



MEDIOBANCA

Group Sustainability Reporting



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Introduction

With this, our first Group Sustainability Report, the Mediobanca Group's intention is to inform our stakeholders of the approach and policies we have adopted on social and environmental issues, and to describe the results we have achieved in developing our business on a sustainable business with a view to creating value over the long term.

The report, which will be published once a year, is based on the GRI Standards (in accordance with the "core" option) on sustainability reporting issued by the Global Reporting Initiative (GRI), which are at present the most widely-used standards at an international level in the area of sustainability reporting, and also in accordance with the provisions of Italian Legislative Decree 254/16 on "Non-Financial Information" (compulsory as from 2018). This year the report has been compiled on a voluntary basis, and hence is not subject to assurance by the auditors.

The process of compiling the report has required the involvement of the heads of various company units in order to identify the contents; projects implemented; and related performance indicators. The data and information shown herein refers to the financial year ended 30 June 2017. Unless stated otherwise, the scope of reporting is the same used in the preparation of the consolidated financial statements as at 30 June 2017. In this connection, it should be noted that the data on the Mediobanca Group's social and environmental performances does not include Banca Esperia, acquired in the fourth quarter of the financial year under review.

Some of the principles underpinning the GRI on which the report has been based include Materiality, Stakeholder Inclusiveness, Sustainability Context, and Completeness. The importance of the information has been defined via analysis of materiality as required by the GRI Standards (for further details please see the section on "Analysis of issues material to the Mediobanca Group"). To ensure the information contained in the report is as reliable as possible, priority has been given to the inclusion of measurable indicators. With reference to the scope of reporting, the Group's intention is to expand this gradually. Furthermore, the Group is also committed to: further extending activities of dialogue and stakeholder involvement, identifying the measures suited to implementing the policies and commitments defined in the sustainability area, and identifying and managing the associated risks.



1 Identity

1.1. Mediobanca Group

Set up in 1946, the Mediobanca Group provides finance and specialist services to corporates and households (mortgages, personal loans and consumer credit), and operates in the asset management sector.

Tradition and innovation meet in the different aspects which make up the Group and contribute equally to the company's performances: lending and merchant banking, consumer banking and wealth management.

Its roots are in medium- and long-term financing and investment banking, where over the years it has achieved leadership in the Italian market and a recognized position in Europe, making the Group a partner of choice for companies in their plans for financing, growth and international expansion.

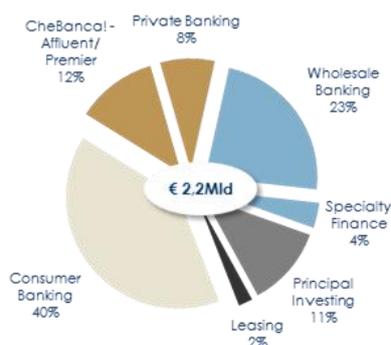
Furthermore, through Compass Banca, the Group has worked alongside Italian households for more than sixty years now, helping them to realize their plans as one of the first companies in Italy to offer consumer credit solutions, and positioning itself as one of the leaders in a growing market.

The most recent division to be set up is Wealth Management, development of which is one of the priority objectives of the 2016-19 Strategic Plan, by leveraging on the Group's strengths and grouping companies based on their clients:

- ◆ Affluent and Premier: addressed by CheBanca!, the multi-channel bank launched in 2008 to meet the demands of customers looking for innovative and transparent banking products, and which, with the acquisition of Barclays's Italian operations, has already gained a sound foothold in the target client's segment, at the cutting edge in terms of technology
- ◆ Private & HNWI: addressed by Banca Esperia (Private Banking), launched as a joint venture with Banca Mediolanum and now 100%-owned, Compagnie Monégasque de Banque (private banking), and Spafid (multi-family office and fiduciary business)

The division also comprises Mediobanca Asset Management, the product factory which Mediobanca intends to set up to serve the Group sales networks by leveraging on existing capabilities: Cairn Capital (alternative AM), Duemme SGR (formerly Esperia), and Compagnie Monégasque de Gestion (CMG, formerly CMB).

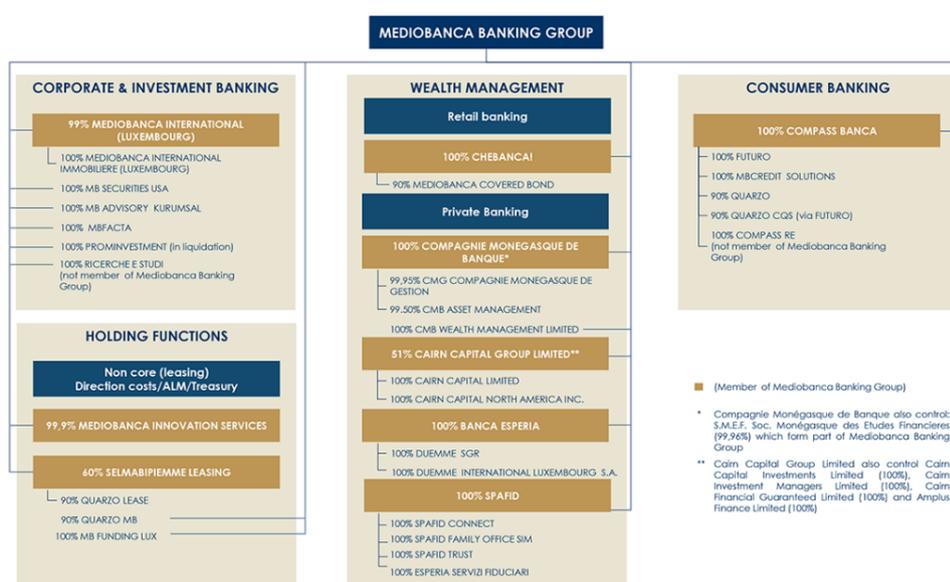
Income by business area





The business model is based on three highly specialized businesses:

- ◆ Corporate & Investment Banking (CIB)
- ◆ Consumer Banking (RCB)
- ◆ Wealth Management (WM)



In recent years the Group has actively managed its equity investment portfolio, eliminating some of the cross-shareholdings, withdrawing from the various shareholder agreements, and disposing of investments considered to be non-strategic.

1.2. Governance model

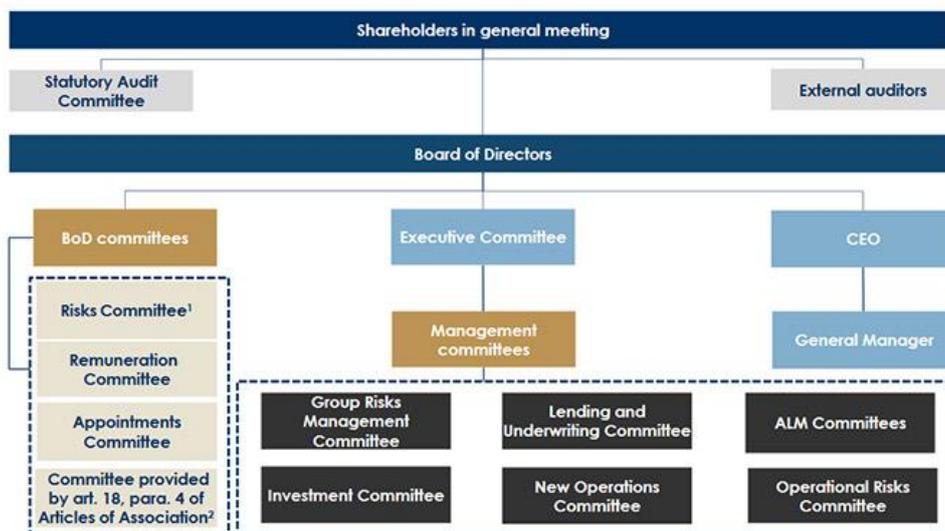
Mediobanca adopts a traditional model of corporate governance, with the shareholders themselves appointing members of the Board of Directors and Statutory Audit Committee in the annual general meeting.

