



# MEDIOBANCA CORPORATE GOVERNANCE

**Executive summary 2020**

January 2021



MEDIOBANCA

# INTRODUCTION

**In the last decade Mediobanca Group has significantly developed strengthening existing business while developing new project, addressing profitability growth and long term solidity for the benefit of all the stakeholders. Such development entailed a steady evolution of the Group allowing to grasp the best opportunities offered by market and regulation.**

**Responsibility and professionalism has remained unchanged as the distinctive culture of the Group Outstanding balance sheet soundness will remain a crucial managerial lever to take advantage of growth opportunities as we did all over the cycle.**

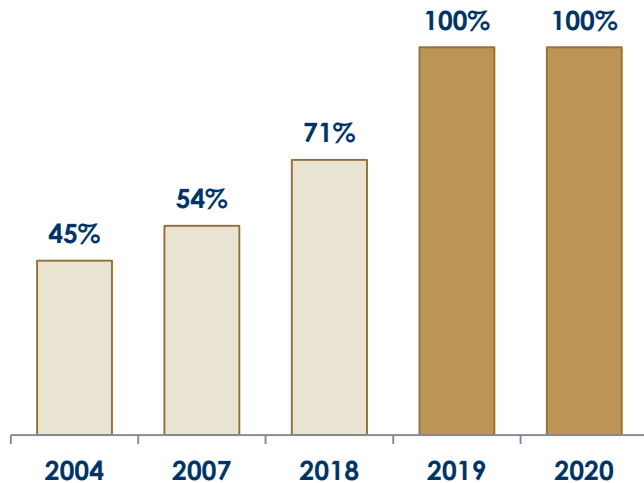
**In November 2019 the new Strategic Guideline 20/23 has been approved featuring strategic consistency. In July 2020 growth drivers and target has been confirmed notwithstanding Covid-19. In 2023 Mediobanca Group will be enlarged, more solid and more profitable. Shareholders' remuneration, that we consider satisfactory also in the past, will be maintained at the top of the industry within an efficient capital management strategy.**

**Governance has a primary role evolving synergistically with the Group Today the historical shareholders' pact has expired and Institutional Investors hold the majority of the shares capital.**

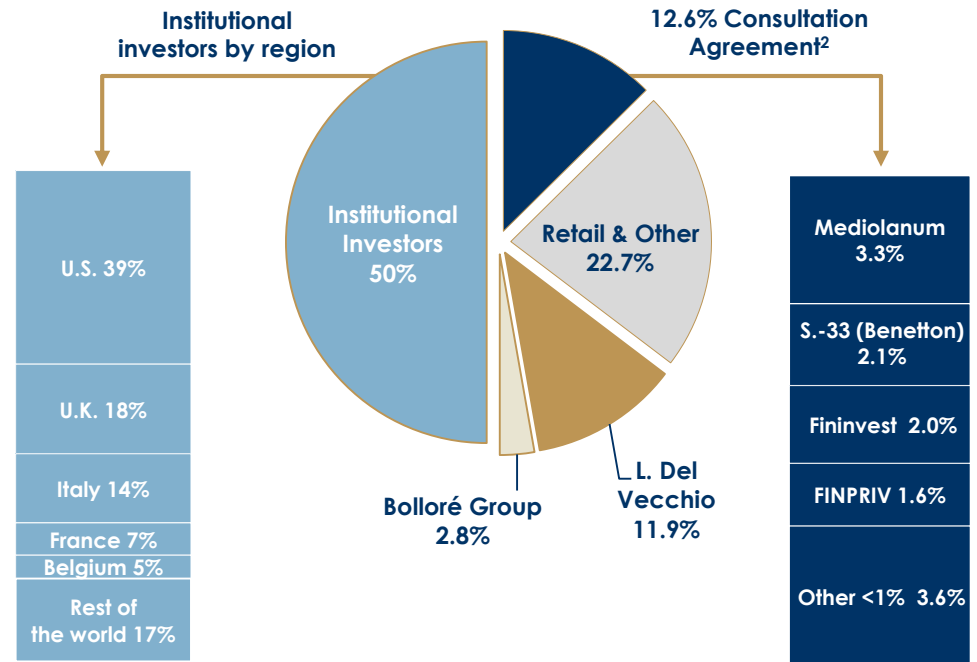
**Election of the new BoD (AGM 2020): strong support from institutional investors to managerial continuity and Group strategy**  
**For the first time the BoD itself presented a slate for the BoD renewal. Such slate, that includes the professionals whose skill and experience are deemed indispensable to achieve the targets of the business plan, received votes equal to more than 2/3 of the shares represented in the meeting.**

# DIVERSIFIED SHAREHOLDER BASE

MB free float up (now 100%) due to progressive shareholder pact reduction



Mediobanca shareholders' structure<sup>1</sup>



- ◆ **Historical syndicated agreement has expired.** With the new consultation agreement signed in December 2018 (gathering 12.6% of capital, lasting 3Y, with no restrictions on shares) **MB free float has become now 100%.**
- ◆ **Institutional investors account for 50%**, stably split by geographical region: U.S. (39%), U.K. (18%) and Italy (14%)

1) Source: Nasdaq Shareholder Analysis August 2020

2) No provision made for commitments either in terms of lock-up or voting rights over shares syndicated. The agreement governs the means by which shareholders meet to share reflections and considerations regarding the Group's performance, in accordance with the principle of parity of information versus the market

# CORPORATE GOVERNANCE STRUCTURE

Mediobanca has adopted a **traditional corporate governance model** based on a BoD and a Statutory Audit Committee, both of which are appointed by shareholders in AGM<sup>1</sup>. Within this model, our corporate governance system provides for a **clear separation of roles** and responsibilities of the governing bodies, as set out in the Articles of Association:

- ◆ **Strategic supervision** is assigned to the BoD, which decides on the Bank's strategic policies and verifies their continued implementation
- ◆ **Management of operations** are handled by the Executive Committee and the CEO, who are responsible for implementing strategic policies and managing the company
- ◆ The **Statutory Audit Committee** is responsible for supervising control activities.



