



MEDIOBANCA

## **Regulations for transactions with related parties and their associates**



*These Regulations, adopted in pursuance of the Consob regulations and Bank of Italy instructions, were approved in its current version by the Board of Directors on 27 June 2019, having received favourable opinions from the Related Parties Committee and Statutory Audit Committee, and provides the instructions with which the Bank must comply to ensure the transparency, proper conduct, objectivity and impartiality of transactions with related parties executed directly or via subsidiaries, and compliance with the prudential limits for risk activities versus related parties.*

*The Group companies adopt their own internal procedures or circulars for the purposes of the Bank of Italy instructions and, where applicable, the Consob regulations, in line with the regulations and principles governing these Regulations. The scope of the related parties to which such companies refer is as defined in these Regulations.*

*These Regulations use a definition of "Related party" which combines the areas of application provided under the Consob regulations and Bank of Italy instructions in respect of Procedural and approval obligations, making it a unified set of regulations in terms of procedure and authorization defined on the basis of the most rigorous provisions and also pursuant to and within the meaning of Article 4, paragraph 2 of the Consob regulations. For the same purposes the scope of application provided by the respective relevant regulations is maintained for the transparency profiles and prudential limits, including by reference to the original provisions, save where expressly indicated.*



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## 1. Definitions

- ◆ **“Independent directors”**: Directors qualifying as independent in accordance with the criteria adopted by Mediobanca in force at the time.
- ◆ **“Independent unrelated directors”**: independent directors of Mediobanca who, in relation to a specific Transaction, are neither the counterparty in the transaction or a related party to the counterparty and who have no interest in the transaction as defined under Article 2391 of the Italian Civil Code or other interest such as would jeopardize their independence.
- ◆ **“Non-executive directors”**: directors who are not vested with executive powers and do not perform duties, including *de facto*, related to the management of the company. Members of the Executive Committee do not qualify as non-executive directors.
- ◆ **“Risk assets”**: net exposures as defined in the regulations governing risk concentration (Title V, Chapter 1, Section I, Paragraph 3 of the New prudential supervisory regulations - Circular no. 263 dated 27 December 2006).
- ◆ **“Bank”, or “Company”, or “Parent company” or “Mediobanca”**: Mediobanca.
- ◆ **“Urgent cases”**: the urgency is assessed by the approving body with respect to the company’s needs, based on objective circumstances not exclusively attributable to individual decisions. For instance, the cases which qualify as urgent are those in which a delay would have the effect of:
  - ◆ provoking a negative impact on the results of the transaction;
  - ◆ preventing the Bank from benefiting from favourable market conditions or avoiding unfavourable market conditions;
  - ◆ preventing the transaction from being completed or making its completion more difficult;
  - ◆ impacting negatively on the Bank’s financial or earnings situation.
- ◆ **“Related parties committee” or “Committee” or “RPC”**: a committee consisting of at least three independent, non-executive directors appointed by the Board of Directors, with powers of consultation and enquiry.

A quorum for the meeting is reached when at least three members of the Committee are present, and resolutions are adopted with a majority of those in attendance voting in favour.

If, with reference to a transaction, one or more members of the RPC prove to be related parties or to have interests as defined under Article 2391 of the Italian Civil Code with the counterparty that are such as to undermine their independence, they shall refrain from participating in the meeting. In such cases, if the quorum referred to above is not reached, the Committee is automatically supplemented by one or two independent unrelated directors in accordance with the order provided in the list approved in advance by the Board of Directors.

If in relation to a transaction, it proves impossible to establish the Committee with at least three independent unrelated directors, the following alternative equivalent measures shall be applied according to the following order: i) prior opinion of two independent directors; ii) prior opinion of the single independent director with the opinion of the Statutory Audit Committee, without prejudice, in this last case, to the obligation incumbent upon each member of the Statutory Audit Committee, where they have an interest in the transaction, either on their own



behalf or on behalf of third parties, to provide notice to such effect to the other statutory auditors, specifying the nature, terms, origin and extent thereof.

Where it is not possible to adopt the above alternative equivalent measures, an independent expert will be sought, to be chosen jointly by the Chairman of the Board of Directors and the Chairman of the Statutory Audit Committee from the list previously approved by the Board of Directors.

- ◆ **“Terms equivalent to market or standard terms”**: terms equivalent to those usually applied to unrelated parties for transactions of a corresponding nature, size and risk, or based on regulated tariffs or tariffs charged to parties with which the Bank or the Mediobanca Group company executing the transaction is bound by law to agree a given price, or terms defined following a suitably documented and verifiable competitive procedure, or set as part of a syndicated financing in which the Bank is participating along with other parties not related to the counterparty.
- ◆ **“Control”**: save where specified otherwise, this refers to the instances listed under Annex 1 hereto.
- ◆ **“Framework resolution”**: resolution adopted independently of specific deals for equivalent transactions sufficiently determined with individual Related parties or categories of Related parties.
- ◆ **“Management with strategic responsibilities” or “Strategic management”**: parties, other than company representatives, with power and responsibility, directly or indirectly, for the planning, direction and control of the company’s activities as identified by the Board of Directors.
- ◆ **“Bank of Italy instructions”**: Bank of Italy regulations in respect of “Risk assets and conflicts of interest with related parties” contained in Title V, chapter 5, of the New prudential supervisory regulations (Circular no. 263 dated 27 December 2006 as amended).
- ◆ **“Division responsible”**: the division of the Bank or the Group company which intends to commence negotiating the transaction with the Related party.
- ◆ **“Independent experts”**: experts who qualify as independent on the basis of their economic, capital and financial relations, if any, with the Bank, the companies controlled by the Bank, the directors of the Bank and its Group companies and the counterparty in the transaction, in addition to their acknowledged professionalism and expertise in their fields.
- ◆ **“Company representative”**: directors, members of the Statutory Audit Committee, the General Manager and the deputy general manager of the relevant companies.
- ◆ **“Information dossier”**: the documentation referred to in section 2 of these Regulations.
- ◆ **“Mediobanca Group” or “Group”**: parent company Mediobanca and its subsidiaries, including those controlled indirectly, as defined by Article 2359 of the Italian Civil Code.
- ◆ **“Mediobanca Banking Group” or “Banking Group”**: parent company Mediobanca and the banking, financial and instrumental companies controlled by it falling within the scope of Article 60 of the Italian consolidated banking act.
- ◆ **“Significant influence”**: save where specified otherwise, this refers to the instances listed under Annex 1.
- ◆ **“Regulated intermediaries”**: the investment companies, Italian and non-Italian managed savings companies, electronic money institutions, financial intermediaries included in the



register instituted under Article 106 of the Italian consolidated banking act, and payment institutions which form part of the Banking Group and have an individual regulatory capital (as defined in the regulations in force) of above 2% of the Group's consolidated regulatory capital (as defined in the regulations in force) (currently SelmaBipiemme Leasing).

- ◆ **“Significant interests”**: significant interests of Related parties are said to exist where such parties hold an investment, in a Mediobanca Group company or associate company, which enables them to have a significant influence over such a company.<sup>1</sup> Without prejudice to the foregoing, the provision of further instances of Significant interests, which is evaluated by the Internal division responsible (see below), takes into account any benefits (e.g. incentivization schemes based on financial instruments or variable remuneration) linked to the results achieved by the subsidiary or associate company with which the Transaction is being executed from which one or more Company representatives or Strategic managers stand to benefit, and also the existence of investments of above 5% in a Mediobanca Group or associate company, (such as representation on the Board of Directors, participation in strategic decisions, existence of significant transactions).
- ◆ **“Prudential limits”**: consolidated prudential limits up to which risk assets may be taken on by the Banking Group, which refer to consolidated regulatory capital (as defined in the regulations in force), vis-à-vis Related parties, distinguished according to the type of Related party to which they refer, and individual Prudential limits up to which risk assets may be taken on by Mediobanca and the other banks included in the Group, which refer to individual regulatory capital (as defined in the regulations in force), vis-à-vis Related parties regardless of the financial or non-financial nature of the Related party (cf. table in Annex 2).

In the event of their being a series of relationships between the Bank or the Banking Group and a Related party entailing the application of various Prudential limits, the lower limit shall apply.