With this model, the Group's governance reflects a clear distinction between the roles and responsibilities of the governing bodies, as described in the Articles of Association:

- ◆ The Board of Directors is the body with responsibility for strategic supervision, adopting resolutions on the Bank's strategic direction and supervising its implementation on an ongoing basis;
- ◆ The Executive Committee, if appointed, is the body with responsibility for management, and along with the Chief Executive Officer is responsible for implementing the company's strategic direction and operations;
- ◆ The Statutory Audit Committee is the body with responsibility for control.



The diagram below illustrates the model in force:



The Board of Directors currently consists of 17 members, ten of whom qualify as independent under the definition provided in Article 148, paragraph 3 of the Italian Finance Act, of which ten eight also qualify as independent according to the definition provided in the Code of Conduct in respect of Listed Companies operated by Borsa Italiana. The Board’s composition also complies with the regulations in force on equal gender representation.²

The Board of Directors, at the Appointment Committee’s proposal, has instituted an Executive Committee, and in accordance with the recommendations laid down in the Code of Conduct in respect of Listed Companies and the Bank of Italy’s instructions on corporate governance, has also established Risks, Remunerations, and Appointments Committee, all of which consist exclusively of non-executive Directors and a majority of independent Directors from whose number the Chair is appointed.

As from the next reappointment of the governing bodies, i.e. from the Annual General Meeting called to approve the financial statements for the year ended 30 June 2017, the provisions of Article 15 of the Articles of Association shall apply. Accordingly, at the Annual General Meeting to take place on 28 October 2017, the shareholders of Mediobanca shall appoint a Board of Directors to comprise between nine and fifteen members, two of whom shall be appointed from the lists submitted by minority shareholders, and three of whom shall be chosen from among employees with at least three years’ experience of working for Mediobanca Group companies. Moreover, at least one-third of the Board members shall qualify as independent under the terms of the definition provided in Article 19 of the Articles, and at least one-third of the posts shall be reserved to the less-represented gender. No Director aged over seventy-five may be elected. As required by the regulations in force, Board members must also possess the requisite personal and professional qualifications, be able to devote suitable time to their duties, comply with regulations in terms of the number of posts held, and not find themselves in any of the situations which would render them incompatible for the position listed in Article 36 of Italian Law 214/11.

Directors are appointed on the basis of lists which may be submitted by the Board of Directors itself and/or by shareholders representing at least 1% of the Bank’s share capital in the

1) Also acts as Related Parties Committee.

2) This Committee adopts resolutions in respect of decisions to be taken in general meetings of listed investee companies in which the investment held is equal to at least 10% of its share capital and at the same time involves an amount in excess of 5% of the Group’s own consolidated regulatory capital.



aggregate. Lists of candidates which are submitted must also take into account the guidelines contained in the "Report on the qualitative and quantitative composition of the Board of Directors" published on 14 June 2017, to which reference is made and which is available on the Group's website.

The Statutory Audit Committee will also be reappointed on 28 October 2017.

Three standing and three alternate auditors will be appointed from lists to be submitted by shareholders jointly or severally representing at least 1% of the Bank's share capital in accordance with the terms and conditions of Article 28 of the Articles of Association and the applicable legal and regulatory provisions in force. Lists containing a number of candidates equal to or above three must ensure that the balance between male and female candidates complies with at least the minimum requirement stipulated by the regulations (one-third).

The candidate ranking first in the section for election of standing auditors in the list ranking second in terms of the number of votes cast is appointed Chairman of the Statutory Audit Committee.

Detailed information on the corporate governance model and on the composition of the governing bodies is provided in the "Statement on Corporate Governance and Ownership Structure" available on the Bank's website at www.mediobanca.com in the section entitled Corporate Governance/AGM 2017 and also contained in this Annual Report.

Il Consiglio di Amministrazione attualmente in carica è composto da 17 componenti, di cui 10 indipendenti ai sensi dell'art. 148, comma terzo del TUF e tra questi 8 sono indipendenti ai sensi del Codice di Autodisciplina. La sua composizione rispetta le previsioni di legge sull'equilibrio dei generi.

1.3. Compliance, internal control and risk management

The Mediobanca Group is distinguished by its prudent and selective approach to risk management, its excellent asset quality and high capital ratios, which are far above the minimum requirements and among the highest of all Italian banks.

In order to manage the implicit degree of uncertainty typical of banking and financial business, 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 staff;
- ◆ Supporting the formulation and implementation of company strategies;
- ◆ Promoting growth for the Bank and returns for shareholders which is sustainable and enduring;
- ◆ Structuring effective and reliable company processes and procedures.

The internal control system is the set of company rules, procedures and structures put in place to ensure that the corporate processes function smoothly and efficiently, to guarantee the reliability and integrity of the accounting and management information, and to ensure compliance with the regulations and risk management.



Risk management involves management bodies and control units and the different operations teams of both Mediobanca S.p.A. and the Group companies, each with different roles and responsibilities. The main company units involved in risk management and control are as follows:

- ◆ **Group Audit Unit:** the Group Audit Unit, centralized at Mediobanca S.p.A. but covering the Group as a whole, is organized so as to monitor and ensure on an ongoing basis that the company's internal control system is functioning effectively and efficiently. The unit is responsible in particular for assessing the thoroughness, adequacy, functioning and reliability of the individual components of the internal control system. It has direct access to all useful information, and has adequate means for performing all its duties. The head of the Group Audit Unit, who reports directly to the Board of Directors, takes part in meetings of the Risks Committee, to support the Committee in its supervisory activities.

- ◆ **Compliance & AML:** the Compliance unit manages the regulatory and reputational risks of the Group, and monitors in particular that the internal procedures set in place are consistent with the objective of preventing breaches of regulations applicable to the Bank and the Group.

For the Bank, the unit proposes and monitors the adoption of procedures intended to manage risks of non-compliance, ensures staff are fully updated on developments in the domestic and European regulatory scenario, and prepares the appropriate reporting flows to the governing bodies and the units involved. On behalf of the Group the unit also handles relations with the regulatory authorities on matters which fall within its remit.

The unit manages compliance risks at the Group company level as well, with the assistance of representatives and officers of the various Group companies, who in functional terms report to the head of the Compliance unit on such matters, and ensure adequate reporting flows, regular and occasional, in accordance with the Compliance unit's own regulations.

The AML unit forms part of the Compliance unit, and has the objective of preventing and tackling breach of the regulations on money-laundering and terrorist financing. The head of the Group Compliance unit, who reports directly to the Board of Directors, takes part in meetings of the Risks Committee, to support the Committee in its supervisory activities.

- ◆ **Risk Management:** the Risk Management unit is responsible for identifying and implementing the risk management process and for ensuring it is embedded across the Group as a whole. To this end it presides over the functioning of the Group's risk management systems, defining the appropriate methodologies for measuring the current and future set of risks faced by them. The unit ensures ongoing control of the aggregate exposure, at Group and individual unit level, to credit, financial, liquidity, operational and other relevant risks, within the limits set by the internal and supervisory regulations.

