted, with a view to constructing development and training pathways which are consistent and effective for the business. Performance evaluation is the system which meets the need for objectivity in terms of assessing individual performances and defining responsibilities. To this end, at the start of each year each employee discusses their professional, management and personal development goals and company objectives with their line managers. These are then formally assigned on the basis of the staff member's professional profile, organizational role, and the strategic objectives of the organizational unit they work for. Once the activity or project has been completed, each employee is assessed on the basis of the results achieved.

Contributing factors in valorizing staff include the quality of the skills acquired by them and their individual performance, any previous professional experience acquired outside the company, the internal pathway followed by them guided by their immediate superiors, experience "on the ground", expertise in the role covered by them, the skills and potential of the individual being assessed, and compliance with the rules of conduct defined by the Group to ensure that conduct is aligned with the regulations and sector practice and to serve the interests of our clients as well as possible.

During the year under review a total of 4,259 employees were assessed (58% men and 42% women), equal to approx. 89% of the company population.



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The career advancement process works closely together with the staff assessment process. Professional development decisions for staff may take the form of covering new organizational roles, moving to a new contractual level or being assigned a new corporate title, based on experience acquired and results achieved. The relevant line manager proposes the promotion in conjunction with Group HR, and in cases which involve managerial staff, the promotion must be approved by the General Manager and/or the Chief Executive Officer.

For the highest levels (management or equivalent), the process involves specific assessment of the candidate by other senior Bank staff members with different professional backgrounds, experience and roles; the promotion must also be consistent with the management succession planning adopted.

5.7 STAFF INCENTIVES, BENEFITS AND REMUNERATION

[GRI 401-2], [GRI 401-3], [GRI 405-2]

The remuneration system is structured so as to attract, motivate and valorize staff with the professional qualities required by the Group's business. The system is based on principles of fairness, equal opportunities and meritocracy. Group HR is responsible for defining the remuneration and employee benefit policies, co-ordinating staff selection, recruitment and development via processes which are able to leverage and retain talent, increasing their sense of belonging to the Group and guaranteeing flexibility and timeliness in covering key roles.



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The Group devotes considerable attention to management of its remuneration policies, and is always attentive of the need for compliance with the regulations and the Code of conduct in respect of Listed Companies in structuring remuneration packages and with reference to the means and instruments by which its various components are paid. It also guarantees that all its staff members are treated without distinction or exclusion *inter alia* with reference to remuneration, complementary pension schemes and employee benefits. The remuneration policies are approved by shareholders each year.

Remuneration packages are structured so as to:

- ◆ Balance the fixed and variable remuneration components over time (pay mix);
- ◆ Implement a flexible approach to remuneration;
- ◆ Help gear compensation towards performance in view of the significance of the role played within the company without encouraging risky and/or short-term behaviour;
- ◆ Annual assessment of the staff compensation package's positioning relative to its reference market, including with the assistance of outside advisors.

BASIC SALARY RELATIVE TO REMUNERATION FOR MEN AND WOMEN BY PROFESSIONAL CATEGORY¹³

BASIC SALARY TO REMUNERATION FOR MEN/ WOMEN	2018/2019		2017/2018	
	BASIC SALARY	REMUNERATION	BASIC SALARY	REMUNERATION
Management	74%	71%	74%	73%
Middle management	90%	87%	87%	90%
White collars	99%	99%	97%	94%

The ratio between basic salary and remuneration for men/women shows differences according to seniority and role. In the last year there has been an improvement in basic salary, especially in the white collars segment which is the largest in terms of number of staff and is the most balanced in terms of the ratio of men to women. Here, indeed, the ratio is close to 100% as the effect of the different seniority levels and role has less of an impact.

13) Information on the remuneration of senior management will not be reported exhaustively for reasons of confidentiality and to avoid the possibility of data being attributed to individuals



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Furthermore, based on an awareness that corporate welfare makes a significant contribution to the implementation of CSR, the Group has adopted instruments which produce positive effects outside the company, benefiting not only staff members but also their family and the local community in general.

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

- ◆ **Complementary pension scheme:** employees are entitled to participate in complementary corporate pension schemes, with contribution rates distinguished by category and length of time employed by the company;
- ◆ **Healthcare scheme:** this scheme covers healthcare, dental and preventative medicine expenses for staff members and their family. An extensive network of doctors and dentists who are part of the scheme enables beneficiaries to have direct access to services without having to pay in advance and providing significant financial benefits;
- ◆ **Accident insurance policy, Life insurance policy, and Long-term care insurance policy:** the first of these policies guarantees coverage to staff in the event of their having an accidents either work- or non-work-related, is in operation 24 hours a day and has no restriction in terms of geographical application; the second entitles claimants to a guaranteed capital sum in the event of an employee's death; and the third pays out an annuity in the event of permanent incapacitation.
- ◆ **Company welfare/flexible benefit systems:** these have been instituted for all staff or like-for-like categories of staff, as provided by the applicable tax legislation and regulations in force. Such systems involve the provision of non-cash services and instruments (e.g. training activities, study and education courses, welfare services, etc.), which Group companies make available to their staff and families, with the possibility of paying any amounts unused to the complementary pension scheme. Production and/or result bonuses provided for under complementary company contracts may be used to this end, or other amounts earmarked for the welfare of similar categories of employee and according to marginality criteria relative to the capacity to pay principle. The objective is to: expand the range of welfare initiatives offered contractually, in order to provide increased benefit to staff members and their families by enabling them to access specific products and services which can be tailored to their specific requirements; offer increased protection for public welfare provision; and obtain improved purchasing power for overall remuneration, through relief on tax and social security contributions permitted by law.



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- ◆ **Company cars:** these are assigned only to the highest professional figures or those with commercial roles. The range of cars available is notable for the number of hybrid and/or electric vehicles on offer, in accordance with environmental sustainability criteria.

With reference to payment in the form of equity instruments, performance shares schemes, have been launched in connection with the remuneration policies.

During the year under review, a total of 139 staff belonging to various professional categories took up parental leave (85% of those entitled to do so¹⁴). The rate of return to work after parental leave¹⁵ was 99%.

EMPLOYEES WHO TOOK UP PARENTAL LEAVE

EMPLOYEES WHO TOOK UP PARENTAL LEAVE	2018/2019			2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Top management	-	-	-	-	-	-
Management	-	2	2	-	3	3
Middle management	2	31	33	2	28	30
White collars	1	103	104	2	142	144
Total	3	136	139	4	173	177

5.8 STAFF COMMITMENT, ENGAGEMENT AND SATISFACTION

[GRI 102-43], [GRI 102-44]

In the engagement analysis exercise carried out in 2017, the importance of internal communication was emphasized, along with the need for fresher, more engaging means of communication. For this reason, a new project was launched and completed in the course of 2018 to build on the work of the engagement analysis, called Move Beyond. The project's objective was to improve internal communication through:

¹⁴⁾ The reduction in this percentage compared to last year is due to the new UK regulations on parental leave, which affects Cairn Capital

¹⁵⁾ Ratio between employees who took up parental leave and employees who returned to work after parental leave



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- ◆ Creating a model and style of communication with a view to generating a consistent flow of information for employees;
- ◆ Helping people to share more and build team spirit;
- ◆ Facilitate understanding of the strategies adopted by the Bank;
- ◆ Embedding the Group's identity and values.

The project led to a new internal communication unit being set up within Group HR, with the launch of a new intranet in April 2019, which has become a useful and user-friendly tool, informative and functional, able to convey clear, up-to-date information to employees.

Several areas of the Bank were consistently involved in the internal communication project, through three focus groups with staff from different company populations and around twenty meetings with the front line.

Engagement activities promoted this year include:

- ◆ Extra-curricular meetings and events, such as the tennis tournament, ski-ing contest, football tournament and Christmas party;
- ◆ Networking activity to increase opportunities for contact between staff, such as the "A lunch with ..." initiative, where one colleague describes their own area, with a view to identifying possible areas of co-operation;
- ◆ Company volunteering, which gives employees a chance to participate in the various solidarity initiatives promoted by the Group during working hours. Mediobanca staff participation in such initiatives during the year under review was around 7%.

5.9 STAFF HEALTH, SAFETY AND WELFARE

[GRI 102-15], [GRI 403-1], [GRI 403-2], [GRI 403-3], [GRI 403-4]

The Group considers the promotion of health and safety as one of the priorities of its way of doing business. For this reason it is committed to achieving, maintaining and complying with the requirements set in this area as defined in the applicable regulations in force in the countries where Mediobanca operates, adopting an approach which is based on continuous improvement.



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To this end, the Group has implemented an effective system which is co-ordinated and managed by a Safety Committee, made up by the head of the Prevention and Protection unit, an external doctor, a Group Safety Manager internal to the organization, and an employees' security representative.

The unit regulates and monitors security activities for the company, embeds the principles governing the regulatory obligations, and standardizes the means of involving staff members and the Group units involved. The creation of synergies between the various companies allows costs to be kept down and provides for increased efficiency in the management of health and safety in the workplace.

The Safety Committee is responsible for ensuring:

- ◆ A secure working environment which is compliant with the regulations in force, such as Italian Legislative Decree 81/08;
- ◆ For defining the Group's guidelines in the area of health and safety;
- ◆ For co-ordinating monitoring activities, and, where necessary, for improving safety conditions.

The Committee's prevention and protection service covers virtually all staff included in the scope of operations defined by the regulations in force.¹⁶

In drawing up the relevant Risk Assessment Document, the Group has identified the following main risks: risks related to the presence of electrical equipment and devises, use of video terminals, work-related stress, and in the retail area in particular, risk of armed robbery.

Furthermore, as provided by Italian Legislative Decree 81/08, the workers' security representatives appointed at the various Group companies take part in specific activities such as security meetings, inspections and preparing documents, in addition to representing the workers themselves during trade union meetings. All staff employed by the Italian Group companies may be considered as being represented at the stage of finalizing the formal agreements.

¹⁶⁾ The following legal entities are not covered at present: Mediobanca International, Compagnie Monégasque de Banque, MB Securities USA, Cairn Capital Group and RAM Active Investments



PEOPLE AND HUMAN RIGHTS

MATERIAL ISSUE	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITY
Staff health, safety and welfare	Inadequate assessment and management of risks related to health and safety issues	<ul style="list-style-type: none"> ◆ Safety Committee – Prevention and protection service ◆ Health and safety training and information programme ◆ Regular checks carried out at the various offices and third-level audit activity ◆ Regular meetings on security issues with the various stakeholders responsible ◆ Regular updates to Risk Assessments and DPs in the DVRs
Staff health, safety and welfare	Risk of armed robbery in retail banking	<ul style="list-style-type: none"> ◆ Group Operational Risk function which also monitors operational risks at the Group companies ◆ Specific internal regulations in force on conduct to be adopted in the event of armed robbery ◆ Video surveillance equipment, alarms and automatic/time-locked safe deposits installed in branch offices

The workers' health and safety risk assessment process has meant that the number of accidents in the workplace recorded during the year has remained at extremely low levels. The Group is committed to monitoring accident statistics and indicators in order to further reduce the occurrence of such instances. During the period under review a total of 64 accidents were reported Group-wide, twelve of which in the workplace itself (five to men and seven to women) and 52 elsewhere (20 men, 32 women), the majority of which (60) in Italy, in line with the previous year.

RATES ¹⁷	2018/2019			2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Accident seriousness rate¹⁸	0.10	0.23	0.15	0.11	0.31	0.20
Accident frequency rate¹⁹	5.78	12.53	8.61	6.74	8.44	7.45

17) The breakdown of accident rates by geographical region is not relevant, as the majority of accidents takes place in Italy

18) This indicator represents the impact of accidents in the workplace which results in the worker who had the accident being absent from work. It is derived from the number of days' work lost due to accidents, divided by the total number of hours worked, and multiplied by 1,000

19) This indicator represents the frequency of accidents in relation to the total number of hours worked by the entire workforce in the reporting period. It is derived from the number of accidents divided by the total number of hours worked, and multiplied by 1,000,000



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No instances of fatalities have been reported, either among employees or external collaborators, and no cases of professional illness have been recorded, either. The absenteeism rate among staff was 2.46%,²⁰ 1.78% of which referred to men and 3.42% to women.

The Group, despite not performing high-risk activities, adopts a preventative approach to its operations which involves carrying out regular checks of its premises, arranging meetings on health and safety with the various internal stakeholders, putting on training courses and implementing communications programmes and awareness-raising activities.

A campaign has recently been launched to raise awareness among staff of the importance of adopting a correct posture for sitting at the computer for those leading a sedentary lifestyle. Three classroom training sessions have been run at Mediobanca Innovation Services, with the involvement of around 60 participants on a voluntary basis for a total of 180 hours. This initiative, the purpose of which is to raise awareness among the corporate population, is unrelated to the mandatory training on this issue required under Italian Legislative Decree 81/08.

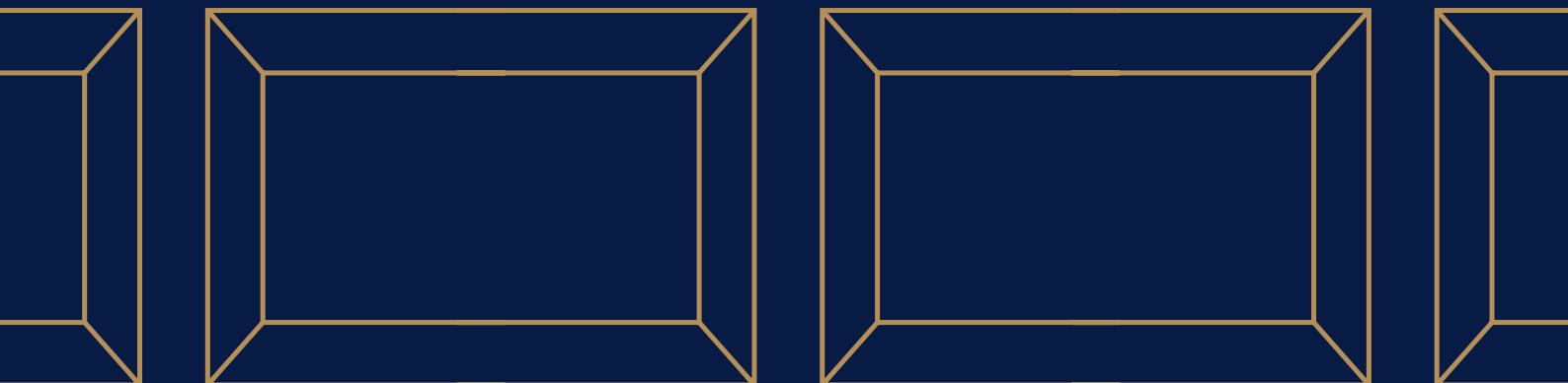
Other major initiatives were also carried out during the year, such as completion of the training programme for new recruits, and refresher courses on health and safety for staff members, the introduction of a medium fire risk module at some of the Group's offices, including drills in how to put out a fire that is starting, and the course on the risk of armed robbery put on for the whole Compass commercial network.