4 1) Both Directors and Statutory Auditors are appointed on the basis of lists mechanism (ex art.15 and 28 of the Article of Association).



# CORPORATE GOVERNANCE MODEL: DESCRIPTION

- ◆ Under the Articles of Association in force, **three members of the Group's senior management are included in the BoD, and the CEO is vested with powers for the Group's current operations.**
- ◆ **This model safeguards the interests of shareholders, while ensuring that management has the best possible conditions to work in.**
- ◆ Ten years since it was introduced, the traditional system has shown that it works smoothly and effectively, fosters the necessary debate between the Board's executive and strategic supervisory functions. The control body, despite not being part of the Board, participate actively in discussions at meetings of the Board itself, of the Executive Committee, of the Risks Committee and of the Remunerations Committee.
- ◆ **BoD Committees** - the Board of Directors has established **six committees** :
  - ◆ **Risks Committee:** duties for matters relating to risk management, the internal controls system and the financial reporting structure
  - ◆ **Related parties Committee:** assists the Board of Directors on matters pertaining to transactions with related parties
  - ◆ **Remuneration Committee:** consultative and administrative duties regarding the staff remuneration and incentivization policy and for setting the compensation payable to senior management figures
  - ◆ **Appointments Committee:** supports the BoD in the process of appointing Directors, the BoD self assessment exercise, and in preparing the succession planning for senior management positions
  - ◆ **CSR Committee:** administrative duties for sustainability issues to be submitted to the attention of the BoD
  - ◆ **Committee instituted pursuant to art. 18 of Articles of Association:** adopts resolutions in respect of decisions to be taken in general meetings of the investee listed companies, with reference to the appointments to be made to their governing bodies, in which the Bank holds at least 10% of share capital and for which the investment represents >5% of the Group's consolidated regulatory capital.
- ◆ **Management committees** – these are **committees made up of members of the Group's senior management** (including the CEO and Group General Manager), to which the Executive Committee has delegated **powers of approval on matters involving credit, market, liquidity, operational and conduct risk, plus investments for clients** (in particular the Group Risk Management Committee, the Lending and Underwriting Committee, the Group ALM Committee, the Investments Committee, the New Operations Committee, The Group Operational Risks Committee, the Group Wealth Management Investments Committee, and the Private & Affluent Investments Committee)
- ◆ **The Group Sustainability management Committee**, made up of key people within Mediobanca and a Group Sustainability Unit reporting directly to the CEO.

# THE NEW BOARD OF DIRECTORS IN CHARGE UNTIL FY23 ...

## Board of Directors' List

Name	Age		Independent*	First Election
Renato Pagliaro	63	Chairman <sup>1</sup>		2008
Maurizia Angelo Comneno	72	Deputy Chairman	X <sup>2,3</sup>	2014
Alberto Nagel	55	CEO		2008
Francesco Saverio Vinci	57	GM		2008
Virginie Banet	54	Director	X <sup>2,3</sup>	2020
Maurizio Carfagna	72	Director	X <sup>2,3</sup>	2014
Laura Cioli	57	Director	X <sup>2,3</sup>	2020
Maurizio Costa	71	Director	X <sup>2,3</sup>	2014
Angela Gamba	50	Director	X <sup>2,3,4</sup>	2017
Valérie Hortefeux	52	Director	X <sup>2,3</sup>	2017
Maximo Ibarra	51	Director	X <sup>2,3</sup>	2018
Alberto Lupoi	50	Director	X <sup>2,3,4</sup>	2018
Elisabetta Magistretti	73	Director	X <sup>3</sup>	2011
Vittorio Pignatti Morano	63	Director	X <sup>2,3</sup>	2018
Gabriele Villa	56	Director	X <sup>3</sup>	2017