Risk assets between companies forming part of the Banking Group are not included in the application of Prudential limits.

- ◆ **“Transactions”**: the transaction completed by the Bank, including via a subsidiary as defined in section 4, with Related parties which entails taking on a Risk asset, the transfer of resources, services or obligations, regardless of whether or not a fee is involved. Transactions include, but are not limited to:
  - ◆ rights issues with option rights excluded in favour of a Related party;
  - ◆ extraordinary transactions executed by a Related party which is not listed, if Mediobanca is a co-shareholder along with another Related party;
  - ◆ mergers and spin-offs;
  - ◆ every decision relating to the award of remuneration and economic benefits, in any form, to Company representatives and Strategic managers, save as provided under section 6.5 below;
  - ◆ in-court or out-of-court settlements;

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<sup>1</sup> No significant interest exists in cases where the investment itself constitute the only grounds for the relation, as is the case with the stake held by Banco BPM S.p.A. in SelmaBipiemme Leasing S.p.A. Accordingly, the Transactions executed by Mediobanca or by Mediobanca Group companies with SelmaBipiemme Leasing S.p.A. are not covered by these regulations (cf. section 6.2(ii)).



- ◆ provision of advisory services to a Related party in connection with a transaction involving it and another party related to Mediobanca;
- ◆ renegotiations of loans, i.e. changes to the principal terms of the initial approval which result in the Bank taking a loss through the profit and loss account;
- ◆ deals involving SPVs, even if the latter are not directly attributable to Related parties, in which the benefits nonetheless accrue to Related parties.
- ◆ **“Cumulative transactions”**: set of comparable Transactions or Transactions performed in execution of a single design with the same Related party, or with parties related to both the latter and the Bank, which despite not qualifying individually as Most significant transactions, still, however, exceed the limit for classification as such when considered cumulatively over the course of a financial year.
- ◆ **“Cumulative transactions for transparency purposes”**: set of Cumulative transactions with Related parties for transparency purposes. No account is taken - for the purpose of reaching the thresholds of relevance - of Ordinary transactions, Exemptions and Transactions which, including those adopted under the terms of a Framework resolution, have already been included in an information document published during the financial year.
- ◆ **“Most significant transactions”**: Transactions in which at least one of the relevance indicators described under Annex 3, applicable according to the specific Transaction, is above the threshold of 5%.

However, the Chairman and Chief Executive Officer may identify further Transactions from time to time, which despite not exceeding any of the thresholds, may impact on the Bank's independence in operating terms and which are therefore to be treated as Most significant transactions.

- ◆ **“Transactions of minor significance”**: Transactions with Related parties other than Most significant transactions and Transactions involving negligible amounts.
- ◆ **“Transactions involving negligible amounts”**: Transactions with Related parties of which the value is equal to or below €1,000,000 if the counterparty is a company and those of which the value is equal to or below €500,000 if the counterparty is an individual.
- ◆ **“Exemptions”**: Transactions with Related parties described under section 6 of the Regulations.
- ◆ **“Ordinary transactions”**: Most significant transactions or transactions of minor significance which, with respect to the business of the party which executes the Transaction (Mediobanca, *inter alia* via the Group companies, or the other companies in the Banking Group) - and with reference to their objectives, to the recurrence of the type of Transaction within the Company's activities, to the objective nature of the conditions, size, terms and simplicity of the earnings/contractual structure, the contractual conditions, including with respect to the characteristics of the fees, the nature of the counterparty and the timing of their approval and completion, fall within the ordinary exercise of the Bank's operating activity or related financial activity and are concluded on Terms equivalent to market or standard terms.

The following do not qualify as Ordinary transactions:

- ◆ the acquisition and sale by/to a Related party of significant equity investments, as defined in the company's Articles of Association;
- ◆ the acquisition and sale by/to a Related party of tangible and intangible fixed assets with a value in excess of €10m;



- ◆ the acquisition and sale by/to a Related party of treasury shares and other equity instruments;
- ◆ rights issues with option rights excluded in favour of Related parties;
- ◆ transactions executed with staff, collaborators and financial advisors of Mediobanca who are subject to the Regulations under the Conflicts procedure.

In cases where the Company executing the Transaction is a vehicle company set up especially for this purpose, the issue of whether or not the Transaction is ordinary is assessed with respect to the business carried out by the Mediobanca Group.

Ordinary transactions are to be treated as Exemptions for purposes specifically of transparency and reporting as defined in the Consob regulations.

- ◆ **“Ordinary exempt transactions”**: Ordinary transactions of minor significance and most significant transactions if with a Related Party for transparency purposes, as described under section 6.1.
- ◆ **“Participant”**: the party, other than the parent company and the party which exercises Significant influence, which is bound to apply for the authorizations described under Articles 19ff of the Italian consolidated banking act in relation to a relevant company.
- ◆ **“Related party”**: the party which, by applying the notions of Control and significant influence, qualifies as a Related party for transparency purposes or related party.
- ◆ **“Related party for transparency purposes”**: parties included in the definition of Related party under the Consob regulations (cf. Annex 4).

For purposes of clarity and with reference to the regulations on transparency under the present Regulations, for the definition of Related party for transparency purposes (i) the notions of Control and significant influence as described in the Consob regulations shall apply, and (ii) within the meaning of Article 4 paragraph 2 of the Consob regulations, shareholders with investments equal to or above 3%, with the exception of market makers and asset managers, Italian or international, which, in the exercise of their collective fund management activity, do not propose to take an active role in the management of the companies in which they invest.

- ◆ **“Related party for prudential purposes”**: parties included in the definition of Related party provided in the Bank of Italy instructions (cf. Annex 4) and gli shareholders with investments equal to or above 3%, with the exception of market makers and asset managers, Italian or international, which, in the exercise of their collective fund management activity, do not propose to take an active role in the management of the companies in which they invest (including them in the identification of the prudential limit to be applied in the definition of Participant).

For purposes of clarity and with reference to the regulations on prudential limits under the present Regulations, the notion of Control and significant influence as described in the Bank of Italy instructions shall apply.

- ◆ **“Non-financial related party”**: a Related party for prudential purposes which primarily exercises, either directly or via Group companies, non-financial activities as defined by the Bank of Italy instructions and referred to by them (a party is a Non-financial related party when those of its activities which are not banking, financial and insurance activities constitute more than 50% of the total).



- ◆ **“Conflicts procedure”**: the procedure governing Transactions with staff members, collaborators and financial advisors of Mediobanca, with the decision regarding the application of the Regulations remitted to the Conflicts Committee (cf. Policy on Conflicts of Interest).
- ◆ **“Regulations”**: these Regulations adopted pursuant to Article 4 of the Consob regulations and Section 2. III of the Bank of Italy instructions.
- ◆ **“Consob regulations”**: Consob regulations containing provisions in respect of Transactions with related parties adopted under resolution no. 17221 on 12 March 2010 as amended, and clarifications including in light of Consob communication no. 10078683 dated 24 September 2010 providing guidance and direction for applying the Consob regulations.
- ◆ **“Controlled company”**: companies, Italian or non-Italian, controlled as defined under Article 2359 of the Italian Civil Code, by Mediobanca.
- ◆ **“Relevant company”**: Mediobanca or a bank or a regulated intermediary forming part of the Mediobanca Banking Group;
- ◆ **“Unrelated shareholders”**: all parties entitled to voting rights which are not the counterparty in the Transaction or related simultaneously to such counterparty and to Mediobanca.
- ◆ **“Related parties”**: for purposes of the regulations in respect of Prudential limits under the present Regulations, the aggregate consisting of a Related party for prudential purposes and all parties connected to it. The regulations on Prudential limits apply also to connected parties.
- ◆ **“Connected parties”**: parties included in the definition of connected parties provided in the Bank of Italy instructions.

For purposes of clarity and with reference to the regulations on prudential limits under the present Regulations, the notion of Control and significant influence as described in the Bank of Italy instructions shall apply.