The mandatory course on "Italian Legislative Decree 81/08 Health and Safety in the Workplace - Five-Year Refresher Course" began on 26 June 2019. The course, which lasts six hours and was provided in e-learning format, was addressed to the whole corporate population. Some of the course's content was provided in the form of sustainability "pills", on good habits to help the environment sustainably, contributing to energy savings, waste sorting, saving paper and reducing CO₂ emissions.

In FY 2018-19 a total of 8,639 hours' training was provided on health and safety issues.

20) This indicator represents the number of days' absence as a percentage of the total number of days that can be worked during the reporting period. It is obtained from the number of days' absence recorded for sickness and accidents, divided by the total number of days that can be worked during the reference period. The absenteeism rate for FY 2017-18 has been adjusted by the following factor: 2.23%

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6.1 CLIENTS

6.1.1 RELEVANT POLICIES AND RISKS

[GRI 102-15], [GRI 103-1], [GRI 103-2], [GRI 103-3]

In performing its activities the Group pursues the objective of combining profitability and competitiveness with scrupulous business ethics, based on principles of honesty, professionalism, transparency and fairness towards its clients.

Contractual arrangements and communications are based on principles of fairness, professionalism and transparency. Clients are furnished with clear and exhaustive disclosure on the products and services being offered to them, and on the terms and conditions being applied, to facilitate comprehension and enable them to make informed choices. Any complaints are handled sensitively and treated as an opportunity to improve, resolve conflict and increase customer trust and satisfaction.

The approach to conduct risk is intended to identify the principles necessary to ensure correct conduct in the performance of the Group's business, thereby minimizing the risk of the behaviour of its employees, while complying with the letter of the regulations, and so causing damage, whether actual or potential, to its clients.

Despite the lack of specific obligations in this area, the Mediobanca Group has adopted a business conduct policy, applying the principles defined at international level to the Group's own specific areas of operation, in particular those introduced by the FCA (Financial Conduct Authority), the UK supervisory authority which since 2013 has been developing an approach based on compliance with conduct principles and the related concept of conduct risk, defined as the risk of the conduct and actions of a financial institution's employees being contrary to the principles of diligence, fairness and professionalism versus clients.

MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITY
Responsible investing and sustainable products	Delays by the Group in intercepting changes in clients' preferences in terms of responsible investing	<ul style="list-style-type: none">◆ CSR Committee, chaired by CEO and a Group Sustainability unit◆ Management Investments Committee with the participation of Group Sustainability◆ <i>Sustainability Policy and Group Directive on responsible investment</i> which puts assessment of environmental and social factors at the centre of investment and lending decisions◆ Definition of Group ESG Policy, to be issued in 4Q 2019



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MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITY
Responsible investing and sustainable products Management of direct and indirect environmental impact of business	Absence of instruments and methodologies to analyse impact in ESG and Climate Change areas, and increased costs due to changes in regulations	<ul style="list-style-type: none">◆ CSR Committee, chaired by CEO, and a Group Sustainability unit◆ Managerial Investments Committee, with Group Sustainability participating in its meetings◆ Sustainability Policy and Group Directive on responsible investment which puts assessment of environmental and social factors at the centre of investment and lending decisions◆ Definition of Group ESG Policy, to be issued in 4Q 2019
Ethics and integrity in business	Compliance with IT regulations and laws	<ul style="list-style-type: none">◆ IT compliance managed by Group Compliance functions◆ Training and awareness sessions on specific issues (such as security, business continuity, systems administrators)◆ Second-level controls to manage risk of non-compliance
Ethics and integrity in business	Risk of IT or physical fraud in payments	<ul style="list-style-type: none">◆ Group operational risk unit which monitors operational risks at Group companies as well◆ Specific procedures, including <i>IT Risk Policy</i>◆ Specific training for business units and information "pills" for staff members at main Group companies◆ Training provided to clients using the websites of the main Group companies◆ Anti-fraud systems and client authentication systems in home banking for payments via the internet
Innovation, multi-channel approach and digitalization	Data privacy protection, in the retail area in particular	<ul style="list-style-type: none">◆ Data Protection Officer (DPO) and specific measures for all Group companies subject to the GDPR provisions◆ Policy approved by the BoD for each Italian Group company and consistent policies approved by the Boards of the non-Italian companies in line with the Italian regulations◆ Internal directives, manuals and operating procedures on personal data protection◆ Online courses and ad hoc training
Data protection and security Business model and strategy	IT risk	<ul style="list-style-type: none">◆ Group IT Risk and Cyber Security unit part of the IT Governance area◆ Business Continuity Management (BCM) office at Group level◆ Group policies and directives on security◆ Security awareness training programme and annual session for the Mediobanca BoD◆ First-level controls and internal audits◆ Regular risk assessments on technological scope of the company◆ Coverage and revision of the Business Continuity model, remediation plans and enterprise fraud management model



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MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITY
Customer satisfaction and quality of service Ethics and integrity in business	Reduction in service quality levels for the client, impact on earnings and reputation deriving from litigation, complaints and class action	<ul style="list-style-type: none">◆ Specific units at the main Group companies for monitoring customer satisfaction◆ Group unit for monitoring and managing non-compliance issues◆ Dedicated procedures for analysing customer satisfaction and escalation process for complaints where the customer is not satisfied◆ Regular customer satisfaction surveys◆ Monitoring events linked to legal proceedings, complaints and class actions◆ Continuous dialogue with consumer and category associations to identify any critical issues and strategies for responding to the most common complaints received◆ Code of conduct shared with collectors
Transparency of information on products and services	Communications with customers not in line with expectations	<ul style="list-style-type: none">◆ Internal guidelines and procedures for communications to customers in accordance with the regulations
Financial inclusion, access to resources and education	Failure to offer products/services which meet the community's needs	<ul style="list-style-type: none">◆ Group products and initiatives to meet the community's needs (e.g. financial inclusion)◆ Focus on non-Italian clients through specific communications in languages other than Italian◆ Publication of information material addressed to clients for financial education purposes
Responsible investments and sustainable products	Lending, investments and transactions with companies which impact negatively on the environment and climate and/or which do not have strategies for transition to lower carbon imprint economy	<ul style="list-style-type: none">◆ CSR Committee, chaired by CEO, and a Group Sustainability unit◆ Sustainability Policy and Group Directive on responsible investment which puts assessment of environmental and social factors at the centre of investment and lending decisions◆ Investments Committee with the participation of Group Sustainability◆ Individual and indepth analysis of clients and applications for finance
Management and systematic assessment of risks and brand reputation	Absence of structured governance framework for reputational risk	<ul style="list-style-type: none">◆ Group Crisis Committee◆ Group Communications unit which monitors, valorizes and develops the brand reputation of Mediobanca the main Group companies◆ Group Crisis Committee◆ Group Communications unit which monitors, valorizes and develops the brand reputation of Mediobanca the main Group companies◆ Awareness initiatives aimed at stuff on online conduct (or netiquette) with reference to use of social media in particular



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MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITY
Stability, regulation and resilience of financial system	Loan impairment and/or reduction in value of assets used as collateral or in leasing due to ESG and climate change issues	<ul style="list-style-type: none">◆ Risks Committee and other management committees to manage credit risk◆ Assessment of counterparty risk linked to investments◆ Internal guidelines and procedures on assessment of counterparties through analysis of clients and applications for finance◆ Ongoing monitoring of counterparty's ability to meet its repayments◆ Geographical diversification strategy for customers and products
Management and systematic assessment of risks and brand reputation	Lending, investments and trading involving companies which operate in controversial sectors and which do not observe standards and best practices on human rights and employment conditions	<ul style="list-style-type: none">◆ CSR Committee, chaired by CEO, and a Group Sustainability unit which define guidelines for the Group◆ Risks Committee and other management committees to manage credit risk for approval of loans, investments and other transactions◆ <i>Sustainability Policy and Group Directive on responsible investment</i> which puts assessment of environmental and social factors at the centre of investment and lending decisions◆ Assessment of counterparty risk linked to investments◆ Specific procedure in accordance with Italian law 185/90, for transactions with counterparties operating in the arms industry◆ Indepth analysis of clients and applications for financing◆ Ongoing monitoring of counterparty's reputational risk◆ Definition of a Group ESG policy to be issued in 4Q 2019



6.1.2 GROUP CLIENTS

[GRI 102-2], [GRI 102-6], [GRI 102-7]

For over seventy years the Group has sought to help its clients grow, offering them high-level advisory services and a full range of credit products ranging from the simplest and most traditional forms of credit to the most sophisticated solutions available on financial markets.

The business segmentation with three separate divisions contributing equally to the company's performances also enables the Group to meet the needs of different client brackets.

◆ **Corporate & Investment Banking**

The activity is focused on services to medium-sized and large companies, with a full product offering which ranges from lending to advisory, capital markets, leasing, credit management and factoring, and more recently, private banking as well.

◆ **Consumer Banking**

Consumer banking is addressed to households, supporting them in their spending needs and consumption needs, primary and luxury, in a variety of forms which include personal loans, credit cards and salary- or pension-backed finance. Compass is the Group's consumer credit arm, which operates via 199²¹ POS located throughout Italy.

◆ **Wealth Management**

Wealth management is addressed primarily to individuals, offering savings, investment and asset management products diversified according to client bracket: from mass affluent to high net worth individuals and family office. The division also offers mortgage services and fund management activities for institutional clients. Within the division, **Mediobanca Private Banking** helps its clients to manage, protect and pass on their wealth, both financial and other. Its reach is significant, with a total of eleven branches across Italy and an extensive network of private bankers. Outside Italy, **Compagnie Monégasque de Banque** provides exclusive services to its customers, ranging from lending to asset management.

CheBanca!, meanwhile, offers a professional advisory service in the areas of saving and investments. With a complete financial and insurance product offering, and with a range of investment strategies, CheBanca! can meet the needs of all private clientele brackets, from the affluent segment to the wealth management world. CheBanca! is distinguished by its digital, multi-channel and innovative character.

21) Figure as at 30 June 2019



6.1.3 CUSTOMER SATISFACTION AND QUALITY OF SERVICE

[GRI 102-43], [GRI 102-44]

The Group assigns the highest importance to managing and maintaining satisfactory relations with its clients, including potential clients, through maintaining constant contact with them in order to be able to adapt the product offering swiftly to any changes in their needs and expectations.

To this end, the dialogue process is therefore essential in seeking to understand clients' needs and react promptly to any dissatisfaction they express.

According to the 2018 report by the Italian banking and financial arbitrator (*Arbitro Bancario Finanziario*, or ABF), the entity responsible for promoting out-of court settlements with consumers, of the top ten groups with settlements in 2018, Mediobanca had the lowest percentage of acquiescence.²²

Compass and CheBanca! some time ago launched structured processes for recording customer satisfaction, using internationally-recognized methodologies in order to gain a real picture of their clients' perceptions, and so allowing any critical issues to be identified to be dealt with on a priority basis. Annual quantitative and qualitative brand satisfaction and loyalty level monitoring is performed via specific surveys monitoring the Customer Satisfaction Index (CSI) and the Net Promoter Score (NPS) indicators with reference to the investment world especially.

◆ **Compass**

The surveys carried out by Compass in the past year have involved around 1,700 people and reflect an increasing trend in customer satisfaction. Salary-backed finance, credit cards and personal loans are among the areas which received the best feedback.

Compass also performs a customer satisfaction telephone survey to gauge satisfaction levels versus the inbound call service. The spontaneous responses given by some 57,000 clients between July 2018 and April 2019 revealed that 92% of those who responded were thoroughly satisfied with the service provided, representing an improvement on the previous reporting period.

Research and analysis is based on information collected externally, to explore or examine aspects relating to products, processes or communication.

The listening surveys adopted are addressed to different target audiences, and may be quantitative – addressed to a representative sample of the target audience - or qualitative –carried out with a select group of interviewees using targeted listening techniques. The

22) Reference to p. 30 of appendix to ABF annual report



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analysis is also distinguished between initiatives which derive from specific and contingent necessities, and monitoring available on an ongoing basis.

The main engagement and analysis activities performed are summarized below:

- ◆ Telephone and online surveys: analysis to understand attitudes and/or experiences relating to a given product/process;
- ◆ Mystery shopping: qualitative surveys carried out at competitors (POS or remote channels) to assess their product offering, merchandising and client experience;
- ◆ Focus groups: qualitative surveys to collect opinions or attitudes on a new product, process or form of communication through group discussions;
- ◆ Individual interviews: qualitative surveys which, like focus groups, serve to collect opinions or attitudes on new product offerings, processes or communications;
- ◆ Desk analysis: communication material or product analysis. Compass carries out analysis of its competitors on an ongoing basis;

Compass also set up an observatory in 2015 which analyses its POS, collecting their perceptions of the market scenario and future prospects, and also provides an overview of the CRIF data pm vehicle credit and other special purpose loans.

◆ **CheBanca!**

CheBanca! has always listed very carefully to its customers, via all the touch points available to them, from the branches to customer service, to home banking, email and social media channels. It also guarantees ongoing, structured coverage of complaints, with close monitoring which is shared with the management at regular intervals.

Feedback is collected annually for clients of both CheBanca! and its leading competitors. The responses are compared to identify difficulties and opportunities, degree of customer satisfaction and brand loyalty. This monitoring is carried out through all channels, and involves recording the Customer Satisfaction Index (CSI), which for the year under review was 74, and Net Promoter Score (NPS) indicators, with a particular focus on the world of investments.

CheBanca! also performs a sentiment analysis among the leading social media, to monitor brand positioning and identify possible critical areas which could result in reputational damage to the company's image.



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◆ **Mediobanca Private Banking**

Given the importance of confidentiality in relations with its clients, Mediobanca Private Banking does not use surveys. However, ongoing dialogue between FAs and their clients is crucial to its business model, in order to achieve maximum customer satisfaction and at the same time make the services offered ever more efficient and innovative. Events are also organized regularly throughout Italy, where issues of particular importance to wealth management, creation or protection are discussed.