## Main features

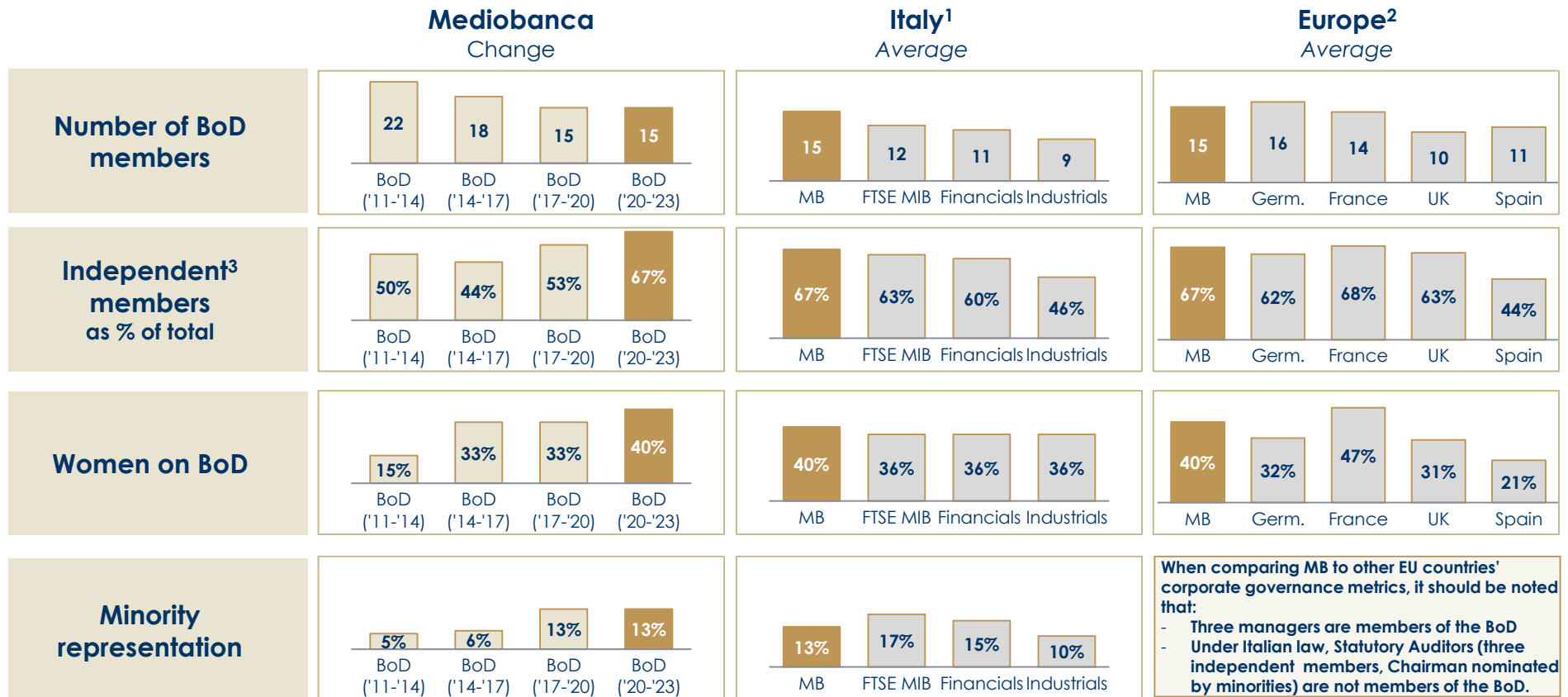
- ◆ **The current BoD** (appointed by the AGM held in 2020, expiring with approval of the financial statements for the year ended 30/6/23), **is aligned with the best national and International practice**, and complies with the regulations issued by the ECB and the Bank of Italy, and reflects the results of the self-assessment process.
- ◆ **BoD's size: 15 Directors**
- ◆ **Continuity in BoD composition to confirm strategy** of Business Plan 2023
- ◆ **Balanced combination of expertise**
- ◆ **Increasing gender diversity (@ 40%)**
- ◆ **Strengthening international experience and profiles in areas other than legal and economic**
- ◆ In order **to limit the risk of conflicts of interest** no Directors:
  - ◆ hold, or have held in the last six months, the position of member of the body with strategic supervisory duties, senior management, or advisory board of companies forming part of competitor groups or insurance groups
  - ◆ are not, directly or indirectly via fiduciary companies, subsidiaries or other persons, a significant shareholder (i.e. with stakes of above 10%) in such groups

**... FEATURES IMPROVEMENT IN QUALITY...**  
**ENRICHED BLEND OF SKILLS TO STRENGTHEN BUSINESS PROFILE**

Name	Gender	Age	Skills & expertise										
			Business in which MB Group operates	Banking accounting and reporting	Macro/international economics	Risk management, compliance and internal audit	Information technology, security	Legal and regulatory frameworks	Manag. capab. and entrepr. exp.	Banking governance	Planning of regulatory and economic capital	Sustainability	
Renato Pagliaro	M	63	X	X	X	X	X	X	X	X	X	X	X
Maurizia Angelo Comneno	F	72	X			X			X	X	X		X
Alberto Nagel	M	55	X	X	X	X			X	X	X	X	X
Francesco Saverio Vinci	M	57	X	X	X	X	X	X	X	X	X	X	X
Virginie Banet	F	54	X	X	X	X	X	X	X	X	X	X	X
Maurizio Carfagna	M	72	X	X	X	X	X	X	X	X	X	X	
Laura Cioli	F	57	X		X	X	X			X	X	X	X
Maurizio Costa	M	71	X		X	X				X	X		X
Angela Gamba	F	50	X			X				X	X		X
Valérie Hortefeux	F	52	X		X	X				X	X	X	X
Maximo Ibarra	M	51	X		X			X		X	X		X
Alberto Lupoi	M	50	X			X			X		X	X	X
Elisabetta Magistretti	F	73	X	X		X			X	X	X	X	X
Vittorio Pignatti Morano	M	63	X	X	X	X				X	X	X	
Gabriele Villa	M	56	X	X		X			X		X		

# ... AND IN METRICS

## IN LINE WITH NATIONAL AND EUROPEAN BEST PRACTICE



- ◆ **MB's BoD continues to stand out for members' independence, number of BoD members and gender diversity**
- ◆ **Even with significant differences between European countries the MB BoD reflects outstanding indicators in terms of gender diversity, independence and number of members**

1. Source: Consob Report on corporate governance 2019  
 2. Source: Spencer Stuart Board Index 2019  
 3. As defined by Article 19 of the Articles of Association providing for a single definition of independence, in line with the requirements of the Code of Conduct for listed companies operated by Borsa Italiana.