- ◆ **“Close relations”**:
  - 1) Relatives up to the second degree;
  - 2) spouse not separated by law and partner living with the party as if married and their children;
  - 3) any other family members who might reasonably be expected to influence or be influenced by the party in relations with the Company. These may include dependents of the party, his/her spouse not legally separated, and/or his/her cohabitant partner).
- ◆ **“Internal division responsible” or “IDR”**: the internal division of the Bank designated by the Chief Executive Officer or the General Manager to:
  - ◆ provide support to the Related parties committee;
  - ◆ classify Transactions;
  - ◆ monitor Transactions;
  - ◆ assess the existence of Significant interests;
  - ◆ ascertain compliance with Prudential limits.



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This division will be helped, from time to time, by staff from the Division responsible for the Transaction, and, in its relations with the Committee and the heads of the divisions involved in the Transactions from time to time, may act through the agency of a person appointed by it.



## 2. Procedural issues

### Pre-processing phase

The procedure referred to in these Regulations is activated every time the Bank intends to implement a Transaction; in particular, the procedure commences when the head of the Division responsible for the Transaction intends to start negotiating it or at any rate in a timely manner. During the stage prior to the start of negotiations, the Division responsible for the Transaction provides the IDR with the necessary information (counterparty, type of Transaction and amount) to allow it to assess whether or not the Transaction constitutes a Risk asset, and, if so, whether or not it falls within the Prudential limits applicable to the Related party involved.

Breach of the Prudential limits means that the Bank cannot proceed with the Transaction. In such cases, the IDR shall provide notice in writing that the result of the analysis it has conducted is negative.

### Processing phase

Having obtained clearance in writing from the IDR to the effect that the Prudential limits are complied with, in the initial stages of processing the Transaction - including Transactions in which no fee is involved, and at any rate as soon as possible based on the concrete characteristics of the type of the Transaction and the necessary minimum information available - the head of the Division responsible for the Transaction prepares a document for the IDR's assessment which should contain at least the following items of information: the counterparty, the nature of the relation, a description of the Transaction, the amount, an estimate of the financial terms applicable to the Transaction, the benefit of the Transaction in earnings terms for the Company and the relative risks, plus an estimate of the impact on the Prudential limits. If the Transaction is considered to be on Terms equivalent to market or standard terms, the head of the Division responsible will complete the information to include also suitable documentation to provide objective evidence. Furthermore, if the Transaction deviates from the standard market conditions, the reasons for this must be shown.

Without prejudice to the powers vested in the Chairman and the Chief Executive Officer under the Regulations, based on the above information and any other information that may be available, the IDR classifies the Transaction and completes processing it in order for the Transaction to pass on to the approval stage (by the methods described further on, which differ for each category of Transaction), giving notice in writing to such effect to the head of the Division responsible.

After the process of classifying and processing the Transaction, the head of the Division responsible sends the IDR the Information dossier, which contains:

- ◆ counterparty;
- ◆ nature of the relation;
- ◆ indication of the amount of the Transaction;
- ◆ compliance with the Prudential limits in the case of a Transaction which entails a Risk asset and estimated impact on the Prudential limits, at both individual and consolidated level;
- ◆ whether or not the Transaction qualifies as one of the instances of exclusion or exemption, total or partial, under the Regulations;
- ◆ an indication of whether the Transaction qualifies as one of the Most significant transactions, or Transactions of minor significance;



- ◆ existence of Significant interests, if any;
- ◆ indication of which body is responsible for approving or deciding on the Transaction under the legislative, regulatory and statutory provisions applicable and the resolution in force in respect of operating powers, without prejudice to cases reserved to the jurisdiction of the Board of Directors as established under the Regulations;
- ◆ if the Transaction is price-sensitive (as defined under Article 114 of the Italian consolidated finance act) and hence whether the procedure on inside information will have to be applied;
- ◆ methods envisaged for executing the Transaction, and the terms, including financial, contemplated for its execution; if the Transaction is to be completed on Terms equivalent to market or standard terms, documentation proving this fact; if the Transaction deviates from the standard market conditions, the reasons for this will be shown;
- ◆ evaluation procedure used;
- ◆ interest for and reasons underlying the Transaction as well as the risks it entails, and therefore,
- ◆ advantage of the Transaction as far as the Company is concerned, and impact on the interests of the parties involved.

In the event of changes to the terms of the Transaction that might impact on its classification, the head of the Division responsible will update the Information dossier with the new information, notifying the IDR without delay so that it can evaluate the impact.

If approval of the transaction requires the involvement of the Related Parties Committee, the head of the Internal Division Responsible sends the Information Dossier to the Chief Executive Officer or the General Manager for prior assent. Alternatively, such assent may be provided in the form of a Lending & Underwriting Committee resolution if prior. The documents must then be forwarded to Group Corporate Affairs to be sent to the Related Parties Committee.

## Approval phase

Transactions are approved on the basis of a distinction between Most significant transactions (including Cumulative transactions) and Transactions of minor significance, apart from the Exemptions.

**2A Most significant transactions with Related Parties for prudential purposes and most significant transactions not exempt with related parties for transparency purposes:** approval is strictly the responsibility of the Board of Directors, save for instances where approval is reserved under law or the company's Articles of Association to shareholders in general meeting.

Without prejudice to the foregoing, minutes of approvals must analytically formalize the reasons on which such approval is based, with regard to:

- ◆ interest in completing the Transaction;
- ◆ opportunity and advantage in earnings terms of the Transaction for the Bank, and substantial appropriateness of its terms;
- ◆ reasons for any departures, with regard to earnings/contractual terms and other characteristics of the Transaction, compared to standard or market terms (the documentation for the approval must contain information supporting these reasons).



If the Transaction involves a Director or a Related party via a Director, without prejudice to the procedure pursuant to Article 136 of the Italian consolidated banking act, the person concerned will confine themselves to providing the necessary clarifications and then leave the meeting.

The head of the Division responsible informs the IDR of the start of the negotiations, and the IDR involves the RPC via Group Corporate Affairs at the negotiating and processing stage by sending (including via email or fax) all information and documents relating to the Transaction. During these phases the Committee may request clarifications and make observations to the approving bodies and parties mandated to conduct the negotiations or carry out the processing.

At least 5 days prior to the Board of Directors meeting called to approve the Most significant transaction, the Committee expresses its justified opinion, formalized and supported by suitable documentation to show the checks and comments made, on the Bank's interest in executing the Transaction and the advantageousness and substantial fairness of the terms of the Transaction (such issues shall be documented in the minutes), as well as on the existence of other Related parties' interests, if any. Where gaps or shortcomings are detected in the stages prior to approval, the Committee shall represent these in the opinion. In issuing its opinion, the Committee is entitled to avail itself of the assistance of one or more Independent experts chosen by the Committee itself at the Company's expense.

The Information dossier, stamped with the Chief Executive Officer's or the General Manager's initials or with the Lending & Underwriting Committee resolution, is sent to the Committee for it to formulate its opinion and to the Board of Directors for approval, at least 5 and 3 days respectively prior to the date on which the opinion is formulated and the resolution adopted and in any case without delay and as soon as possible save in cases of specific and justified urgency. The letter calling the Committee meeting is copied to the Chairman of the Board of Directors, the Chief Executive Officer and the General Manager.

The RPC's opinion is binding and the Transaction cannot be approved if the opinion is negative.

Transactions executed shall be notified to the RPC at the first successive meeting.

This section also applies to Cumulative transactions.

**2B Exempt transactions of major significance with Related Parties for transparency purposes and transactions of minor significance:** approval is strictly the responsibility of the relevant bodies/parties based on the resolution in respect of operating powers presently in force.

Without prejudice to the foregoing, minutes of approvals must analytically formalize the reasons on which such approval is based, with regard to:

- ◆ interest in completing the Transaction;
- ◆ opportunity and advantage in earnings terms of the Transaction for the Bank, and substantial appropriateness of its terms;
- ◆ reasons for any departures, with regard to earnings/contractual terms and other characteristics of the Transaction, compared to standard or market terms (the documentation for the approval must contain information supporting these reasons).

If the Transaction involves a Director or a Related party via a Director, without prejudice to the procedure pursuant to Article 136 of the Italian consolidated banking act, the person concerned will confine themselves to providing the necessary clarifications and then leave the meeting.