The *Financecommunity Award 2018* saw Mediobanca Private Banking awarded the prize for *Private Banking Team of the year* on the back of the care and attention devoted to its clients.

◆ **Compagnie Monégasque de Banque**

CMB has again been named *Best Private Bank of the Year*, no less than on two occasions in the course of 2019: by *World Finance* for the second year running, and by *Global Banking and Finance Review* for the first time.

Both awards reflect the value of CMB's strategy focused on clients, and are recognition of its ability to innovate, competence and the quality of services it offers.

Mediobanca has, for the fourth year running, been named *Equity Capital Markets Bank of the Year in Italy* as part of the *Global Capital Markets Awards 2018*, and for the fifth year running as *Best equity brokerage house in Italy* in the *Extel* survey, as well as being adjudged as having the best *Research team* and *Equity Sales team*. In 2019 Mediobanca was also named *Italy's best investment bank* in the *Euromoney Awards for Excellence*.

6.1.4 TRANSPARENCY OF INFORMATION ON PRODUCTS AND SERVICES

[GRI 417-1]

Transparency and clarity of information are of particular importance in the area of customer relations.

Compass has always paid close attention to relations with its customers, and sets great store by transparency, defined in the sense of fairness in relations with the market from a long-term perspective.

To this end, on its website it has published the new guide on *Consumer credit made easy* produced by the Bank of Italy, to provide practical instructions on how to choose a loan and work out the cost, as well as illustrating the main customer rights. All transparency-related on the product offering are also available on the website, along with the *Italian financial banking arbitration*



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guide, and the *Italian banking association (ABI) Guide on Transfer of Payment Services*, the table showing the global average effective interest rates recorded for regulatory purposes in relation to usury, the terms and conditions for using the advanced electronic signature service using graphology techniques, and the annual reports on complaints and disputes.

All the above information is available on Compass's website, in the sections entitled *Transparency* and *On the side of the consumers*.

The website also contains *Application form for activating procedure for peer arbitration* and the *Monitoring* service offered by Assofin, which allows the consumer to assess whether or not the repayments are sustainable, as further proof of the attention devoted by the company to the issue of responsible lending.

Compass's subsidiary **Futuro**, which provides salary-backed finance, also publishes the following guides on its website: *Guide to Financial and Banking Arbitration*, *Consumer credit made simple*, *Buying a house: mortgages made simple*, and a table containing the interest rates, annual reports on complaints, and documents on transparency in the relevant section.

Transparency has always been one of the main pillars on which the **CheBanca!** business model is based, using simple language which is relevant to the end-client, summarizing contracts to make them shorter and easier to understand, stating prices clearly and notifying clients promptly of any changes in contractual terms and conditions.

CheBanca! addresses its clients through various channels, including its Facebook page (which has almost 200,000 followers), through a media programme which is rich in service content, engagement and financial education.

In FY 2018-19 the product governance policies for banking and insurance products were extended to all companies in the Mediobanca Group.

In the **Mediobanca Private Banking** division, communication with clients is guaranteed by the close and ongoing relationship which customers have with their bankers, as well as by the official communications which Mediobanca, as required by law, sends regularly to them. Mediobanca Private Banking guarantees maximum transparency for the services it provides and the activities it performs versus clients, management and the authorities, whilst maintaining its obligations in the area of confidentiality and compliance with the regulations.



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6.1.5 FINANCIAL INCLUSION, ACCESS TO FINANCIAL RESOURCES AND EDUCATION

The Group has always been keen to promote and develop the financial awareness of its clients. For this reason it has promoted a model of financial education based on sharing information on products and services expressed in clear, simple terms.

◆ **CheBanca!**

CheBanca! has always promoted and developed a product and service offering that gives it access to existing and potential clients who want their financial needs to be met. As permitted by law, this possibility is also offered to clients who have disabilities, are subject to support and protection measures, are visually impaired and/or otherwise unable to sign for physical reasons.

◆ **Compass**

Compass promotes financial education, and has published a series of video clips on its website to explain financial concepts using simple language, allowing investors to gain more indepth understanding of subjects which range from investment to the various forms of credit. The content has been developed by the Italian association of teachers of economic markets and financial intermediaries (ADEIMF) with the support of the Italian consumer credit and mortgage lending association Assofin.

Compass's contribution to financial inclusion and accessibility takes the form of various commercial communication initiatives in languages other than Italian.²³ The company has also recently relaunched its website, with more of the sections translated into four different languages: English, Spanish, Filipino and Romanian.

Clients with an ISEE (equivalent financial situation indicator) of less than €11,600 who apply for finance are offered basic current accounts for poorer customers. This account guarantees favourable treatment for customers, e.g. no charges for opening or closing the account, no stamp duty, etc.

CheBanca! and Compass have also adopted the practice of suspending repayments on mortgages and personal loans for customers who have been involved in flooding, earthquakes and other natural catastrophes.

◆ **Mediobanca Private Banking**

The Mediobanca Private Banking FAs engage in continuous financial training activities, to enable their clients to make an informed assessment of the solutions and services being offered to them. Specific training events are also organized on relevant issues, such as tax, generational issues and new investment instruments. The online banking service also

²³⁾ Some 7% of the Compass retail client base has non-Italian citizenship (data as at May 2017)



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guarantees straightforward access for customers to statements of their positions.

In 2017 Mediobanca Private Banking launched *The Equity Club (TEC)*, a club deal which brings together some of the most important names in Italian capitalism, which has attracted some €500m in commitments for investments in outstanding Italian businesses, with a particular focus on medium-sized enterprise.

◆ **Mediobanca SGR**

In April 2016, Mediobanca SGR launched the second *Mediobanca Fondo per le Imprese 2.0* which in two closing dates raised a total of €105m and has already made five investments for approx. €40m. The fund helps to finance Italian domestic small and medium-sized enterprises with sound fundamentals, which require financial resources in order to finance their development and growth plans in the medium term.

◆ **Compagnie Monégasque de Banque**

On the back of the successes achieved in previous years, Compagnie Monégasque de Banque has completed the third year of its *Academy for women and finance*, a financial education programme aimed at women and run in English. The objective of this programme is to allow the women who participate in it to achieve a higher level of independence in managing their estates and managing their investment strategy.

CMB has also developed another education project in conjunction with the International School of Monaco: the *Academy First Investment*, which aims to introduce high-school students to the world of finance, equipping them with the tools and basic skills to manage their own investments.

The Group's co-operation with **Junior Achievement** also continues. JA is the largest non-profit organization for economic and business education in schools in the world. The partnership includes the involvement of Mediobanca, CheBanca! and Compass management, who take on the role of "company expert", working alongside the teachers in the middle and senior schools during lessons on economics, business studies and personal finance.

The first year of *Crescere che impresa!*, the new three-year project for financial education launched in September 2018, has just been completed. This new edition, which again envisages involvement by Group staff, is focused on schools in certain poorer areas of Puglia, Sicily, Tuscany, Liguria and Lombardy. Some of the new features introduced include:

- ◆ Digital platform: digital content for lessons in the classroom, teaching kit for the class and family activity kit;
- ◆ E-learning modules for volunteers and teachers: online section providing information on the programme, classroom lesson preparation, and development of a community of JA volunteers and teachers;



MARKET

- ◆ JALab learning laboratories: raising awareness of the programme via a free workshop for young people and their parents.

The objective for the 2018-19 financial year have been comfortably reached, with the involvement of: 124 schools, 385 classes, 8,809 students and 327 volunteers, 47 of whom from the Mediobanca Group.

6.1.6 RESPONSIBLE INVESTING AND SUSTAINABLE PRODUCTS

The Group Sustainability Policy has served as the starting point in the preparation of the Directive on responsible investing, the objective of which is to ensure that investment and lending decisions are based on assessment not only of financial issues, but environmental and social issues as well. The Group believes that responsible investment decisions enhance brand reputation and consolidated market and investor confidence.

The Group's approach is to identify, assess, prevent and reduce potential risks deriving from investments and lending transactions with counterparties involved in serious events which impact negatively in the areas of the environment, human rights, employees' rights, bribery and corruption, and terrorism. The Group does not invest activities which are potentially not in line with international standards or which are considered to represent a serious risk for the environment or society. The Directive, which is approved by the CSR Committee and shared with the Risks Committee, takes the Universal Declaration of Human Rights, the Ten Principles of the UN Global Compact, the Principles for Responsible Investment (PRI), and the Equator Principles as its reference principles.²⁴

The process defined by the Directive on responsible investing is sub-divided into the following phases:

- ◆ Pre-assessment of the counter-party based on certain criteria for a priori exclusion. Parties whose guilt has been proven in court in the past ten years with reference to one of the following crimes are excluded: money laundering or terrorism financing; violation of human rights; possession, production and/or distribution of child pornography; environmental catastrophes; conspiracy to commit crimes; links with mafia-type organizations (including non-Italian); and parties which produce weapons that violate fundamental humanitarian principles (such as cluster bombs, anti-personnel mines, nuclear, chemical or bacteriological weapons);

24) International guidelines supporting financial institutions which commit on a voluntary basis to applying the principles to project financing for large infrastructure and industrial systems



MARKET

- ◆ Assessment, where indepth analysis is required of the business proposals received from parties which, based on reliable sources, are and/or have been investigated or convicted (without time limit) for one of the following crimes: money laundering, terrorism financing or bribery and corruption; violation of human rights; possession, production and/or distribution of child pornography; environmental catastrophes; conspiracy to commit crimes; links with mafia-type organizations (including non-Italian);
- ◆ Investment decision, based on the assessment carried out.

The Mediobanca Group has also chosen to develop a sustainable and responsible approach to investment by featuring ESG (Environmental, Social and Governance) products in its offering. The ESG criteria pursued by Mediobanca are respectful of the environment, human rights and good corporate governance practices.

Mediobanca Private Banking, implements checks and balances required in order to comply with the regulations in force on financing terrorism and money-laundering, and is extremely careful and selective in its choice of both clients and partners, with which it engages in dialogue and carries out indepth analysis of the profile of the individuals involved before doing business with them.

Mediobanca SGR offers the possibility of investing in Mediobanca Social Impact, a balanced global investment fund, ESG-certified, for philanthropic purposes. The fund is structured in such a way as to guarantee each beneficiary has a recurring flow of revenue over time to allow investors to support the recipient on an ongoing basis at no additional cost. Mediobanca SGR credits back two-thirds of its management fees to the beneficiaries, in line with the market and comparable asset management products. During the year under review, €215,000 have been devoted to philanthropic institutions which are parties to the fund. Mediobanca SGR has recently adhered to the Principles for Responsible Investing (PRI), which will be incorporated into its investment decisions.

CheBanca! has consolidated its interest in ethical and sustainable financial products, placing instruments, UCITS in particular, which take into consideration environmental, social and governance (ESG) factors into consideration in portfolio selection and management.

The CheBanca! FAs, aware of their clients' increasing sensitivity to these issues, are monitoring certain strategies which meet these criteria with increasing attention, including them in the funds they recommend. Some 58% of the funds selected for recommendation have received a Morningstar sustainability rating. Of the funds thus rated, 74% have been assigned a superior or average rating.

The increasing attention being paid to ethical and sustainable products is also discussed at length in the meetings and conference calls with the commercial network in the course of the year.



MARKET

Mediobanca has acted as Joint Bookrunner in the green bond issues by Enel, Terna, ERG, Hera and A2A, in the first climate action bond issued by Snam and the social bond issued by Cassa Depositi e Prestiti, with in all cases the objective of financing environmental and social projects.

Outside Italy, **RAM Active Investments** incorporates environmental, social and governance (ESG) issues in its analysis processes and investment decisions. In September 2015 RAM Active Investments became a signatory to the United Nations' Principles for Responsible Investment (PRI), and is also an active participant in the Non-Disclosure Campaign promoted by the CDP (Carbon Disclosure Project). Since 2018 it has also supported the Task Force on Climate-related Financial Disclosures (Tcfd), whose main mission is to promote voluntary disclosure of financial data linked to climate change, providing vital information to lenders, insurance companies, investors and other shareholders.

In 2018 **Compagnie Monégasque de Banque** launched an ESG management mandate for investing in companies and countries which contribute to the development and future of society, and commit to building a better world, selecting investment vehicles which respect ESG values according to a best-in-class approach. It also offers the Monaco Eco+ fund to its clients, which is a green fund focusing on four separate areas: renewable energies, efficient use of resources, water and natural foods.

Cairn Capital is committed to implementing responsible investment principles, based on the conviction that ESG issues are a major factor in terms of risk and financial performance, with the objective of meeting the growing preferences for sustainability issues for clients and investors. Cairn Capital recognizes that the management of ESG issues forms a fundamental aspect of a business's long-term success. Its approach is based on a combination of both a negative screening/top-down approach using broad criteria to remove certain companies with specific business activities and a bottom-up fundamental approach to assess an investment against asset-class specific ESG criteria. Cairn Capital Group Limited is also a signatory to the UN-supported Principles for Responsible Investment (PRI).



6.1.7 INNOVATION, MULTI-CHANNEL APPROACH AND DIGITALIZATION

The Mediobanca Group is aware that technology and digitalization are fundamental to be able to offer an excellent service, has launched transformation of our IT structure, with the objective of being able to meet the changes in the banking sector, regulatory and cyber-security requirements most effectively, and ensuring the sustainability of the business in the long term. This will entail traditional IT systems evolving towards more flexible and dynamic approaches which are able to adapt to new ways of doing business, including through the adoption of robotic process automation and artificial intelligence technologies.

The Group has also set itself the objective of systematically observing the development of strongly innovative technologies, including at the experimental phase when they are potentially disruptive to business models, using a highly selective test-and-learn approach leading to targeted implementation of innovative projects.

The digitalization issue has been developed in different ways within the Group.

CheBanca!, which was conceived with an innovative multi-channel model, has grown in terms of both product offering and service model, accompanying and in many cases anticipating market changes. The bank makes cutting-edge technology instruments available to its clients, thus enabling integrated multi-channel interaction. These instruments include:

- ◆ An app, free of charge, which allows customers to carry out the vast majority of banking operations directly from their own smartphone;
- ◆ Samsung Pay service, allowing customers to pay for goods and services at selected POS simply by touching the store's device with their smartphone;
- ◆ Advanced Electronic Signature (AdES);
- ◆ Web collaboration, making it possible to authorize proposals made by FAs on a remote basis;
- ◆ Chatbots (using IBM Watson technology) to support clients in promptly sourcing information on the status of their accounts and to perform simple transactions.

The commitment of CheBanca! in the areas of innovation and digitalization have been acknowledged by Capital Finance International which named CheBanca! as *Most innovative Digital Smart Bank* in Italy in 2019.