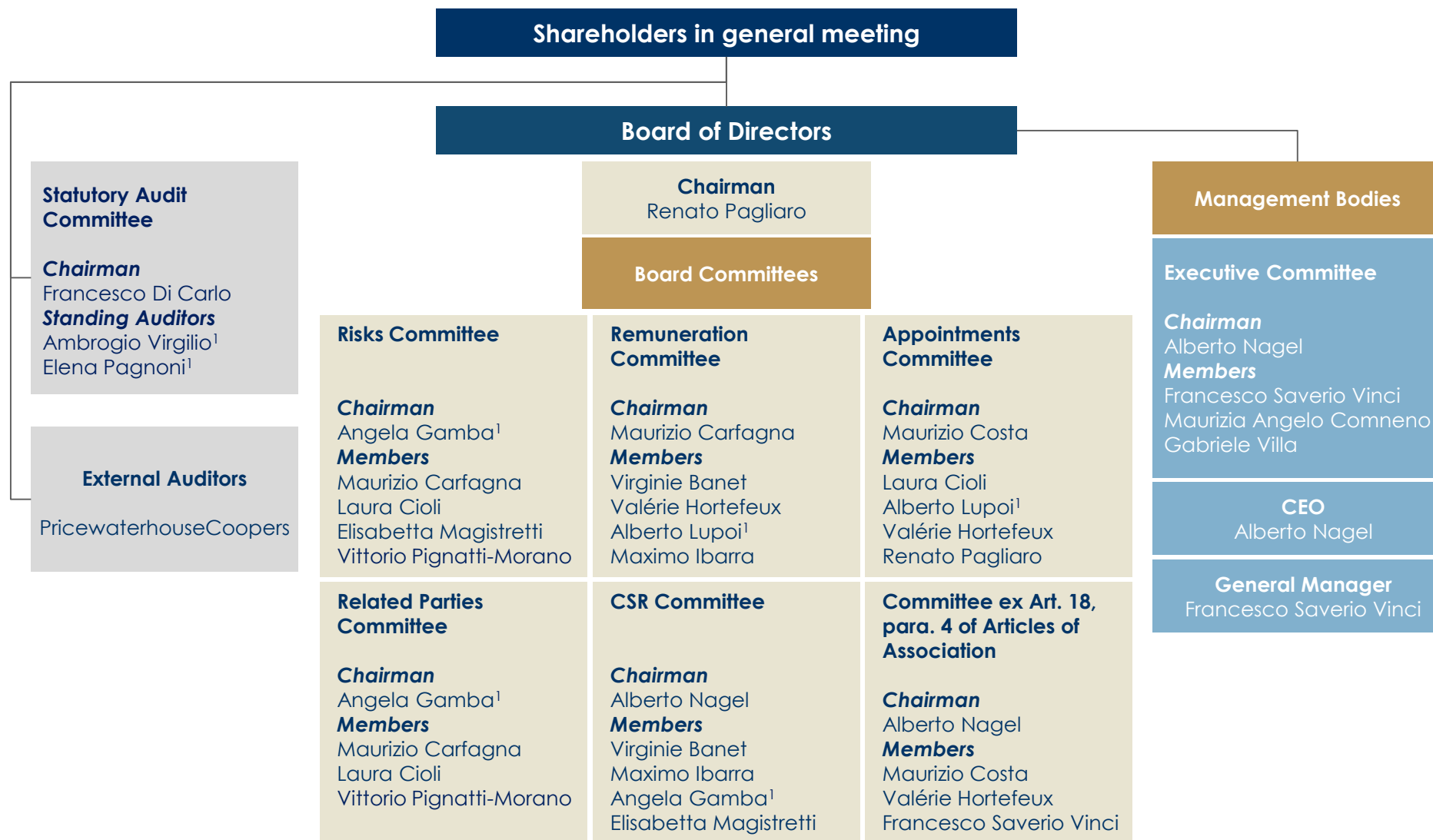
# BOARD OF DIRECTORS COMMITTEES COMPOSITION

Director	Post	Independent	Committees						
			Executive	Risks	Related Parties	Remunerations	Appointments	CSR	Committee ex Art. 18, par. 4 of Articles of Association
R. Pagliaro	Chairman <sup>1</sup>						X		
M.A. Comneno	Deputy Chairman	X <sup>2,3</sup>	X						
A. Nagel	CEO		Chairman					Chairman	Chairman
F. Saverio Vinci	GM		X						X
V. Banet	Director	X <sup>2,3</sup>				X		X	
M. Carfagna	Director	X <sup>2,3</sup>		X	X	Chairman			
L. Cioli	Director	X <sup>2,3</sup>		X	X		X		
M. Costa	Director	X <sup>2,3</sup>					Chairman		X
A. Gamba	Director	X <sup>2,3,4</sup>		Chairman	Chairman			X	
V. Hortefeux	Director	X <sup>2,3</sup>				X	X		X
M. Ibarra	Director	X <sup>2,3</sup>				X		X	
Lupoi	Director	X <sup>2,3,4</sup>				X	X		
E. Magistretti	Director	X <sup>3</sup>		X				X	
V. Pignatti Morano	Director	X <sup>2,3</sup>		X	X				
G. Villa	Director		X						

- 1) Non-executive
- 2) Independent as defined by Article 19 of the Articles of Association
- 3) Independent as defined by Article 148, para. 3 of the Italian Finance Act
- 4) Members appointed from the minority list



# BOARD OF DIRECTORS COMMITTEES COMPOSITION (CHART)








# GROUP CSR : FROM COMPLIANCE TO STRATEGY

Integrating CSR into corporate strategy ...