If the Transaction of minor significance is not ordinary or exempt, and it requires the RPC's involvement, the latter is involved by the IDR, via Group Corporate Affairs, through receiving (including via email or fax) all information (counterparty, type of Transaction, terms,



advantage for the Bank, impact on interests of parties involved etc.) and documents relating to the Transaction (Information dossier). The RPC will inform the parties responsible for approval of any gaps or shortcomings noted. For resolutions on issues of remuneration, in those cases in which such resolutions fall within the scope of application of the Regulations, the RPC gives its opinion through the Remunerations Committee set up by the Board of Directors.

The Committee is then called in any case to express its own justified opinion, formalized and accompanied by appropriate documentation to support the checks and comments made, albeit non-binding, regarding the Bank's interest in completing the Transaction and the advantageousness and substantial appropriateness of the terms (such issues shall be documented in the minutes) of the Transaction before the Company undertakes to execute it, as well as on the existence of other Related parties' interests, if any.

In issuing its opinion, the Committee is entitled to avail itself of the assistance of one or more Independent experts chosen by the Committee itself. For each Transaction, the maximum amount of expense has been set, with the Statutory Audit Committee having expressed its opinion in favour, at €50,000.

The Information dossier, stamped with the Chief Executive Officer's or the General Manager's initials or with the Lending & Underwriting Committee resolution, is sent to the Committee for it to formulate its opinion and to the body/party responsible under the resolution in respect of powers presently in force, for their decision at least 5 and 3 days respectively prior to the date on which the opinion is formulated and the decision taken and in any case without delay and as soon as possible save in cases of specific and justified urgency.

The letter calling the Committee meeting is copied to the Chairman of the Board of Directors, the Chief Executive Officer and the General Manager.

Transactions executed shall be notified to the Committee at the first successive meeting.

If the Transaction is approved despite a negative opinion or with reservations from the RPC, the resolution must provide analytical justification for the reasons why it was taken regardless and a precise response to the RPC's observations. Moreover, resolutions in respect of which the RPC has expressed a contrary or conditional opinion must be notified, immediately and individually, as soon as they have been approved, to the bodies with duties of strategic supervision, management and control, irrespective of the quarterly reporting.



### **3. Transactions requiring the approval of shareholders in general meeting**

When a Transaction - by law, or under the Articles of Association - is the responsibility of shareholders gathered in general meeting or must be authorized by them, for the phases of negotiation, processing and approval of the proposal by the governing bodies the rules set forth under section 2 shall apply.

A Most significant transaction cannot be submitted to the approval of shareholders in general meeting if the Committee has expressed a contrary opinion.



#### 4. Transactions executed by Mediobanca through Group companies

These Regulations apply to the Transactions with Related parties carried out by Mediobanca “through the agency of” its Controlled companies. In this connection, Transactions carried out “through the agency of a Controlled company are defined as those which require prior review or approval by the Bank in order to be executed.

Prior review or approval by the Bank are represented by the approval processes described in the Regulations, based on how the Transaction to be executed is categorized. The provisions of sections 5, 6, 7, 8, 9, 11 and 12 hereof shall apply, *mutatis mutandis*, according to the classification of the Transaction.

For purposes of completeness, it should be noted that in the case of Transactions carried out by Mediobanca through the agency of Relevant companies, the Regulations shall in any case apply in addition to the system provided by the Relevant company’s own internal procedure.



## 5. Urgent cases

In urgent cases, for Transactions not within the jurisdiction of shareholders in general meeting, or which do not require to be authorized by them, the procedures described in section 2 shall not apply if:

- ◆ the existence of the urgent nature of the deal is specifically proved by the approving body based on objective circumstances and not exclusively attributable to their own choices;
- ◆ if the Transaction is the responsibility of:
  - (i) the Executive Committee both the Board of Directors and Statutory Audit Committee are informed in advance of the reasons for the urgency before the Transaction is executed. Where the Board of Directors and Statutory Audit Committee, plus the Independent directors with responsibilities in this area, feel that Transactions are not urgent in nature, the said Transactions will follow the same procedure as set forth in the previous sections according to how they are classified;
  - (ii) the Chief Executive Officer and the Chairman of the Board of Directors are informed in advance of the reasons for the urgency before the Transaction is executed. Where the Chairman does not qualify as an independent, unrelated Director, the information must also be sent to the Chairman of the RPC;
- ◆ such Transactions are subsequently subject, without prejudice to their effectiveness, to a non-binding resolution prior to the first subsequent ordinary general meeting;
- ◆ the Board prepares a report for shareholders in general meeting giving adequate reasons for the urgency, and the Statutory Audit Committee reports to shareholders in general meeting giving its opinions on the existence or otherwise of such reasons;
- ◆ the above report and opinions must be published at least 21 days prior to the general meeting to be held at the company's headquarters and according to the methods set forth in Title II, Chapter I, of the Regulations for Issuers. Such documents may also be included in the Information dossier;
- ◆ the results of the vote are published, in accordance with the methods referred to in the above point, by the end of the day subsequent to approval, with reference in particular to the number of votes cast by Unrelated shareholders.

The foregoing is without prejudice to the transparency required for Most significant transactions and Transactions of minor significance under the terms of the Regulations, where applicable.



## 6. Exemptions

The following Transactions may be executed in derogation of the procedures described above:

- 6.1 Ordinary exempt transactions.** Save as provided in respect of Cumulative transactions, these are approved in the interest of the Company by the bodies responsible as provided in the Articles of Association and the resolution in respect of operating powers currently in force. The assessment of the Transaction's classification as an "ordinary" exempt transaction and, in particular, of the market conditions must be adequately documented and stored, and the resolution must provide suitable reasons regarding the advantage and economic benefit of the Transaction for the Bank and its nature as an ordinary Transaction.

The IDR provides aggregate quarterly reporting to the Board of Directors and monthly reporting to the RPC on the Ordinary exempt transactions completed and their chief characteristics.

The foregoing is without prejudice, including for Ordinary transactions, to the application of the provisions in respect of transparency set forth under section 11 regarding the information to be disclosed in the interim and annual review of operations.

- 6.2 Transactions entered into with or between companies controlled, including jointly, by Mediobanca, and Transactions involving companies subject to significant influence by Mediobanca.** If no Significant interests are held in the Controlled companies or the companies subject to significant influence by other Related parties: the transparency regulations set forth under section 11 regarding the information to be disclosed in the interim and annual review of operations still apply nonetheless.

The following also fall into this category of exemption:

- (i) Transactions made between members of the Banking Group between which a relationship of total Control exists, including jointly;
- (ii) Transactions carried out by Mediobanca or the Group companies with Selmabipiemme Leasing S.p.A.;
- (iii) Transactions involving intra-group transfers of funds or collateral established as part of the system for managing liquidity risk at the consolidated level, where no Significant interests are held by other Related parties.

The Chairman and Chief Executive Officer may in any case identify Transactions with or between companies controlled, including jointly, by Mediobanca and Transactions with Companies associated with Mediobanca, which, despite qualifying among the exemptions described in this section, could raise critical issues for Mediobanca, and which are therefore to be treated as Most significant transactions or Transactions of minor significance and subject, therefore, to the relevant regulations.

- 6.3 Resolutions adopted by shareholders in general meeting regarding the remuneration due to members of the Board of Directors and Executive Committee pursuant to Article 2389, paragraph 1 of the Italian Civil Code, and of the Statutory Audit Committee pursuant to Article 2402 of the Italian Civil Code and in accordance with the supervisory provisions issued by the Bank of Italy in respect of incentivization and remuneration schemes operated by banks.**
- 6.4 Resolutions in respect of remuneration for directors vested with particular duties as part of the total amount decided in advance by shareholders in general meeting pursuant to Article 2389, paragraph 3 of the Italian Civil Code.**



- 6.5 Resolutions, other than those indicated in sections 6.3 and 6.4, in respect of remuneration for directors vested with particular duties, Company representatives and other management with strategic responsibilities, provided that:**
- ◆ the Company has adopted a remuneration policy which complies with the supervisory provisions issued by the Bank of Italy in respect of incentivization and remuneration schemes operated by banks;
  - ◆ a committee consisting exclusively of non-executive directors, a majority of whom are independent, has been involved in approving the remuneration policy;
  - ◆ the Company's shareholders have approved a report illustrating the remuneration policy in a general meeting of the Company;
  - ◆ the remuneration awarded is consistent with this policy.
- 6.6 Compensation schemes based on financial instruments approved by shareholders in general meeting - compliant with the supervisory provisions issued by the Bank of Italy in respect of incentivization and remuneration schemes operated by banks - and their execution, without prejudice to the transparency regulations set forth under section 11 regarding the information to be disclosed in the interim and annual review of operations.**
- 6.7 Transactions to be executed based on instructions issued for stability purposes by the supervisory authorities, or on the basis of provisions issued by the Parent company to execute instructions from the authority in the interest of the Group without prejudice to the transparency regulations applicable.**
- 6.8 Transactions involving negligible amounts.**



## 7. Framework approvals

The Bank may use Framework approvals for categories of equivalent and sufficiently determined Transactions with individual Related parties or categories of Related parties.