Compass implemented several digital strategy projects in the year under review. In July 2018 lending became full-digital, giving clients a further instrument through which to access their



MARKET

Compass products through an online form which can be used to apply for and obtain loans without having to enter a branch. Since the project was launched, more than 3,200 full digital loans have been granted, involving finance of approx. €20m, plus a further 1,800 loans granted via the branch office channel having been initiated online.

The Compass online form has the following distinctive features compared to those of its competitors:

- ◆ Very simple, clear graphics, which help the user in browsing and to formulate the application;
- ◆ Mobile-first approach, applied to this market for the first time in Italy;
- ◆ Streamlined documentation, enabling applications to be made with only two documents necessary (ID card and tax identification code).

Since April 2019 the new Compass website has been online. The site has been redesigned according to criteria which are more consistent with the company's business needs, and also with a view to the changes in consumer habits. The site has been optimized from SEO standpoint (search engine optimization), to increase visibility in search engines and maps.

In terms of graphics, the website has been designed for use from any mobile device.

Also from an innovation perspective, in 2018 Compass launched an interactive voice response service (IVR), to simplify access to certain services, e.g. booking appointments.

6.1.8 PERSONAL DATA PROTECTION AND DATA SECURITY

[GRI 418-1]

Protection of customers' personal data and information is a key factor in providing our activities, and as such requires proper governance. The Group is committed to ensuring that personal data is collected and processed in compliance with the legal provisions in force. This includes electronic data, paper documents and verbal exchanges via phone calls or direct communications.

Information of different kinds is processed and managed regarding significant issues such as: transactions, contracts, and confidential customer and staff. The Group undertakes to protect such data from unauthorized or accidental alteration, loss or unauthorized disclosure. It also ensures, in accordance with the business requirements, the availability and integrity of the information which must be reliable and usable on the part of the users.

Each Group company is responsible for its own data processing and protection. To ensure that protection of the Group's information capital is consistent with the strategic decisions



MARKET

adopted, security objectives and principles are identified clearly in accordance with the risk appetite defined at company level. To this end, the Board of Directors of Mediobanca S.p.A. has appointed a Group Data Protection Officer and has approved a Group personal data protection policy which identifies the most important principles to be complied with, and a Group Policy on information security as well as an IT risk management policy.

The Group intends to increase its capability to identify threats more effectively, via an ongoing process to improve its security control system, and the introduction of cyber Intelligence solutions and services.

In the area of **personal data protection**, in the course of FY 2018, the Mediobanca Group has continued to consolidate the necessary activities, to comply with the provisions of Regulation (EU) 2016/679 (the "GDPR", or the "Regulation"). In particular, Mediobanca and its Group companies have:

- ◆ Consolidated dialogue with the central Group Data Protection unit and Group Data Protection Officer;
- ◆ Enhanced the security profiles for IT applications through data masking and encryption;
- ◆ Negotiated agreements on personal data protection with new data processors;
- ◆ Drawn up internal procedures and guidelines on: (i) personal data management for prospective clients, (ii) management of data privacy requirements in relation to suppliers for the Group and for individual companies, (iii) identification of roles of data controller, processor and joint controller;
- ◆ Promoted use of an electronic tool for recording data processing, and provided training on how to use it;
- ◆ Continued with implementation of activities to meet data retention requirements;
- ◆ Promoted and enhanced privacy by design activities within the Group.

With reference to personal data protection, during the year under review a total of 348 complaints were received²⁵ by customers of CheBanca!, Compass Banca, Futuro and MBCredit Solutions, and a further five directly from the Italian personal data protection authority pursuant to Article 77 of Regulation (EU) 679/2016 (the "GDPR"); with regard to the latter, in four out of the five cases the authority found insufficient evidence of personal data breaches to justify action being taken, whereas in the fifth, the authority's findings are still pending. No cases of data breaches within the Group were recorded.

²⁵⁾ Compared to the previous year, this figure includes data privacy complaints received from clients of Mediobanca Group companies regarding not only the companies' own conduct but also that of third parties (e.g. collectors)



MARKET

In the issue of **data security**, in recent years the Group has consistently enhanced its strategy in order to guarantee the confidentiality, integrity and availability of its information.

Against this backdrop, protection in exchanges of and access to data is ensured through the adoption of secure communication protocols, keys and certificates issued by the relevant authorities (*GlobalTrust Certification Authority*), and where necessary access to data is possible only with strong authentication.

Security checks and risk analysis activities are performed on an ongoing basis, to ensure adequate organizational and technological controls are in place across the entire Group scope of operations.

The Group has also adopted specific structured policies and directives to manage risks and at the same time increase the client's confidence, as follows:

- ◆ **Group Information Security Policy:** this describes the objectives and general principles which the Mediobanca Group adopts in processing information to support the needs of its business and to ensure that the legal or regulatory requirements and choices in respect of risk management are duly observed;
- ◆ **Group IT risk management policy:** this Group policy defines the organizational and methodological framework which the Mediobanca Group adopts in the area of IT risk management, to ensure the protection measures in force for IT resources are efficient and effective, and to tailor mitigation measures based on the risk profile;
- ◆ **Directive on information classification and management:** this directive sets out the criteria and rules with which users must comply to ensure that information is classified and managed correctly, and so guarantee an adequate level of protection for the company's information capital;
- ◆ **Group Directive on data masking and encryption:** this directive describes the actions and rules to adopt in managing the activities of encryption and masking of data, its communication channels and backup, for applications identified based on IT risk and privacy criticality analysis;
- ◆ **Group Directive on Log Tracking and Management:** this directive sets down the criteria and general rules to be followed in systems and log management activities;
- ◆ **Group Directive on Security in Relations with Third Parties:** this directive defines the security objectives and principles with which third parties must comply in accordance with the risk appetite defined at company level and consistent with the internal regulations on treatment of inside and confidential information



MARKET

Regular campaigns have been run to increase corporate awareness on issues relating to protection of information managed.

6.2 RESPONSIBLE SUPPLY CHAIN MANAGEMENT

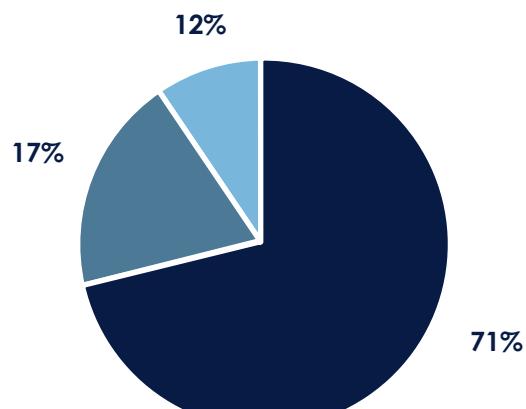
6.2.1 RELEVANT POLICIES AND RISKS

[GRI 102-7], [GRI 102-9], [GRI 102-15], [GRI 103-1], [GRI 103-2],
[GRI 103-3]

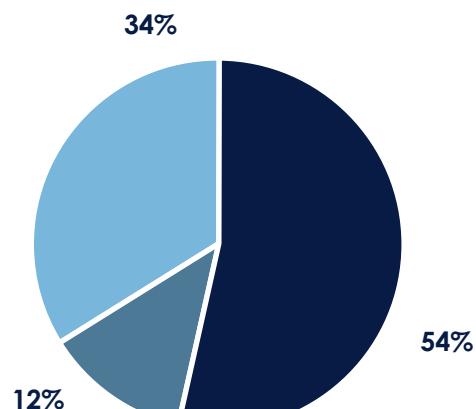
The Group seeks to develop relations with its suppliers based on the principles of fairness, transparency and equal treatment.

During the reporting period the Group had a total of 7,324 suppliers with a turnover of €593m.

SUPPLIERS BY TYPE



TURNOVER BY TYPE



◆ Technologies ◆ Properties ◆ Services

The acquisition of goods and services is normally centralized at the Group Procurement, which, through competitive and negotiation processes, selects the suppliers based on their knowledge and professional capabilities, their organizational solidity and sustainability and the Group's aim to obtain value for money. In particular, the Group is committed to avoiding situations of conflict of interest and ensuring selection on the basis of transparent and objective criteria.



MARKET

The Group Directive on purchasing processing management and the Purchasing process management operating procedure require that suppliers involved in the competitive processes or contracts managed by Group Procurement must actually qualify under the guidelines set at Group level, furnishing: suitable documentation, earnings/financial data which show they are able to supply the good/service concerned, positive earnings results and no negative issues of any kind.

In order to minimize the risks associated with buying from counterparties which are unreliable or which could lead to problems in the future, the Group Procurement unit:

- ◆ Enters active or potential suppliers in the Group list of suppliers for every area of expense and the contracts managed by the unit;
- ◆ Reviewing information and documents published (DURC, chamber of commerce certificate, financial statements, etc.) to check they are complete and accurate, and carry out analysis of the company's earnings/financial data;
- ◆ Assigning the companies assessed a qualification status, positive or negative;
- ◆ Reviewing any spontaneous applications, which may come from other suppliers for inclusion in the list of suppliers;
- ◆ Asking active suppliers to update the data and documents entered in the list of suppliers, at regular intervals;
- ◆ Developing and implementing strategies to optimize spending at Group level;
- ◆ Managing purchasing processes *inter alia* through organizing competitive procedures with a view to assigning provision of goods, work or services, thereby optimizing costs without prejudice to the requirements in terms of qualification and technical and/or service specifications;
- ◆ Managing formalization of contracts with the successful suppliers with the support of the internal Legal Counsel unit.

Relations with suppliers are conducted based on principles of fairness and integrity, and suppliers are reminded of the need to do business according to standards of conduct which are consistent with those set down in the Group's Code of Ethics. All suppliers involved in competitive processes are required to comply with the:

- ◆ Regulations protecting the rights of workers employed in the provision of their services and in particular the collective labour contracts for the relevant sectors;
- ◆ Provisions in respect of social security, accident prevention and security, and with the specific regulations in force on the subject of health and safety in the workplace;
- ◆ The principles set down in the Group's Code of Ethics when an order is transmitted or a contract executed.



MARKET

To this end, suppliers newly registered in the Group's list of suppliers must sign a declaration confirming that their staff members are treated without distinction and/or discrimination (in terms of policy, religion, etc.), that they reject forced and child labour, condemn every form of harassment, and guarantee decent working conditions for all their employees. Counterparties which do not accept the Mediobanca Group Code of Ethics and refuse to sign the above declaration are accordingly excluded from the Group's supply chain.

MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIVITIES
Responsible supply chain management	Decentralized management of strategic single sourcers	<ul style="list-style-type: none">◆ Existence of Group Procurement Committee and Group organizational unit responsible for selecting suppliers◆ <i>Policy on responsible supply chain management</i> included in the Code of Ethics and Organizational Model instituted pursuant to Italian legislative decree 231/01◆ <i>Group Directive on purchasing process management</i> and specific operating procedures◆ Qualification process for Group list of suppliers, including monitoring of problems and negative aspects◆ Audit activity on liability cycle process
Ethics and integrity in business Transparency of information on products and services	Transparency in processes to disburse credit and manage suppliers	<ul style="list-style-type: none">◆ Managerial committees and specific procedures to identify beneficiaries of credit and types of loans requested◆ <i>Group Directive on purchasing process management</i> and specific operating procedures
Responsible supply chain management	Incompleteness of internal control system for supply chain especially with respect to ESG issues	<ul style="list-style-type: none">◆ Group Procurement Committee and organizational unit devoted to selection of suppliers◆ <i>Policy on responsible supply chain management</i> included in the Code of Ethics and Organizational Model instituted pursuant to Italian legislative decree 231/01◆ <i>Group Directive on purchasing process management</i> and specific operating procedures◆ Monitoring suppliers through the Group directive on purchasing process management and based on specific operating procedures◆ Adequacy checks on documentation and data provided by suppliers, including any issues in the areas of human rights/the environment◆ Suppliers have to supply the Group's Code of Ethics and specific clauses on social security, accident prevention, insurance, HSE, human rights and employment◆ From 1 July 2019, supplier qualification process includes criteria in the following areas: environment, health and safety, corporate social responsibility and commercial ethics



6.3 INVESTORS AND SHAREHOLDERS

[GRI 102-7]

The Mediobanca Group considers relations with its investors and shareholders as one of the company's ethical and strategic responsibilities in order to create effective two-way dialogue between the company itself and the financial community.

The Group liaises constantly with investors and shareholders to pursue its mission, which has three main objectives:

- ◆ To create a base of institutional and retail investors for the medium/long term for its own shares and bonds;
- ◆ To promote stock liquidity and share price stability;
- ◆ To foster ongoing, constructive dialogue between investors and senior management, including with reference to strategic decisions.

To reach these objectives, the Group guarantees timely, reliable and comparable disclosure to the market which is comprehensible by all categories of user.

For the transmission and storage of regulated information, Mediobanca uses the eMarket SDIR and the eMarket STORAGE mechanisms.

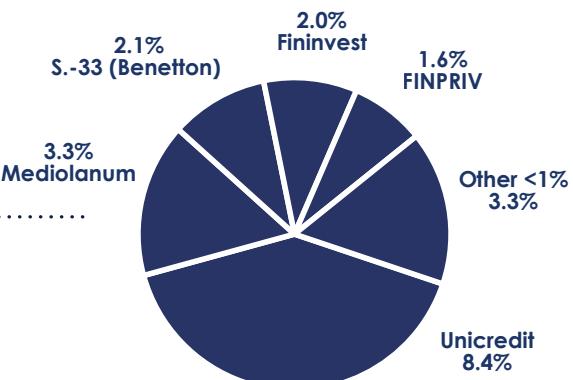
Mediobanca has around 41,000 shareholders, split between institutional and retail investors. Some of the institutional investors, representing approximately 21% of the company's share capital, are parties to a consultation agreement which makes no provision for its commitments in terms of lock-up or votes in respect of the shares syndicated under its terms. 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. In recent years the weight of institutional investors has increased significantly, as has the geographical diversification of the shareholder base as a result. Today only 37% of the institutional investors are Italian, while the remainder come primarily from the United States (26%), the United Kingdom (12%) and the rest of Europe.

According to the most recent shareholder analysis, SRI investors account for approx. 4% of the free float.