2017	2018	2019	2020
Structure created	First Consolidated Non-Financial Statement	Policy on responsible investing and financing	CSR objectives included in new Strategic Plan
<ul style="list-style-type: none"> <li>◆ Sustainability unit</li> <li>◆ Group managerial Sustainability Committee</li> <li>◆ Group Sustainability Policy</li> <li>◆ First materiality matrix</li> <li>◆ First Group sustainability report</li> </ul>	<ul style="list-style-type: none"> <li>◆ Directive on responsible investing</li> <li>◆ Multi-stakeholder forum to update materiality matrix</li> <li>◆ Signed up to UN Global Compact</li> <li>◆ First Consolidated Non-Financial Statement</li> </ul>	<ul style="list-style-type: none"> <li>◆ New Group policy on responsible investing and lending</li> <li>◆ Responses to leading ESG Index questionnaires</li> <li>◆ Signed up to Principles for Responsible Investing</li> <li>◆ E-learning course on Sustainability and Human Rights</li> <li>◆ Second Consolidated Non-Financial Statement</li> </ul>	<ul style="list-style-type: none"> <li>◆ CSR objectives included in the 2019-23 Strategic Plan and in the LTI for senior management</li> <li>◆ BoD CSR Committee</li> <li>◆ Revised version of Group Sustainability Policy</li> <li>◆ Signed up to Principles for Responsible Investing</li> <li>◆ Third Consolidated Non-Financial Statement</li> </ul>

... to satisfy the demands of all stakeholders with our acknowledged ethical approach

<p><b>SHAREHOLDERS</b> </p> <p><b>Solid profitability</b> <b>Outstanding capital ratios</b></p>	<p><b>OUR PEOPLE</b> </p> <p><b>4,920<sup>1</sup></b> employees <b>58% men 42% women</b> <b>180,758</b> hours of training</p>	<p><b>ENVIRONMENT</b> </p> <p><b>93%</b> of electricity acquired from renewable sources Issue of first MB <b>green bond</b></p>	<p><b>COMMUNITY</b> </p> <p><b>€5.4m<sup>1</sup></b> community investment in 3 areas:</p> <ul style="list-style-type: none"> <li>◆ Environment and territory</li> <li>◆ Culture, research and innovation</li> <li>◆ Social inclusion</li> </ul>	<p><b>SUPPLY CHAIN</b> </p> <p><b>35.8%</b> of spending on supplies screened using ESG criteria<sup>1</sup></p>
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# BOARD ASSESSMENT PROCESS

Annex 1



# BOARD OF DIRECTORS – ASSESSMENT PROCESS

## Stages in Board assessment process



- ◆ In FY 2019-20, **the Board of Directors carried out a self-assessment of its role, size, composition, and functioning**, with regard to the BoD itself and the Committees instituted by it. The process was conducted **in view inter alia of the Report on the qualitative and quantitative composition of the Board of Directors to be submitted to the approval of shareholders in October 2020 in connection with the appointments to the new governing body.**
- ◆ The self-assessment was also performed with the support of an external consultant and **following the EBA guidelines on internal governance, the EBA/ESMA Guidelines on qualifications for Directors, and the ECB guidance on review of the requirements.**

# BoD – SELF-ASSESSMENT RESULTS

**Largely positive assessment of the composition and functioning of the Board and the Committees (adequacy and self-assessment) which confirms the effectiveness of the work done**

**Composition** (in terms of size, capabilities, background, diversity also in terms of gender, and number of independent members) considered to be adequate

**Flow of information ahead of the meetings**, documentation on risks facing company and risk controls, and segmentation of budget and closing data by business line, **all held to be satisfactory**

**Board members were appreciative of** the ways in which **the Chairman** informs, directs and stimulates the discussions in the Board meetings **and of the leadership shown by him**

Board members were **satisfied** at the **work done by the Board** in terms of **the number and duration, level of debate and minutes of the meetings and the induction and training programme.**

The **participation** of the **heads of the control units** and the Group's **main business areas in Board and induction meetings was appreciated**

**Board members were satisfied at the increased focus** put on senior management succession issues and visibility over key function holder development schemes

## Areas for improvement

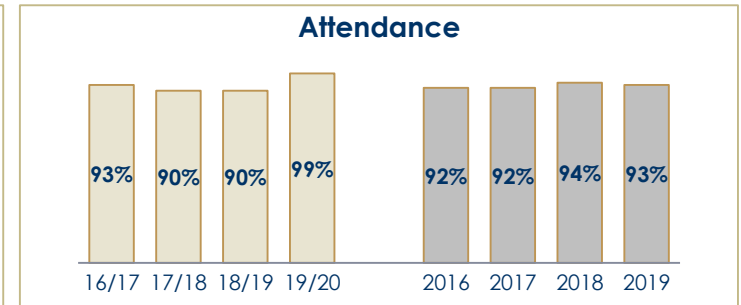
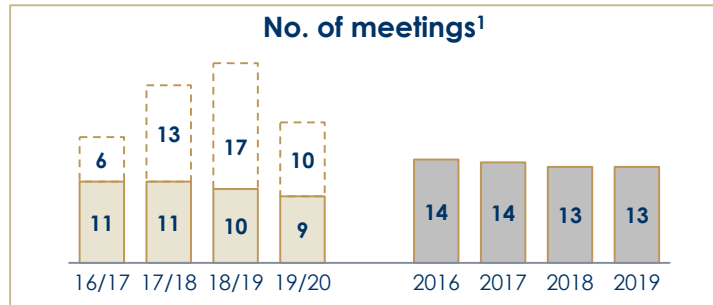
- More space for debating business issues in the Board agenda
- More indepth analysis of organizational profiles, including with reference to the adequacy of skills
- Complement the RAF, ICAAP/ILAAP and dashboard presentations with more substantial analysis of possible problems in operations and solutions for them