To this end:

- ◆ for the adoption of Framework approvals, the mechanisms provided for Most significant transactions or Transactions of minor significance (see section 2) must be followed, based on the likely maximum cumulative amount of the Transactions covered by the Framework resolution;
- ◆ Framework approvals have a duration of one year, refer to defined Transactions and show their likely maximum amount during the reference period and all likely items of information available for the Transactions to which they refer;
- ◆ execution of the Framework approvals must be notified on at least a quarterly basis to the Board of Directors;
- ◆ if a Transaction, even though initially attributable to a Framework resolution, does not meet the requirements in terms of being specific, equivalent and determined on which the resolution is based, it cannot be performed in execution of the Framework resolution; accordingly, the rules established generally for each Transaction shall apply to this Transaction.

The approval procedures described under section 2 do not apply to the individual Transactions completed in execution of a Framework resolution.



## 8. Transactions covered by Article 136 of the Italian consolidated banking act<sup>2</sup>

Without prejudice to the transparency regulations applicable and the provisions in respect of Prudential limits, the procedure for “*Obligations on Company representatives under Article 136 of the Italian consolidated banking act*” requires that the additional procedural measures specifically stipulated in the Consob regulations and Bank of Italy for this type of Transactions to be instituted where such Transactions are executed with counterparties which also qualify as Related parties.

Framework approvals made under Article 136 of the Italian consolidated banking act will also be co-ordinated with the regulations and applicable limits under the terms of the Regulations and the relevant implementation procedures with the Framework approvals.

If an individual Transaction with a counterparty under Article 136 the Italian consolidated banking act also constitutes a Transaction with a Related party, in the event that the Transaction constitutes:

- ◆ for an ordinary Transaction, without prejudice to the regulations on Prudential limits, the processing regulations described in section 2 (based on the Transaction’s classification) and transparency regulations apply, apart from the Exemptions. At the approval stage also described in section 2, the RPC’s opinion is not requested, and the body responsible for approving the deal is the one ordinarily defined in the procedure pursuant to Article 136 of the Italian consolidated banking act; the resolution approving the deal must, however, give adequate reasons for the advantage and economic benefit of the Transaction as far as the Bank is concerned;
- ◆ for a Transaction which does not qualify as an Ordinary transaction, without prejudice to the regulations on Prudential limits, the procedural, approval and transparency regulations provided in the Regulations shall apply, apart from for the Exemptions. In the approval stage described under Section 2, however, the RPC’s opinion is not requested.

The upper limits approved by the Executive Committee for Transactions with counterparties qualifying as relevant under Article 136 of the Italian consolidated banking act<sup>3</sup>, in cases where such counterparties are also Related parties, may be used and drawn against solely for Ordinary transactions. The regulations on Prudential limits apply, as do the approval rules set forth in the first bullet point of the previous paragraph; the Transparency regulations provided under the Regulations apply to the individual Ordinary Transactions with Related parties for transparency purposes actually executed against the upper limits referred to above. Assessment of the ordinary nature of the Transaction and market conditions must be adequately documented and stored by the IDR in accordance with the provisions of the Regulations.

Without prejudice to the foregoing, Group Corporate Affairs shall send full and adequate information regarding the Transaction to the Related parties committee and Executive Committee at least three days prior to the date set for the Executive Committee to approve the Transaction. With reference to Ordinary transactions in particular it will be necessary to inform the Board of Directors of the main terms of the Transaction at the first successive meeting.

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<sup>2</sup> Under the Articles of Association and the resolution in respect of operating powers adopted by the Board of Directors, transactions which are relevant pursuant to Article 136 of the Italian consolidated banking act must ordinarily be unanimously approved by the Executive Committee, with all members of the Statutory Audit Committee also voting in favour. Such transactions must be reported to the Board quarterly. companies must be consented to by the Bank’s Lending & Underwriting Committee before they may be completed.

<sup>3</sup> Such resolutions set, purely for internal purposes, the maximum potential exposure to a group of customers over a given period of time and are never notified to the customers themselves, nor do they represent transactions that will actually be made or executed in their entire maximum amount.



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For the purposes of completeness, it should be noted that the principles identified above also apply to Transactions relevant under Article 136 of the Italian consolidated banking act with a counterparty which also qualifies as a Related party, in cases where such Transactions are carried out by the Bank through the agency of a Group company.



## 9. Non-performing transactions

If a Transaction completed with a Related party subsequently gives rise to:

- ◆ losses;
- ◆ writedowns;
- ◆ accounts being transferred to non-performing loans;

such accounting treatments must be agreed with the Head of company financial reporting and the RPC.



## 10. Transactions with staff members

The Bank has equipped itself with an internal procedure which requires that transactions in which a staff member<sup>4</sup> has a personal interest<sup>5</sup> are subject to the Regulations at the proposal of the Conflicts Committee (as established by the Policy on Conflicts of Interest).<sup>6</sup>

The General Director notifies the RPC once a quarter of transactions of the kind reviewed by the Conflicts Committee and not subject to the Regulations.

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<sup>4</sup> Defined for the purposes hereof as the staff members, collaborators and financial advisors of Mediobanca.

<sup>5</sup> Defined for the purposes hereof as any situation in which the staff member, collaborator or financial advisor, directly or indirectly, has an interest of any kind (personal, financial or capital) in a transaction executed by/with Mediobanca.

<sup>6</sup> Transactions executed based on "special deals for Group staff" (e.g. CheBanca!) mortgages are excluded from the above.



## 11. Transparency

### Disclosure to the public:

- ◆ For Most significant transactions which are not Ordinary transactions, executed with Related parties for transparency purposes, the Bank prepares an information document drawn up in accordance with the Consob regulations.

The Bank also prepares an information document drawn up in accordance with the Consob regulations for:

- ◆ Cumulative transactions for transparency purposes; and
- ◆ Framework approvals for Transactions with Related parties for transparency purposes which are not Ordinary transactions and do not qualify as other Exemptions, if the likely cumulative maximum amount exceeds the relevance threshold for Most significant transactions.

The terms, documentation to be attached and methods of publication and disclosure of the information document to Consob are stated in Article 5 of the Consob regulations.

The Committee's opinions and excerpts from the Independent experts' opinions shall be attached as an annex to the information document or on the Bank's website (where there are good reasons to do so it will be possible to ask Consob for them not to be published).

If the Transaction is price-sensitive (as defined under Article 114 of the Italian consolidated finance act), the press release shall also provide the information required under Article 6 of the Consob regulations.

- ◆ For Transactions of minor significance which are not Ordinary transactions, executed with Related parties for transparency purposes, without prejudice to the provisions in respect of inside or price-sensitive information (as defined under Article 114 of the Italian consolidated finance act), in the event of a negative opinion from the Committee, within 15 days of the closure of each quarter of the financial year a document shall be published, at the Company's headquarters and according to the methods indicated in Title II, Chapter I, of the Regulations for Issuers, containing an indication of the counterparty, subject and fee involved in any Transactions of this type approved during the reference period and the reasons why such opinion is not shared. By the same deadline the opinion shall be disclosed to the public as an annex to the above document or on the Company's website.