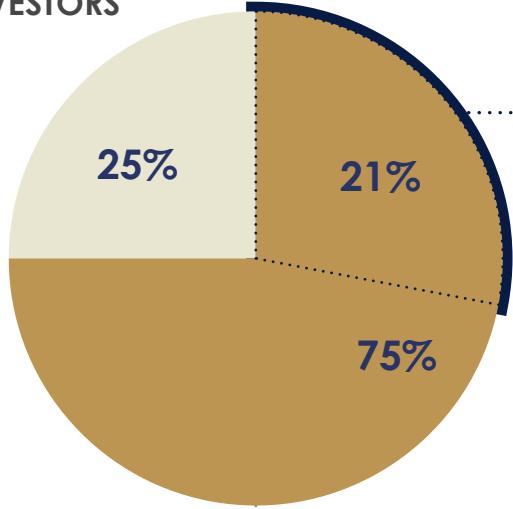


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MEDIOBANCA SHAREHOLDERS' STRUCTURE*



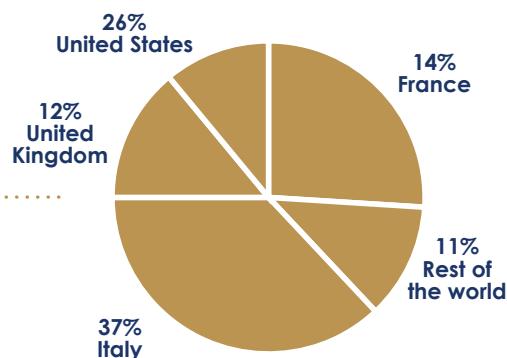
**RETAIL
INVESTORS**



MEDIOBANCA SHAREHOLDERS' AGREEMENT

The agreement restricts the transfer of shares but in AGM each party may vote independently. The aim is to ensure a stable shareholder structure and consistent management approach for the bank.

INSTITUTIONAL INVESTORS BY REGION

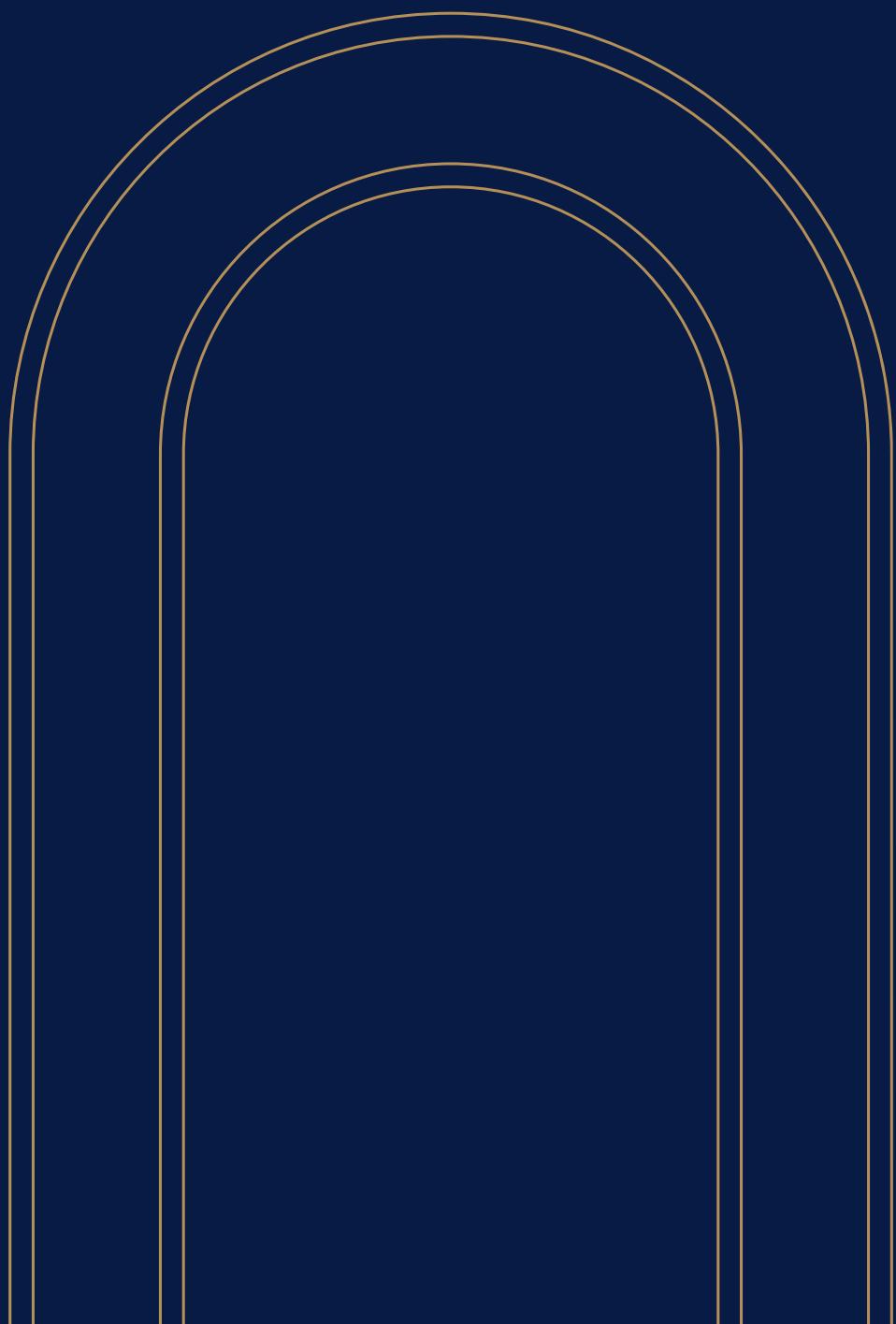


*) Source: Nasdaq Shareholder Analysis, August 2019

In 2018, *Institutional Investor* published the results of its All-Europe Executive Team with over 1,200 European companies being voted for by over 2,000 institutional investors and sell-side analysts. In the Mid-Cap category Mediobanca was adjudged to have the “Best CEO”, coming second in the Best IR Professional category and first as Best IR Team.

In the reporting year, the Investor Relations team has taken part in over 250 meetings and conference calls, meeting with over 500 analysts, most of whom (90%) non-Italian.

COMMUNITY





COMMUNITY

7.1 ENTITIES AND PUBLIC INSTITUTIONS

[GRI 102-12], [GRI 102-13]

The Group seeks to entertain constructive, ongoing and transparent relations with all its stakeholders, including entities and public institutions.

Relations with the regulatory authorities, institutions and public entities are based on principles of proper conduct and transparency, with respect to the different roles and excluding behaviour and attitudes which seek to obtain improper and/or undue influence on conduct or which may even only appear to do so, thereby frustrating every form of bribery and corruption.

Mediobanca does not make charitable donations to political movements or organizations, and personal any involvement by staff in political organizations has no relation to the function performed by them within the Group and is conducted in accordance with the provisions of the regulations in force.

Mediobanca is also registered in the Transparency register run by the European Commission, making visible what interests are being pursued and giving the possibility to track the activities of lobbyists.

With reference to activities addressed to the community in the last financial year, the Group has worked closely and from a position of trust with local and national entities and institutions to develop initiatives and events in the cultural, artistic, social and sporting arenas. This commitment underlines the Group's desire to support our communities in positive fashion, not merely by the traditional means of making firms more competitive but also through a serious and ongoing commitment to the priorities and needs of the areas themselves, in which the Group offers the skills and resources typical of a financial institution to support them in their growth.

Some of the main institutions which the Group partners and works with in the financial services area are as follows:

- ◆ **ABI - Italian Banking Association:** the association's membership comprises directly or indirectly the entire universe of Italian credit institutions and credit institutions operating in Italy, along with virtually all of the financial intermediaries;
- ◆ **ABI Lab:** the research and innovation centre for banks promoted by ABI intended to create a hub for banks and ICT and energy partners to meet and exchange ideas;
- ◆ **AFME - Association for Financial Markets in Europe:** the European association for financial intermediaries operating in wholesale banking;



COMMUNITY

- ◆ **ASSOFIN - Association for Consumer Credit and Mortgage Lending:** Italian association for the leading banking and financial operators in the areas of consumer credit and mortgages.
- ◆ **ASSOGESTIONI - Italian fund managers' association:** representing most Italian and non-Italian fund managers operating in Italy, as well as banks and insurance companies operating in individual and collective asset management services;
- ◆ **ASSONIME:** an association of Italian listed companies founded in 1910, which serves as a focus for analysis and discussion of problems which directly or indirectly regard the interests and development of the Italian economy;
- ◆ **ASSOSIM:** the Italian association of brokers operating on financial markets carries out research and training activities, and represents its members in the consultations and round tables launched by Consob and the Bank of Italy on regulatory and financial issues;
- ◆ **Conciliatore Bancario Finanziario:** this non-profit organization specializes in the mediation of disputes arising in banking, financial and corporate matters;
- ◆ **European Issuers:** pan-European organization which represents the interests of publicly quoted companies from all sectors to the EU institutions;
- ◆ **Fondo interbancario di tutela dei depositi:** the interbank deposit protection fund is a mandatory and voluntary consortium recognized by the Bank of Italy which guarantees bearer deposits in the event of default by banks;
- ◆ **PRI - Principles for Responsible Investment:** launched by the United Nations in 2006, to promote the adoption of sustainable and responsible investment by institutional investors;
- ◆ **United Nations Global Compact:** a UN initiative devised to encourage companies across the world to adopt sustainable policies and comply with corporate social responsibility obligations and to publish the results of the actions they have taken in this area.

7.2 IMPACT ON AND INVESTMENTS IN THE COMMUNITY

The Mediobanca Group plays an active role in the community in which it operates, and pursues growth and value creation objectives which are sustainable over the long term for all its stakeholders and are respectful of people, the environment and society as a whole.

To this end it promotes numerous initiatives with social impact, including via donations by providing solidarity and support, both in Italy itself and the other countries in which it operates.

The Group's contribution to the community for the year under review has been measured at over €3.2m.

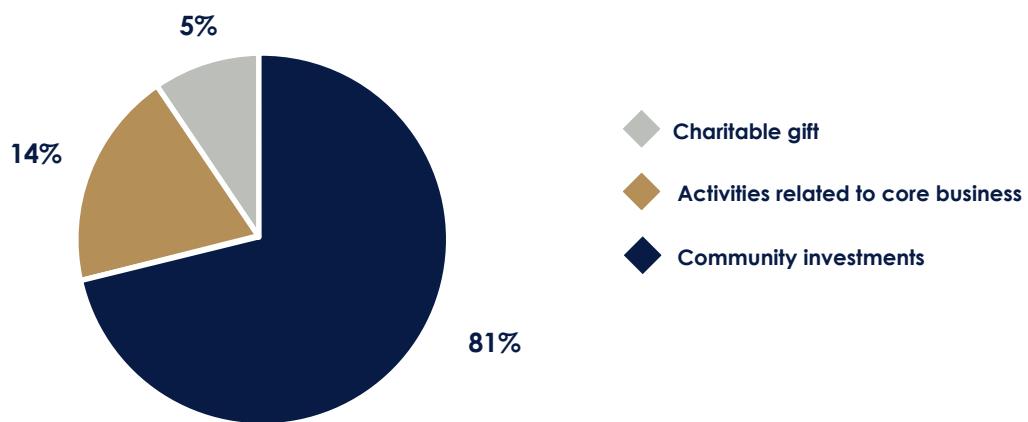


COMMUNITY

This represents a 21.9% increase over last year, due to the expanded scope of reporting but also to an increase in the number of initiatives with social impact implemented.

The calculation was made using management data in part based on estimates, whereas the type of analysis is based on the Guidance issued by the **London Benchmarking Group (LBG)**, the global standard in measuring and managing corporate community investment.

In accordance with the LBG model, to measure and represent the Group's commitment, the contributions provided have been split into three categories (charitable gifts, community investment and activities related to core business).



In its selection of projects for development, the Group has also identified certain selection criteria and in particular three areas in which to concentrate its involvement: environment and territory; culture, research and innovation; and social inclusion.

ENVIRONMENT AND TERRITORY

The Mediobanca Group is aware of the rapid changes affecting the climate and environment as a whole. In a scenario of where environmental impact management is becoming increasingly crucial, the Group acknowledges the importance of protecting the environment as the primary resource of well-being for both current and future generations. For this reason the Group is committed to managing its resources responsibly to reduce its own carbon footprint and the impact generated on the environment as a result of its businesses.

The **Mediobanca Innovation Services (MIS) offices** are fitted with various "green" technologies, including its heating and ventilation systems; the original system used to insulate the building's exterior has enabled substantial reductions in greenhouse gas emissions, driving a major reduction in the Group's consumption and emission levels.



COMMUNITY

Other initiatives in this area include:

- ◆ **Fondo Ambiente Italiano:** is one of the “FAI 200”, a group of generous patrons who, with their companies, support the FAI (Fondo Ambiente Italiano) in its mission to protect, care for and valorize the historical, artistic and environmental heritage of Italy.
- ◆ **Urban reforestation:** this project, implemented by Che Banca! and Compass, in collaboration with the Rete Clima association, is intended to offset the impact caused by publication of the 109C and Incontro branch magazines respectively. The trees planted by staff members will neutralize the entire amount of CO₂ emissions generated by the two publications over their whole life cycle.

Outside Italy **Compagnie Monégasque de Banque**, which has been involved in defending the environment for many years, supports the Oceanographic Museum of Monte Carlo, the mission of which is to increase attention to the seas and the oceans and contribute to preserving them. **Compagnie Monégasque de Banque** has also transformed the terraces of its head office into a botanical garden curated by its own staff who have joined forces with the association Terre de Monaco to develop a natural environment and so participate in the Principality's commitment to preserving the environment for future generations.

CULTURE, RESEARCH AND INNOVATION

The Mediobanca Group's commitment to culture and research bears out our awareness of the responsibility which our company has on a civic and social level as well, in the knowledge that our role is bigger than merely the pursuit of economic gain. From as early as the years following its inception, Mediobanca has promoted important publishing initiatives, and has been committed to valorizing its architectural and archival heritage. Equally important is the attention we devote to scientific and economic research which is a core feature of the Group's identity.

In this area the following activities should be noted:

- ◆ **MB Research Area:** this comprises the Mediobanca Research Department and Group company Ricerche e Studi – R&S, which have been operative since 1946 and 1970 respectively. The area is a centre which specializes in economic and financial analysis and research, with a focus on manufacturing enterprise and the industrial economy, issues to which Mediobanca has always ascribed substantial importance, including in connection with its own core business. The area has its own database input with the results of individual restatements of balance-sheet and stock market data acquired exclusively from official and primary sources. Having proprietary data available has enabled the area to construct coherent and consistent historical series, some of which date back to the early 1970s in the



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case of company data and to the 1930s for the stock market figures.