The Chief Risk Officer is responsible for identifying and implementing the risk management process, by developing risk management policies which include defining and quantifying risk appetite and risk limits at both the individual operating unit and Group-wide level. The Chief Risk Officer reports to the Chief Executive Officer, and attends meetings of the Risks Committee, assisting it in its control activities.

- ◆ **Heads of business units:** the heads of the business units, or risk owners, are responsible for ensuring that the risks related to the activities performed by them are managed correctly and for implementing suitable control measures.



In addition to the principal risks faced by the Group, mainly those typical of the financial sector such as credit risk, market risks, exchange rate risk, liquidity risk, and operational risks (for further details please refer to Part E, "Information on risks and related hedging methods" of the financial statements for the year ended 30 June 2017), various non-financial risks have also been identified, notably:

- ◆ **Strategic risk:** both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- ◆ **Compliance risk:** i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- ◆ **Reputational risk:** i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

Monitoring the above risks is an essential prerequisite to guaranteeing the generation and protection of sustainable value over time, and impacts on issues deemed to be priorities for the Group, such as maintaining a high quality of service and client satisfaction levels, transparency of information on products and services, innovation, the multi-channel approach and digitalization of services and data security, to safeguard the ethics, business integrity and brand protection.

The Group is equally aware of the importance of identifying and managing non-financial as well as financial risks, such as social and environmental risks linked in particular to its own business activities.

To this end a Group Sustainability Policy has been approved. The Policy is structured across the different areas in which the Group is committed to assessing its own risk profile, to be integrated where necessary into the existing monitoring and management processes. Indeed, as the Policy states, the Group believes that responsible investment policies and good corporate practices help to build confidence on the part of investors and markets as well as to help strengthen the Bank's reputation. Ensuring that environmental, social and governance criteria (ESG) are suitably integrated into the investment and lending processes is a key factor in pursuing the creation of value in social and environmental as well as earnings and financial terms. The Policy thus represents the starting point for a defining a process whereby assessment of not only financial but also environmental and social factors underpins investment and lending decisions.

The Group adopts an approach which is aimed at identifying, assessing, preventing and reducing potential risks deriving from investments and loans to counterparties involved in serious events which impact negatively on the environment, human rights and workers' rights, bribery and corruption and terrorism.

With reference to assets fully available to the company under the terms of leasing contracts (e.g. assets not redeemed or assets withdrawn following contract terminations), all necessary measures are taken to mitigate the possibility of environmental risks. Leading specialist waste removal and treatment firms are used by the company for this purpose.



1.4. Approach to preventing and tackling bribery and corruption

The Mediobanca Group, as stated in the Group Sustainability Policy, conducts its business in accordance with the highest ethical standards, and does not tolerate any form of corruption, whether active or passive. The Group operates in compliance with all applicable laws and regulations on this matter. To ensure compliance with the regulations, the Group prepares its own internal regulations, procedures and controls, drawing inter alia on the regulations in force in the various countries in which it operates; arranges regular training; and carries out checks and audit activities. In this connection, in the past twelve months some 260 hours of training on anti-bribery issues has been provided in Mediobanca alone, and the Group Audit Unit has carried out thirty audits on the main areas identified as "sensitive" as part of the model instituted pursuant to Italian Legislative Decree 231/01. A further eight audits have been carried out which are of relevance in relation to the issue of bribery.

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.

Coverage of corruption risk is enhanced through the processes of reviewing and selecting suppliers and collaborators, including advisors and interns.

In particular Mediobanca has adopted the following instruments to tackle the problem of bribery:

- ◆ An organizational model pursuant to Italian Legislative Decree 231/01, updated in the course of 2015, the purpose of which is to prevent possible crimes related to bribery and corruption being committed by senior figures within the Group via the application of specific internal controls;
- ◆ A collection of provisions, updated in September 2015, on anti-bribery issues relating to the countries in which Mediobanca and its branch offices operate. For the London branch in particular, a UK anti-bribery directive has also been adopted, which was updated in 2013;
- ◆ A Gift Directive, updated in September 2015, which sets out precise rules on the possibility of receiving and offering gifts from and to third parties;
- ◆ An Agents Directive, updated in October 2015, which defines the procedure for appointing agents, introducing criteria and controls to take into account the risks of bribery and corruption;
- ◆ Hiring Procedures, updated early in 2017, which set out the controls which representatives of Human Resources must perform to check whether a new candidate has any relations of kinship or other ties with the person who proposed his/her candidature.

To strengthen this approach, the Mediobanca Group revised its Code of Ethics in December 2015 and Mediobanca prepared a Code of Conduct in June 2016 (which is in the process of being incorporated at Group level).

In addition to the internal and external policies, in order to prevent and reduce events related to corruption, risk management and assessment procedures have been developed for risk related to bribery.



In Mediobanca, the Compliance unit performs an annual risk assessment which includes identification of the bribery risk profiles, in view of the regulations in force, ensuring that the principles of conduct set out in the model instituted pursuant to Italian Legislative Decree 231/01 are adhered to.

Every two years a risk assessment is also conducted of risks related to bribery at the level of the individual business units.

A whistle-blowing policy has also been adopted to allow staff members to report, anonymously if they prefer, 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. This policy, which has been adopted by all Group companies, sets out the principles, methods and measures put in place to ensure the whistle-blowing process functions correctly, while at the same time safeguarding the confidentiality of the parties involved.

No instances of bribery or corruption were recorded during the period under review.

The Group also identifies and prevents or manages situations which involve conflicts of interest that could damage a client to its own advantage or to the advantage of another client, requiring all staff members and parties who have dealings with the Group to disclose explicitly any potential such conflicts.

1.5. Sustainability governance

The Mediobanca Group is convinced that fair, transparent and responsible conduct

increases and protects its reputation, credibility and consensus over time, all of which are prerequisites to deliver sustainable growth for the business with a view to creating and protecting value for all its own stakeholders.

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. In particular the Chief Executive Officer:

- ◆ Defines the Group's policy in terms of corporate social responsibility (CSR) for submission to the approval of the Board of Directors;
- ◆ As part of the budget approved by the Board of Directors, proposes the CSR budget at Group level and monitors its performance;
- ◆ Prepares the draft version of the Group Sustainability Report and methods of disclosure;
- ◆ Reports regularly to the Board of Directors on the activities performed.

To perform the duties assigned to him, the Chief Executive Officer is assisted by a CSR Committee consisting of:

- ◆ Chairman
- ◆ General Manager
- ◆ CEO of Compass and CheBanca!



- ◆ Planning, Accounting and Financial Reporting
- ◆ Group HR and Organization
- ◆ Group Sustainability

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, supporting him in all issues relating to social responsibility and ensuring the Group is positioned correctly on these issues in its various areas of operation. It also handles relations with the national and international CSR network, and manages implementation of projects with social/environmental impact.

In 2017, to define its commitment in this area, the Board has responsibility for approving the Sustainability Policy at Group level, 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 Group Sustainability 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 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.

The Group Sustainability Policy was approved by the Board of Directors on 3 August 2017, and will be adopted by all Group companies.

To embed and promote a corporate culture based on ethics, integrity and sustainable business, the Group has adopted a Code of Ethics which sets out the main principles on which the protection of its reputation rests, and contains the values underpinning the Group's day-to-day operations.