# BOD AND BOARD COMMITTEES: STATISTICS

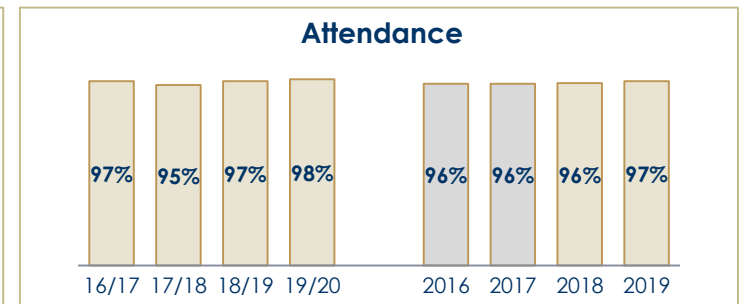
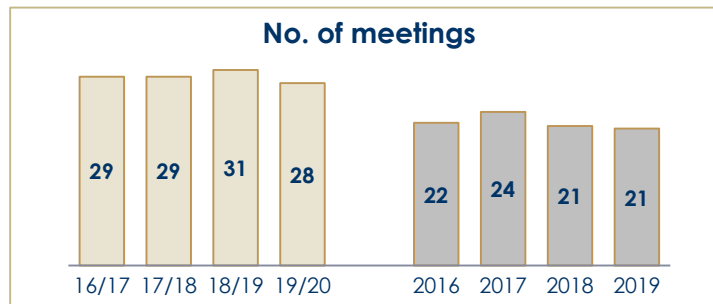
Annex 2

# BoD STATISTICS (FY 19/20)

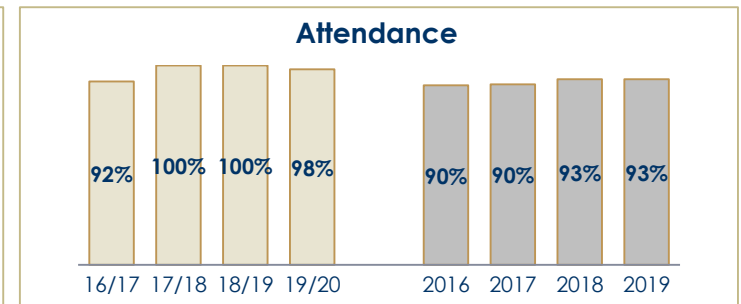
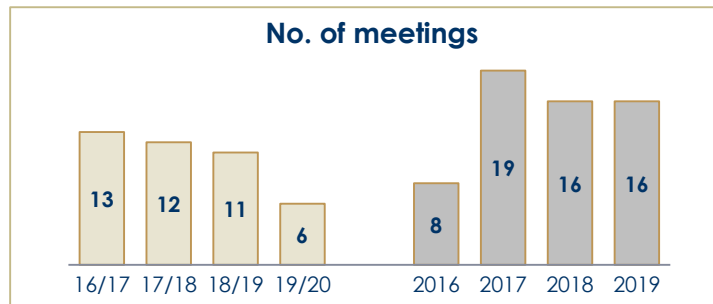
## BoD



## Statutory Audit Committee



## Executive Committee



Mediobanca FTSE MIB<sup>2</sup>

1) Including BoD induction and training sessions (dashed boxes).  
 2) Source: Assonime, *La Corporate Governance in Italia 2019*, Consob Report on corporate governance 2019

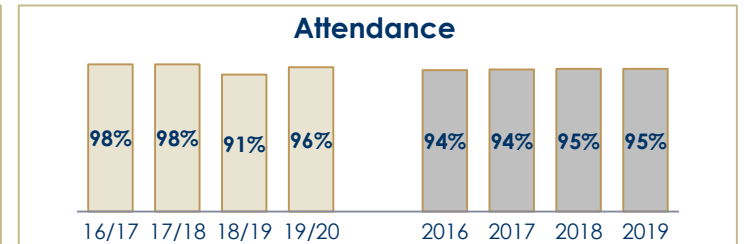
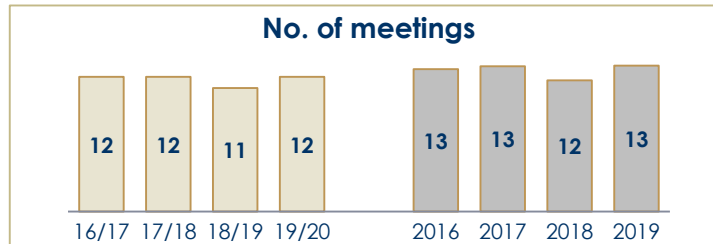




# BOD STATISTICS (FY 19/20)

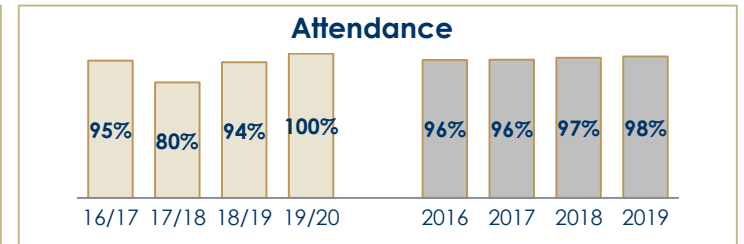
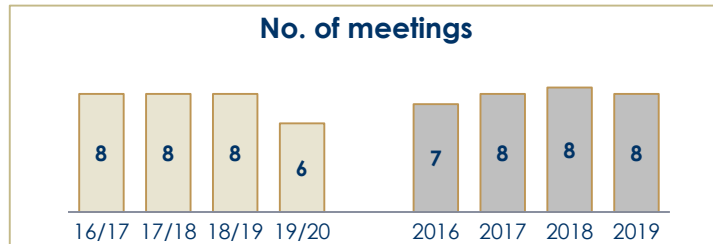
## Risks Committeee