The aim of obtaining and restating the data in this way is to provide the public with an objective and rigorously-compiled benchmark for interpreting structural trends in the Italian industrial economy, publishing annual and sector reports with a view to making knowledge which would otherwise be accessible to only the scientific and professional community available to the general, non-specialist public at no cost whatsoever.

To this end, much of the data thus processed is available free of charge at the area's website (www.mgres.it) which last year was visited by over 40,000 users (3% higher than the previous year), with nearly 60,000 downloads (up 2%). Engagement activity included media presentations and taking part in events promoted mainly by universities and institutional entities, with around 470 citations on printed paper. The area also regularly shares its databases for purposes of academic research or preparation of university research. Citations in scientific journals on works by the area now number more than 1,500.

The outlay incurred by Mediobanca for the area's activity, measured exclusively by giving-back criteria, amounts to around €4.8m per year. The area also manages the Bank's libraries of books and documents, with approx. 15,000 volumes on economics and finance, and 150,000 Italian and non-Italian journals, plus the financial statements of something like 10,000 Italian and international companies in paper format, often dating back to the 1950s. These documents can be consulted on request for research purposes.

- ◆ **"Vincenzo Maranghi" Historical Archive:** the objective of Mediobanca's historical archive is to preserve the Bank's wealth of documents and make it accessible; indeed, the documents from the institution's foundation until 31 December 1966 will soon be available. In 2012 the Archive was given the status of being "of particularly important historical interest", and as such is linked to the archival and librarian Superintendent's office for Lombardy.
- ◆ **Mediobanca Historical Library:** set up in 2014, the Historical Library gives the public access to the Bank's holdings of rare and precious volumes on the history of Italian and international economic analysis, collected over the years by Enrico Cuccia, Vincenzo Maranghi and Ariberto Mignoli. The collection holds over 12,000 volumes.
- ◆ **Istituto Europeo di Oncologia:** the IEO was founded in Milan at the initiative of Mediobanca which is a leading shareholder almost 25% of the share capital. The IEO is the leading private comprehensive cancer centre in Italy, combining clinical work with research. The IEO has a total of 292 beds, and since 1994 has treated something like 850,000 patients; in 2018 some 545 clinical experimental studies were carried out there. It also owns the Istituto Monzino, the leading specialist cardiology centre in Milan. In 2018 a total of €11.6m was invested in oncology-related activities and €4.7m in cardiology-related activities.



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For several years now Mediobanca has also been supporting the work of various cultural organizations such as: **Civita**, which works to promote and protect Italy's cultural and environmental heritage; **ISPI, the Italian Institute for International Political Studies**, which carries out research and analysis into the risks and opportunities at world level for companies and institutions; and the **Ugo La Malfa Foundation**, whose mission is to carry out analysis and research into issues and problems of economic importance and national and international policy.

CheBanca! has always been aware of the talent represented by younger generations, and to this end has launched a series of cultural partnerships which include the following:

- ◆ **Milan Conservatory Orchestra:** the bank's support here has helped to create the Symphonic Orchestra, to serve as a link between the world of education and the workplace. The Orchestra includes Conservatory students among its number, who are asked to take part in all the scheduled productions with the prospect of being directed in the concerts by internationally acclaimed directors;
- ◆ **Lucio Dalla Foundation:** the foundation was set up to commemorate and publicize the famous Italian singer's story, artistic and human, through artistic, cultural and social initiatives for talented young people to offer them concrete opportunities for expression and development;
- ◆ **National Theatre of Milan:** a prestigious institution in terms of its social and cultural value, the theatre supports and stages shows, musical, concerts and a variety of other initiatives.

Outside Italy, **Compagnie Monégasque de Banque** has shown substantial commitment in the area of culture, sponsoring a variety of local institutions such as the **Monaco Philharmonic Orchestra**, which seeks to promote the Principality's image on the global stage, and the **Grimaldi Forum**, Monaco's leading cultural and tourist centre, hosting a wide range of shows and events.

In Switzerland, **RAM Active Investments** is involved in the **RAM Active Philanthropy Foundation**, supporting numerous projects in the areas of medical and scientific research, including: the **Italian MS Association (AISM)**, which supports, directs and finances scientific research into this terrible disease; the **CANSEARCH Foundation**, which has created the first research platform specifically focused on paediatric oncology-haematology, based in Geneva; and the **ARTC - Association pour la Recherche sur les Tumeurs Cérébrales**, set up with the main goal to promote brain tumour research through fellowships or scholarships to young researchers and through direct support of research projects at an early stage.



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SOCIAL INCLUSION

The Mediobanca Group is convinced that an inclusive society must be based on mutual respect and solidarity, guaranteeing equal opportunities and a decent standard of living for all.

To be inclusive is a way of coexisting based on the conviction that each individual is of value and belongs to the community. Defined thus, inclusion may be implemented in a variety of settings.

In the sporting environment, Mediobanca Compass Banca and CheBanca! have joined forces to show their support for the core values traditionally associated with sport: honesty, responsibility, determination and team spirit. The many initiatives supported by the Group include:

- ◆ **INSIEME/TOGETHER:** a three-year project devised in conjunction with CUS Milano Rugby and the Milan city council, to promote opportunities for sport among young people forming part of the weakest areas of society at risk of exclusion in certain peripheral areas of Milan. The initiative, which began in 2017 in the Milanese suburb of Quarto Oggiaro, this year has extended to the Via Padova area and also, as from November 2019, the Baggio area. The sports activities themselves (rugby, volleyball and athletics in particular) will be assisted by the presence of a psychologist to provide support in cases involving the most difficult family situations. Seven volunteers from the Group also took part in the activities on the pitch. The Group also finances the refurbishment of the sports facilities most in need of upgrade in the areas involved.
- ◆ **Italian Paralympic Committee:** since 2016 the Mediobanca Group has been partner to the IPC with the objective of supporting and embedding the values of Paralympic sport as a vehicle for social integration, a sphere which affirms a genuine culture of merit and promotes genuinely open and fair competition;
- ◆ **Mediobanca Group Sport Camp:** a multi-sport camp developed in conjunction with the Milan City Council and run at the "Cesare Beccaria" Institute in Milan to give young offenders an opportunity to spend a week playing sport in a healthy environment which promotes competition, respect for the rules and fair play. The project has also involved improvement of the facilities themselves, with the installation of rugby posts and new goal posts for football. This year, the third time the camp has been run (in June 2019), we once again strengthened our commitment through the direct involvement of some of our own staff, with a team of 21 Group employees taking turns to participate in the activities and assist the Camp staff in the course of the week.

Those in prison have also been included thanks to the following initiative:

- ◆ **The Prisoners Ask Why:** the second edition of this project promoted by Mediobanca and the non-profit organization *L'Arte di vivere con Lentezza* with the co-operation of the Kasa dei



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Libri, engaged with the prison world with the objective of promoting social inclusion through reading. The project involved major Italian writers answering the questions asked by the inmates at a series of meetings held at the five prisons which participated in the initiative. This year a total of 29 volunteers from Mediobanca were also involved in the project.

On the back of their ongoing focus on young people at risk of social exclusion, Mediobanca and CheBanca! have entered into a three-year partnership with Associazione Cometa to run a project under the name of **Accademia del Legno** (the “Academy of Woodworking”), now in its second year of activity, an organization to be run according to a social business model which facilitates the inclusion of young people coming from situations of social, economic and personal difficulties in the workplace, with the objective of becoming a sustainable and self-standing business, which develops services and products of excellence in the furnishing and interior décor sector. There are therefore two sides to the Academy: on the one hand it focuses on training, which is essential for the growth and future career of the students enrolled in the “Oliver Twist” school run by Cometa; while on the other, it functions as a genuine, artisanal start-up venture, manufacturing products of high value in quality terms to be marketed in Italy and exported to international markets.

In 2019, Mediobanca has once again provided concrete support to various charitable institutions operating in the Milan area, in line with its tradition:

- ◆ **Don Gnocchi Foundation:** Mediobanca has decided to focus its contribution for the second year running on the social/educational activities provided by the Centro Vismara towards the south of Milan, an area with significant social problems and high numbers of young people leaving school early as a result, as further proof of our commitment to promoting social integration in the city's suburban areas. This year 28 Mediobanca staff members took part in the Foundation's various activities as volunteers.
- ◆ **VIDAS:** Vidas is a charity which provides complete healthcare and assistance free of charge to patients suffering with terminal cancer, both at home and in the Casa Vidas hospice in Milan. Mediobanca has decided to focus its support on funding the construction of the Casa Sollievo Bimbi which provides care and relief for children and young people at advanced stages of incurable cancer and their families. The new building was inaugurated in March 2019.

Furthermore, through the gift-matching, Mediobanca annually supports a variety of solidarity initiatives, in some of which staff members themselves have taken part as proof of our commitment.

In the United Kingdom, Mediobanca UK has launched a partnership with **Future Frontiers**, a charitably institution offering young people from disadvantaged backgrounds an opportunity to



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receive tailored career coaching meetings to help them get into the work place; the partnership involves ten employees participating directly as company volunteers.

Cairn Capital has launched a CSR programme supporting various initiatives at work in the country, including the following:

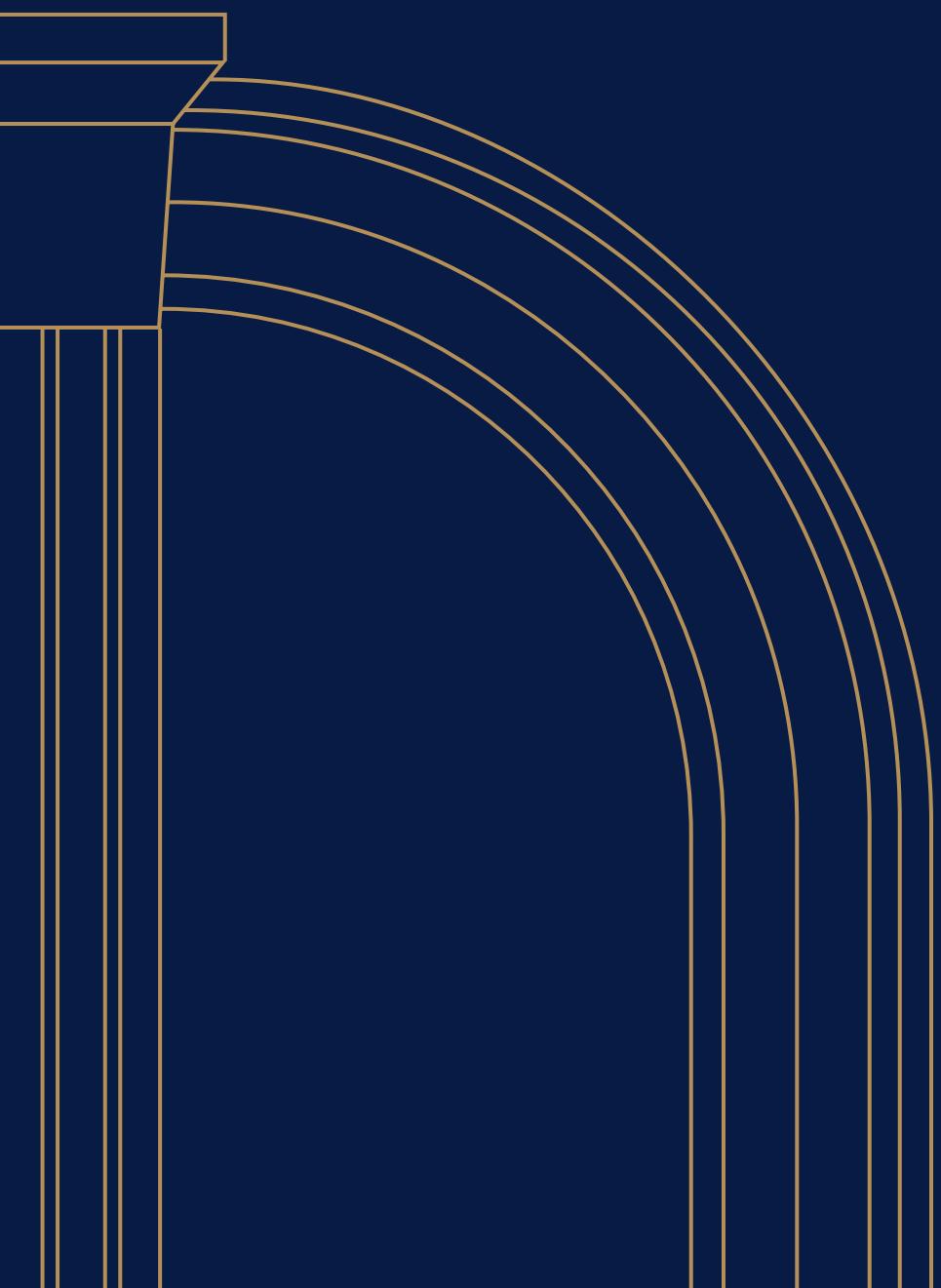
- ◆ **Coram Foundation**: a UK charity which provides practical and direct support to children, the young and vulnerable, including an adoption agency and helping children and young people who have experienced trauma.
- ◆ **STOP the Traffik**: an international organization which combats human trafficking and modern forms of the slave trade. Cairn's contribution is targeted towards raising public awareness through training and information campaigns developed by the UK secret services.
- ◆ **Willow**: a foundation for young adults aged from 16 to 40 who live with potentially lethal diseases. Cairn's contribution is geared to the staging of "Special Days", i.e. memorable events which can give a sense of normality to the lives of those suffering with illness, or given them an opportunity to realize a dream.
- ◆ **One Degree**: an academic association offering to support to students from disadvantaged backgrounds in London, helping them to improve their academic performance.

In Monte Carlo, **Compagnie Monégasque de Banque** supports the Monaco **Hotel Management School**, which provides talented young people with an opportunity to develop their skills in the tourism and luxury hotel industry, which plays a key role in the economy of Monaco.

In Switzerland, **RAM Active Investments**, through the **RAM Active Philanthropy Foundation**, supports numerous social projects, including the following:

- ◆ **Children of the Dawn**: an organization based in South Africa which supports initiatives for children who are orphans as a result of their parents dying from AIDS.
- ◆ **1001Fontaines**: an association which seeks to improve the health of the rural populations in India, Cambodia and Madagascar by offering them sustainable and independent access to safe drinking water.
- ◆ **UNICEF - Emergency Indonesia and Emergency Rohingya**: the UNICEF programme to support families and children affected by the 2018 disaster in Indonesia and to protect the families of the Rohingya community refugees.
- ◆ **Terres des Hommes Valais**: a Swiss organization which, as part of a specialized care programme, welcomes children with diseases and malformations who require specialized operations, using advanced technologies not available in their country of origin.