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

1.6. Sustainable development goals

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.



The Sustainable Development Goals (SDGs) are common objectives in areas which are fundamental to ensure sustainable development of the planet.



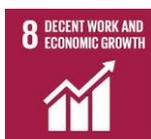
“Common objectives” means that all member countries and individuals are required to contribute, combining forces on a collaborative basis and in partnership. Businesses too are therefore required to play an activity role, as with their resources and capabilities they are able to have a fundamental impact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

Analysis has revealed that globally all countries fall significantly short of reaching the SDGs, and that the progress achieved with the existing business is insufficient to allow the world to reach the goals within the fifteen years set as an objective. Urgent change is therefore necessary, at exponential growth rates, with people at the centre.

The Mediobanca Group is committed to making a contribution to positive change at world level, to begin with by focusing on the following targets:



100% of the electricity acquired by the Group in Italy derives from certified renewable sources



The Group's continuing growth fosters ongoing job creation and protection, with priority given to recruiting young people



The Group has adopted strict internal procedures to prevent the risk of instances of bribery and corruption from being committed



1.7. Analysis of issues material to the Mediobanca Group

Issues which reflect significant impact in economic, environmental and social terms on the organization or which could substantially affect the assessments and decisions taken by the stakeholders are described as "material". Such issues are also important for risk management and strategy, and constitute the basis of non-financial reporting.

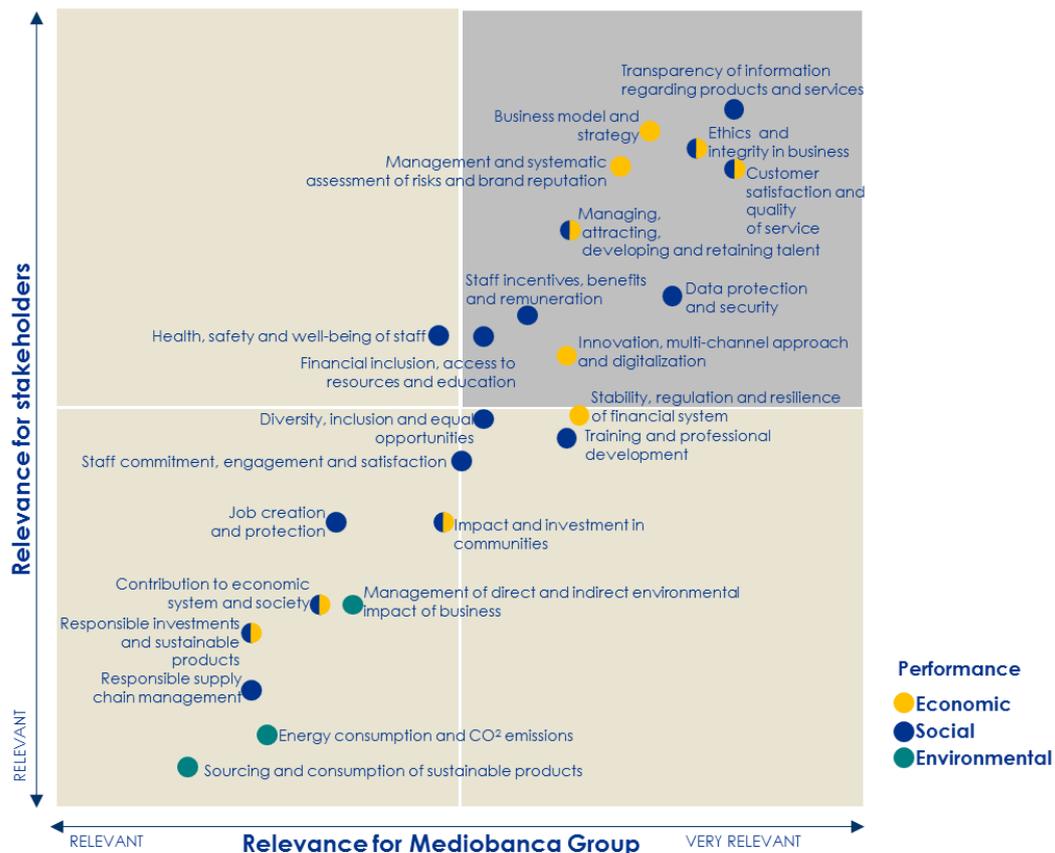
In 2017 the Mediobanca Group completed its first analysis of materiality, with the objective of identifying the relevant issues for itself and the Group's stakeholders; issues which impact significantly on the Group's capability to create value in the short, medium and long term.

The analysis process took place in two phases: in the first, based on benchmark analysis of the financial sector and specific studies and guidelines in the sustainability area, a total of over fifty issues were identified with the potential to impact on the financial sector. Thereafter these issues were analysed indepth with the heads of fifteen different units and Group companies, with a view to defining their relevance.

The result of this comparison allowed the twenty-three main issues to be identified for inclusion in the materiality matrix.

For this first year only, the external stakeholders' perception has been provided for assessment by management.

The matrix formation process represented below has been ratified by KPMG.





2 People

2.1. Mediobanca Group staff

In a competitive scenario where the business and consumption models are undergoing constant and in-depth 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 and developing their professional abilities.

Our staff members are our human capital and the indispensable foundation of the Group's competitiveness.

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.

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, all of which 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, as required by the regulators, the Bank undertakes to ensure that its staff members are equipped with the capabilities and professional skills necessary to perform the responsibilities assigned to them.

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.

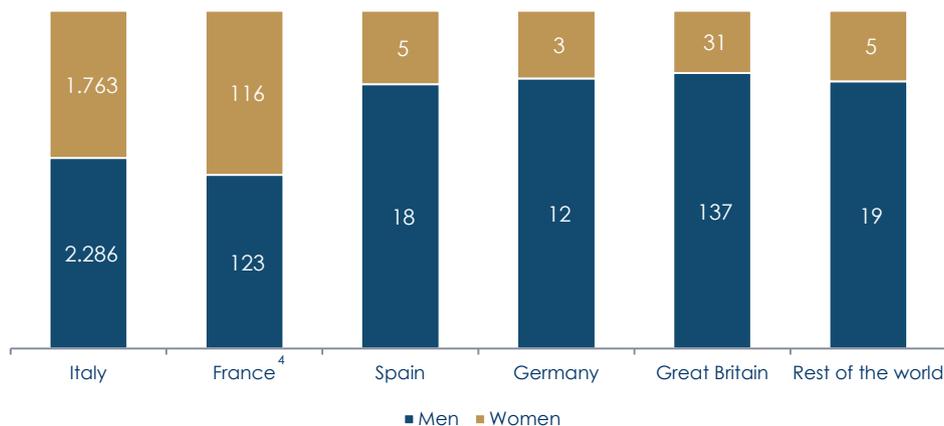
The Group has adopted a Staff Management Policy which describes the roles and responsibilities of all bodies involved in the staff management process: the Board of Directors, Chief Executive Officer, General Manager and Human Resources. The internal procedures and general staff selection, assessment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

At the end of the financial year under review, the Mediobanca Group had a total of 4,518³ staff on its books, 43% of whom are women. International expansion has translated to increases in the headcounts of the Mediobanca offices located in London, Madrid and Paris. Nonetheless, the majority of the Group's staff, some 90%, is based in Italy, confirming our strong local roots. The most-represented professional category is that of employee (see table below), which accounts for 56% of the total.