**Disclosure in interim and annual review of operations:** without prejudice to the co-ordination with the administrative and accounting procedures required under Article 154-bis of the Italian consolidated finance act (cf. section 12), the interim and annual review of operations shall contain information regarding:

- ◆ all individual Most significant transactions completed during the reference period with Related parties for transparency purposes.

Where such Transactions do not qualify as Ordinary transactions, the required information may also be included in the form of references to the individual information documents, possibly updating them;



- ◆ any individual Transactions with Related parties for transparency purposes completed during the reference period which have impacted materially on the Bank's financial situation or earnings results;
- ◆ any change or development in the Transactions with Related parties for transparency purposes described in the most recent annual report which have impacted materially on the Bank's financial situation or earnings results during the period.

The Consob regulations require specific indication of the Transactions referred to under the foregoing points which have been completed using the exemption permitted for Ordinary exempt transactions.

For purposes of completeness, the following must be included in such disclosure: Transactions with Related parties for transparency purposes which qualify as Ordinary transactions and/or as Exemptions, those completed in Urgent cases and those executed under the terms of Framework approvals.

The disclosure must contain: the name of the counterparty in the Transaction, the nature of the relation with the Related party for transparency purposes, the subject of the Transaction, the value of the Transaction, and all other information that might be necessary to understand the effects of the Transaction with Related parties for transparency purposes on the Company's accounts.

**Disclosure to Consob:** the following information must be disclosed to Consob within 7 days of approval: the counterparty, subject and value of Ordinary transactions with Related parties for transparency purposes which qualify as Most significant transactions.



## 12. Internal information

The Board of Directors and the Statutory Audit Committee are informed on at least a quarterly basis of the Most significant transactions and Transactions of minor significance completed and their principal characteristics; of the Transactions completed by the Banking Group, including those qualifying as Ordinary transactions; those completed in Urgent cases and those executed under the terms of Framework approvals.

The RPC is informed monthly, including in aggregate form, of the Transactions (including those executed by Controlled companies) completed and their principal characteristics.



### 13. Recording and listing related parties

Under the first-time adoption of the Regulations, Group Corporate Affairs, subject to receipt of the RPC's opinion, submits a detailed list to the Board of Directors of the instances of Related parties, Related parties for transparency purposes and connected companies of concrete relevance (cf. Annex 5). This list is updated on an ongoing basis by Group Corporate Affairs and submitted to the approval of the Board of Directors, subject to receipt of the RPC's opinion, at least once every three years (or, without prejudice to the foregoing, following changes to the regulations that might impact on it).

Within the Group Technology and Operations area, the General Data Records - Static Data unit monitors and updates the Related parties, Related parties for transparency purposes and connected parties entered in the records.

To enable this duty to be performed, Group Corporate Affairs regularly requests the parties involved to provide the necessary information.

Parties which qualify as Related parties under the Regulations co-operate with the Bank and Mediobanca Group companies with which they have relations to allow Related parties, Related parties for transparency purposes and connected parties to be recorded fully and correctly, in particular with reference to identifying connected parties.

Related parties must also inform the office promptly of any changes in circumstances of which they are aware that might lead to changes in the scope of parties considered to be relevant under the terms of the Regulations.



## 14. Internal procedures

The Company's procedures, adopted in compliance with the Consob regulations and the Bank of Italy instructions, regulate the operating process and information flows so as to allow:

- ◆ Related parties, Related parties for transparency purposes and connected parties to be entered correctly;
- ◆ Transactions to be identified in ordered and effective fashion;
- ◆ Transactions to be classified by the IDR;
- ◆ specific functions and related responsibilities to be assigned accurately to the units involved;
- ◆ Risk assets versus connected parties to be reported to the Bank of Italy at the intervals and with the level of detail required by the relevant prudential reporting requirements;
- ◆ ongoing compliance with the Prudential limits for Risk assets versus connected parties; the activities to be implemented in the event of such limits being breached, in accordance with the detailed procedures required in the Bank of Italy instructions; assessment of the effects of their being breached, and in general of the risks associated with operations with connected parties, if relevant to the company's operations, as part of the ICAAP process;
- ◆ monitoring of remediation schemes;
- ◆ the processes for approval and disclosures to the public to be launched and executed;
- ◆ the upper limits for the Framework approvals to be monitored, along with their regular usage inter alia by the individual members of the Banking Group;
- ◆ the procedures to be co-ordinated with the Company's other internal procedures, including its administrative and accounting procedures instituted pursuant to Article 154-bis of the Italian consolidated finance act and those instituted pursuant to Article 136 of the Italian consolidated banking act;
- ◆ Transactions to be monitored for the purposes of identifying Cumulative transactions;
- ◆ mapping the "relatives" of Company representatives up to the second degree of kinship;
- ◆ rules to be adopted for the most relevant staff identified in accordance with the provisions in respect of remuneration and incentivization policies and practices;
- ◆ Internal procedures and circulars to be adopted by Group companies in accordance with the Bank of Italy instructions, and, where applicable, the Consob regulations which conform and are consistent with the Regulations. The scope of the Related parties to which such companies refer is that defined in the Regulations.

Such Internal procedures and circulars shall oblige the Group companies to:

- (i) make use, in their own processing and approval procedures in respect of all Transactions, of the IDR and RPC of Mediobanca; and
- (ii) inform the Parent company of all Transactions approved and completed with Related parties (including an indication of those which qualify as Ordinary transactions), including the Exemptions, at monthly intervals, through appropriate information flows and quarterly in summary form for reporting to the Parent company's governing bodies.



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With reference to the Transactions to be completed by Mediobanca through the agency of a Group company as described in section 4, the internal procedures and circulars must stipulate that the parties responsible for the process in the individual Group company involved co-ordinate with the IDR to implement and perform the approval, prudential and transparency requirements provided for in the Regulations, in compliance with the obligations and deadlines set by the Consob regulations and the Bank of Italy instructions.



## 15. Internal controls policies

The Internal controls policies on Risk assets and conflicts of interest versus connected parties are set forth in Annex 6 hereto, have been finalized by the units responsible in accordance with the Bank of Italy instructions, and have been submitted to the approval of the Board of Directors.

The Internal controls policies are disclosed to shareholders in general meeting.



## 16. Final provisions

Every substantial change or addition to the Regulations and the Internal controls policies must be approved by the Bank's Board of Directors, after receiving the analytical and justified opinions of the RPC and the Statutory Audit Committee regarding the overall adequacy of the Regulations and the Internal controls policies in terms of achieving the regulatory objectives.

The Board of Directors revises the Regulations at least once every three years after receiving the analytical and justified opinions of the Committee and the Statutory Audit Committee, taking into account *inter alia* any changes that have occurred to the ownership structure and the effectiveness shown by the Regulations in its applications, and also of the Internal controls policies. The opinions of the Committee and the Statutory Audit Committee are obtained even when it is decided not to make any amendments to the Regulations in force and the Internal controls policies. The Board of Directors also carries out an annual assessment of the limit for definition as a Transaction involving Negligible Amounts, having first consulted with both the Committee and the Statutory Audit Committee.

Any amendments that do not involve essential elements of the Regulations may be adopted, at the IDR's proposal, by the Chief Executive Officer, having consulted with the Chairman of the Board of Directors and having obtained the RPC's opinion.

The Statutory Audit Committee monitors the Regulations' compliance with the principles set forth in the Consob regulations and Bank of Italy instructions, and on the observance of it, and reports on these issues to shareholders in general meeting.

These Regulations, which are updated constantly, are published on the Bank's website, without prejudice to the obligation to publication, via reference to the website itself, in the Annual review of operations.

The Regulations will come into force on 27 June 2019, and as from that date will supersede in its entirety the Regulations in respect of transactions with related parties and their associates approved by the Board of Directors on 10 May 2018 which shall therefore be considered null and void.



## Annex 1

- ◆ **“Control”** as defined under Article 23 of the Italian consolidated banking act means:
  - (i) The instances contemplated under Article 2359, paras 1 and 2, of the Italian Civil Code;
  - (ii) Control pursuant to contracts or statutory provisions concerning or resulting in power to exercise management and co-ordination activity;
  - (iii) Instances of control in the form of dominant influence.