(100% independent members)



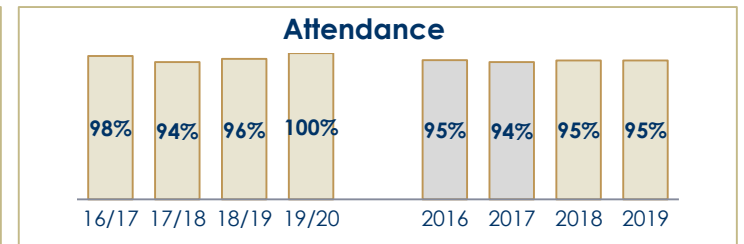
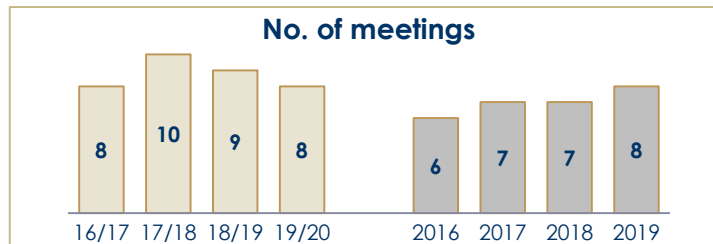
## Remuneration Committee

(75% independent members)

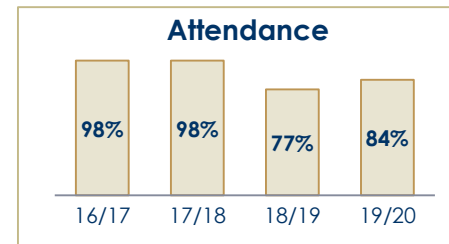
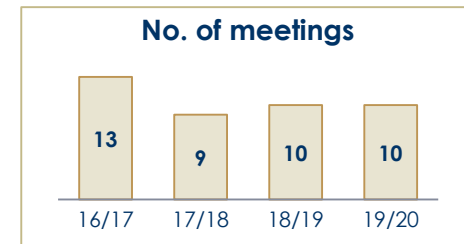


## Appointments Committee

(60% independent members)



## Related Parties Committee (role covered by the Risks Comitee)



 **Mediobanca**  
 **FTSE MIB<sup>1</sup>**

# CORPORATE GOVERNANCE CODES AND POLICIES

Annex 3

# CORPORATE GOVERNANCE – CODES AND POLICIES

## Code of Ethics

Our Code of Ethics contains references and guidance which complement the legal requirements and self-regulation obligations, with a view to ensuring that behaviour is consistent and compliant with the Group's mission and its fundamental values.

It defines ethical principles and conduct rules regarding several principles

- ◆ Fairness and honesty
- ◆ Impartiality
- ◆ Professionalism and valorization of staff
- ◆ Confidentiality
- ◆ Conflicts of interest
- ◆ Transparency and completeness of information
- ◆ Health and safety
- ◆ Environment

## Code of Conduct

The Code of Conduct is the document which, along with the Code of Ethics, sets out the fundamental principles on which the Bank's reputation is based, and contains the values which underlie its everyday operations. It constitutes the benchmark for regulating relations inside and outside the Bank in ethical terms, describing the standard of conduct required of all its staff and collaborators

The core values are

- ◆ Proper conduct
- ◆ Confidentiality
- ◆ Professionalism
- ◆ Independence

## Regulations on Internal Dealing

The regulations in respect of internal dealing (the "Regulations") have been approved by the Board of Directors of Mediobanca and adopted pursuant to the new EU regulations on this subject (Regulation (EU) 596/2014, Commission Delegated Regulation (EU) no. 522 issued on 17 December 2015, Implementing Regulation EU no. 523 issued in March 2016). The Regulations are intended to govern, with binding effect, behavioural and reporting requirements in respect of transactions executed, *inter alia* through intermediaries, by persons defined as "Relevant Persons"<sup>1</sup> and by persons or entities closely related to such Relevant Persons, involving shares in Mediobanca and bonds issued by the company and derivative financial instruments or other financial instruments linked to them

## Related Parties

These Regulations provide the instructions with which Mediobanca must comply to ensure the transparency, proper conduct, objectivity and impartiality of transactions with related parties, executed directly or via subsidiaries.

## Sustainability

The 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 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.