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8.1 RELEVANT POLICIES AND RISKS

[GRI 102-11], [GRI 102-15], [GRI 103-1], [GRI 103-2]

The Mediobanca Group gears its decisions towards ensuring compatibility between economic initiative and environmental requirements in accordance with the regulations and codes of conduct in force. The Group, as stated in the Group Sustainability Policy, is sensitive to the need to protect the environment as the primary resource of human well-being and acknowledges its impact on the environment, direct and indirect, identifying and assessing the risks associated and seeking to promote sustainable business through its own initiatives intended to limit impact related to its business.

The Group is aware of the importance of identifying and managing non-financial risks such as environmental risks. For this reason it adopts an approach which seeks to identify, assess, prevent and reduce potential risks deriving not only from its own activities but also from:

- ◆ Indirect impacts on the environment, i.e. linked to the supply chain;
- ◆ Investments and loans to counterparties involved in serious events which entail adverse environmental impacts.

For a more detailed analysis of the supply chain and responsible financial investing, reference is made to the relevant sections.

With reference to assets covered by leasing contracts which return to the company's ownership (e.g. because they have not been redeemed or have been collected following contract terminations), all necessary measures are taken to mitigate any environmental risks. The services of leading companies specializing in decontamination and waste disposal are used to perform such activities.



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MATERIAL ISSUES	RISKS IDENTIFIED BY MEDIOBANCA	MITIGATION ACTIONS
Energy consumption and CO₂ emissions Management of direct and indirect environmental impacts of business Sourcing and consumption of sustainable products	Inadequate management of energy resources, raw materials and waste and/or failure to define measurable objectives in terms of energy and material consumption	<ul style="list-style-type: none">◆ The CSR Committee defines measurable objectives in terms of reducing consumption for the Group◆ Group Procurement Committee and organizational unit for selecting suppliers◆ Group organizational unit for facility management◆ Group Sustainability Policy promoting initiatives to limit impact generated on the environment◆ Specific initiatives to minimize energy consumption in programmed restructuring activities◆ Initiatives to reduce production of waste (e.g. dematerialization)◆ Requirement for suppliers to meet technical requisites in terms of energy and use of materials◆ 100% of energy requirements in Italy from renewable sources and progressive transition to FSC paper
Management of direct and indirect environmental of business Staff health, safety and welfare	Environmental and physical security of properties (with reference in particular to those deriving from leasing contracts)	<ul style="list-style-type: none">◆ Group organizational unit which defines guidelines and implements action in the physical security area◆ Group Sustainability Policy promoting initiatives to limit impact generated◆ Compliance with regulations on prevention of safety & physical security risks◆ Specific audit procedures to ensure that the premises are in order and that there are no manifest environmental risks◆ Insurance policies which assess the extent of risks in the ESG area

8.2 MANAGING THE BUSINESS'S IMPACT ON THE ENVIRONMENT

[GRI 103-3], [GRI 307-1]

The Mediobanca Group is committed to limiting the impact on the environment generated by its operations, through:

- ◆ Ongoing monitoring and improvement of environmental efficiency, with reference in particular to the consumption of resources;
- ◆ Developing initiatives to improve energy management, including by sourcing energy from renewable sources and through the use of innovative, lower-impact technologies and solutions;
- ◆ Rationalization of use of resources (e.g. electricity, paper and water);



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- ◆ Improvement in waste management by using sustainable disposal methods where possible;
- ◆ Maintenance of properties and equipment so as to progressively improve environmental performances;
- ◆ Prior assessment of the environmental impact of the new processes, new systems/equipment, and structural and organizational changes.

During the reporting period no significant sanctions were received for failing to comply with environmental laws or regulations.

8.3 ENERGY CONSUMPTION AND CO₂ EMISSIONS

[GRI 302-1], [GRI 302-2], [GRI 302-3], [GRI 302-4], [GRI 305-1],
[GRI 305-2], [GRI 305-3], [GRI 305-4], [GRI 305-5], [GRI 305-6],
[GRI 305-7]

The Group's energy consumption is linked primarily to its use of heating and air-conditioning systems, the functioning of its data centre and server rooms, and to office lighting systems.

Currently the whole Mediobanca Group in Italy uses energy deriving from renewable sources, under the terms of a framework agreement whereby renewable electricity certified by a "Guarantee of Origin" is acquired from CVA Trading. The London office too uses renewable energy.

The most significant emissions are due to the heating and conditioning systems, along with those linked to company travel. The Group monitors its own direct emissions, deriving from direct consumption of energy, i.e. natural gas and diesel for heating and fuel for its company fleet management (Scope 1), indirect emissions deriving from consumption of electricity acquired from third parties (Scope 2), and transfers of its staff members and collaborators by train and by air (Scope 3).

The Mediobanca Group is committed to improving energy management, and to this end has carried out various initiatives in FY 2018-19 in order to reduce consumption:

- ◆ Installation of LED light bulbs in refurbishing Group headquarters and new Compass and CheBanca! offices, recording energy savings of 74,966 Kwh;²⁶

²⁶) The calculation has been made assuming nine hours' functioning for 365 days per year



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- ◆ Installation of high-efficiency heating pumps (third floor of the Mediobanca building in Via Filodrammatici 3 and the whole building in Foro Bonaparte). This has generated energy savings as follows:
 - ◆ 106,382 Kwh in Via Filodrammatici 3;
 - ◆ 181,659.11 Kwh in Foro Bonaparte;
- ◆ Photocopiers are set to turn off automatically in order to save electricity;
- ◆ Equipment fitted with power saving devices: around 3,000 VOIP telephones go into power saving mode between the hours of 6.00 p.m. and 6.00 a.m., PC monitors after 5 minutes of being idle, laptops after 15 minutes of being idle;
- ◆ Refreshment of network equipment, with the aim of obtaining an estimated approx. 15% energy saving versus previous consumption levels, thanks to the use of Cisco's Energy Wise technology which adapts consumption to actual demand for it;
- ◆ The London office took part in the "Earth Hour" event promoted by the WWF on 30 May 2019.

In order to reduce its CO₂ emissions, the Group has promoted initiatives to:

- ◆ Promote the use of video-conference facilities, to reduce staff travel and emissions. Thanks to this initiative, a total of some 2,800 tons of CO₂ emissions were saved during the year under review;
- ◆ Increase the provision of training courses via e-learning methods;
- ◆ Reduce the use of individual means of transport, through provision of a company shuttle bus service to the Milan Compass headquarters (from underground station Lotto to head office in Via Caldera), a special deal with local transport provider ATM offering discounts on season tickets for CheBanca! staff, and a bus shuttle service on order for MIS staff (Mediobanca MISposto);
- ◆ Management of the company car fleet using criteria that promote respect for the environment. The Group's fleet is comprised of vehicles with low CO₂ emissions, latest-generation diesel particulate filters (DPFs) and alternative fuels. Virtually all the cars are in line with the Euro 5 and Euro 6 emissions standards; hybrid plug-in vehicles have also been included in the grids;
- ◆ Promote electric mobility through the installation of two units for charging electric cars and plug-in hybrid cars at the offices of Mediobanca Innovation services.



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Energy consumption and the associated CO₂ emissions are shown in the table below:

DIRECT ENERGY CONSUMPTION			
	UNIT	2018/2019	2017/2018
Direct energy consumption²⁷	Gj ²⁸	59,882.74	40,442.27
From non-renewable sources		25,111.42	26,441.02
Diesel		396.21	327.78
Natural gas ²⁹		24,715.21	26,113.24
From company cars³⁰		34,771.32	14,001.24
Diesel		30,530.34	10,227.21
Petrol		4,240.98	3,774.03

Adjustments made to the data collection process in the course of the year have enabled the consumption of company cars without fuel cards to be monitored as well. This clearly has led to a significant increase in consumption levels compared to last year.

INDIRECT ENERGY CONSUMPTION			
	UNIT	2018/2019	2017/2018 ³¹
Indirect energy consumption³²	Gj	87,331.90	80,505.95
Electricity		86,399.38	78,552.36
From non-renewable sources		9,586.10	9,188.60
From renewable sources		76,813.28	69,363.76
Thermal energy		932.52	1,953.59
From non-renewable sources ³³		932.52	28.93
From renewable sources		0	1,924.65

-
- 27) For direct energy consumption, where figures are not available estimates have been used: for natural gas in cases involving shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building actually occupied, or thousandths of the property owned. For bills still to be received, consumption has been estimated based on the previous year's figures. Data on fuel consumption by company cars which is not available has also been estimated using a similar method
 - 28) Gigajoules
 - 29) Consumption by Cairn Capital Group Limited not monitored (no details available for consumption by the building at which its offices are located)
 - 30) Data on fuel consumption for CMB is unavailable as fuel consumption is paid directly by the employees with no refund
 - 31) The electricity consumption figures have been restated from those published in the Consolidated Non-Financial Statement for FY 2017-18
 - 32) Where indirect energy consumption figures are not available estimates have been used: for shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building occupied. For bills still to be received, consumption has been estimated based on the previous year's figures
 - 33) Thermal energy has been reported on a prudential basis as non-renewable, as the supplier has not issued the required certification to guarantee that exclusively non-renewable sources have been used



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DIRECT AND INDIRECT CO ₂ EMISSIONS ³⁴			
	UNIT	2018/2019	2017/2018 ³⁵
Direct emissions (Scope 1)	Tons CO ₂	4,051.82	2,568.41
From non-renewable sources (natural gas, diesel)		1,463.82	1,528.12
From company cars (petrol and diesel)		2.588	1,040.29
Indirect emissions (Scope 2) – market based		891.75	851.22
From electricity and thermal energy		891.75	851.22
Indirect emissions (Scope 2) – location based		7,500.99	ND
From electricity and thermal energy		7,500.99	ND
Indirect emissions deriving from company mobility (Scope 3)³⁶		2,753.96	3,004.94
Air travel		2,548.60	2,794.55
Domestic flights		452.10	666.87
International flights		2,096.50	2,127.68
Train travel		176.92	191.41
High speed		164.00	161.53
Other types of train travel		12.92	29.88
Third-party car services		28.43	18.98

The Group has recorded the following emission levels for ozone-depleting substances: 121 kg of ODS (95 kg of which R-410A), 1,144 kg of nitrogen oxides, and 162 kg of sulphur oxides.³⁷

ENERGY INTENSITY ³⁸			
	UNIT	2018/2019	2017/2018 ³⁵
Direct energy intensity	Kwh/m ²	101.34	74.83
Indirect energy intensity		147.80	180.67

34) For direct emissions (scope 1), indirect emissions (scope 2) and company cars (scope 3), we have used the emission factors recommended in the "Guidelines on application of GRI (Global Reporting Initiative) environmental indicators in banks" released by the Italian banking association (ABI) and compiled in the Italian Greenhouse Gas Inventory 1990-2015 – National Inventory Report 2017 – by ISPRA (Istituto Superiore per la Protezione e la Ricerca Ambientale). For direct emissions deriving from air and train travel, we have used the emissions factors recommended in the ABI guidelines compiled respectively by the ICAO (International Civil Aviation Organization) and the UIC (Union Internationale des Chemins de Fer) via Ecopassenger

35) The indirect CO₂ emissions figures (Scope 2) have been restated from those published in the Consolidated Non-Financial Statement for FY 2017-18

36) For indirect emissions (scope 3), estimates have been used in cases where no data was available for recent months, based on the consumption figures recorded in the months prior to that; consumptions figures for CMB have not been monitored, as the data was not provided by the travel agency used during the reporting period, hence it is impossible to calculate the emissions from them

37) The car fleet is not considered in the calculation of NO_x and SO_x

38) Ratio between energy consumption and the total surface area of the Group's premises (m²)



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EMISSION INTENSITY ³⁹			
	UNIT	2018/2019	FY 2017-18
Emission intensity (Scope 1)	tCO ₂ /m ²	0.0247	0.0171
Emission intensity (Scope 2)		0.0054	0.0163

8.4 SOURCING AND CONSUMPTION OF SUSTAINABLE PRODUCTS (WATER AND PAPER)

8.4.1 WATER CONSUMPTION

[GRI 303-1]

The Group, on account of the sector in which it operates, does not consume large amounts of water. At the Group's premises, the main source of water consumption is the use of the toilet facilities. To reduce water consumption, special aerators have been fitted to the taps to regulate the flow of water.

WATER CONSUMPTION			
	UNIT	2018/2019	2017-2018 ⁴⁰
Water consumed ⁴¹	m ³	224,401	270,850
Of which from mains		107,511	90,928
Of which from wells		116,890	179,922

39) Ratio between emissions and the total surface area of the Group's premises (m²)

40) The water consumption figures have been restated from those published in the Consolidated Non-Financial Statement for FY 2017-18

41) For water consumption, where figures are not available estimates have been used: for shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building occupied. For bills still to be received, consumption has been estimated based on the previous year's figures. Consumption figures for the Mediobanca London office, Cairn Capital Group Limited and Mediobanca SGR have also not been monitored, as no data for the buildings in which they are housed is available



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8.4.2 PAPER CONSUMPTION AND WASTE MANAGEMENT

[GRI 301-1], [GRI 301-2], [GRI 306-2]

Monitoring of paper and waste is an important issue, in that it allows the Group to intervene with campaigns and initiatives to reduce their consumption by staff members.

The use of paper relates chiefly to the need to print and deliver documentation and/or presentations to the Group's clients and stakeholders. The Group is committed to developing initiatives to reduce the consumption of paper and printing, to the dematerialization of all processes, to raising awareness among staff of the environmental impact of their daily actions, and to promoting virtuous habits. To this end, the Group is committed to sourcing paper from responsibly managed sources.⁴² Toner for printers is another material of which consumption is significant.