In addition, control is presumed to exist where a party possesses, directly or indirectly via its subsidiaries, more than half of the voting rights of an entity, unless in exceptional circumstances it can be clearly demonstrated that such possession does not constitute control. Control also subsists where an entity possesses half, or a smaller number, of the voting rights that can be exercised in general meetings, if said entity has:

- 1) Control of half of the voting rights by virtue of an agreement with other investors;
- 2) The power to determine the financial and operating policies of the entity by virtue of the articles of association or some other agreement;
- 3) The power to appoint or remove the majority of the members of the Board of Directors where control of the entity is held by the Board;
- 4) The power to exercise the majority of the voting rights in Board meetings where control of the entity is held by the Board.

Situations of joint control also constitute ‘control’, in cases where shared control of an economic activity is established contractually. In such cases the following are considered to be “controlling entities”:

- a) Parties which have the possibility to exercise a decisive influence over the strategic financial and operational decisions of a company (this situation occurs, for example, where there are two or more parties which each have the possibility of preventing strategic financial and operational decisions from being taken by the controlled company, through the exercise of a right of veto or as an effect of the quorum for the governing bodies to approve resolutions);
- b) Other parties able to condition the company’s management based on investments owned, agreements executed of whatever nature, statutory provisions concerning or resulting in power to exercise control.

Control also subsists in cases where it is exercised indirectly, through subsidiaries, fiduciary companies, or organizations or persons acting as intermediaries. Companies or firms controlled by entities which themselves are subject to joint control are not considered to be controlled indirectly.

- ◆ **“Significant influence”**: this is defined as the ability to participate in determining the financial, operational or management policies of an entity without having control of it. This may be obtained through ownership of shares, statutory clauses or agreements.

Significant influence is presumed to subsist in cases where an investment equal to or above 20% is owned, directly or indirectly, in the share capital or voting rights in ordinary general meeting, or equal to or above 20% for companies with shares listed on regulated markets.



If investments of under the above limits are owned, specific enquiries must be made to ascertain whether or not significant influence exists at least upon the occurrence of the following indications and taking every other relevant circumstance into due consideration:

- (i) being represented on the body responsible for management or strategic supervision of the investee company; in accordance with the regulations governing issuers of shares listed on regulated markets, the mere fact of the representative expressing the views of the minority does not in itself constitute an indication of significant influence;
- (ii) taking part in the company's strategic decision-making processes, in particular on the grounds of owning decisive voting rights in respect of decisions to be approved in general meetings on issues such as adoption of financial statements, allocation of profits and distribution of reserves, without this constituting an instance of joint control;
- (iii) the existence of relevant transactions, exchange of managerial staff, and provision of essential technical information.

The presence of a party in possession of an absolute or relative majority of the voting rights does not necessarily exclude the possibility of another party also having significant influence.

Significant influence also occurs when it is exercised indirectly, through subsidiaries, fiduciary companies, or organizations or persons acting as intermediaries.

Companies or firms controlled by entities which themselves are subject to joint control are not considered to be instances of significant influence.



## Annex 2 - Prudential limits for connected parties within the following categories of related parties

	Company representatives of relevant companies	Parties which control Mediobanca or are able to exercise significant influence over relevant companies	Investors in relevant companies and parties entitled to appoint, on their own, one or more members of the Board of Directors of relevant companies	Parties subject to the control or significant influence of the relevant companies
<i>Consolidated limit (consolidated regulatory capital)</i>	5%	Non-financial Related parties		
		5%	7.5%	15%
		Other Related parties		
		7.5%	10%	20%
<i>Individual limit (individual regulatory capital)</i>	20%			

\* As defined by the regulatory provisions currently in force.



## Annex 3 - Relevance indicators

- a) **Value relevance indicator:** the ratio between the value of the Transaction and regulatory capital (as defined by the regulatory provisions currently in force) taken from the most recent financial statements published (consolidated, if available).

If the financial terms of the Transaction are determined, the value of the Transaction is:

- (i) for the cash components, the amount paid to/by the contractual counterparty;
- (ii) for the components consisting of financial instruments, the fair value determined, at the date of the Transaction, in accordance with the international accounting principles adopted under Regulation CE 1606/02;
- (iii) for Transactions involving loans or the establishment of guarantees, the maximum amount that can be disbursed;
- (iv) for the provision of services, the amount of the fees.

If the financial terms of the Transaction depend entirely or in part on ratios as yet unknown, the value of the Transaction is the maximum amount that may be received or paid under the terms of the agreement.

- b) **Asset relevance indicator:** the ratio between the total assets of the entity involved in the Transaction and the total assets of the Bank. The data to be used must be taken from the most recent financial statements published (consolidated, if available) by the Bank; where possible, similar data must be used to determine the total assets of the entity involved in the Transaction.

For Transactions involving the acquisition and disposal of shareholdings in companies which affect the area of consolidation, the value of the numerator shall be the investee company's total assets, regardless of the percentage of share capital available.

For Transactions involving the acquisition and disposal of shareholdings in companies which do not affect the area of consolidation, the value of the numerator shall be:

- (i) for acquisitions, the value of the Transaction plus any liabilities of the acquired Company taken on by the buyer;
- (ii) for disposals, the consideration for the asset sold.

For Transactions involving the acquisition and disposal of other assets (i.e. other than the acquisition of an investment), the value of the numerator shall be:

- (i) for acquisitions, the higher of the consideration and the book value to be assigned to the asset;
- (ii) for disposals, the book value of the asset.

For Transactions involving mergers and spinoffs, the threshold is to be calculated via the present indicator.

- c) **Liability relevance indicator:** the ratio between the total liabilities of the acquired assets and the total assets of the Bank. The data to be used must be taken from the most recent financial statements published (consolidated, if available) by the Bank; where possible, similar data must be used to determine the total liabilities of the company or business unit acquired.



## Annex 4 - Definitions of related parties

### Consob regulations

An entity is a related party to a company if it:

- a) directly or indirectly related, through subsidiaries, trustees or an intermediary:
  - (i) controls the company, is controlled by, or is under common control;
  - (ii) holds a stake in the company to exert significant influence over the entity;
  - (iii) exercises control over the company jointly with others;
- b) is an associate of the company;
- c) is a joint venture in which the company is a participant;
- d) is one of the key management personnel of the company or its parent;
- e) is a close relative of a person referred to in letters (a) or (d);
- f) is an entity in which a person referred to in letters (d) or (e) exercises control, joint control or significant influence or owns, directly or indirectly, a significant portion, but not less than 20 % of voting rights;
- g) is a complementary pension fund, collective or individual, Italian or foreign, established for the employees of the company, or any other entity associated with it.

### Bank of Italy instructions

- ◆ “*Related party*”, the persons or individuals listed below, on account of the relations entertained with a single bank, with a bank or regulated intermediary belonging to a group, or with the financial parent company:
  - 1) Company representative;
  - 2) Investor;
  - 3) Party other than the investor, in a position to appoint, on its own, one or more members of the bodies for management or strategic supervision, including on the basis of agreements executed of any kind or statutory clauses involving or resulting in power to exercise such rights or powers;
  - 4) A company or firm, even not incorporated as such, over which the bank or banking company group is able to exercise control or significant influence.



- ◆ *“Connected parties”*:
  - 1) Companies and firms, even those not incorporated as such, controlled by a related party;
  - 2) Parties controlling a related party of those listed under no. 2 and no. 3 of the relevant definition, or parties subject, directly or indirectly, to joint control with the related party;
  - 3) Close relations of a related party and companies or firms controlled by them.
- ◆ *“Related and connected parties”*: the set of a related parties and all parties connected to it. For application at the individual level, individual banks forming part of a banking group refer to the same scope of related and connected parties determined by the parent company for the entire Banking Group.