3) This total does not include the 280 Banca Esperia staff acquired in the fourth quarter of the financial year



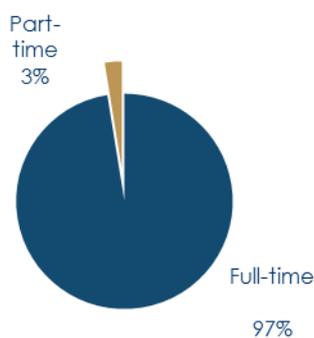
Employees by region



Staff members per professional category

Professional category	Men	Women	Total
Senior management ⁵	4	1	5
Management	277	45	322
Middle management	1,120	534	1,654
Employees	1,194	1,343	2,537
Total	2,595	1,923	4,518⁶

Full-time and part-time staff



Staff members by age bracket



The majority of our employees, some 75%, is between thirty and fifty years of age, while the average age is around the 40 mark. In terms of length of service, the highest concentration is

4) Total includes staff employed at Compagnie Monégasque de Banque

5) "Senior management" refers to the five directors of Mediobanca S.p.A. who are also members of the Group's senior management

6) This total does not include the 280 Banca Esperia staff acquired in the fourth quarter of the financial year



in the 0-5 years bracket (42% of the Group population), a level which is consistent with our continuing growth as a company.

Some 97% of the contracts are permanent, 42% of which are in respect of women.

As at end-June 2017, a total of 225 other people were engaged to work on behalf of the Bank under a variety of contractual arrangements (internships, consultancies and other collaborations, etc.), in accordance with the legal and regulatory provisions in force in this area and in relation to the business requirements.

During the course of the year a total of 769 new staff were added, 90% of whom in Italy and 5% in the United Kingdom. This increase was driven primarily by the growth of the commercial network and by the reinforcement of the corporate structures. During the course of the year, 325 employees left the Group.

Employees hired and Employees leaving the Group by gender and age	Total	Male	Female	< 30	30-50	>50
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Employees hired	769	454	315	140	519	110
Employees leaving the Group	325	194	131	81	200	44

Employees hired and Employees leaving the Group by geographical area	Total	Italy	France	Spain	Germany	United Kingdom	Rest of world
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Employees hired	769	690	40	1	2	35	1
Employees leaving the Group	325	256	30	2	7	30	—

Turnover rate	Total	Italy	France	Spain	Germany	United Kingdom	Rest of world
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Turnover rate for employees hired ⁷	17%	17%	17%	4%	13%	20%	5%
Turnover rate for employees leaving the Group ⁸	7%	6%	13%	9%	47%	17%	—

2.2. Skills training and development⁹

In view of the increasing international dimension of the Group's businesses, the technological changes to banking services, and the ongoing transformation in the sector regulations, the Mediobanca Group recognizes the strategic 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.

7) Ratio between staff hired and total number of staff on the books as at 30/6/17

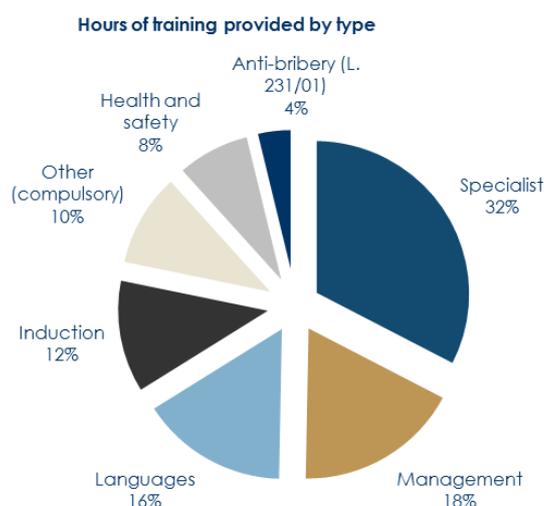
8) Ratio between staff leaving the Group and total number of staff on the books as at 30/6/17

9) The training data covers approx. 87% of the Mediobanca Group staff



The Group fosters ongoing, structured technical and managerial training programmes¹⁰; and at the same time, 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 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 66,813 hours of training were provided, of which 56% to employees, 40% to middle management, and 4% to management. 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 (32%), management training (18%) and language lessons (16%).



Hours of training provided by gender and contract type

	Men	Women	Total
Senior management	9	3	12
Management	2,523	316	2,839
Middle Management	17,577	8,816	26,392
Employees	17,877	19,694	37,571
Total	37,986	28,827	66,813

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 over five thousand hours' training. Another 2,500 hours of training was provided on compulsory issues, such as the organizational model implemented pursuant to Italian Legislative Decree 231/01, data privacy, health and safety, anti-bribery, anti-money-laundering, data protection, market abuse and information security.

¹⁰) Data for Mediobanca does not include the hours of technical and managerial training provided during the year



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.

2.3. Diversity and human rights

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.

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.

With reference to the employment of differently abled people within the Group, Mediobanca seeks to manage diversity in this area in accordance with the regulations and practices provided for in the applicable legislation and by encouraging the different areas of the company to employ staff with different abilities. As at 30 June 2017 a total of 195 differently abled people were employed by the Group.

The Group, in line with what has already been stated regarding the issue of diversity, 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.

The Group identifies and assesses the risks related to the protection of internationally recognized human rights, in particular in connection with scenarios, situations and operations with the potential for being affected by conflicts or breaches. To this end it seeks to develop



relations of trust and mutual satisfaction with its clients, suppliers and commercial partners, and avoids engaging in relations with parties implicated in unlawful activities which could lead to potential breaches of abuses of human rights.

The objective of protecting Human Rights is pursued in a variety of ways, including through action 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 (in this connection it should be noted that the national collective employment contract for the sector covers all staff in Italy, and a total of 1,243 employees are registered with a trade union, all of whom in Italy); 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 form 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.

During the year under review, no episodes of actual or alleged discrimination or breach of human rights has been recorded or reported.

2.4. Talent and performance management

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, as part of the Group Succession Planning Policy, a total of 29 key positions have been identified, including the executive directors, for which internal staff have been identified so as to guarantee succession. The skills required by the leadership profiles required to be filled by the candidates have been defined and formalized. The Chief Executive Officer and General Manager, with the support of Human Resources, select the staff members who are able in the short and medium term to replace the key positions. For this reason growth and development pathways are identified, including terms of involvement in specific strategic projects, exposure to the Board and Committees, international and intra-Group rotation. The selection is based on an assessment of professional and technical qualifications, as shown by CV and career pathway, service and performance over time, possession and development of key leadership skills. The results of the process are then submitted to approval by the Appointments Committee and the Board of Directors.

In recent years a Junior Talent Programme has also been run. This is a scheme to recruit high-potential staff by offering new graduates a quality training experience and promoting internal mobility through rotations, within Italy and elsewhere, which increases Mediobanca's appeal as a potential employer for talented young people.