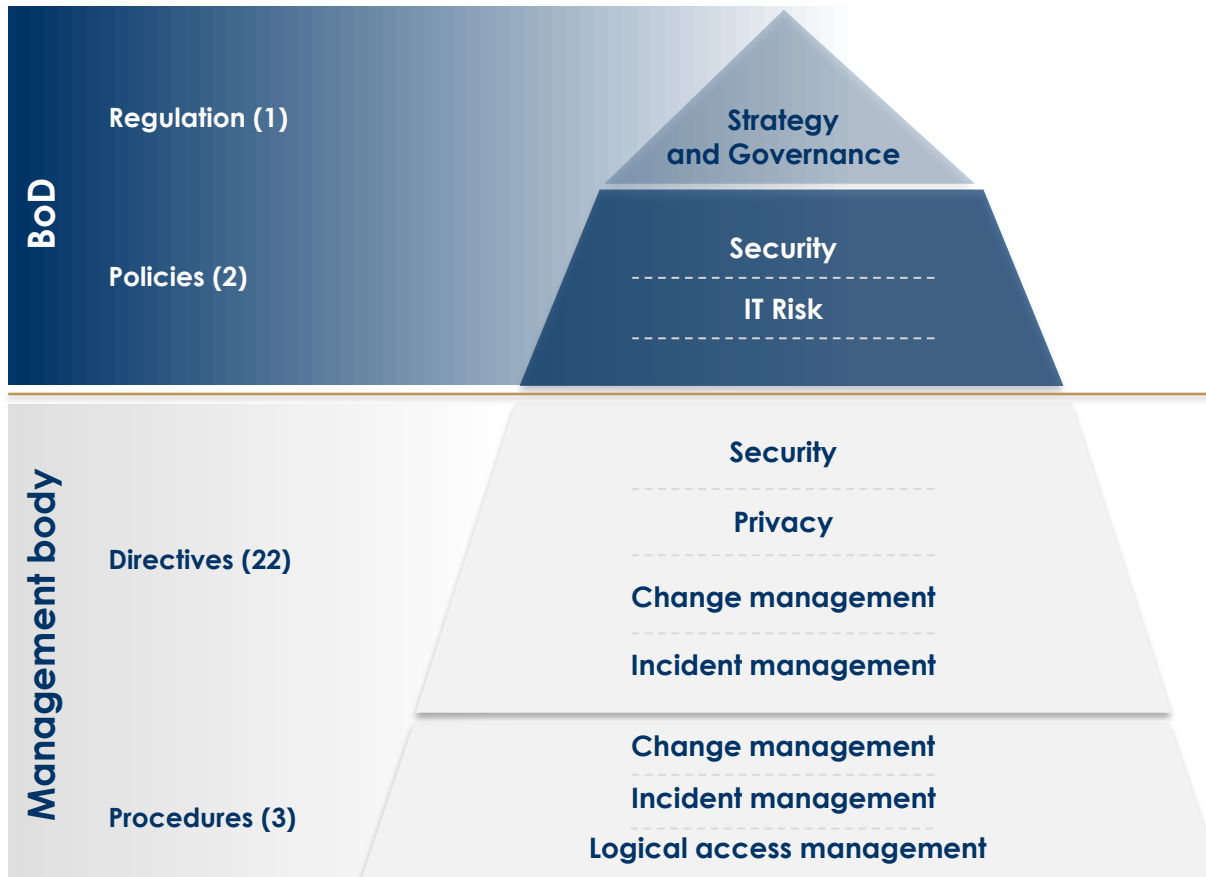
# GROUP IT GOVERNANCE

Annex 4



# GROUP IT GOVERNANCE MODEL

The Mediobanca Group considers the protection of its information assets a key principle that guarantees the operation of its processes in order to achieve strategic objectives and regulatory compliance. The IT risk management process is a foundational element and the main guideline to ensure that the organizational, procedural and technological protection measures are appropriate and commensurate with the value of the information and resources to be protected



The Group IT Regulations describes:

- ✓ The governance model for Group IT;
- ✓ The respective roles and areas of responsibility of the governing bodies and business units involved;
- ✓ The lifecycle of the IT regulations of the Group;
- ✓ References to standards, best practices and internal and external regulations which the governance of Group Information Systems is based on.

Mediobanca oversees the Group Information Systems in the interest of the Group companies themselves, with the aim of promoting the adequacy of services provided in support of the business, with a view to obtaining advantageous synergies and cost savings.

Management of technology infrastructure is centralized at Mediobanca Innovation Services, while management of the applications' lifestyle is assigned to the Group companies themselves.

# MEDIOBANCA GROUP DATA SECURITY

## Data security

The Mediobanca BoD has approved a Policy on information security and IT risk management, to ensure confidentiality, integrity and availability of data and information. A dedicated internal unit has also been set up to manage IT risks and protect the Bank from security incidents, taking into account the developments in cyber crime, regulatory changes and Mediobanca's business. This unit performs, *inter alia*, security and risk awareness initiatives, IT risk quantitative analysis, vulnerability assessments and penetration tests.

## Data protection policy

Mediobanca has adopted a data protection policy setting out the principal measures identified by Mediobanca to ensure compliance with the general principles contained in the GDPR, with reference in particular to (i) lawfulness of processing, (ii) rights of interested party; (iii) processing register and assessment of the impact on data protection; (iv) processing security; and (v) management of data breach events

## Rights of individuals to control their own data

On data subject rights, Mediobanca's new privacy policy and related implementing internal documentation will address the following issues: (i) information rights; (ii) access and correction rights; (iii) new deletion rights (right to be forgotten); (iv) new data portability rights; (v) processing objection and restriction rights; (vi) new right not to be subject to decisions based solely on automated data processing, including profiling, which produces legal effects or similarly affects the person; and (vii) new breach notification rights.

## Audits

The Group Audit Unit, based on a risk-driven approach, carries out regular assessments of privacy (e.g. checks on client documentation and networks' activities, operational audits of Group central processes, monitoring of compliance unit) and data security (e.g. VAPT on corporate websites, assessments of Strong Customer Authentication).

## Data breach response plan

With reference to IT and computer security incidents, the Mediobanca Group's regulations: (i) identify types of incident which trigger reporting requirements versus the regulator; (ii) defines the reporting required and the deadlines to be met in the event of an incident (e.g. the first notification must be made within two working hours when the incident is classified as serious); and (iii) defines the organizational model put in place by the Group to deal with and manage IT and computer security incidents.

## Employee training

Mediobanca has set up an education programme which provides for an online training course on data protection and security awareness for each new recruit (including a final test) and regular refresher courses, in addition to any initiatives that may be undertaken upon relevant changes to the applicable regulations. In this connection, the training course will be updated based on the provisions of the GDPR and distributed to existing employees.