## Annex 5 - Overview of Related parties

Related party	For prudential purposes Bank of Italy	For transparency purposes Consob
a) A company representative of:		
(i) Mediobanca;	X	X
(ii) Another Relevant company;	X	
b) Party which is able to appoint, on its own, one or more members of Board of Directors of Mediobanca (currently UniCredit, Bolloré,) or another Relevant company, including based on agreements irrespective of the form in which they are executed or statutory clauses involving or resulting in power to exercise such rights or powers;	X	X
c) the Company or firm, including entities not incorporated as companies, over which the following are able to exercise control:		
(i) Mediobanca, or	X	X
(ii) Another company forming part of the Banking Group;	X	
d) the Company or firm, including entities not incorporated as companies, over which the following are able to exercise significant influence:		
(i) Mediobanca, or	X	X
(ii) Another company forming part of the Banking Group;	X	
e) the party controlling one of the parties listed under point b;	X	X
f) the entity subject - directly or indirectly - to joint control by one of the parties listed under point b;	X	
g) a close relative of one of the parties listed under:		
(i) a)(i), b) or e);	X	X
(ii) a)(ii);	X	
h) a company or firm, including entities not incorporated as companies, controlled by one of the parties listed under:		
(i) a)(ii), e, f, or g(i);	X	X
(ii) a)(ii), b, d, or g(ii);	X	
i) a member of Mediobanca's strategic management or one of their close relatives;		X
j) an entity over which one of the parties listed under letter h. exercises control or significant influence or owns, directly or indirectly, a significant share representing in any case not less than 20% of the voting rights;		X
k) an entity over which one of the parties listed under a)(i) or one of their close relatives exercises significant influence or owns, directly or indirectly, a significant share representing in any case not less than 20% of the voting rights;		X
l) joint ventures in which Mediobanca is an investor;		X
m) complementary pension fund, collective or individual, Italian or foreign, established for the employees of Mediobanca;		X
n) the shareholder with an investment equal to or above 3%, with the exception of market makers and asset managers, Italian or international, which do not propose to take an active role in the management of the companies in which they invest	X	X



## Annex 6 - Internal controls policies

### 1. Introduction

Section IV, Chapter 5, Title V of the New prudential supervisory regulations for banks issued in December 2011 - Circular no. 263 requires that banks approve their internal control policies, indicating their objectives in detail.

The policy is approved by the Board of Directors, having noted the opinion in favour expressed by the Internal Control Committee and the Statutory Audit Committee, disclosed to shareholders in general meeting and kept available for any requests made by the Bank of Italy.

### 2. Content

In accordance with the requirements laid down by the regulations, the policy:

- ◆ identifies the sectors of activity and products in relation to which conflicts of interest of interest may arise;
- ◆ establishes how levels of risk propensity are set which are consistent with the strategic profile and organizational characteristics of the Bank and the Banking Group;
- ◆ governs the organizational processes for identifying connected parties and the related transactions;
- ◆ identifies the duties of the control units, in relation to operations with connected parties.

#### 2.1 Conflicts of interest with connected parties

##### 2.1.1 Definition of conflicts of interest with connected parties

For the purposes of these regulations, conflicts of interest are defined as situations in which the execution of a transaction with a related party may result in damage to the Bank or to one of its customers. In particular the regulations require the adoption of specific measures in order to minimize the risk of the proximity of certain parties to the Bank's decision-making centres compromising the objectivity and impartiality of the decisions made concerning the granting of loans, the taking of risks in general and other transactions, with possible distortion in the process of allocating resources, exposing the Bank to risks not adequately measured or covered and potential damage for both creditors and shareholders.

##### 2.1.2 Sectors of activity and types of relevant transaction

Conflicts of interest are recorded for the various areas of activity carried out by the Bank, and in particular:

- ◆ Lending (loans, transactions with counterparty and issuer risk);
- ◆ Funding (issuance of bonds or other debt securities, current accounts);
- ◆ Investment services (trading, placement, investment advice);
- ◆ Ancillary services (advisory, equity research, securities custody)
- ◆ Equity investment.



The equivalent activities carried out by the other Group companies are also relevant in this respect.

### 2.1.3 Identifying instances of conflicts of interest

The methods by which individual conflicts of interest are identified are contained in the Policy on management of conflicts of interest approved by the Board of Directors on 27 June 2012, drawn up in accordance with the provisions of the Consob-Bank of Italy combined regulations, with suitable additions to reflect the banking nature of the company's operations, to which reference is made.

Actual identification from the various transactions implemented by the Bank and the Group to connected parties is chiefly made through use of an IT instrument which generates alerts to the Compliance unit when transactions are executed with such parties. On a prudential basis the system also reports situations, where such information is available and known to the Bank, in which connected parties are the counterparty of the Bank's customers.

Such mechanisms constitute a second-level control versus what is defined and required for the Bank's various units in application of the procedure for transactions executed with connected parties.

### 2.1.4 Managing conflicts of interest

Management of any conflicts of interest deriving from transactions with connected parties is guaranteed first and foremost by compliance with the provisions set forth in the procedures in respect of related parties defined by the Bank.

In addition to the measures defined under the above procedures, the standard and/or additional measures defined in the Policy di Managing conflicts of interest also apply insofar as they are compatible.

## 2.2 Risk propensity versus connected parties

The levels of risk propensity versus individual connected parties reflect the assessment of their credit standing according to certain criteria equivalent to those used for unrelated parties and in any case within the supervisory limits if lower. The aggregate exposure to all connected parties may not exceed the amount determined and revised annually by the Board of Directors.

## 2.3 Organizational processes for identifying connected parties and related transactions

Group Corporate Affairs and, within the Group Technology and Operations area, the General Data Records - Static Data unit adopt, each within their own respective areas of responsibility, operating processes for identifying, classifying, recording and monitoring Related Parties, Connected parties and related and connected parties by:

- ◆ specific requests to counterparties,
- ◆ external information providers,
- ◆ use of the IT system.

Group Corporate Affairs also prepares information flows for the Bank's units and the Group companies.

The head of the division responsible for the transaction (IDR), using the information contained in the information flows referred to above, checks whether the counterparty may or may not be identified as a Related party.



If so, the head of the Division responsible provides the Internal division responsible (IDR) with the items of information necessary to assess whether the Transaction constitutes a risk asset.

Thereafter the IDR, with the help of the relevant IT system, checks that the Prudential limits and the limits on Cumulative transactions are complied with, and classifies the transaction in accordance with the Regulations.

For transactions falling with the scope of operations covered by Framework approvals, control of compliance with these limits is still the responsibility of the Risk Management unit, which will act with the support of a specific computer system fed with data on exposures measured using the regulatory metrics supplied and verified by the relevant units of the Bank.

Insofar as regards the prior check of the amount available for use from the Framework approvals, the head of the Division responsible will report to the IDR, which based on the information provided will also assess whether the proposed transaction may be carried out in execution of a Framework resolution, on the grounds that it meets the criteria of being specific, equivalent and determined on which the resolution itself is based.

The head of the Division responsible sends the Information dossier to the IDR (cf. section 2 of the Regulations) which contains all the information required to approve the transaction, with reference in particular to the documentation proving that the transaction is being executed at market conditions.

Without prejudice to the powers vested in the Chairman and Chief Executive Officer, the IDR, once it has checked that the contents of the Information dossier are adequate, states that it is fair or contacts the relevant approving bodies. Finally, it also files the dossier.

The IDR is also responsible for the regular reports to the governing bodies in respect of the transactions executed on whatever grounds with related parties, in accordance with the methods and deadlines set forth in the Regulations.

## 2.4 Responsibilities of control units

The control units (Compliance, Risk Management and Group Audit), in compliance with their own spheres of responsibility:

- ◆ ensure that risks taken on versus connected parties are managed and measured correctly, and
- ◆ check that the policies and internal procedures are designed correctly and applied effectively.

In particular:

- ◆ the Compliance unit checks on an ongoing basis that the procedures and systems are able to ensure that all regulatory requirements and all requirements established by the internal regulations are complied with;
- ◆ the Risk Management unit is responsible for measuring risks - including market risks - underlying the relations with connected parties, for checking that the limits assigned to the various divisions and operating units are respected, and checking that the operations of each are consistent with the levels of risk propensity defined in the internal policies;
- ◆ the Group Audit unit checks that the internal policies are complied with, reports any irregularities promptly to the Board of Directors and the Statutory Audit Committee, and reports regularly to the governing bodies on the overall exposure of the Bank and the Banking Group to the risks deriving from transactions with connected parties and from other conflicts of interest, suggesting amendments, if appropriate, to the internal policies and organizational and control arrangements considered suitable to strengthen the coverage of such risks.