To reduce consumption and promote the use of sustainable materials, the Group has promoted a series of initiatives and launched various specific programmes:

- ◆ “Follow me”: for all printers at the various offices, which involves printing via shared printing queue at centralized printers. Every time a staff member wants to print a document, they have to go to the shared printer and enter an access code directly. The campaign has led to a significant reduction in the amount of printing (especially in the number of mistakes or printouts which are forgotten), raising awareness among staff of the issues of sustainability and responsible uses of paper;
- ◆ Printers default configured to double-sided printing;
- ◆ Staff have been encouraged to make greater use of virtual PowerPoint presentations and electronic systems during meetings with clients and stakeholders, to reduce the number of printed copies;
- ◆ Increased digitalization in commercial activities in retail banking, through paperless statements and pdf information prospectus;
- ◆ CheBanca! and Compass have advanced electronic signature service using graphology techniques, which enable customers to sign off instructions and carry out certain investment activities online;
- ◆ Use of iPads by the Boards of Directors of Mediobanca S.p.A., MIS, Compass, CheBanca!, Futuro, MB SGR, MBFACTA and MBCredit Solutions to replace paper-based documentation;

42) E.g. Ecolabel paper or paper which is FSC certified (Forest Stewardship Council) to indicate that the wood has been correctly forested according to rigorous environmental, social and economic standards



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- ◆ Recycled paper used for some communications with Compass customers; since June 2018 has used certified Ecolabel⁴³ paper for paper-based credit card statements;
- ◆ Uncertified 80 gr paper has been replaced with FSC-certified 75 gr paper at the Italian offices;
- ◆ An "Environment" section has been added to training courses starting from July 2019 to increase staff awareness in this area (virtuous conduct, best practice, etc.);
- ◆ Dematerialization has been introduced at Group level for supporting documentation for expense claims, i.e. claims are uploaded to the system and thereafter managed in exclusively electronic format.

PAPER CONSUMPTION ⁴⁴			
	UNIT	2018/2019	2017/2018
Total paper	Tons	558.37	352.68
Paper consumed (A4)		269.50	292.26
Paper consumed (A3)		2.38	3.77
Paper consumed (A5)		0.32	0.29
Paper for commercial uses (business cards and headed paper)		286.16	56.36

Paper consumption was up in the year under review compared to FY 2017-18, due to higher usage of paper for commercial purposes plus the increase in the scope of reporting.

During the financial year, the data on waste collected in Italy refers chiefly to toner, quantified at approximately 7.5 tons, higher than the figure reported last year.

Some of the activities which the Group has promoted in order to reduce waste products are as follows:

- ◆ Glass bottles have replaced plastic bottles in Mediobanca meeting rooms;
- ◆ Adhesive labels have been attached to the waste containers in Mediobanca Innovation Services, to raise awareness among staff members of the need to recycle correctly;

⁴³) This brand distinguishes products and services with reduced environmental impact throughout their lifecycle, thus helping to protect the environment by reducing the quantity of waste and pollution, energy and water consumption, and reducing or eliminating the use of dangerous chemical substances

⁴⁴) For paper consumption, estimates have been used where data for recent months is unavailable, basing the estimates on the consumption figures recorded in the months prior to that



ENVIRONMENT

- ◆ An internal initiative was launched in Mediobanca to replace the plastic cups next to the fresh water distributors, by providing staff with a branded aluminium water bottle, which will help the Bank save over 1.25 tons of plastic each year, equivalent to more or less 3.12 tons of CO₂ emissions in the atmosphere.⁴⁵ This initiative will gradually be extended to the whole Group;
- ◆ The first drinks and coffee machine using bio-degradable cups and wooden spoons has been installed at the Compass office in Via Caldera.

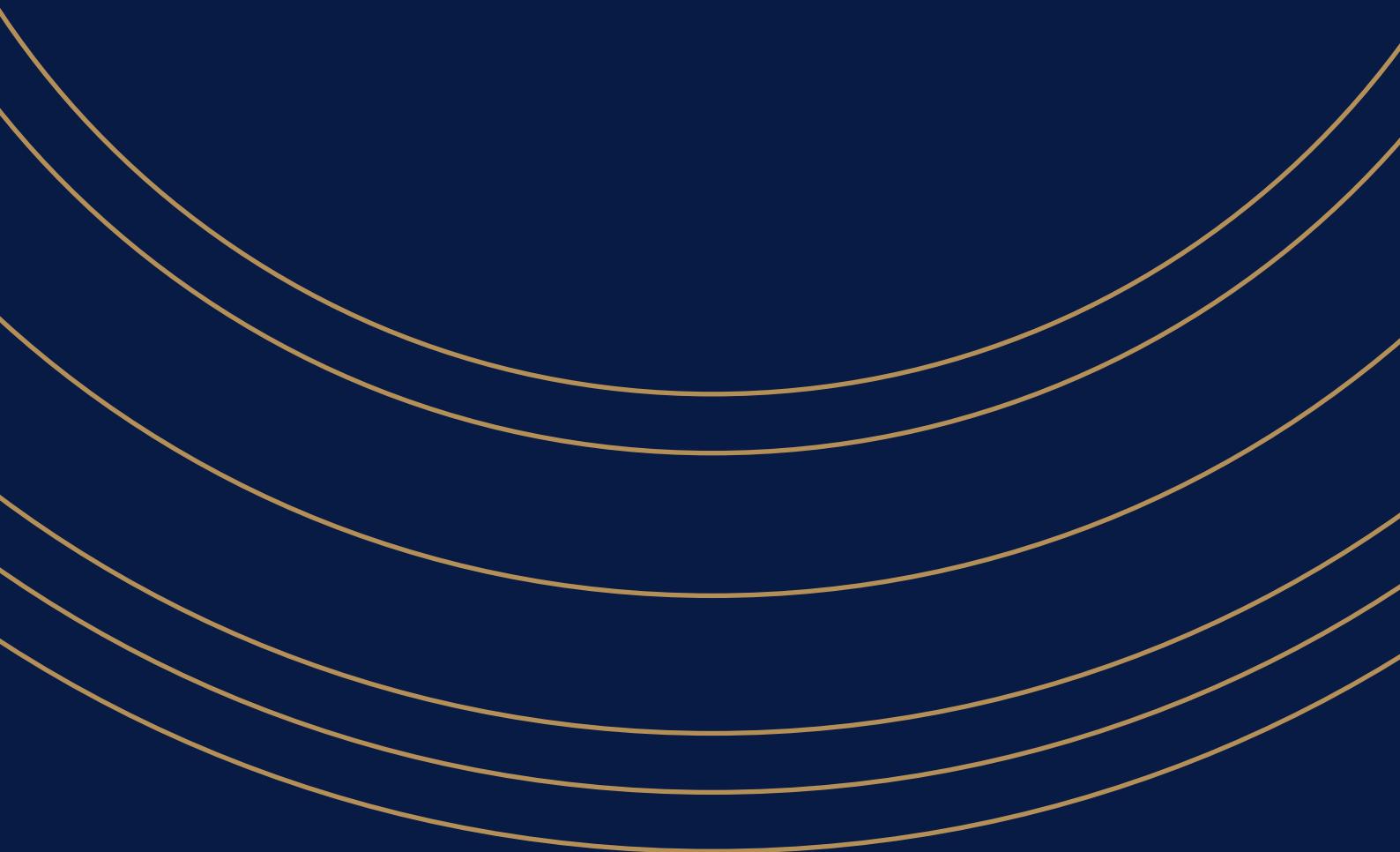
WASTE PRODUCED		UNIT	2018/2019	2017/2018
Waste produced⁴⁶		ton	70.90	76.79
Hazardous waste			13.00	5.44
Toner ⁴⁷			7.50	5.44
Other			5.50	ND
Non hazardous waste			57.91	71.35
Paper wrapping and cardboard			5.38	ND
Plastic			-	0.05
Bulky waste, food and general waste			52.53	71.30

45) Conversion factor: 1 ton of plastic = 2.5 tons of CO₂; for each ton of new plastic produced, 2.5 tons of CO₂ emissions linked to the industrial processes to manufacture it are calculated. The calculation does not consider the further 2.7 tons of CO₂ embedded in every ton of material released into the atmosphere when the plastic is burnt as waste. Source: Material Economics - <https://materialeconomics.com>

46) Data on waste at CMB has not been monitored

47) For dangerous waste, methods based on estimates have been used where data is unavailable; and the data for the Mediobanca branch offices in London, Paris and Madrid have not been monitored

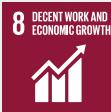
OBJECTIVES AND FUTURE COMMITMENTS





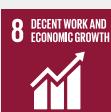
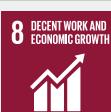
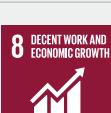
OBJECTIVES AND FUTURE COMMITMENTS

The objectives and future commitments defined by the various units of the Mediobanca Group are listed below, along with the objectives that have been met in the course of FY 2018-19. Starting from the new strategic plan to be approved in November 2019, sustainability objectives will be included among the strategic targets of the plan, as further testimony to the strong drive being given to sustainability issues by the Group.

SDG	COMPANY	OBJECTIVES AND FUTURE COMMITMENTS	STATUS	2018/ 2019	2019/ 2020
Anti-corruption					
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Mediobanca	Organizational model instituted pursuant to Italian legislative decree 231/01: ◆ Updated online training course to be run ◆ Induction session to BoD on new model	Reached		
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Mediobanca	Revision of Agents directive	Reached		
Staff					
 8 DECENT WORK AND ECONOMIC GROWTH	Group Italy	Company welfare system (i.e. provision of non-financial services and instruments) to be developed further for all staff or specific clusters of staff	Reached		
 5 GENDER EQUALITY	Mediobanca	Diversity: implementation of four out of the nine points in the <i>Valore D</i> manifesto, and monitoring of female employment performance indicators	Reached		
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Mediobanca	Online training course on human rights	Launched		
 4 QUALITY EDUCATION	Compass	Training campaign on risk of armed robbery in retail banking network	Reached		
 4 QUALITY EDUCATION	CheBanca!	Healthcare monitoring to be extended to staff working at video terminals following organizational changes which entail an increase in the number of hours spent working at the computer (more than 20 hours per week)	Reached		
 4 QUALITY EDUCATION	Mediobanca	Mandatory online training course on IT security issues	To be launched		
 4 QUALITY EDUCATION	Mediobanca	Increased provision of language learning via LanguageLab online platform	Launched		



OBJECTIVES AND FUTURE COMMITMENTS

SDG	COMPANY	OBJECTIVES AND FUTURE COMMITMENTS	STATUS	2018/ 2019	2019/ 2020
Responsible investing					
	Mediobanca SGR CheBanca!	Mediobanca Social Impact Fund to be distributed via the CheBanca! network through three channels: digital, branches and FAs	Launched		
	Gruppo	Drafting of new Group policy on responsible investing and lending	To be launched		
Clients					
	CheBanca!	Client base of 860,000 to be exceeded: ◆ Net growth of 60,000 clients ◆ 15,000 new investors to be developed	Reached		
	CheBanca! Compass	Maintain previous years' customer satisfaction index levels (CSI) using similar measurement techniques to enable data comparison	Reached		
	CheBanca!	Client multi-channel model service to be made more efficient via: ◆ Enhanced coverage of network by FAs and advisors (more than 80% of total FAs) ◆ Growth in client base and TFAs	Reached		
	Group Italy	Further work on adaptation to new European GDPR: implementation of technological measures to protect data and comply with the data retention obligations	Reached		
Supply chain					
	Group	Most significant new suppliers (>€100,000) must declare that they reject forced and underage labour, commit not to engage in any form of discrimination, and ensure decent working conditions for all staff members	Reached		
	Group	Largest suppliers included in Group register (i.e. over €100,000) must answer specific questions on sustainability and diversity and provide additional information on environmental issues and health and safety in the workplace	Launched		



OBJECTIVES AND FUTURE COMMITMENTS

SDG	COMPANY	OBJECTIVES AND FUTURE COMMITMENTS	STATUS	2018/ 2019	2019/ 2020
Community					
	Group Italy	<p>Crescere che impresa!, the financial education project for schools in poorer areas. Targets for FY 2019-20 are:</p> <ul style="list-style-type: none">◆ 17,800 students◆ 35,600 families/parents◆ 464 Junior Achievement volunteers (50 of whom Mediobanca Group)◆ 774 teachers trained	In progress	 	
Environment					
	Group Italy	100% of electricity to be sourced from certified renewable sources in Italy	Reached and confirmed for new FY	 	
	Mediobanca	Energy saving: replacement of heating and lighting systems in Foro Buonaparte offices and on third floor of Via Filodrammatici 3 building in Milan	Reached		
	Mediobanca Madrid	Replacement of all light fittings at Madrid branch office with LED lightbulbs	Reached		
	Group Italy	Installation of continuous energy consumption systems at all offices for MIS, CheBanca, Compass and Mediobanca headquarters in Via Filodrammatici	To be launched		
	Mediobanca Madrid	Replace water dispensers with mains fed water dispensers. Estimated saving 250 kg of plastic each year	Launched		
	Mediobanca Parigi	Transition to electricity supplied from 100% renewable sources	To be launched		

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[GRI 102-55]



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INDEPENDENT REPORT ON LIMITED ASSURANCE OF CONSOLIDATED NON-FINANCIAL STATEMENT

[GRI 102-56]

INDEPENDENT REPORT ON LIMITED ASSURANCE OF CONSOLIDATED NON-FINANCIAL STATEMENT



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267

To the Board of Directors of Mediobanca SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Mediobanca SpA and its subsidiaries (hereafter the "Group") for the year ended 30 June 2019 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 19 September 2019 (hereafter the "NFS").

Responsibility of Management and Those Charged with Governance for the NFS

Management is responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards", defined in 2016 by the GRI - Global Reporting Initiative (hereafter the "GRI Standards"), identified by them as the reporting standard.

Management is responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Management is responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Management is responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gimma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25121 Viale Duca d'Aosta 28 Tel. 0302697501 - Catania 09129 Corso Italia 202 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Picciapietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felisenti 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 042225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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INDEPENDENT REPORT ON LIMITED ASSURANCE OF CONSOLIDATED NON-FINANCIAL STATEMENT



Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("reasonable assurance engagement"), and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the reporting standard adopted;
 2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
 3. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
 4. understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.
- With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.

INDEPENDENT REPORT ON LIMITED ASSURANCE OF CONSOLIDATED NON-FINANCIAL STATEMENT



5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.
In particular, we held meetings and interviews with the management of Mediobanca SpA and with the personnel of CheBanca! SpA and RAM Active Investments SA we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a Group level and Mediobanca SpA,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.
- for the following companies, Mediobanca SpA, CheBanca! SpA and RAM Active Investments SA, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Mediobanca Group as of 30 June 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Milan, 1 October 2019

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers.

CONTACT DETAILS

[GRI 102-3], [GRI 102-53]

GROUP SUSTAINABILITY

Mediobanca Banca di Credito Finanziaria S.p.A.

Piazzetta Cuccia, 1

20121 Milano

Italy

Tel. no.: (0039) 02-8829.1

sostenibilita@mediobanca.com

www.mediobanca.com