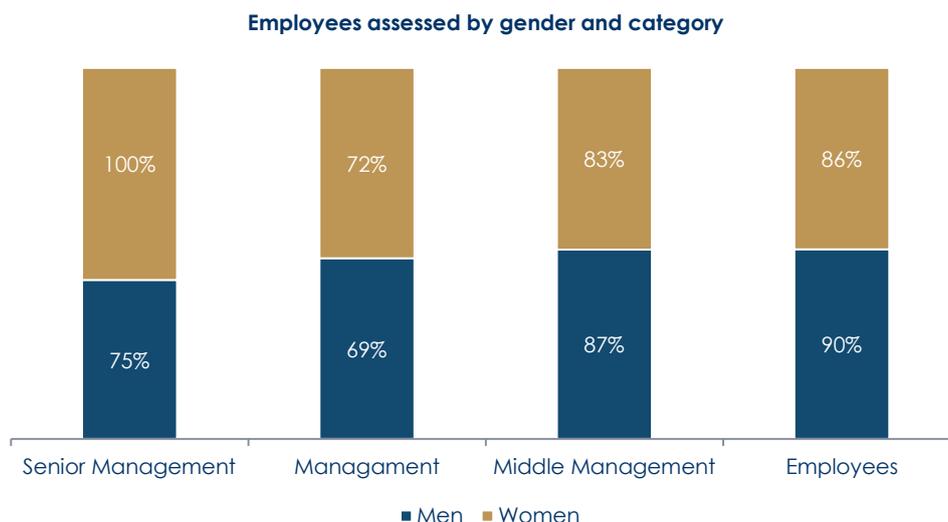


The Group adopts a constructive approach to professional development which is geared to achieving results over the long term. As proof of this commitment, instruments to support staff assessment have been adopted, with a view to constructing development and training pathways which are consistent and effective for the business. Performance evaluation is the system which meets the need for objectivity in terms of assessing individual performances and defining responsibilities.

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 3,696 employees were assessed (58% men and 42% women) equal to approx. 86% of the company population.



2.5. Staff remuneration and benefits

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. In conjunction with the staff assessment process and in agreement with the General Manager and/or the Chief Executive Officer, Group HR also supervises the career



advancement processes in accordance with the provisions of the Succession Planning Policies.

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.

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

In line with the market, compensation is complemented by a series of fringe benefits which constitute an integral part of the overall package. The benefits chiefly consist of pension, insurance and healthcare schemes. The benefit schemes are sometimes distinguished by families of professionals but do not make provision for individual discretionary systems. The Bank's complementary pension scheme was established in December 1998 for all staff, with contribution rates distinguished by category and length of time employed by the company.

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

2.6. Health and security promotion and protection

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.

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 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. 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 devices, use of video terminals, work-related stress, and in the retail area in particular, risk of armed robbery.



The process of assessing health and safety risks has reduced the number of accidents to employees and collaborators in the work place. 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 70 accidents were reported Group-wide, fifteen of which in the workplace itself (nine to men and six to women) and 55 while on their way to work (38 to men and 17 to women), all in Italy.

	Total	Men	Women
Seriousness indicator ¹¹	0.10	0.10	0.10
Incidence rate ¹²	9.99	11.65	7.74

No fatal accidents were reported, either for staff or close external collaborators; and no cases of professional illness were recorded either.

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 (5,264 hours of training were provided to Group employees during the reporting period), and implementing communications programmes and awareness-raising activities. 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, and revision of the emergency and fire evacuation system.

11) This indicator represents the impact of accidents on the business itself leading to the employee concerned being absent from the work place. It is derived from the number of days lost as a result of accidents, divided by the total number of hours worked, and multiplied by one thousand.

12) This indicator represents the frequency of accidents in relation to the total number of hours worked by the entire work force during the reporting period. It is derived from the number of accidents reported divided by the total number of hours worked and multiplied by one million.



3 Environment¹³

3.1. Commitment to protecting the environment

The Mediobanca 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 its decisions are geared towards ensuring compatibility between economic initiative and environmental requirements in accordance with the regulations and codes of conduct in force.

The Group acknowledges its impact on the environment, direct and indirect, and seeks to promote sustainable business through its own initiatives intended to limit impact related to its business.

The Mediobanca Group identifies and assesses the risks linked to impact on the environment due to the functioning of its offices, and undertakes to limit such impact by:

- ◆ 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)
- ◆ 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

3.2. Monitoring emissions and energy consumption

The Group monitors its own direct¹⁴ emissions, deriving from direct consumption of energy, i.e. gas and diesel for heating and fuel for its company fleet management (Scope 1), and 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)¹⁵. The Group's energy consumption is linked primarily to its use of heating and air-conditioning systems (HVAC¹⁶), to the functioning of its data centre and server rooms, and to office lighting systems. At present 100% of the electricity acquired by the Group in Italy derives from certified renewable sources.

13) Environmental data does not include Mediobanca Securities USA LLC or CMB

14) The greenhouse gases (GHG) produced by an organization are split into three areas of application: **Scope 1** – emissions deriving from direct combustion of fossil fuels (for heating, production of electricity and thermal energy, powering vehicles, etc.); the sources of such emissions are generally owned and controlled directly by the organization itself. **Scope 2** – emissions deriving from the production of electricity imported and consumed by the organization (for electricity, heating and lighting); in such cases the importer is indirectly responsible for the emissions generated by the supplier in order to generate the electricity requested. **Scope 3** – emissions other than indirect GHG emissions deriving from energy consumption, which are the consequence of an organization's activities, but originate from greenhouse gas sources owned or controlled by other organizations (emissions related to travelling for work, vehicles used, staff mobility, etc.)

15) Emissions deriving from trips entered directly by staff members in their expense claims are not included

16) Heating, Ventilation and Air Conditioning



Direct energy consumption		
	Unit	2016-17
Non-renewable sources	Gj ¹⁷	15,275.97
Diesel	Gj	709.44
Natural gas	Gj	12,633.54
Official company cars ¹⁸	Gj	1,932.99

Indirect energy consumption		
	Unit	2016-17
Renewable sources	Gj	73,963.61
Non-renewable sources	Gj	5,501.78

Emissioni di CO ₂ dirette e indirette		
	Unit	2016-17
Direct emissions (Scope 1)		825.86
Non-renewable sources (natural gas, diesel)		694.07
Official company cars ¹⁷		131.78
Indirect emissions (Scope 2)	Ton	357.62
From electricity and thermal energy ¹⁹	CO ₂	357.62
Indirect emissions deriving from company mobility (Scope 3)		2,204
Air		2,057 ²⁰
Train		140 ¹⁹
Other official company cars		7

Improvements have been carried out to the lighting and heating systems at the Group's offices following maintenance with a view to reducing CO2 emissions. In particular areas which have been refurbished, the lighting systems installed use LED technology and use heating pumps which qualify as class A or higher in terms of energy consumption.

The most significant emissions are due to the heating and conditioning systems, along with those linked to company travel. To reduce the latter, during the year under review Mediobanca has invested in expanding the video-conferencing system to all offices within Italy and elsewhere, with only the branch offices not included. These systems allow staff travel and accordingly also emissions to be reduced.

3.3. Water resource management

The Group does not consume large amounts of water. At the Bank's premises the highest water consumption is due to the use of toilet facilities. However, to reduce the use of water special aerators have been fitted to the main water systems and taps to enable water savings in relation to the use of the facilities.

17) Gigajoule

18) This figure does not include company cars awarded to individual company employees

19) A minor part of the thermal energy consumption of some properties has been estimated on the basis of consumption levels monitored in similar buildings

20) The figures do not include the Mediobanca Madrid branch office



Water consumption		
	Unit	2016-17
Water consumption		251,193
of which from mains ²¹	m ³	101,953
of which from wells ²²		149,240

3.4. Paper and waste management

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 behavioural habits. To this end the Group is committed to sourcing paper from responsibly managed sources²³.

In particular, during the year under review, Mediobanca has launched the "Follow Me" campaign at its offices, which involves printing via a shared printing queue at centralized printers. Staff members their documents to print, go to the shared printer and enter an access code in order to collect them. This campaign has led to a reduction in paper consumption levels by raising awareness among employees of the issues of sustainability and responsible use of paper (e.g. through double-sided printing). They are also encouraged to reduce the number of printouts used during meetings clients and stakeholders by using PowerPoint presentations and electronic systems instead.

Paper consumption ²⁴		
	Unit	2016-17
Paper consumed (A4)	Tons	297.14
Paper consumed (A3)	Tons	7.30
Paper for commercial use	Tons	37.52

The Group is committed to defining a structured system to monitor the waste produced by its activities, which in any case do not generate toxic waste. During the year under review, the data in respect of waste collected in Italy refers chiefly to toner (the only dangerous waste produced), quantified at approximately 5.5 tons.

21) The water consumption figures have in part been estimated on the basis of the consumption recorded in similar buildings for which data is available
22) The well situated in the Via Filodrammatici courtyard provides the water used for cooling the premises in Piazzetta Cuccia 1 and Via Filodrammatici 3, 5 and 7, including the two EDP centres
23) E.g. recycled 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
24) "Paper consumed" is the same for the purposes hereof as paper bought



4 Clients

4.1. Mediobanca Group clients

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.

For over seventy years the Group has sought to help its clients grow, offering them 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, in conjunction with high-quality advisory services.

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 business segmentation with three separate divisions contributing equally to the company's performances also enables the Group to meet its different clients' needs.

◆ **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, and more recently, credit management and factoring 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-backed finance.

◆ **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.

4.2. Importance of our clients

The Group assigns the highest importance to managing and maintaining relations with its clients. To meet this objective it seeks to provide a high-quality service and solutions able to meet the different needs of its various clients, and strengthening its staff's capabilities to this end.

The main areas presided over in terms of customer relations are as follows:

◆ **Customer satisfaction and quality of service**

The Group seeks to be touch constantly with its clients and potential clients, with a view to adapting the product offering swiftly to any changes in their needs and expectations.



The dialogue process is therefore essential in seeking to understand clients' needs and react promptly to any dissatisfaction they express.

Compass and CheBanca! in particular have launched structured customer satisfaction recording processes using internationally-recognized methodologies 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 customer satisfaction survey. In particular the Customer Satisfaction Index (CSI) and the Net Promoter Score (NPS) indicators are analysed with reference to the investment world especially.

The surveys performed in the course of the last financial year involved over five thousand clients for CheBanca! and around 1,600 customers for Compass, and reveal an improving trend in customer satisfaction.

Looking at the results of the most recent edition of the survey, CheBanca! looks set to consolidate the excellent results achieved in 2017; while the indicators are tendentially in line with those recorded in the previous financial year.

From the research carried out by Compass to measure customer product satisfaction, it emerged that in 2017 the overall level of satisfaction remained high and indeed grew compared to the previous year. The most popular product categories appear to be salary-backed finance and personal loans.

◆ **Simplicity and transparency of financial services**

Transparency and clarity of information are of particular importance in the area of customer relations. To this end, on its website Compass 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. Other transparency-related documents for the specific product offering are also available on the website, along with the table showing the average effective global 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.

In the area of investor and market integrity protection, a major project is underway in Mediobanca and Chebanca! to adapt the processes to the new MiFID II directive which comes into force in January 2018. The new directive revises and expands the previous regulations on the provision of investment services (MiFID I), introducing enhanced measures to protect investors, including by strengthening disclosure obligations (ex ante and ex post) and product governance mechanisms in the sale of financial products.

◆ **Data protection and security**

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.

Within the Group 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 data processing and protection. To ensure that protection of the Group's information capital is consistent with the strategic decisions adopted, security objectives and principles are identified clearly in accordance with the risk appetite defined at company level.

In recent years the information provided in respect of data privacy has been updated on the Group's and the Group companies' websites following changes in the regulations on use of cookies during web browsing. The confidentiality and integrity of the data sent when online forms are submitted are protected through use of Secure Socket Layer (SSL) protocols and by keys and certificates issued by the Global Trust Certification Authority.

To safeguard the relation with its clients, the Group has adopted specific Policies and Directives protecting the data and information. These measures are structured with a view to managing risks while at the same time increasing the client's confidence, as follows

- ◆ **Group Information Security Policy:** 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.
- ◆ **Policy on Business Conduct and Related Risks for Mediobanca S.p.A. and Retail Banking** (Compass Banca S.p.A., CheBanca! S.p.A. and Futuro S.p.A.): describes the principles adopted by the companies to guarantee correct conduct in the performance of its business, and provides a framework to minimize the risk of the behaviour of its employees.
- ◆ **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. The Group believes it is necessary to ensure via the use of tracking instruments that analysis can be carried out in real time and following critical events, and to guarantee that operations are compliant with the regulations in force in this area.
- ◆ **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.

4.3. Innovation and multi-channel approach

The value and stability of a bank are to be measured, among other things, in relation to its ability to adapt to changes. Developments in technology have influenced all sectors, directly and indirectly; and one of the Mediobanca Group's responses to this need for change was the launch of CheBanca!.

CheBanca! was conceived with a multi-channel model, offering high levels of service, simplicity, transparency and low costs. In the years since its launch, the bank has grown in terms of both product offering and service model, accompanying and in many cases anticipating market changes and placing technological innovation at the service of its customers.



CheBanca! aims to build a unique relationship with its clients based on the possibility of integrated multi-channel interaction. The sophisticated distribution model currently in operation combines the numerous channels involving direct contact with other services which can be managed remotely. CheBanca! has also always given great importance to dialogue with its clients through all the various touch point made available for this purpose, from the branch offices themselves to the customer services unit, via the home banking portal and email as well as the various social media channels.

4.4. Inclusion and financial 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.

In 2015 CheBanca! launched Yellow Advice, a service which clients can use to access news and analysis of the financial world, plus instruments such as an online glossary and actual lessons on financial issues.

The Group works in partnership with Junior Achievement, the largest non-profit organization in the world devoted to providing economics and business education in schools. The partnership includes the involvement of Group managers as "company experts", who propose economics and financial education projects to children in middle and senior schools using an innovative teaching approach.

Compass too promotes financial education. The Italian association of teachers of economic markets and financial intermediaries (ADEIMF) has worked with the Italian consumer credit and mortgage lending Assofin to develop a series of short videos to explain financial concepts. These allow investors to gain more indepth understanding of subjects which range from investment to the various forms of credit.

Compagnie Monégasque de Banque has developed an "Academy for Women and Finance", an educational programme aimed at equipping female clients with the financial skills necessary with which to manage their family's wealth.



5 Collective

5.1. Relations with suppliers

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

Suppliers are selected 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.

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.

The project to centralize purchasing has strengthened the organizational and process measures implemented to this end, by:

- ◆ Assigning specific duties and responsibilities to the Group Procurement unit
- ◆ Drawing up a list of suppliers, collecting the documentation required by Italian Legislative Decree 81/08 for this purpose
- ◆ Using a technological platform to support the purchasing process, inter alia to ensure equal treatment and increased transparency in relations with suppliers

As further proof of the attention which the Group devotes to the selection and management of its suppliers, including with relation to social issues, all suppliers 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. Il Gruppo sviluppa con i propri fornitori rapporti improntati a correttezza, trasparenza e parità di trattamento

5.2. Entities and institutions

The Group seeks to entertain constructive, ongoing and transparent relations with all its stakeholders, including entities and 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 operations or which may even only appear to do so, thereby frustrating every form of bribery and corruption.



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:

- ◆ **Italian Banking Association (ABI):** 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
- ◆ **Association for Financial Markets in Europe (AFME):** the European association for financial intermediaries operating in wholesale banking
- ◆ **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
- ◆ **Counsel for the United States and Italy:** private bilateral association which is non-profit and non-political to promote and develop relations between the two countries and in general between Europe and America. Its activities are focused on economic and financial sectors
- ◆ **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 consortium recognized by the Bank of Italy which guarantees bearer deposits in the event of default by banks

5.3. Investors and shareholders

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

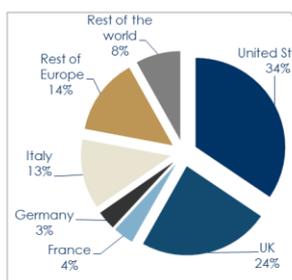
To reach these objectives, the Group guarantees timely, reliable and comparable disclosure to the market which is comprehensible by all categories of user.

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

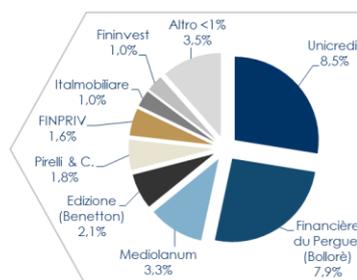
Mediobanca has around 41,000 shareholders, split between institutional investors, retail investors and parties to the Mediobanca Shareholders' Agreement, which represents 31% of the company's share capital with the objective of preserving a stable shareholder base with representation on the management bodies, and ensuring that consistent management objectives are pursued. In recent years the weight of institution investors has increased significantly, as has the geographical diversification of the shareholder base as a result. Today only 13% of the institutional investors are Italian, while the remainder come primarily from the United States (34%), the United Kingdom (24%) and the rest of Europe.

Mediobanca Shareholders

Institutional investors by region



Mediobanca shareholders' agreement



5.4. 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.



In this connection, the Group has 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.

In this area the following initiatives should be highlighted:

- ◆ **Planète Urgence:** Mediobanca Innovation Services has received a Silver reforestation certification for its contribution to the “buy a recycled phone/plant one tree” project, demonstrating its concrete commitment to safeguarding the environment. Thanks to the initiative, a total of 88,000 trees have been planted since 2012
- ◆ **Mediobanca Innovation Service (MIS) offices:** the best green technologies available were used in the construction of the building. Particular attention was devoted to the issue of designing the heating and ventilation systems; while 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
- ◆ **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
- ◆ **MB Green:** project devised to promote responsible use of resources with the involvement of staff
- ◆ **Urban reforestation:** this project, implemented by Compass in collaboration with the Rete Clima association, is intended to offset the impact caused by publication of the Incontro branch magazine. The initiative involves four hundred trees being planted in accordance with the recommendations and guidelines of the Kyoto protocol
- ◆ **Solar Impulse:** in conjunction with the Prince Albert II of Monaco Foundation, Compagnie Monégasque de Banque supports the Solar Impulse project, whose mission is to promote a round-the-world flight by an aircraft powered entirely by solar energy



◆ 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:

- ◆ **MBRES Research Area:** active since the Bank's foundation in 1946, MBRES is a specialist economic and financial research unit on which Mediobanca sets great value, not least because it is strategic to its own business. Its main publications include the annual edition of *Leading Italian Companies*, the most authoritative and complete league table of Italian companies operating in all economic sectors, whereas its *Financial Aggregates for Italian Companies* provide a historical series which is unique in terms of the time horizon covered and the exhaustiveness of the Italian companies' performances grouped by sector of operation
- ◆ **"Vincenzo Maranghi" Historical Archive:** Mediobanca's historical archive, which may be consulted online, is updated continuously and contains documents relating to the Bank's history and activities.
- ◆ **Mediobanca Historical Library:** the Historical Library was set up in 2014. Its aim is to allow 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
- ◆ **National Edition of the Complete Works of Cesare Beccaria:** the initiative, which was inaugurated in 1978, aims to bring together all of the great Lombard thinker's works, many of which are unknown or unpublished, in a single collection. The National Edition is much more than a collection of Beccaria's full works: it is a full critical edition, with exhaustive philological apparatus including textual variants, appendices listing manuscripts and previous version, commentaries, critical essays, lists of previous editions and the criteria adopted, and endeavours to provide a full history of each of Beccaria's writings, from the first draft to the final version printed under the author's supervision. The National Edition to date consists of sixteen volumes, with a last volume to follow containing a list of addenda, documents, and indices. The first two volumes were published in 1984, while volume 16 was published in 2009
- ◆ **Accademia dei Filodrammatici theatre:** in 2015 Mediobanca completed the restoration of the historical façade of the Accademia dei Filodrammatici theatre, situated in Piazzetta Ferrari in Milan
- ◆ **Istituto Europeo di Oncologia:** the IEO was founded in Milan at the initiative of Mediobanca which is its leading shareholder nearly 25% of the share capital. The IEO is the leading private comprehensive cancer centre in Italy, combining clinical work with research. It also owns the leading specialist cardiology centre in Milan
- ◆ **CHE FUTURO!:** conceived in 2014 by CheBanca!, CHE FUTURO! is an online journal dedicate to innovation: a space in which bloggers, journalists, entrepreneurs,



architects, designers, and young start-uppers tell their own story and discuss their desire to do something new

- ◆ **Monte Carlo Philharmonic Orchestra:** Compagnie Monégasque de Banque supports the Monte Carlo Philharmonic Orchestra which promotes the Principality of Monaco's image throughout the world
- ◆ **Tiree Music Festival:** Cairn Capital supports the Tiree Music Festival, a musical event which takes place on the Scottish Hebridean island of Tiree
- ◆ **Monte Carlo Oceanographic Museum:** CMB is an official partner of the museum, an institution of world repute whose mission is to raise awareness of the seas and oceans and contribute to their conservation
- ◆ **Grimaldi Forum:** the Grimaldi Forum is Monaco's leading cultural and tourist centre, hosting a wide range of shows and events

◆ 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:

- ◆ **Italian Paralympic Committee:** the Mediobanca Group has signed a partnership agreement with the CIP in order to support and embed 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 Sport Camp:** multi-sport camp 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 of the rules and fair play. The facilities themselves have also been improved, with rugby posts and new goal posts for football installed
- ◆ **Kids:** supported by Cairn Capital, empowers disabled children and young people and their families to get the most out of life – creating opportunities for them to take part in positive play, leisure, learning, employment, training and social activities
- ◆ **London School of Economics:** Cairn Capital has sponsored a programme of scholarships and has supported students taking higher degrees in Development Economics and Financial Market Infrastructure. The Company has also sponsored and supported the LSE Business and Finance Summer School, a programme designed to encourage talented children from disadvantaged backgrounds to pursue further education



MEDIOBANCA

- ◆ **Magic Breakfast:** Cairn Capital supports Magic Breakfast, a charity aiming to end hunger as a barrier to education in UK schools through the provision of healthy breakfasts to vulnerable children
- ◆ **Lycée Hôtelier de Monaco:** Monaco's School of Hotel Management gives young talent the opportunity to develop in the tourism and luxury hotel sector that represents a large part of Monaco's economy

In accordance with its own traditions, Mediobanca also supports the activities of numerous charitable entities and associations operating in and around the Milan area.